

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING
Wednesday, June 19, 2019 at 1:00 PM
El Paso Firemen and Policemen's Pension Fund Office
909 East San Antonio Avenue, El Paso, Texas 79901

MINUTES

TRUSTEE MEMBERS PRESENT

Fire Division:

Chief Jerry Villanueva
Chief Ricci Carson
Lieutenant Paul Thompson

Police Division:

Lieutenant John Schneider
Sergeant Sean Shelton

Mayoral Appointments:

Dr. Robert Tollen
Ms. Leila Melendez
Mr. Presi Ortega

City Manager Appointments:

Mr. Gary M. Borsch
Mr. William Veliz

OTHERS PRESENT

Mr. Tyler Grossman – Executive Director
Ms. Christina Ramirez – Deputy Executive Director
Ms. Lena Ellis – Chief Financial Officer
Mr. Leandro Festino – Meketa Investment Group
Ms. Laura Wirick – Meketa Investment Group
Mr. Gerald Chew – Meketa Investment Group
Mr. Stephen Starnes – Mondrian Investment Partners
Mr. Nigel Bliss – Mondrian Investment Partners
Ms. Patti Karolyi – Mondrian Investment Partners
Ms. Lauren Peiffer – Dimensional Fund Advisors
Mr. Matt Lovell – Dimensional Fund Advisors
Mr. Kory Hoggan – Moss Adams

TRUSTEE MEMBERS ABSENT:

Officer Jerry Armendariz

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
June 19, 2019 - 1:00 P.M.

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1. Establishment of Quorum.

Chairman Villanueva established that a Quorum was present. The Regular Meeting of the El Paso Firemen & Policemen's Pension Fund Board of Trustees was called to order at 1:00 p.m.

2. Recognition of dedicated service to Trustee Robert Tollen.

Mr. Grossman provided some statistics regarding Dr. Tollen's service to the Fund. He has served on the Board for over 17 years since 2002. He has been the Chair of the Investment committee for those 17 years. He never missed an Investment committee or a due diligence trip. Dr. Tollen's dedication to the Fund has been tremendous. His leadership and knowledge has been priceless.

Chairman Villanueva and other trustees also shared their gratitude to Dr. Tollen.

Ms. Melendez arrived at 1:07 pm.

3. Reading and approval of the Minutes from the previous Regular Board Meeting held on May 15, 2019.

Mr. Thompson moved to approve the minutes of the Regular Board Meeting held May 15, 2019, seconded by Dr. Tollen and unanimously passed by the Board.

Consent Agenda

Mr. Schneider moved to approve the Consent Agenda, seconded by Mr. Carson and passed by the Board.

1. Internal Financial Statements for month ending May 31, 2019.

Northern Trust Financial Statements for month ending May 31, 2019.

2. Expense Reports for the month ending May 31, 2019.

3. Approve Pension Payrolls:

Fire	\$2,958,563.70
Police	\$4,191,799.46

4. Payments to Service Providers

A.	Salena Karam Ayoub – April 2019	\$350.50
B.	Baillie Gifford – 1 st Q 2019	\$141,693.87
C.	Cooke & Bieler (Large Cap Value) – 1 st Q 2019	\$62,077.15
D.	Cooke & Bieler (Small Cap Value) – 1 st Q 2019	\$66,268.44
E.	Harvest Fund Advisors, LLC – 1 st Q 2019	\$111,720.73
F.	Intech – 1 st Q 2019	\$18,141.76
G.	Lawson Attorneys PLLC – Texas Open Meetings Presentation, PIA & Fiduciary Training Seminar	\$5,486.29

H.	Legislative Consultants – May 2019	\$8,000.00
I.	Mondrian – 1 st Q 2019	185,196.52
J.	The Northern Trust Company (bond index) – 1 st Q 2019	\$8,887.89
K.	The Northern Trust Company (Benefit Payments Services & Custody) – 1 st Q 2019	\$33,059.35
L.	PIMCO – 1 st Q 2019	\$118,204.77
M.	William Blair (Small Cap Growth) – 1 st Q 2019	\$100,434.99
N.	William Blair (Small Cap Value) – 1 st Q 2019	\$130,804.98

Reports and recommendations of Committees

1. Discussion and action on the commitment to FS Equity Partners VIII, as recommended by the Investment Committee.

Dr. Tollen explained that the committee met this morning and reviewed this investment opportunity with Meketa. FS Equity Partners VIII is a mid-sized targeted investment on the buyout side. It fits nicely in our private equity portfolio.

After careful discussion and due consideration and at the recommendation of the Investment Committee, Dr. Tollen moved to approve a \$7,000,000 commitment to FS Equity Partners VIII pending successful vetting by legal counsel, seconded by Mr. Shelton and passed unanimously by the Board.

2. Discussion and action on International money manager.

Dr. Tollen explained that the due diligence team visited the following finalists: First Eagle Investment Management, Hexavest, and Altrinsic Global Advisors. The team unanimously selected Altrinsic Global Advisors as the new International Manager and will recommend the movement of half of the Mondrian account value which is approximately \$85M to Altrinsic. The team had concerns with Hexavest's top-down macro-based approach and their stock selection processes. They had concerns with the major commitments that First Eagle placed in gold and cash of up to 20% of their total portfolio in those two components. They felt that Altrinsic's bottom-up investing strategy is closer to the norm for International Managers.

After careful discussion and due consideration and at the recommendation of the Investment Committee, Dr. Tollen moved to approve Altrinsic Global Advisors as the new International Manager and to move 50% of the holdings in International developed equities from Mondrian to Altrinsic pending successful vetting by legal counsel, seconded by Mr. Shelton and passed unanimously by the Board.

3. Discussion and action on Private Equity stock distributions.

Mr. Grossman explained that because of the maturity of the Fund's private equity portfolio the Fund received a stock distribution instead of cash from Insight Partners. The Fund does not have a policy

on how to handle the receipt of stock distributions. The recommendation from Meketa would be to sell the shares and keep the distribution.

After careful discussion and due consideration and at the recommendation of the Investment Committee, Dr. Tollen moved to allow the Executive Director to work with Raymond James and sell the shares and as soon as practical, seconded by Mr. Borsch and passed unanimously by the Board.

4. Discussion and action on Disability Recall, Fire Department, as recommended by the Benefits Committee.

Mr. Shelton explained that all of the paperwork was in order for this Disability Recall on Mr. Draper.

After careful discussion and due consideration and at the recommendation of the Benefits Committee, Mr. Shelton moved to approve the disability recall for Michael Draper and to remove him from the need for any future recalls, seconded by Mr. Carson and passed unanimously by the Board.

Unfinished Business

1. Discussion and action on media and local legislation consultant.

Mr. Schneider explained that Rick Armendariz of Forma presented the services that his company can provide to the Fund. They include media relations and local advocacy. He explained that the committee is concerned with Board appointments and would like Forma's assistance with those appointments. Forma presented a price of \$5,000 per month for both of those services. The committee asked Mr. Grossman to negotiate a lower price. Forma agreed to a price of \$3,000 per month for the next six months for both media relations and local advocacy.

After careful discussion and due consideration and at the recommendation of the Ad-Hoc Legislative Review Committee, Mr. Schneider moved to approve Forma as the Fund's local legislative consultant at the rate of \$3,000 per month which includes both media relations and local advocacy for next six months, seconded by Ms. Melendez and passed unanimously by the Board.

New Business

1. Presentation and review of first Quarter 2019 Investment Performance and update through May 31st, as presented by Mr. Leandro Festino and Ms. Laura Wirick of Meketa Investment Group.

Mr. Festino explained that the end of 2018 was very weak; however the new year has had the best start since 1987. The US economy grew at 3.2% on an annualized rate during the first quarter. Year to date, the Fund is up 11%; however valuations remain very elevated. Continued volatility is expected.

Ms. Wirick reviewed some hi-lights. In the first quarter of 2019, performance was at a 9.3% return which fell in the top decile of the peer group. In April and May the Fund was down but has bounced back in June.

2. Private Equity Performance Review for the period ended December 31, 2018 as presented by Mr. Leandro Festino and Mr. Gerald Chew of Meketa Investment Group.

Mr. Festino thanked the Board for being with Meketa for 10 years. \$250M has been committed in the private equity program since 2009 thru the end of 2018. \$150M has been invested and more than half of that has come back to the Fund in distributions. The value left is \$130M which translates to \$60M in gains or a multiple of 1.4. By commitment, the Fund owns 60% in private equity buyouts, 20% in debt, 15% in Special Situations and 5% in secondaries. By industry, healthcare represents the largest piece of the private equity portfolio.

3. Investment Performance Review for the period ended December 31, 2018 and update, as presented by Mr. Stephen Starnes, Mr. Nigel Bliss, and Ms. Patti Karolyi of Mondrian Investment Partners.

Mr. Starnes explained that Mondrian is an employee-owned business with approximately 80 employee owners. The team is highly experienced with low turnover.

Mr. Bliss explained the investment methodology, performance characteristics and portfolio characteristics that Mondrian employs. International equities remain attractive relative to long-term averages, US equities and other asset classes. International markets offer diversification benefits and currencies still look attractive against the US dollar. The growth outlook is a slow and challenging growth environment. Global debt is a concern for the global economy.

Mr. Carson absented himself at 2:58 pm.
Mr. Schneider absented himself at 3:01 pm

4. Investment Performance Review for the period ended December 31, 2018 and update, as presented by Ms. Lauren Peiffer and Mr. Matt Lovell of Dimensional Fund Advisors.

Ms. Peiffer explained that Dimensional has been managing portfolios for almost four decades. Dimensional is headquartered in Austin, Texas. Across all of its strategies, Dimensional has one investment philosophy. It is rooted in deep ties to the academic community. Dimensional has an extensive internal team. As of March 31, 2019, there are \$576B in global assets under management. The International Small Cap Value strategy has \$15B total assets under management.

Mr. Lovell explained that there are three premiums that drive expected returns: size, value, and profitability. Portfolios are built around these premiums. To be considered a dimension of expected return, a premium must be: sensible, persistent, pervasive, robust, and cost-effective.

The International Small Cap Value Portfolio targets small caps and deep valued names in developed markets outside the US. The portfolio is highly diversified with over 2000 names. The focus is on value securities within the small cap universe and companies with the lowest profitability are excluded. The process is built to focus on higher expected returns every day while considering costs.

As of May 31, 2019, the portfolio has underperformed by just over 6%. The portfolio does outperform both benchmarks since the inception of the portfolio.

5. Discussion and action on 2018 Financial Audit as presented by Mr. Kory Hoggan of Moss Adams.

Mr. Hoggan explained the opinion that was issued for the 2018 Financial Audit. It was an unmodified opinion. This means that it is a clean report. Nothing was found thru the testing of the various accounts and balances.

At the end of 2018, the funded status is 71%. This is a decline from the end of 2017. This is primarily due to the decline in investments as of December 31, 2018. This is also due to an increase in total pension liability.

The areas of audit emphasis were: internal controls, investments, participant data, benefit payments, and actuarial assumptions and methods.

After careful discussion and due consideration, Mr. Ortega moved to approve the 2018 Financial Audit as presented by Mr. Kory Hoggan, seconded by Ms. Melendez and passed unanimously by the Board.

Mr. Thompson absented himself at 3:40 pm.

6. Discussion and action on funding for staff to achieve the Chartered Financial Analyst credential.

After careful discussion and due consideration, Mr. Ortega moved to approve the funding for staff to complete the Chartered Financial Analyst credential, seconded by Ms. Melendez and passed unanimously by the Board.

7. Discussion and action on Disability Recall Policy.

Mr. Shelton explained that there were some concerns with the current Disability Recall Policy.

After careful discussion and due consideration and at the recommendation of the Benefits Committee, Mr. Shelton moved to amend the current Disability Recall Policy so that members who are being re-evaluated will provide two years of tax returns. A blanket letter should also be mailed out to all Disability recipients who are currently eligible for a recall. This motion was seconded by Mr. Ortega and passed unanimously by the Board.

8. Opportunity for Statements from Members/Retired Members/Public.

None.

9. Report of Executive Director.

See submitted Written Report

10. For Notation:

Informational Material For Review. No Action Required.

A. Service Retirement(s)

- B. Early Service Retirement(s)
- C. Service/Forward DROP Retirement
- D. Death of member(s)
- E. Cost of Living Adjustments
- F. Refund of Contributions

11. Adjournment.

Mr. Shelton moved to adjourn, seconded by Mr. Veliz and passed by the Board. The El Paso Firemen & Policemen's Pension Fund Board of Trustees meeting stands in adjournment at 3:57 p.m.



Chairperson



Secretary