

**EL PASO FIREMEN & POLICEMEN'S PENSION FUND**  
**REGULAR MEETING**  
**Wednesday, July 17, 2019 at 1:00 PM**  
**El Paso Firemen and Policemen's Pension Fund Office**  
**909 East San Antonio Avenue, El Paso, Texas 79901**

**MINUTES**

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**TRUSTEE MEMBERS PRESENT**

**Fire Division:**

Chief Jerry Villanueva  
Chief Ricci Carson  
Lieutenant Paul Thompson

**Police Division:**

Officer Jerry Armendariz  
Lieutenant John Schneider  
Sergeant Sean Shelton

**Mayoral Appointments:**

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  
Ms. Michele Amaya – Executive Assistant  
Mr. Warren DeKinder, Intech  
Ms. Nancy Holden, Intech  
Mr. Thad Fletcher, Cooke & Bieler  
Mr. Mike Meyer, Cooke & Bieler

**TRUSTEE MEMBERS ABSENT:**

EL PASO FIREMEN & POLICEMEN'S PENSION FUND  
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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. Reading and approval of the Minutes from the previous Regular Board Meeting held on June 19, 2019.

*Mr. Borsch moved to approve the minutes of the Regular Board Meeting held June 19, 2019, seconded by Mr. Carson and unanimously passed by the Board.*

Consent Agenda

*Mr. Veliz moved to approve the Consent Agenda, seconded by Mr. Armendariz and passed by the Board.*

1. Internal Financial Statements for month ending June 30, 2019.

Northern Trust Financial Statements for month ending June 30, 2019.

2. Expense Reports for the month ending June 30, 2019.

3. Approve Pension Payrolls:

Fire	\$3,270,371.44
Police	\$4,278,154.19

4. Payments to Service Providers

A.	Salena Karam Ayoub – June (General)	\$1,731.00
B.	Brown Advisory – 1 <sup>st</sup> Q 2019	\$110,861.02
C.	DLA Piper – March 2019	\$11,164.50
D.	DLA Piper – April 2019	\$9,121.50
E.	Legislative Consultants – June 2019	\$8,250.00
F.	Meketa Investment Group – May 2019 Meeting expenses	\$1,994.29
G.	Moss Adams – 2018 Audit progress billing	\$21,500.00
H.	Moss Adams – 2018 Audit progress billing	\$21,125.00
I.	Pension Technology Group – 2 <sup>nd</sup> Q 2019	\$20,000.00
J.	Rudd & Wisdom, Inc. – April 2019	\$6,351.00
K.	Rudd & Wisdom, Inc. – May 2019	\$6,799.75

Reports and recommendations of Committees

1. Discussion and action on Disability Recall Policy.

Mr. Grossman explained the changes recommended by the committee to the Disability Recall Policy. The last two years of the member's tax returns will now be required. The name of the policy will change from Disability Pension Recall Procedure to Disability Pension Re-Evaluation Procedure. The other changes are red-lined in the attached amended policy. It is also recommended that the drafted blanket letter that will go out to all remaining members eligible for a disability re-evaluation to be approved by the Board.

*After careful discussion and due consideration and at the recommendation of the Benefits Committee, Mr. Shelton moved to accept the procedural changes made to the Disability Re-evaluation Policy and to adopt the letter that was drafted for all remaining disability members who are eligible for re-evaluation of their disability pension benefit, seconded by Mr. Armendariz and passed unanimously by the Board.*

2. Discussion and action on selection of General Investment Consultant.

Mr. Villanueva explained that after Summit terminated their contract with the Fund. Meketa was hired as the interim General Consultant for the Fund. The Board created the Ad-Hoc General Consultant Search Committee to hire the new General Consultant for the Fund. A Request for Proposals went out and eleven responses were received. The eleven responses were narrowed to five semi-finalists by the committee. Then the five remaining respondents each traveled to the Fund Offices and made a presentation to the Committee. The Committee narrowed these five semi-finalists to three finalists after the presentations. Some members of the committee then traveled to the finalists' headquarters in June of 2019: AndCo Consulting, Aon, and Meketa Investment Group.

*After careful discussion and due consideration and at the recommendation of the Ad-Hoc General Consultant Search Committee, Mr. Villanueva moved to approve AndCo Consulting as the General Consultant for the Fund and retain Meketa Investment Group as the private equity consultant, seconded by Mr. Shelton and passed unanimously by the Board.*

This will be a three year contract beginning in October 2019 with two one-year extensions.

3. Discussion and action on administration of Domestic Relations orders.

Ms. Melendez explained that the committee met regarding the issues with the processing of domestic relations orders (DRO) and the increased time to process these because of the complexity added due to the Forward DROP for both staff and the actuary. The actuary recommended that the Fund go back to the old way of paying out DROs in the form of a monthly benefit payment to the alternate payee at the time that the member retires instead of a lump sum payment. Another option that the committee was considering was to eliminate the acceptance of a DRO altogether. The Fund's attorney does not recommend that the Fund eliminate the process of administering DROs altogether. Mr. Grossman explained that the Fund's attorney drew up the language to make the change to go back to monthly payments at retirement to pay alternate payees for their portion of the retirement benefit that is awarded to them because of divorce. For active members if the date of divorce is after October 12, 2004 and on or prior to July 17, 2017, the alternate payee will

be paid in a lump sum. If the date of divorce is after July 17, 2017 for both active and retired members, the alternate payee will be paid in a monthly benefit payment at the time of the member's retirement.

*After careful discussion and due consideration and at the recommendation of the Audit & Risk Management Committee, Ms. Melendez moved to approve the Resolution and Fund amendments of the QDRO lump sum and payback rules, seconded by Mr. Armendariz and passed unanimously by the Board.*

**Domestic Relations Order Amendment:**

1. Remove the lump sum payment option to an Alternate Payee under any QDROs entered into and received after July 17, 2019 by rescinding the optional life annuity and lump sum payment provision permitted under Govt. Code Section 804.004.
2. Provide that any QDRO's under court orders dated prior to July 17, 2019, regardless of when received by the Fund, which QDRO ordered a lump sum payment to the Alternate Payees, would still be so administered, and
3. Provide that the Fund provisions permitting those Members subject to such lump sum QDROs dated prior to July 17, 2019, whose benefits would otherwise be reduced by the actuarial value of said lump sum, will continue to have the right to subsequently make repayment to the Fund of an amount up to that total lump sum payment.

**Revision to Plan Document Language:**

18.02 Application of Chapter 804 of Title 8, Subtitle A, of the Government Code. Effective August 26, 1991 Chapter 804 of Title 8, Subtitle A, of the Government Code, relating to domestic relations orders and spousal consent applies to the Fund. Effective from October 20, 2004 until July 17, 2019 Section 804.004 of the Government Code, relating to lump sum payment in lieu of benefits awarded by qualified domestic relations orders applies to the Fund. On and after July 17, 2019 the optional annuity or lump sum payment provision permitted under Government Code Section 804.004 shall no longer be applicable. For clarification, any domestic relations order which the Fund determines is a Qualified Domestic Relations Order as defined in Chapter 804 of the Government Code which is signed and dated prior to July 17, 2019, regardless of when received by the Fund, which Qualified Domestic Relations Order ordered a lump sum payment to the Alternate Payees, would still be so administered. Further, Members whose benefits would otherwise be reduced by the actuarial value of any such lump sum, will continue to have the right to subsequently make repayment to the Fund of an amount up to that total lump sum payment.

**Unfinished Business**

**New Business**

1. Certification of the Trustee Election(s) results to the Board of Trustees in accordance with Section 4(l) of the Fund's Voting Procedures, by the Board Secretary.

**Police Division – Certified Results**

Whereas the Fund received only one eligible nomination form prior to the specified deadline and in accordance with Section 2(c), of the Fund's Voting Procedures, Mr. Armendariz shall be deemed duly elected as an unopposed member of the Board of Trustees.

**Fire Division – Certified Results**

**Position #1**

The certified results of Position #1 are as follows: Mr. Ricci Carson, 265 votes; Mr. Luis L. Padilla, 169 votes; and Mr. Jake Canavan, 76 votes. Whereas Mr. Carson received the highest number of validated votes for Position #1, Mr. Carson will be deemed a duly elected member of the Board of Trustees.

Mr. Villanueva requested the following changes to the order of business for this meeting. First Items 4, 5, & 6 will be heard followed by Items 2, 3, 7, 8, 9, & 10.

4. **Discussion and action on the approval of the compensation study and new pay ranges.**

Mr. Grossman explained that this report was the compensation study done by Gallagher at the Board's request. It provides their methodology and findings and their new recommended salary ranges.

*After careful discussion and due consideration, Mr. Thompson moved to approve the proposed compensation study and salary ranges as presented in the Gallagher letter, seconded by Mr. Veliz and passed unanimously by the Board.*

5. **Discussion and action on El Paso Firemen & Policemen's Staff Plan and Trust Plan Document.**

After the last valuation, Rudd & Wisdom determined that the way the Board determines the decrease in contributions to the Fund do not match what the plan document outlines. Their recommendation is to change the plan language so that it aligns with how it is being calculated. Originally the members were contributing 10% and the Fund was contributing 15%. After the first valuation, the staff fund was over 200% overfunded. The contributions were cut in half to 5% and 7.5%, respectively. This kept the 40% Employee to 60% Employer split which was the intent when the Fund was first created. This amendment will keep the 40%/60% split and allow for the changes that are needed as close to whole numbers as possible.

*After careful discussion and due consideration, Mr. Ortega moved to approve the changes to the El Paso Firemen & Policemen's Staff Plan And Trust Plan Document, seconded by Mr. Thompson and passed unanimously by the Board.*

6. **Discussion and action on Strategic Plan review.**

No action was taken.

Mr. Veliz absented himself at 2:07 pm.  
Mr. Schneider absented himself at 2:07 pm.

2. Investment Performance Review for the period ended December 31, 2018 and update as presented by Mr. Warren DeKinder and Ms. Nancy Holden of Intech.

Ms. Holden explained the asset growth summary as of June 30, 2019: \$105M has been given to Intech, \$102.5M has been taken, \$163M remains. The Fund's performance net of fees for the quarter is 5.15% and 85 bps of excess return over the benchmark. For the first half of the year, the performance is 20.41% and 1.87% performance above the benchmark. The fourth quarter of 2018 was very challenging. Mega cap stocks did extremely well. Our process tends to underweight the largest caps within an index because they are not attractive to our process. In 2018, the market sold off quite drastically. We underperformed by 7.2% versus 4.38% for the S&P 500. This was mainly because we were underweight in the mega cap stocks.

3. Investment Performance Review for the period ended December 31, 2018 and update as presented by Mr. Thad Fletcher and Mr. Mike Meyer of Cooke & Bieler.

Mr. Fletcher explained that Cooke & Bieler is independently owned by twelve partners with an average of nineteen years of industry experience. An analyst-centered approach is utilized in their investment decision process.

The asset growth summary for the large cap value portfolio was described as follows: began with \$33M as of September 1, 2005, \$33M in withdrawals, with a current value of \$84M. The large cap value portfolio performance net of fees for the quarter is 5.2% or 1.4% above the benchmark. For the year, the performance is 21.2% or 5% above the benchmark. From inception to date the return net of fees is 8.2% or 0.9% above the benchmark.

The asset growth summary for the small cap value portfolio was described as follows: began with \$20M, \$3.3M in withdrawals, with a current value of \$29M. The small cap value portfolio performance net of fees for the quarter is 4.9% or 3.5% above the benchmark. For the year, the performance is 20.4% or 6.9% above the benchmark. From inception to date the return net of fees is 10.8% or 4% above the benchmark.

Mr. Villanueva absented himself at 3:10 pm.

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

None.

8. Report of Executive Director.

See submitted Written Report

9. For Notation:  
Informational Material For Review. No Action Required.

- A. Service Retirement(s)
- B. Service/Forward DROP Retirement
- C. Death of member(s)

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E. Cost of Living Adjustments

F. Refund of Contributions

10. Adjournment.

*Mr. Ortega moved to adjourn, seconded by Mr. Armendariz and passed by the Board. The El Paso Firemen & Policemen's Pension Fund Board of Trustees meeting stands in adjournment at 3:22 p.m.*

  
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Chairperson

  
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Secretary