

MINUTES

LAREDO FIREFIGHTERS' RETIREMENT SYSTEM REGULAR MEETING May 28, 2020

The Laredo Firefighters' Retirement System Board met on May 28, 2020 at 1:00 p.m., at 5219 Tesoro Plaza Drive, Laredo, Texas. Board members present Alberto Chapa Chairman, John Hourigan Vice Chairman, Jesus Esparza Secretary, Oscar Lopez Trustee, Louis P. Vaillancourt Trustee and Norberto Gonzalez Trustee also present Jaime Jasso Pension Administrator, Investment Advisor Mr. Alan Bergin CFA from Fund Evaluation Group, Mr. Arturo (Archie) Montemayor III, CPA, President and CEO from Montemayor Britton Bender, P.C., Rodolfo Romero Firefighter

A motion was made by John Hourigan second by Louis P. Vaillancourt to accept the minutes dated February 21, 2020 Regular Board Meeting. The Motion Passed.

Public comments: None

Communication: Laredo Firefighters Retirement System Fund Market Value as of May 27th, 2020 **154.4 million**

Motions:

A motion was made by John Hourigan second by Norberto Gonzalez to approve Disbursements presented for the month of February 2020, March 2020, and April 2020. Motion Passed.

A motion was made by Louis P. Vaillancourt second by Jesus Esparza to approve the Financials for the month of February 2020, March 2020, and April 2020. Motion Passed.

A motion was made by Oscar Lopez second by Louis P. Vaillancourt to approve the Fiscal Year End Financial Audit Report Period Ending September 30th, 2019 by Mr. Arturo (Archie) Montemayor III, CPA, President and CEO from Montemayor Britton Bender, P.C. The Motion Passed

A motion was made by Louis P. Vaillancourt and second by Norberto Gonzalez to approve Buy Back Military Application for Gustavo A. Gonzalez. The Motion Passed.

A motion was made by Louis P. Vaillancourt and second by Norberto Gonzalez to approve Retirement Application for Gustavo A. Gonzalez. The Motion Passed.

A motion was made by Norberto Gonzalez and second by John Hourigan to approve Retirement Application for Steve E. Landin. The Motion Passed.

A motion was made by Norberto Gonzalez and second by John Hourigan to approve Application for Death Benefit for Ms. Tammy De Luna widow of Mr. Guadalupe D. De Luna. The Motion Passed.

A motion was made by Norberto Gonzalez and second by John Hourigan to approve Application for Child Death Benefit for Mr. Damien De Luna Son of Mr. Guadalupe D. De Luna. The Motion Passed.

A motion was made by Norberto Gonzalez and second by Louis P. Vaillancourt to approve Refund Contributions for Arnulfo Banda The Motion Passed.

A motion was made by John Hourigan and second by Norberto Gonzalez to approve the Investment Performance and Practices Evaluation Report for Senate Bill 322, a copy to the Texas Pension Review Board (PRB) by Mr. Alan Bergin CFA from Fund Evaluation Group. The Motion Passed.

A motion was made by Oscar Lopez and second by Louis P. Vaillancourt to accept Quarterly Investment Performance Report for Period Ending March 31, 2020 by Investment Advisor Mr. Alan Bergin CFA from Fund Evaluation Group and the LFFRS Statement of Investment Objectives Policies (IPS). Motion Passed. (Agenda Item K.)

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REGULAR MEETING
May 28, 2020**

FEG Investment Advisors - Memorandum - Background:

The Laredo Firefighter's Pension Fund has historically employed two investment managers to manage its large cap U.S. equity allocation. At the November 20, 2019 Trustee meeting, the Trustees chose to terminate both existing large cap equity managers (Loomis Sayles and Fiduciary Management of Milwaukee) in favor of a core/satellite approach for this asset class. The core fund's role is to provide low cost exposure to the market while satellite managers attempt to outperform the core fund, net of fees. The Fidelity 500 Index Fund was chosen as the core fund. The next step is to begin choosing satellite managers.

A motion was made by John Hourigan and second by Oscar Lopez to Sell from the LFFRS Fund (\$4,000,000) which is partial of the \$20,911,919 held by Fidelity 500 Index Fund (Large Cap Equity Composite) and Invest the proceeds with U.S. Equity Manager Steadfast Long, LP (\$4,000,000) from the Fidelity 500 Index Fund Sell as a FEG's recommendation. The Motion Passed (Agenda Item K.)

FEG Investment Advisors – Memorandum - Background:

The government-imposed lockdown to decrease the spread of the COVID-19 virus has led to a sharp economic decline. Equity markets tumbled in March before recovering some losses in April and through the first few weeks of May. While equity markets look healthier today than a few months ago, the economic damage is still being felt nationwide. Millions of people have lost their jobs. Some of these will be temporary losses, but many will likely be long lasting. This will likely have a damaging impact on consumer spending and ultimately corporate earnings. Outside the energy sector, corporations have been able to largely avoid distress, but we believe this situation will change in the coming quarters. Distressed debt managers acquire bonds of companies in distress. These bonds tend to sell for a significant discount to their par value as investors anticipates the company failing to pay interest or possibly defaulting on the bond. As bonds rank higher than equity in a firm's capital structure, bond holders often recoup some value, either through better company performance or a forced liquidation/bankruptcy. In the current economic cycle, we anticipate distressed debt to have an expected internal rate of return in the mid-teens.

A motion was made by John Hourigan and second by Oscar Lopez to Sell from the LFFRS Fund (\$1,500,000) which is partial of the \$14,056,850 held by Dodge & Cox Income Fund (Fixed Income Composite) and Sell from the LFFRS Fund (\$1,500,000) which is partial of the \$14,117,563 held by DoubleLine Core Fixed Income Fund (Fixed Income Composite). Invest the proceeds with Beach Point Capital IV (Distressed Debt) (\$3,000,000) from the Dodge & Cox Income Fund and DoubleLine Core Fixed Income Fund Sell as a FEG's recommendation. The Motion Passed (Agenda Item K.)

Presentation:

Adjournment:

A motion was made by Louis P. Vaillancourt and second by Oscar Lopez to adjourn the meeting. The motion passed. The meeting adjourned at 3:00 p.m.

GRANTED AND RECORDED in the minutes of the Board of Trustees of Laredo, Texas on the _____ day of _____, 2020.

Trustee

Trustee

THESE MINUTES ARE SUBJECT TO APPROVAL OF THE BOARD OF TRUSTEES AT OUR NEXT BOARD MEETING