

Clients first.



To: Board of Trustees, El Paso Firemen & Policemen’s Pension Fund

From: Tony Kay and Doug Anderson, AndCo Consulting

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Subject: Investment Practices and Performance Report

Introduction

Changes to Texas Government Code Chapter 802 were enacted in the 86th Legislative Session in 2019 to expand and update the reporting requirements for public retirement systems with legislative updates that became effective September 1, 2021. Texas Government Code §802.109 requires a retirement system to engage an independent firm to evaluate the appropriateness, adequacy, and effectiveness of investment practices and performance and to make recommendations for improving the investment policies, procedures, and practices.

AndCo Consulting LLC¹ (“AndCo”) serves as an independent investment consultant for the El Paso Firemen & Policemen’s Pension Fund (the “Pension Plan”, “System”, or the “Fund”). The El Paso Firemen & Policemen’s Pension Fund Board of Trustees (the “Board”) hired AndCo in October 2019 to serve as the Fund’s investment consultant after a nationwide competitive search. The investment consultant search and due diligence process included confirming AndCo could and would provide the Independent Evaluation as part of the general consulting services. In its role as investment consultant, AndCo has an advisory relationship with the Board and does not have any direct or indirect authority over the management of retirement system assets. AndCo does not receive remuneration from sources other than the public retirement system for services provided to the system. AndCo is not aware of any conflicts of interest or any appearance of a conflict of interest that could impact the analysis included in the evaluation due to an existing relationship between the independent firm and the public retirement system or any current or former member of the governing body of the system.

¹ AndCo Consulting is an investment advisor registered with the U.S. Securities and Exchange Commission (“SEC”). Registration as an investment adviser does not constitute an endorsement of the firm by securities regulators nor does it indicate that the adviser has attained a particular level of skill or ability.

AndCo Overview

AndCo is 100% employee managed and operated. We have no parent or affiliated companies. We have no holding company or outside firm with any ownership or control of our business. 100% of AndCo's revenue is generated by contractual hard dollar fees our clients pay us for investment consulting services. AndCo has no other lines of business or indirect compensation from any other sources.

In order to avoid potential conflicts of interest, AndCo has never offered an internal product/proprietary product or fund that we could recommend to our clients since the inception of the firm.

Our team of 96 professionals consists of some of the top talent from a variety of educational and financial industry backgrounds and features 30 dedicated consultants who average over 25 years of experience. AndCo's professional team holds the following credentials:

- 23 Chartered Financial Analyst (CFA®) Charterholders
- 8 Chartered Alternative Investment Analyst (CAIA®) Members
- 12 Certified Plan Fiduciary Advisor (NAPA CPFA®) Certificants
- 5 Certified Investment Performance Measurement (CIPM®) Certificants
- 37 Advanced Degrees

*Employee counts are as of September 30, 2023, and reflect only full-time employees and do not include any who are part time, temporary or independent contractors.

As of December 31, 2023, AndCo serviced over 500 public plans. We have been working with public funds since the inception of our firm and have public fund clients across the country. We have extensive experience working with local ordinances, state statutes, GASB rules, and actuarial approaches geared to the public sector. We believe that AndCo likely participates in more public fund meetings each quarter than many of our competitors do for an entire year. This gives us knowledge of what plan attorneys, actuaries, auditors, and other service providers are discussing with public fund clients. We leverage this exposure by holding regular consultant calls where we discuss and share best practices, unique approaches, and areas of concern that we feel have impacted public funds based on our meeting experiences. We then bring this knowledge and understanding to our public fund clients to help them solve problems and avoid potential pitfalls.

AndCo has no outside beneficial financial relationships with other vendors. We have a simple, transparent payment model and our only source of revenue comes from our clients. This model helps ensure our interests are aligned with our clients. As a result, we do not have revenue sharing arrangements nor do we receive compensation from any investment manager, recordkeeper, or other third party. We believe this approach allows

us to maintain our objective approach and bring strong independent ideas and solutions to our clients in seeking to maximize participant outcomes.

Asset Allocation

AndCo conducts comprehensive asset allocation studies, and we work closely with clients through a framework tailored to reflect their portfolio's unique investment objectives, risk tolerance, and cash flow requirements (liquidity). The asset allocation process from raw inputs to client output consists of four broad steps:

1. **Determine Assumptions:** We first define reasonable return, standard deviation (risk), and correlation input assumptions that focus the asset allocation study on asset classes (and proxies) suitable for the client's portfolio. We select these asset classes using our own investment philosophy, the client's investment policy statement, current portfolio allocations, and oral input from the client. While AndCo will work with clients if they prefer to utilize a different set of capital assumptions, we currently utilize the J.P. Morgan Long-Term Capital Market Assumptions for our asset allocation model inputs. The process of utilizing J.P. Morgan assumptions along with other institutional sources allows AndCo to effectively propose and build customized asset allocation structures for our unique, institutional clients that are backed by time tested methodologies and compared to alternative methods for reasonableness.

2. **Computer Modeling:** Once asset classes and assumptions are set, we run a variety of range-based, mean-variance optimization scenarios. These scenarios allow us to review a number of potential asset mixes with the client and help determine the target asset class mix that most closely balances the client's investment objectives, risk tolerance, and portfolio liquidity requirements. To further stress-test a potential target asset mix, we also perform Monte Carlo simulations. These simulations generate the probabilities that a given asset allocation's expected return and standard deviation will achieve the client's goals over time. These probability distributions are useful in evaluating potential outcomes and downside loss probabilities. The simulation tool also allows for the application of inflation adjustments, expenses, and future cash flows for a more detailed review of potential outcomes.

3. **Qualitative Overlay:** We believe that asset allocation models and simulations help create a useful framework for observing and understanding the statistical aspects of asset allocation scenarios. However, it is important to realize this framework does not contain the precognition to determine future results. After determining what appears to be an appropriate asset allocation using modeling and simulation, we assist our clients in reviewing and assessing qualitative, real-world factors related to the implementation requirements of potential asset mixes

and underlying investment strategies with respect to the client's portfolio objectives and risk tolerance.

4. **Report Formulation & Policy Update:** The final step in the asset allocation process is to present a clear summary of the asset allocation study's recommended findings along with the necessary investment policy statement updates to the client. Since the asset allocation process is about setting long-term portfolio goals and constraints, it is critical for the client to "buy into" the overall decision-making process. This level of client understanding will promote the strategic implementation and modification of asset allocation strategies over time and help to avoid reactive decision-making due to short-term capital market volatility.

Monitoring Investment Managers

Analyzing and monitoring our client's investment managers, including alternative investments, is an important function that we address through the following multi-pronged approach.

Research

On a quarterly basis, our Research and Performance Reporting Departments make a concerted effort to send out compliance questionnaires to Research-approved strategies and strategies with client exposure. The questionnaire generally covers quantitative elements such as relative performance, peer group percentile ranks and volatility metrics. Besides quantitative factors, they also request qualitative information pertaining to the sale of the firm, team turnover, SEC investigations, cash flows into and out of the fund, etc. This step is merely the beginning. In addition, each research analyst interacts with managers within their areas of coverage on a regular basis and is typically notified of any changes at the firm in question in a timely manner.

On a scheduled basis, on a cadence that is in accordance with firmwide exposures and each analyst's forward-looking view of the category, research analysts will conduct regular Category Reviews of the areas they are tasked with monitoring. These reviews are holistic in nature and evaluate every strategy that is approved for use with AndCo clients and compare those strategies to the universe at large. Part of this process involves working with our consultants to gauge the needs and interests of our clients and determining if there are any gaps in our list of recommended strategies in terms of style, capitalization, factor, vehicle type or portfolio construction. This two-pronged approach allows each analyst to determine the health of the category overall as well as the robustness of AndCo's current list of recommended strategies. While this exercise is mainly utilized as a monitoring tool for the firm's exposures, it is very constructive in developing a pipeline of future ideas for each analyst to pursue in order to meet our client's needs and objectives.

Investment Policy Committee (IPC)

Our Research Department conducts a quarterly strategy review and presents their material findings to the Investment Policy Committee. We have created a strategy scorecard to highlight certain key metrics, including performance, as well as changes at the firm, strategy, or team level. This scorecard applies a rules-based approach to highlight deviations from the norm. Our Investment Policy Committee provides a thoughtful perspective and generally requires each analyst to provide guidance on deviating managers.

Performance Reporting

On a quarterly or monthly basis, our Performance Reporting Department prepares client reports. As part of this process, a client specific investment policy scorecard is typically included in the report. The scorecard clearly outlines if the client's managers are in or out of compliance with their investment policy statement.

Consulting

Our consultants are responsible for providing manager updates for our clients. This could occur through calls, emails, or as part of a regular meeting. However, a formal write-up could be provided for significant issues.

Significant Outcomes of the Report:

AndCo works proactively as the System's consultant to proactively review the investment portfolio and investment policy and makes recommendations on an ongoing basis. It is our belief that not proactively making recommendations for changes to our clients is an indication that we are not fulfilling our role as a fiduciary to the System. The System is actively engaging outside experts to provide legal advice and guidance in areas of investments and actuarial science. These experts are actively serving similar clients in the state of Texas and operate as fiduciaries to the System. The System has demonstrated their willingness to listen and follow the guidance of their outside professionals and there is no evidence of this changing in the future.

AndCo does recommend that the System maintain its robust processes to both review the current investment portfolio while also seeking to identify new investments that can improve the System's long term expected risk and return while maintaining liquidity to meet its benefit obligations.

Since our engagement in 2019, the Fund has undergone a comprehensive asset allocation review as part of an Asset Liability Study. The results of this have been revisions to the Fund's investment policy statement, investment manager changes, and the addition of new asset classes. The changes implemented by the Fund have improved the risk/return profile of the Fund while also increasing portfolio diversification.

We are pleased to present this report to the Board, as governing body of the El Paso Firemen & Policemen’s Pension Fund (the “Plan Sponsor”), which addresses each of the statutory requirements listed in Section 802.109, Texas Government Code.

(1) Provide analysis of any investment policy or strategic investment plan adopted by the retirement system and the retirement system’s compliance with that policy or plan.

The El Paso Firemen & Policemen’s Pension Fund (the “Fund”) has an investment policy statement (“IPS”) in place. The Fund’s investments are governed by Vernon’s Texas Civil Statutes Article 6243b. The IPS outlines the objectives and risk tolerance of the Fund as well as the various management and administration responsibilities related to the management of the Fund’s investment portfolio. The IPS defines that the Board of Trustees (“Board”) is responsible for making decisions regarding the Fund’s investment portfolio. All recommendations for actions in the investment portfolio are reported to and voted on by the Board after being recommended by the Investment Committee. The Board has hired an outside investment consultant to assist the Board in their decisions regarding the Fund’s IPS, strategic asset allocation, manager selection, ongoing manager evaluation, and IPS compliance monitoring. An analysis of the IPS’s key elements is outlined in the table below:

Scope & purpose	The purpose, asset base and organizational structure of the System’s investment portfolio are clearly defined.
Governance structure	Roles and responsibilities for decision making, communication requirements, monitoring oversight, applicable law and future IPS modifications are clearly defined.
Investment, return, and risk objectives	Return objectives, risk tolerance, time horizon, asset allocation targets, investment guidelines, and other relevant portfolio considerations are clearly defined.
Risk management	Performance measurement standards, metrics for portfolio and investment manager evaluation, and compliance requirements are clearly defined.

The Board and Investment Committee reviews the Fund’s IPS at least annually. The last formal review took place in May of 2023. The Investment Committee also monitors compliance with the System’s current IPS during each quarterly performance review with the investment consultant. AndCo analyzed the System’s IPS and the Board’s compliance with the IPS. While different IPS structures exist, AndCo, as an independent, professional investment consulting firm, has determined that the System’s IPS, and the Board’s compliance with the IPS, is appropriate and comparable with what AndCo considers best practice, industry standards, and comparable to the structure of an effective investment policy statement as laid out by the CFA Institute (*ELEMENTS OF AN INVESTMENT POLICY STATEMENT FOR INSTITUTIONAL INVESTORS, Copyright 2010 by the CFA Institute*).

AndCo recommends the Fund maintain its ongoing annual review of the IPS. We believe that a periodic review of the investment policy statement is a strong practice for the Fund and should be continued. AndCo recommends that the Fund continue to track the changes to the investment policy and report them in a clear and transparent manner. Furthermore, **AndCo recommends the System consider adding language regarding Investment Manager Selection and refer to the System's separate Ethics Policy within the Investment Policy Statement.**

(2) Provide a review of the retirement system's investment asset allocation, including

(A) Review of the System's process for determining target allocations;

The Fund's process for determining asset allocation targets is executed and implemented through frequent and thorough discussions between the Board and the investment consultant. Every five years, the Board reviews an Asset Liability Study produced by the investment consultant. The Board's investment consultant uses a combination of 10- to 15-year forward-looking asset class return assumptions, risk and correlation assumptions, and historical asset class return and risk data to determine a target allocation that the investment consultant believes will have the highest probability of achieving the Fund's return objectives. Any changes to the Fund's strategic asset allocation targets and ranges are then recommended to the Board for consideration. This process was last completed in March 2020. The next Asset Liability Study is scheduled for 2025.

AndCo works directly with the System's Actuary and Trustees to incorporate the System's specific liability circumstances and projections to review the potential impacts of varying investment asset allocation policies on the key actuarial and liability metrics. For public pension funds, asset/liability studies are a critical tool to examine how well alternative investment strategies (differing asset allocations) impact the key long-term actuarial circumstances, including funded status and contribution requirements. As public pension funds value their liabilities using a static discount rate that represents an expectation of the System's long-term investment return, this assumed rate of return, along with specific cash flow, and liquidity circumstances drives the formulation of an appropriate asset allocation policy.

An Asset/liability study is the only standard analysis that evaluates several of a Plan's key financial drivers including the Investment Policy, Contribution Policy and Benefit Policy. Asset/Liability studies for public funds help determine the appropriate risk and return levels the Plan should seek when setting asset allocation targets. Stress tests can also be reviewed with asset/liability studies by showing what can potentially happen to funding levels and contribution rates if expected rates of return are not met. You also have the ability to stress test the portfolio and review outcomes based on meaningful experience changes with contribution policies or benefit levels. Finally, you can run detailed liquidity and cash flow analysis that will hopefully result in better decision making surrounding the strategic asset allocation of the portfolio.

We believe a robust asset/liability study helps the consultant and Board review asset allocation mixes to determine those allocation strategies which could potentially best serve to protect or increase funding levels, while providing adequate liquidity for benefit payments and minimizing associated risks. AndCo believes that through a comprehensive discussion over the asset/liability study results clients can have a clearer understanding of practical plan investment expectations.

AndCo recommends that the System maintain its long-term asset allocation structure and tolerance ranges. To this point the System has been responsive when presented with recommendations for expanding the asset classes in use within the portfolio and AndCo recommends the System continue the process of active review. Asset allocation studies and asset liability studies are being developed and reviewed every three to five years which is in line with what AndCo views as best practice in the industry and across its client base.

(B) Review the expected risk and expected rate of return, categorized by asset class;

The investment consultant utilizes the 10- to 15-year forward-looking asset class return and risk assumptions produced by a third-party provider, JP Morgan. These 10- to 15-year assumptions are updated annually and have been consistently published for use by asset allocators for multiple decades. Current year return and risk expectations for each IPS target asset class are detailed in the table below:

Asset Class	10- to 15-year Expected Arithmetic Return*	10- to 15-year Expected Annualized Risk*	Building Block Return Assumption**
Large Cap Equity	8.19%	16.19%	10.00%
Mid Cap Equity	9.08%	18.13%	10.00%
Small Cap Equity	9.07%	20.44%	10.00%
Developed Intl Equity	10.58%	17.64%	11.00%
Emerging Market Equity	10.77%	21.20%	11.00%
US Core Fixed Income	5.19%	4.28%	5.00%
Non-US Fixed Income	5.25%	8.61%	6.00%
High Yield Fixed Income	6.83%	8.36%	5.50%
Direct Lending	9.29%	13.21%	7.50%
Core Real Estate	8.02%	10.60%	7.00%
Global Infrastructure	7.38%	11.24%	7.00%

*Source: 2024 JPMorgan Long-term capital market assumptions

**Source: AndCo Consulting

It is important to note that expected returns do not reflect the impact of active management or contain an expectation of active manager alpha. Projections do

assume the underlying asset class returns can be achieved net of fees. Finally, where direct asset class expectations are not available for named IPS target asset classes, these targets are proxied to a similar asset class or combination of asset classes that do have assumptions.

AndCo recommends that the Board continue regular asset allocation reviews with its investment consultant. AndCo also recommends that the Board maintain its policy of continuing education on new asset classes that could be beneficial to the investment portfolio.

(C) Review the appropriateness of selection and valuation methodologies of alternative and illiquid assets; and

The Board relies on the Fund's investment consultant, and the investment consultant's experience, to evaluate the individual valuation methodologies used by third-party investment managers that oversee alternative and illiquid assets for the Fund. Further, an analysis of the appropriateness of each manager's written valuation policy for their underlying strategy holdings is generally part of the investment consultant's standard due diligence process when they evaluate these types of strategies for client portfolios. Only strategies deemed to have reasonable and appropriate valuation methodologies will be recommended for potential inclusion in the Fund's portfolio. Neither the Board nor the investment consultant selects the valuation methodology used by third-party investment managers that oversee alternative or illiquid assets. The performance and valuation of all third-party alternative and illiquid investment strategies that are part of the Fund's investment portfolio are also reviewed with the Board as part of the quarterly performance review prepared and presented by the investment consultant. The Board utilizes a thorough and documented process for the selection of alternative assets as it does for the selection of traditional asset managers. This selection process is detailed in question 4.

(D) Review the future cash flow and liquidity needs;

The Fund's cash flow and liquidity needs are reviewed by the Board each quarter as part of the investment consultant's quarterly performance review. This review includes discussions regarding the current, expected, and known timing variances of future contributions to, and withdrawals from, the Fund. The traditional portfolio has adequate liquidity to meet current cash flow needs. The Fund's pacing models are also reviewed regularly by staff, the Investment Committee, the Board, and the investment consultant to ensure liquidity needs are appropriately addressed.

AndCo recommends that the Fund continue to work with the Consultant to actively rebalance the portfolio to provide the required liquidity levels and maintain its long-term target allocations.

(3) Provide a review of the appropriateness of investment fees and commissions paid by the retirement system;

The Board reviews the fees (stated in both dollars and basis points) paid to administer the Fund's portfolio on a quarterly basis for each of its underlying investment managers and strategies in the quarterly investment review prepared and presented by the investment consultant. The Fund also has taken steps to lower fees by introducing more index fund investing. The fees for the Fund's traditional asset portfolio contained in the most recent quarterly investment review reflect an **estimated annual cost of 0.47%**. Based on the 2023 NCPERS Public Retirement Systems Study, the average fee for the survey's 195 state and local government pension respondents was 0.64%. It is important to note the Fund also considers fees an important part of the decision-making process and evaluates the potential fee impact for each new investment manager and strategy considered for inclusion in the Fund's portfolio. The Fund considers the current fee of 0.47% reasonable and appropriate for its portfolio.

We reviewed the fees paid to administer the Fund's portfolio and the underlying investment manager fees. While high or low fees do not guarantee failure or success for an investment portfolio, AndCo, as an independent, professional investment consulting firm, has determined that the Fund's fees are appropriate and comparable with what AndCo considers best practice, industry standards. No changes are recommended at this time.

(4) Provide a review of the retirement system's governance processes related to investment activities, including investment decision-making processes, delegation of investment authority, and board investment expertise and education.

The Fund's IPS contains clear definitions of the Board's responsibilities as well as the role of the Board's professional advisors and investment staff in assisting the Board in fulfilling its fiduciary duties to the Fund with respect to the investment of assets. Direct investment authority for the Fund's assets lies with the Board. As such, all decisions regarding the Fund's portfolio, including return objectives, risk tolerance, investment guidelines, asset allocation targets and manager selection and retention reside with the Board.

The Board utilizes an investment consultant to assist with setting the Fund's strategic policy and asset allocation targets, as well as investment manager strategy evaluation and selection. The investment consultant is a fiduciary to the System, and all third-party separate account investment managers are required to be fiduciaries to the System. In addition, all comingled fund investment managers must be fiduciaries to the Fund that they manage in which the Fund has invested. Aside from rebalancing authority, the Fund does not perform any portfolio management functions internally.

Governance for investment activities and related decision-making is a multi-step process. The process generally includes the following:

- a. Recommendations (policy, strategy, or both) are made to the Investment Committee by the investment consultant.
- b. The Investment Committee reviews, questions and evaluates the recommendation. This process may include a request for clarification, modification, and/or additional information regarding the recommendation.

- c. Once a consensus approach on a recommendation has been reached, the final investment recommendation is officially considered by the Board for action.
- d. The Board accepts motions for action and votes to accept or reject those motions.
- e. Once an action is accepted by the Board, staff works with the investment consultant to execute the Board's desired investment action or decision.

Board members are active participants in industry educational opportunities such as conferences. Trustees of the Fund follow the requirements of the Texas Administrative Code, Chapter 607. Trustees are also encouraged to actively participate in national conferences and educational programs associated with investment oversight. In addition, the investment consultant provides education on investment topics related to the Fund's portfolio or other relevant topics that are of interest to the Board.

We reviewed the Fund's governance processes related to investment activities, investment decision-making, delegation of investment authority, and education. While different governance structures exist around investment decision-making, delegation of investment authority, and education, AndCo, as an independent, professional investment consulting firm, has determined that the Fund's processes are appropriate and comparable with what AndCo considers best practice, industry standards.

AndCo recommends the Fund continue to follow the IPS, engage investment experts as appropriate, and continue to seek ongoing educational opportunities consistent with Texas Administrative Code, Chapter 607.

(5) Review of the retirement system's investment manager selection and monitoring process.

The investment manager selection process for the Fund is conducted in collaboration with the Fund's investment consultant and Investment Committee. Whether a specific investment strategy review is directed by the Board, staff, or the strategy idea comes from the investment consultant's research group, all potential investment strategies must go through the consulting firm's due diligence process and subsequently be presented and approved by the investment consultant's Investment Policy Committee before being shown as potential strategies for the Board to consider for the Fund's portfolio. Candidates are vetted by the consultant's research group to identify the best and most appropriate managers for the System in each investable asset class.

AndCo Research Process:

All investment managers that are presented for our clients' consideration must be approved by AndCo's Investment Policy Committee. Our Research Group identifies potential investment managers using our database resources and investment industry network. Our due diligence process for selecting and monitoring investment managers is as follows:

1. Identification: The first step in our due diligence process is the identification of investment opportunities. Our firm's process is unique because we maintain an open-door policy. This means that any investment manager that wants to participate in our due diligence process has the opportunity. Identification occurs from many approaches including:
 - a. Database Screening/Research Team – we use several databases to search and review strategies including Investworks, eVestment, Preqin, and Morningstar Direct in conjunction with our research team's investment manager network.
 - b. Consultant Sponsored – our consultants can identify and sponsor investment ideas. These ideas are then reviewed by the Research Team and eventually our Investment Policy Committee, if applicable.
 - c. Client sponsored – many times our clients have great ideas and can request that we review them. Similar to our consultant requests, our Research Team will review them.
 - d. Investment Manager Requested – we maintain an open-door policy for any manager wishing to be considered can request to enter our due diligence process.

2. Preliminary Questions: After we have identified a potential manager, we ask the manager to complete our initial due diligence questionnaire (“DDQ”) to efficiently confirm that the manager meets specific minimum criteria with respect to their firm and the specific strategy, as follows:
 - Does the strategy have a three-year institutional track record achieved by the same individual or team?
 - Does the firm report strategy information, including performance and portfolio data, to the following databases: Morningstar Direct, Investworks and eVestment Alliance?
 - What are the total Assets Under Management and total number of accounts for the firm and the strategy?
 - Is the firm registered with the SEC? What is the effective date of the registration? If the firm is not registered with the SEC, please provide an explanation?
 - Has the firm, or any of its employees, been involved in any litigation, or been the subject of any investigation or sanction by any state or federal regulatory agency or industry self-regulatory organization? If so, please explain the nature and outcome of the litigation, investigation, and/or sanction.

- Does the firm claim GIPS compliance? If so, has the claim of GIPS compliance been verified, when, and by whom?
 - Does the firm utilize a third-party trading/portfolio management system? If so, provide the name of the system.
 - Does the firm have a dedicated compliance officer? If so, how long has the individual been in this role at the firm? What is this person's background in compliance?
 - Will you acknowledge, in writing, your role as a delegated fiduciary to the plan?
 - Will you accept legal venue in the client's county and state?
 - Do you have errors and omissions insurance? If so, what is the amount of coverage and by whom is it issued?
 - Does the firm have a formal disaster recovery plan? When was the plan last tested and what were the results?
3. **Due Diligence Questionnaire:** If the manager provides satisfactory answers to the above questions, we will send the manager our due diligence questionnaire. The due diligence questionnaire focuses on the investment management team, research process, manager's ownership structure, legal standing and investment strategy. The Research Group reviews the manager questionnaire and initiates a detailed analysis. Our questionnaire underlies our manager evaluation process and enables us to prepare adeptly for a manager meeting.
 4. **Manager Interview:** After receiving the completed due diligence questionnaire, the Research Group and/or a consultant will interview the strategy's key decision makers. This allows the interviewer to crosscheck the information provided in the due diligence questionnaire and understand the firm's qualitative underpinnings. Often, we will interview the key decision makers on multiple occasions and venues. We will go on-site as necessary, and we will also invite investment managers into our offices for interviews. Once these interviews are completed, the Research Group compiles an internal research report for our Investment Policy Committee.
 5. **Investment Policy Committee (IPC) Review:** The IPC is responsible for approving and formally providing AndCo's firm-wide and client-specific manager recommendations. The IPC rates strategies and allocates resources based on information and requests generated from both the Research Group and the Consulting Group. The IPC's voting membership is comprised of AndCo's senior leadership team (CEO, COO and Executive Director of Consulting) and supported by the Chief Compliance Officer (CCO). The CCO

helps to represent the interests of the firm from a risk perspective but is not a voting member. The centralization of formal investment recommendations with the IPC, as well as its ability to direct the firm's resources, allows AndCo to leverage its deep team of experienced professionals and advance the quality and creativity of our recommendations and decisions.

6. **Ongoing Review:** If the manager is approved, the research analyst or consultant that sponsored the manager will cover the manager going forward. Each manager is required to provide quarterly compliance updates to AndCo, and the AndCo Investment Policy Committee reviews the approved manager list on a quarterly basis to identify exceptions that might require further due diligence.

The investment consultant is completely independent from the investment management community and receives no compensation for reviewing or including any managers in the search process, nor does the investment consultant receive any compensation from any investment manager or investment products. Regardless of whether an existing portfolio strategy is being replaced or a new strategy is being considered for the Fund's portfolio, the investment consultant will prepare and present a comprehensive manager evaluation report to the Investment Committee that includes candidates for consideration, discussion and subsequent interviews with the Investment Committee. From this group, finalists are selected by the Investment Committee with input from the investment consultant for presentation, onsite due diligence, and ultimate selection by the Fund.

While the investment consultant and Investment Committee make recommendations regarding investment strategies, the ultimate decision to select a specific strategy for inclusion in the Fund's portfolio resides with the Board.

The ongoing monitoring of investment managers and strategies is also done collaboratively with the Board, Investment Committee, staff, and the investment consultant through quarterly Board meetings or between meetings as needed. The investment consultant prepares comprehensive quarterly investment reviews for presentation to, and discussion with, the staff and the Investment Committee during these quarterly meetings. All performance calculations supplied by the consultant to the board meet the guidelines of the CFA institute.

The investment consultant's reports highlight portfolio and investment manager performance and risk relative to the various performance measurement standards established in the IPS. The criteria established in the IPS tracks managers on both a qualitative and quantitative basis. Strategies that repeatedly fail to meet these standards will be subjected to onsite due diligence to determine if the investment managers should be retained or terminated. The criteria are not designed to remove the decision process from the Board, but rather are intended to add objectivity and enhanced scrutiny of managers who are underperforming the criteria contained in the IPS. While the investment consultant may make recommendations regarding the continued retention or termination of an investment strategy in the Fund's portfolio, the ultimate decision to retain or terminate an investment strategy (within the bindings of the strategy's agreement) resides with the Board.

AndCo feels that the manager selection process in place at the Fund is robust and is in line with industry best practices. AndCo employs a similar search and selection across its national public fund client base. In addition, AndCo feels that the Fund is in line with the best practices laid out by the GFOA for selecting third party investment professionals for pension fund assets.

AndCo recommends that the Fund maintain its investment process for investment manager search and selection which relies on its investment consultant, staff, and Board in selecting new investment managers for use within the Fund's investment portfolio.

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Important Disclosure Information

This report was prepared at the sole request of the El Paso Firemen & Policemen's Pension Fund. Information presented is typically narrow in scope and provides a general overview of circumstances and processes and should therefore not be construed as exhaustive. AndCo Consulting does not provide legal, tax or accounting advice.

This contains forward-looking statements, estimates and projections which are inherently speculative and subject to various uncertainties whereby the actual outcomes or results could differ materially from those indicated.

The material provided herein is valid as of the date of distribution and not as of any future date and will not be updated or otherwise revised to reflect information that subsequently becomes available, or circumstances existing or changes occurring after such date.