

**THE EL PASO FIREMEN & POLICEMEN'S PENSION BOARD OF TRUSTEES**  
**REGULAR MEETING HELD**  
**Wednesday, February 18, 2009 at 1:00 PM**  
**El Paso Firemen and Policemen's Pension Fund Office**  
**Chase Tower, 201 East Main, Suite 1616**  
**El Paso, Texas 79901**

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**MINUTES**

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**MEMBERS PRESENT:**

**Mayoral Appointments:**

Dr. Robert Tollen  
Mr. Presi Ortega

**City Manager Appointments**

Mr. William F. Studer  
Ms. Terri Garcia

**Police Department**

Chief Robert Feidner  
Commander Mark Austin  
Detective Stanley Hayes

**Fire Department**

Chief Michael V. Calderazzo  
Chief Ralph B. Johnson  
Chief Matt G. Widtfeldt

**OTHERS PRESENT:**

Mr. Robert J. Stanton – Secretary  
Ms. Yolanda Carreon – Assistant Secretary  
Mr. Andrew D. Flewelling - L.R. Wechsler via teleconference  
Mr. Eric Ralph – Summit Strategies Group

**MEMBERS ABSENT:**

Mr. John D. Davis, III

1. **Call to order**

Chairperson Calderazzo called the regular meeting of the El Paso Firemen & Policemen's Pension Fund Board of Trustees to order at 1:00 p.m.

2. **Approve minutes of Board meeting held January 21, 2009.**

*Dr. Tollen moved to approve the minutes of the meeting held January 21, 2009, seconded by Mr. Ortega and passed by the Board.*

3. **Consideration and approval of the Financial Report for the month ending January 31, 2009.**

Ms. Garcia reporting on behalf of the Budget and Finance Committee stated that the documentation was in order. She noted a couple of budget transfers to the Lomaland West, LLC account.

*Mr. Johnson moved to approve the Financial Reports for the month ending January 31, 2009, seconded by Mr. Hayes and passed by the Board.*

4. **Approve Pension Payrolls:**

|        |                 |
|--------|-----------------|
| Fire   | \$ 1,675,917.85 |
| Police | \$ 2,198,926.68 |

Mr. Stanton stated the Pension Payrolls were in order.

*Mr. Hayes moved to approve the Pension Payrolls for the month ending January 31, 2009, seconded by Mr. Johnson and passed by the Board.*

5. **Consideration and action on service retirements:**

|                       |                   |
|-----------------------|-------------------|
| A. David C. Rodriguez | Police Department |
| B. Bernardo Salinas   | Police Department |

Mr. Stanton stated the documentation was in order and recommended approval for service retirements for Items 5A and 5B

*Mr. Hayes moved to approve service retirements for Items 5A and 5B seconded by Mr. Johnson and passed by the Board.*

6. **Consideration and action on request for Deferred/PRP retirement.**

|                |                 |
|----------------|-----------------|
| Leigh E. Smith | Fire Department |
|----------------|-----------------|

Mr. Stanton stated the documentation was in order and recommended approval for Deferred/PRP retirement for Mr. Smith.

*Mr. Hayes moved to approve Deferred/PRP retirement for Mr. Smith seconded by Mr. Ortega and passed by the Board.*

7. **Consideration and action on request for survivor benefits**

Louise C. Valero, survivor of Marcos M. Valero, Police Department

*Mr. Hayes moved to approve survivor benefits for Ms. Valero seconded by Mr. Johnson and passed by the Board.*

8. **Discussion and action on up-date on the implementation and recent developments of the Pension Administration System by Mr. Andy Flewelling of L.R. Wechsler.**

Mr. Flewelling provided the Board with an up-date of the TACS Implementation for the current period. He provided the following highlights:

- Mr. Steve Speed went thru a reconciliation of the Northern Trust to Mellon PDA file which was then going to be converted to the TACS administration system. A comparison between data in the Northern Trust and the Mellon PDA file (manually populated and used for conversion) identified 956 discrepancies – The number sounds shocking but it actually represents 828 that are potentially low priority issues or may be considered "Low Hanging Fruit". A table was provided showing these issues. The balance of 128 issues varies in nature (e.g. birth dates, spouse gender difference, marital status). Based on our initial assessment of them, none appear to be overly onerous to correct and we believe updating the values within TACS may be the most effective course to take.
- Review of converted retiree data by Mr. Speed has been protracted as Steve balances this effort with others. A prioritization of what corrections need to be made and where is under review by the project team. Following that decision and reconciliation of the January payroll, we expect cutover activities (e.g., migrating all program changes to the production environment from the test environment by Tyler to start immediately thereafter.

Ms. Garcia asked Mr. Stanton if... (1) this delay will cost additional money – response – basically no; (2) has the training issue been resolved – response - yes, it was spelled out in the contract and they plan to meet their obligation, and (3) clean-up of the data entry issues – response – these are basically demographic issues such as missing a period and these are on-going issues we will constantly have but “yes” we will need to correct all these issues.

On securing the IT Environment, Mr. Flewelling reported as follows:

- Has requested an estimate for disaster recovery hosting services from Net-Tech. Ms. Garcia discussed a local vendor experienced in disaster recovery with pension plans and will provide this information to Mr. Stanton.

*No action required.*

9. **Discussion and action on approving the Investment Committee's recommendation to retain a real estate manager which concluded with due diligence visits to J.P. Morgan, ING Clarion, Metropolitan and Partners Group.**

*After careful discussion, due consideration and on behalf of the Investment Committee, Dr. Tollen moved to allocate thirty million dollars (\$30M) in Real Estate; eighteen million dollars (\$18M) to Metropolitan Real Estate in their Global III Fund and twelve million dollars (\$12M) to Partners Group in their Global RE 2008 Fund, seconded by Mr. Hayes and passed by the Board.*

10. **Discussion and action on Causeway Capital Management.**

*After careful discussion, due consideration and on behalf of the Investment Committee, Dr. Tollen moved that we terminate the Funds' investment management relationship with Causeway and shift all such allocated funds over to Mondrian Investments Partners, seconded by Mr. Johnson and passed by the Board.*

11. **Presentation and review of 4<sup>th</sup> Quarter 2008 Investment Performance, as presented by Mr. Eric Ralph of Summit Strategies Group and related matters.**

Mr. Ralph presented the Fund's investment performance for year ended December 31, 2008. With regard to the economic climate, the National Bureau of Economic Research reported that the economy has been in a recession since December 2007. Over the last twelve months consumer prices dropped 0.1% while the core CPI which excludes food and energy increased 1.8%. Producer prices fell 1.3% year-over-year, the first annual drop since 2001. Core prices rose 4.3%, the biggest since 1988. The US unemployment rate rose 7.2% in December, the highest level in almost 16 years. Total US job loss for the year has reached close to 2.6 million. Housing markets remain depressed with housing starts falling to their lowest level on record. Capital market turmoil continued in the fourth quarter, closing out brutal year. The S & P 500 Index lost 21.9% in the fourth quarter and 37.0% for the year, led by financials down 31.7%. Small cap trailed large cap by 360 basis points for the quarter, dropping 26.1%. Value outperformed growth across all capitalizations for both the quarter and the year with small value outperforming small growth by the greatest margin +2.5% for the quarter and +9.6% for the year. International equity lost 20.0% for the quarter, outperforming domestic large equity by 190 basis points with an appreciating dollar detracting 140 basis points from performance. Value stocks led growth stocks by 30 basis points. The BMI emerging markets index fell 28.0% during the quarter and 53.5% for the year. The Total Fund was down 11.76% for the quarter and down 24.93 for the trailing year. Relative to all public plans-total median, the fund was ahead by 1.35% for the quarter and 0.29% for the year. Relative to the total fund policy index, the Fund was ahead by 1.64% for the quarter and 2.05% for the year. The Fund ranked in the 50<sup>th</sup> percentile for the one year, 18<sup>th</sup> for the three year and 11<sup>th</sup> percentile for the five year period.

12. **Discussion and action on entering into an agreement with the Epstein Group for providing legislative consulting services to the Fund for the 2009 Legislative Session in the amount of \$30,000.00 at the request of Chairman Calderazzo. Tabled January 21, 2009.**

Following an extensive discussion on this issue, the following motion was made.

*Dr. Tollen moved to postpone this decision until such time as we have investigated our needs for an outside consultant for this purpose and explore our options; and if necessary and advisable to pursue a search through requests for proposals, seconded by Mr. Studer. Dr. Tollen, Mr. Studer, Mr. Johnson, Mr. Ortega, Ms. Garcia, Mr. Hayes and Mr. Austin voted in favor. Mr. Widtfeldt, Mr. Feidner and Chairperson Calderazzo opposed. Motion carried.*

13. **Discussion and action on entering into a securities class action as lead or co-lead plaintiff as recommended by Attorney Klausner in association Bernstein Litowitz Berger & Grossman, LLP.**

*Mr. Widtfeldt made a motion to move into Executive Session for the purpose of discussing Item 13, seconded by Mr. Johnson. Motion carried.*

*The El Paso Firemen & Policemen's Pension Fund retired into Executive Session at 3:15 p.m. and returned to regular session at 3:30 p.m.*

*After careful discussion and due consideration, Mr. Studer moved to not enter into a securities class action as lead or co-lead plaintiff as recommended by Attorney Klausner in association with Bernstein Litowitz Berger & Grossman, LLP, seconded by Mr. Ortega and passed by the Board.*

14. **Report of Executive Director.**

Mr. Stanton provided an up-date as follows:

- Assets of the Fund are at \$616,095,000.
- Fiduciary Education Account – Account balance is approximately \$120,500. We will transfer another \$20,000 shortly.
- Discussed the current Redemption Procedure with Northern Trust; recently received \$14M which is sitting in the cash account and will be distributed to the appropriate manager and redemption will settle on March 3<sup>rd</sup>.
- Mr. Stanton also reported the work in progress such as drafting policy and forms for qualified children who attain the age of eighteen and then turn age nineteen and attend college for purposes of making sure they continue to qualify of the benefit. In process of completing final review of Summary Plan Description for both base and tier 2 plans.
- The recent article in the newspaper reference pre-1980 retirees was discussed.

**15. Opportunity for Statements from Retired Members/Public.**

If you wish to make any comments, please complete the form located at the entrance door. Forward the completed form to the Executive Director or Executive Assistant for the Chairperson. The presentation will be limited to five minutes. No action may be taken by the Board unless the matter has already been noted as a topic on the agenda. For those who wish their names recorded as attending this meeting in the minutes, please sign the sheet provided next to the entrance door.

**16. Committee Reports:**

- A. Actuary/Audit Committee – Did not meet.
- B. Budget & Finance Committee – Already reported.
- C. Disability Committee – Did not meet.
- D. Investment Committee – Dr. Tollen added that due diligence on-site visits for Private Equity will be done in early March.
- E. Personnel Committee – Did not meet

**17. For Notation:**

**A. Cost of Living Adjustments**

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|---------------------|-------------------|
| 1. Rafael A. Torres | Fire Department   |
| 2. Henry Barrio     | Police Department |
| 3. Arturo De Avila  | Police Department |
| 4. Eric M. Herrera  | Police Department |

**B. Death of member(s)**

|                 |                   |
|-----------------|-------------------|
| Albert Stephens | Police Department |
|-----------------|-------------------|

**C. Refund of Contributions**

|                     |                   |
|---------------------|-------------------|
| Benjamin Lopez, III | Police Department |
|---------------------|-------------------|

**D. Payments to Service Providers**

- |   |               |
|---|---------------|
| 1. Bixler & Co. (Annual Audit 12/31/07)   | \$ 14,785.00  |
| 2. Causeway Capital Management. - 4Q08    | \$ 111,319.09 |
| 3. Cooke & Bieler, L.P. - 4Q08            | \$ 39,108.94  |
| 4. Ferdinando Insurance Assoc.(D&O)       | \$ 7,688.00   |
| 5. Goldman Sachs - 4Q08                   | \$ 19,019.19  |
| 6. INTECH - 4Q08                          | \$ 8,630.32   |
| 7. INTECH Performance Fee                 | \$ 35,361.41  |
| 8. Lord Abbett - 4Q08                     | \$ 61,583.50  |
| 9. Pyramis Global Advisors - 3Q08         | \$ 102,640.00 |
| 10. Pyramis Global Advisors - 4Q08        | \$ 82,822.00  |
| 11. Sheehan Phinney Bass + Green 11/30/08 | \$ 5,300.00   |

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18. **Adjournment.**

*Mr. Ortega moved to adjourn, seconded by Mr. Austin and passed by the Board. The El Paso Firemen & Policemen's Pension Fund Board of Trustees meeting stands in adjournment at 3:39 p.m.*

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Chairperson

\_\_\_\_\_  
Secretary