

THE EL PASO FIREMEN & POLICEMEN'S PENSION BOARD OF TRUSTEES
REGULAR MEETING HELD
Wednesday, March 25, 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

MINUTES

MEMBERS PRESENT:

Mayoral Appointments:

Dr. Robert Tollen
Mr. Presi Ortega
Mr. John D. Davis, III

City Manager Appointments

Mr. William F. Studer

Police Department

Chief Robert Feidner
Commander Mark Austin
Detective Stanley Hayes

Fire Department

Chief Michael V. Calderazzo
Chief Matt G. Widtfeldt

OTHERS PRESENT:

Mr. Robert J. Stanton – Secretary
Ms. Yolanda Carreon – Assistant Secretary
Ms. Christina Ramirez - Specialist
Mr. Andrew D. Flewelling - L.R. Wechsler via teleconference
Mr. Rich Mackesey – Buck Consultants
Mr. Juan D. Sanchez – Retiree
Mr. Joe Tellez – Association President/Fire
Mr. George Nieto – Association Vice-President/Fire
Mr. Ron Martin - Association Vice-President/Police

MEMBERS ABSENT:

Chief Ralph B. Johnson and Ms. Terri Garcia

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 February 18, 2009.**

Dr. Tollen moved to approve the minutes of the meeting held February 18, 2009, seconded by Mr. Hayes and passed by the Board.

3. **Consideration and approval of the Financial Report for the month ending February 28, 2009.**

Due to a lack of a quorum the Budget and Finance Committee did not meet as stated by Mr. Stanton. Copies of the financial report were provided to every Board Trustee.

Dr. Tollen moved to approve the Financial Reports for the month ending February 28, 2009, seconded by Mr. Davis and passed by the Board.

Mr. Feidner presented himself at 1:02 p.m.

4. **Approve Pension Payrolls:**

Fire	\$ 1,671,365.27
Police	\$ 2,212,626.69

Mr. Stanton stated the Pension Payrolls were in order.

Mr. Hayes moved to approve the Pension Payrolls for the month ending February 28, 2009, seconded by Mr. Davis and passed by the Board.

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

Michael Navarrete	Fire Department
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Mr. Stanton stated the documentation was in order and recommended approval for service retirement for Mr. Navarrete.

Mr. Hayes moved to approve service retirement for Mr. Navarrete, seconded by Mr. Davis and passed by the Board.

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

Victor H. Flores, Jr.	Fire Department
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An error was noted on the listing of this item on the agenda. Mr. Flores is not a Fire member but a Police member. Additionally, he is a deferred retirement and not a combination of deferred/PRP. With these changes noted,

Mr. Davis moved to approve Deferred retirement for Mr. Flores, seconded by Mr. Widtfeld and passed by the Board.

7. Consideration and action on request for survivor benefits

Namra S. Jackson, survivor of Hubert F. Jackson, Fire Department

Mr. Stanton stated the documentation was in order and recommended approval for survivor benefits for Ms. Jackson.

Mr. Hayes moved to approve survivor benefits for Ms. Jackson, seconded by Mr. Davis 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:

- Tyler indicated that, due to resource constraints at Tyler, migration to production environment cannot start until May. Tyler will commit to a May 15 "go-live" pending a letter from EPFPPF by April 24 indicating commitment to do same. It is suggested sending such letter by April 5 and request a confirming commitment from Tyler. Mr. Stanton noted that this is healthy for the fund as this will provide an opportunity for the Benefits Specialists to work with this system and get training prior to cutting over.
- Updated Mellon PDA file and reconverted the database; following review with EPFPPF and Steve Speed (who has been very helpful) elected to update the Mellon PDA file with COLA amounts and reconvert the data; reconverted database was uploaded by Tyler to the EPFPPF server on March 17; review by Steve Speed is underway.
- Prepared staff for cutover with Brian Reed on-site week of March 9; compiled list of EPFPPF staff questions and concerns following training and forwarded to Tyler for review; discussed additional training needs with Tyler and timing of same; met with staff to review various process including 36 month estimates and QDRO processing; reviewed desktop shortcuts to TACS to ensure proper operation; created shortcut to Master Control Module (configuration setup) on Nashyelli's request.
- On securing the IT environment, Mr. Jesus Rico at ESEI has been contacted regarding disaster recovery hosting services.
- Mr. Flewelling further discussed some of the activities planned for the next reporting period to include a refresher training prior to the May 15 go-live; and provide any pertinent feedback on review of last database conversion and prepare for cutover by May 15.

Dr. Tollen moved to approve Mr. Flewelling's report, seconded by Mr. Davis and passed by the Board.

9. Discussion and action on approving the Investment Committee's recommendation to retain Meketa Investment Group as the Fund's Private Equity Consultant.

After careful discussion and due consideration, Dr. Tollen moved to retain Meketa Investment Group as the Funds Private Equity Consultant, seconded by Mr. Hayes and passed by the Board.

10. Discussion and action on approving the Investment Committee's recommendation regarding the components of the private equity space to the following asset classes: Buyouts, Mezzanine Debt, Distressed Debt, Special Situations, Royalties, Secondaries and Fund to Funds.

After careful discussion and due consideration, Dr. Tollen moved to approve the Fund's private equity space as noted in item 10 to the following asset classes: Buyouts, Mezzanine Debt, Distressed Debt, Special Situations, Royalties, Secondaries and Fund of Funds, seconded by Mr. Austin and passed unanimously by the Board.

At Chairperson Calderazzo's suggestion, Item 14 will be discussed next while waiting for Mr. Rich Mackesey to arrive. Without any objections from the Board, items 14 followed.

14. Discussion and action regarding Senate Bill No. 1548 relating to the monitoring of certain public retirement system and public investments as proposed by Senator Ogden at the request of Chairperson Calderazzo.

After careful discussion and due consideration, Mr. Davis made a motion that shows that the Board of Trustees of the El Paso Firemen & Policemen's Pension Fund is against the bill presented by Senator Ogden that would modify Chapter 801 in regards to State Pension and Investment Review Board, seconded by Dr. Tollen and passed by the Board.

11. Discussion and action on current policy regarding Qualified Domestic Relations Orders (DRO) Lump-Sum-Distributions.

Mr. Rich Mackesey, of Buck Consultants, the Fund's actuary reported on the current procedure used to process Qualified Domestic Relations Orders. He provided a handout to all Board members (copy attached to these minutes) with hypothetical examples of a divorce in which the percent awarded to the alternate payee is 50% and continued explaining as follows:

He stated that the first thing we do when we get a DRO is have the DRO qualified through our attorney and then pay according to the terms of the QDRO. Since October, 2004 the Board decided to pay lump sums to alternate payees but prior to 2004 we would pay alternate payees and retirees at the same time. In the state of Texas we have

the authority to lump-sum out alternate payees and avoid the administrative burden of paying monthly annuities when the member eventually retires. Then we pay benefits to that member reflecting an offset for the lump sum that was paid to the alternate payee. If the member is currently in payment status when their divorce occurs, then we split the benefit and pay them their two benefits because that benefit has already been put in place. In October 2004 the Board voted to pay lump-sums to alternate payees when we receive the order and not when the member receives benefits from the fund which could be decades later. When we receive the order and qualify it we then pay the lump sum to the alternate payee, based on that eligibility that the member has at the date of divorce. For example, if a member has less than five (5) years of service at the time of divorce, the alternate payee is not entitled to receive benefits from the fund. So if they have less than five years of service at the date of divorce our interpretation of the order is that the alternate payee gets one half of nothing and we pay the alternate payee a lump sum of zero. Between five (5) and less than ten (10) years of service at the time of divorce the alternate payee gets half of the contributions. If a member has at least ten (10) years of service but less than twenty (20) years, that member is entitled to either a refund or a deferred benefit. We then pay a lump-sum to the alternate payee based on whichever of those two had the greater value at the time of the divorce. If the member has more than twenty (20) year of service, they are eligible for immediate retirement benefits so we will pay the alternate payee half of the value of that immediate benefit. This is the issue at hand right now. The other three are all for the benefit of the member in a way because we are paying zero, 50% of contributions, or 50% of the value of the deferred benefit or contributions.

If the member actually works for us until retirement, in which case they are then eligible for a retirement benefit, or a full benefit including COLA's. But since we paid the alternate payee 50% of the value that did not include COLA's and maybe did not reflect a retirement benefit, the retiree was able to keep all that eligibility that they gained after they were divorced. For the members that are eligible for retirement benefits at the time of divorce, we pay it based on the value of the benefit at the time of divorce. What is generally true in our system and many systems is that when a member works past their unreduced retirement age, which for us is age 45 and 20, and continue to work past that age, the value of their pension goes down. The actual dollar amount of their monthly goes up but because they are getting a bigger amount for a shorter period of time, the value goes down. Generally, the most expensive time for one of our members to retire is when they are 45 and 20. That does not mean they can afford to retire at 45 and 20, and it does not mean their pension won't go up as they get more service and more pay. This only means that on an actuarial basis, that benefit has its' greatest value at 45 and 20. So what happens then is that when we pay an alternate payee a lump sum of an immediate unreduced retirement benefit at divorce and that member continues to work, the value of the pension is going down so we paid that alternate payee 50% of the amount at divorce which was a bigger amount than the amount they receive later. So when the offset is done for that member and 50% was awarded to the alternate payee that means that more than 50% of that ultimate value was awarded to that payee because the value was going down. As an example using numbers, someone is entitled to a benefit with a value of \$500,000 at divorce and we give \$250,000 to the spouse and then that members works five more years and now the value of that pension benefit has gone down to \$400,000 but we gave \$250,000 to the

spouse so now the member only gets \$150,000. Mr. Mackesey stated it's bit more complicated than that, but it gives an idea of how it works. Mr. Mackesey also informed the Board that because of some divorces that have occurred recently, we decided to inform the Board of what is going on and to determine whether the Board wants to continue its' prior decision to pay lump-sum to alternate payee based on the eligibility at the time of the divorce and not at the eligibility of the time the member may actually receive the payment. Mr. Mackesey proceeded to explain the four examples outlined in the handout with an extensive question and answer session with Board members.

Mr. Davis made a motion that if the member's divorce occurs prior to October 20, 2004 whether they are active or not that the alternate payee will be paid a monthly annuity, seconded by Mr. Ortega. Mr. Davis, Mr. Ortega, Mr. Feidner, Mr. Hayes, Mr. Austin, Mr. Studer, Dr. Tollen and Mr. Widtfeldt voted in favor. Chairperson Calderazzo abstained. Motion passed.

Mr. Davis further commented that we seem to know where we want this to go but we need to make sure that we revisit this issue to fully resolve it.

Mr. Feidner absented himself at 2:45 p.m.

12. Discussion and action on employee contributions under Qualified Domestic Relations Orders (DRO).

Mr. Mackesey stated that the October 2004 motion on QDRO's was silent on how the death benefit should work for a member that dies after receipt of his benefit. He simply wants to clarify what the Board's intention was back in October, 2004. For example, we pay the alternate payee; we split the contribution the exact same way we split the value .i.e.... an \$800,000 value of which \$200,000 is contributions, we pay the alternate payee \$400,000 of which \$100,000 was half of the contributions; the member retains \$100,000 of contributions; The member then goes into receipt but if the member dies before he receives \$100,000 then this beneficiaries are paid the balance of the \$100,000. Mr. Mackesey feels that was the intention of the Board back in 2004 but it is not clear in the motion.

Dr. Tollen moved that in terms of contributions we follow the same criteria and split the contributions in the same proportion that we split the benefit, seconded by Mr. Austin. Dr. Tollen, Mr. Austin, Mr. Davis, Mr. Ortega, Mr. Studer, Mr. Hayes, and Mr. Widtfeldt voted in favor. Chairperson Calderazzo abstained. Motion passed.

13. Discussion and action regarding the retirement of Mr. Juan D. Sanchez and related matters at the request of Trustee Widtfeldt. (Documentation to be distributed at meeting)

Mr. Sanchez provided the Board with various retirement estimates received from the Pension Office. He complained of figures being misrepresented in these estimates. He also has an issue with information from staff that his former spouse is entitled to a percentage of his BackDrop benefits, which he is in total disagreement. He stated that

he stayed the additional three years to qualify for the BackDrop which comes several years after his divorce so why should she have an interest in this part. Mr. Mackesey explained to Mr. Sanchez that his BackDrop is not for years 24, 25, and 26, but the accumulation of the benefit paid for the first twenty-three years of service.

Mr. Widtfeld made a motion to move into Executive Session for the purpose of discussing Item 13, seconded by Mr. Hayes and passed by the Board.

The El Paso Firemen & Policemen's Pension Fund retired into Executive Session at 3:44 p.m. and returned to regular session at 4:14 p.m.

Mr. Widtfeldt moved to utilize the process for Mr. Sanchez's retirement using the process prior to October 20, 2004, seconded by Mr. Davis and passed by the Board.

Chairperson Calderazzo stated that changes are taking place to avoid these types of confusion regarding QDRO's.

15. Discussion and action to seek proposals for a Lobbyist and Legislative Consultant at the request of Chairman Calderazzo.

After careful discussion and due consideration, Mr. Hayes moved not to seek proposals for a lobbyist or a legislative consultants at this time, seconded by Mr. Austin. Mr. Hayes, Mr. Austin, Dr. Tollen, Mr. Davis, Mr. Ortega, and Mr. Studer voted in favor. Mr. Widtfeldt and Mr. Calderazzo voted against. Motion passed.

16. Discussion regarding investment alternatives with the infusion of additional investment capital in July 2009 at the request of Trustee Austin.

Mr. Studer informed the Board that City Council passed a primary resolution about a month ago giving the City Manager or Mr. Studer the authorization to proceed with this. He is currently working on the sale of the bonds and trying to have funding available by the end of May.

No action.

17. Discussion and action on request by Trustee Davis to attend the Portfolio Concepts and Management at the Wharton School from June 1-4, 2009 in accordance with the Fund's Fiduciary Education and Travel Policy.

Chairperson Calderazzo stated this requires approval as it exceeds the \$3,500 limit specified in the travel policy. He also stated that this is an excellent school for trustees. Since Mr. Davis' term expires July, 2009 it was recommended that we table this item until such time that we know if Mr. Davis will be re-appointed.

Mr. Ortega moved to table this item for one month, seconded by Mr. Hayes and passed by the Board.

18. Report of Executive Director.

Mr. Stanton provided an up-date as follows:

- Assets of the Fund are at \$621,000,000.
- Fiduciary Education Account – Account balance is approximately \$113,000.
- Mr. Calderazzo, Ms. Koch, Mr. Mackesey, and Mr. Stanton met with Mr. Cleveland in New Hampshire to discuss and extensive agenda regarding policies and procedures. These policies including a QDRO policy will be coming to the Board in the near future.

19. 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.

Mr. Joe Tellez and Mr. George Nieto addressed the Board and offered any and all assistance they can provide to inform the membership on any pension issues that come up.

20. Committee Reports:

- A. Actuary/Audit Committee – Did not meet.
- B. Budget & Finance Committee – Did not meet.
- C. Disability Committee – Did not meet.
- D. Investment Committee – In regards to Mondrian, Dr. Tollen added that Attorney Cleveland has pointed out that this is a comingled fund in which we are taking a partnership interest. There is no investment agreement parse and this transaction might be delayed a bit more than usual to make sure everything is okay.
- E. Personnel Committee – Did not meet

21. For Notation:

A. Cost of Living Adjustments

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|-----------------------|-------------------|
| 1. Jose Gallegos, Jr. | Fire Department |
| 2. Efrain Griego | Police Department |
| 3. Isaac Hernandez | Police Department |
| 4. Richard J. Limas | Police Department |

B. Death of member(s)

- | | |
|---------------------|-----------------|
| 1. Ulysses G. Bates | Fire Department |
| 2. Anne R. Hobbs | Fire Department |

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3. Hubert F. Jackson, Jr. Fire Department
 4. Ted Whorton Police Department

C. Payments to Service Providers

1. Access Medical Evaluations	\$ 950.00
2. Baillie Gifford - 4Q08	\$ 63,689.26
3. Buck Consultants - 4Q08	\$ 48,226.50
4. INTECH - 3Q08	\$ 10,818.59
5. INTECH Performance Fee	\$ 34,618.79
6. Eduardo Miranda, Atty. -12/31/08	\$ 225.00
7. Eduardo Miranda, Atty. -01/31/09	\$ 337.50
8. Eduardo Miranda, Atty. -02/28/09	\$ 350.00
9. Northern Trust Co. -Custody & Benefits	\$ 12,500.00
10. Northern Trust Co. -Asset Mgmt-4Q08	\$ 14,366.24
11. Sheehan Phinney Bass + Green 12/31/08	\$ 15,116.04
12. Sheehan Phinney Bass + Green 01/31/09	\$ 1,820.00
13. Sterling Johnston Cap.Mgmt. (4 th qtr.)	\$ 31,675.10

22. Adjournment.

Mr. Ortega moved to adjourn seconded by Mr. Studer and passed by the Board. The El Paso Firemen & Policemen's Pension Fund Board of Trustees meeting stands in adjournment at 5:02 p.m.

Chairperson

Secretary