



El Paso Firemen & Policemen's Pension Fund



REQUEST FOR PROPOSALS

FOR

INDEPENDENT FINANCIAL AUDITING SERVICES

Issuer:

El Paso Firemen & Policemen's Pension Fund
Chase Tower
210 East Main Drive, Suite 1616
El Paso, Texas 79901

Robert J. Stanton
Executive Director
February 15, 2010

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EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REQUEST FOR PROPOSAL
INDEPENDENT FINANCIAL AUDITING SERVICES

1.0 INVITATION TO SUBMIT PROPOSAL

The El Paso Firemen & Policemen's Pension Fund (EPFPPF or the "Fund") through its Executive Director, Robert J. Stanton, is requesting proposals from qualified independent public accounting firms, licensed to practice in the State of Texas, to conduct independent annual audits of the financial statements of the Fund in accordance with generally accepted auditing standards and to express an opinion as to whether the financial statements present fairly in all material respects, the financial status of the Fund. The audit shall include testing of the accounting and other supporting documentation and records as deemed necessary by the independent auditor in order to express such an opinion.

All inquiries and contact with the EPFPPF regarding this request for proposal should be directed to:

MR. ROBERT J. STANTON, EXECUTIVE DIRECTOR
EL PASO FIREMEN & POLICEMEN'S PENSION FUND
CHASE TOWER
201 EAST MAIN
SUITE 1616
EL PASO, TEXAS 79901
PHONE: (915) 771-8111
FAX: (915) 779-6693
[**RStanton@ElPasoFireAndPolice.org**](mailto:RStanton@ElPasoFireAndPolice.org)

All written inquiries and answers will be provided to all parties that have expressed an interest in responding to this request for proposal (RFP). Only written responses will be binding upon the EPFPPF.

1.1 PENSION PLAN BACKGROUND AND GENERAL INFORMATION

The EPFPPF is a single-employer contributory defined benefit plan qualified as a tax-exempt entity under section 401(a) and 501(a) of the Internal Revenue Code and we intend to maintain it as a qualified Fund. The plan provides retirement, disability, and death benefit protection to its members and their beneficiaries. A member's pension benefit is based on a predetermined formula measured by salary and service credit.

The EPFPPF is administered by an eleven-member Board of Trustees, which includes three Mayoral appointments, two City Manager appointments, three firefighters, and three police officers. The Board of Trustees formulates administrative policies and procedures, authorizes benefit payments to members and manages the trust funds.

The EPFPPF Board of Trustees and the Budget and Finance Committee meet monthly. The EPFPPF also submits a Financial Report for each fiscal year ending on December 31st to the City of El Paso and the Texas Pension Review Board.

Outside consultants are utilized for particular investment expertise and retained to assist the EPFPPF Investment Committee and Staff in the areas of establishing strategy, policy, and guidelines; portfolio construction and needs assessment; manager searches, due diligence, research, and monitoring; client support including recommendations, reporting, education, and attendance at meetings. Summit Strategies is the general investment consultant for the EPFPPF responsible for asset liability modeling studies, asset allocation policy, and public market consulting. Northern Trust Company is the EPFPPF's custodian and is responsible for providing asset valuation and transactional detail for the public market securities.

All of the EPFPPF assets are currently managed by outside investment management firms; no assets are managed internally. Information regarding the EPFPPF plan allocation and investment portfolio as of December 31, 2009 is contained in Appendix B for your reference.

The Financial Report is prepared in conformity with the principles of government accounting and most current reporting pronouncements of the Government Accounting Standards Board (GASB) and Generally Accepted Accounting Principles (GAAP). The Financial Report is prepared on an accrual basis of accounting each fiscal year.

1.2 CONTACT PERSON

All communication regarding RFP-related matters should be directed exclusively to Robert J. Stanton, Executive Director, or his designee.

1.3 TENTATIVE TIMETABLE

The following is the tentative time schedule applicable to this RFP. All dates are subject to modification by the EPFPPF.

Request for Proposal posted on Fund's website: February 15, 2010
Issuance of RFP and Official Notices Placed: February 16, 2010
Question Deadline: February 22, 2010
RFP Response Deadline: 5:00 pm, MST on Monday, March 8, 2010
RFP Analysis Completed by EPFPPF Staff: March 12, 2010
Report to Actuarial & Auditing Committee: March 15, 2010
Selection and Recommendation by Actuarial & Auditing Committee: March 15, 2010
Board decision on Audit Firm: March 17, 2010

1.4 GENERAL

Direct all questions and correspondence regarding this RFP to:

Robert J. Stanton, Executive Director
El Paso Firemen & Policemen's Pension Fund
Chase Building
201 East Main
Suite 1616
El Paso, Texas 79901
RStanton@ElPasoFireAndPolice.org

Only written questions submitted by February 22, 2010 will be accepted. Written answers to such questions shall be sent to each person on record as having received an RFP.

As of February 23, 2010, firms which intend to submit a Proposal should not contact any EPFPPF Staff or Trustee, other than to submit written questions to the Executive Director. An exception to this rule applies to firms which currently do business with the EPFPPF, but any contact made by such firms should be limited to ongoing business, and should not relate to this RFP. Any attempt by an Offeror to initiate contact with any member of the proposal evaluation team, the EPFPPF Board or Actuarial & Auditing Committee members, or EPFPPF Staff other than the designated contact, may disqualify the Offeror from further consideration.

No Offeror shall issue a news release regarding any aspect of this RFP without prior written approval from the EPFPPF Executive Director.

1.5 SCOPE OF PROJECT AND SERVICES

The El Paso Firemen & Policemen's Pension Fund is issuing this request for proposal to conduct an independent examination and audit of the Fund's financial statements for each of the three years ending December 31, 2009, 2010, and 2011.

The Board requires in their audit contract that the auditors of the Fund's financial statements conform to the independence standard promulgated in the General Accounting Office's Government Auditing Standards even for audit engagements that are not otherwise subject to generally accepted government auditing standards.

A management letter is required at the conclusion of the audit and should include a statement of audit findings and recommendations affecting the financial statements, internal controls, accounting system and other related matters of material concern.

Beginning with the calendar year 2009 audit, final audit reports for the year are required to be in our office no later than June 1st of the following year. The audit firm is also required to make a presentation to the Board at the June (third Wednesday) meeting following completion of the audit. Twenty (20) copies of the management letter are required each year.

A copy of EPFPPF's audited financial statements for the year ending December 2008 can be found on the EPFPPF's website at www.ElPasoFireAndPolice.org

1.6 PROPOSAL SUBMISSION REQUIREMENTS

The audit firm shall submit an original and twenty (20) copies of a written proposal in a sealed package labeled "Proposal for Independent Audit of Financial Statements" bearing the name and address of the bidder and signed by an authorized official. The submission shall be sent to:

Robert J. Stanton, Executive Director
El Paso Firemen & Policemen's Pension Fund
Chase Building
201 East Main
Suite 1616
El Paso, Texas 79901
RStanton@EIPasoFireAndPolice.org

Proposals must be received on or before March 8, 2010 at 5:00 pm Mountain Standard Time. Failure to meet the deadline may result in rejection of the proposal.

A proposal submission should have the following content:

1. A title page indicating the date, subject, audit firm name, address, phone number, contact name, title, and contact phone number.
2. An executive summary (optional).
3. Background information on your audit firm, including ownership, principals, and the firm's history, experience, and areas of practice.
4. Biographies for members of your firm who will work on the audit, including their prior experience with conducting public sector audits and their work with Comprehensive Annual Financial Reports ("CAFR") and the Government Finance Officers Association ("GFOA") requirements.
5. Discussion on public sector audits which your firm has previously conducted, including specific issues addressed in those audits.
6. A statement of your firm's potential conflicts of interest, should your firm be selected for this project.
7. A brief explanation of any litigation or regulatory proceedings currently pending against your audit firm or which have been concluded within the past five (5) years. If so, provide a brief explanation and indicate current status.
8. References from three (3) public sector organizations the audit firm has completed audits on.
9. A description of your auditing philosophy.
10. Narrative on the strengths and limitations of your approach to auditing for the public sector.

11. A statement addressing the Board's requirement in their audit contracts that the auditors of the EPFPPF financial statements conform to the independence standard promulgated in the General Accounting Office's Government Auditing Standards even for audit engagements that are not otherwise subject to generally accepted government auditing standards.
12. A step-by-step work plan from initial meetings, preliminary field work, receipt of data, final audit and management report distribution and presentation to the Board of Trustees; include a time line for this project. Include discussion within your timeline on additional work required to begin the project. The final presentation to the Board of Trustees will be the June 2010 Board meeting. (Note: The Board meets on the 3rd Wednesday of each month.)
13. Discussion addressing your GFOA experience, if any, and what assistance can you provide EPFPPF in developing a CAFR.
14. Discussion on how you will notify EPFPPF of relevant changes in GAAP during the year prior to the audit.
15. A sample public sector audit that you have completed recently.
16. A description of the audit firm's fee structure itemized by type of service for all services as described in this RFP.
17. Disclosure as to whether the audit firm plans to use subcontractors; if so, disclose the name(s) of the subcontractor(s), the service(s) to be subcontracted and how the contractor controls cost, quality, timeliness, and confidentiality of these service(s).
18. A statement regarding information required from EPFPPF and the extent of Staff and Board involvement necessary to ensure a successful and timely audit.
19. Additional information about your firm, approach to the work effort, Staff, etc., that you feel is appropriate.

Nonconformance with these submission requirements may result in rejection of the proposal.

All proposals submitted become the property of EPFPPF and will not be returned. Any information that the audit firm includes in its proposal which it considers proprietary or confidential must be so marked.

All proposals shall be considered valid for acceptance for a period of 120 days or until awarded, whichever is sooner.

Materials belonging to EPFPPF or the project will be safeguarded by the successful audit firm to at least the same extent as the successful audit firm safeguards proprietary information relating to its own business.

Audit Firm Travel Expenses: All travel expenses, if any, are to be included in the proposed fee.

1.7 SELECTION PROCESS

Request for Proposal posted on Fund's website: February 15, 2010
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All deadlines listed are for 5:00pm Mountain Standard Time.

EPFPPF will evaluate audit firm proposals for completeness and compliance with the requirements presented in this solicitation. Failure to meet all of these requirements, or substantial deviations from specifications or other solicitation requirements, may result in rejection of the entire bid without further consideration.

EPFPPF will review all proposals and audit firm qualifications to determine a ranking. In evaluating or ranking proposals, EPFPPF, in its sole discretion, without the need to state any reason or justification and without liability of any kind to the audit firms, may reject any or all proposals in its sole judgment and discretion as deemed appropriate.

The award shall be made to the audit firm whose proposal is deemed most advantageous to EPFPPF.

The factors to be utilized by EPFPPF in evaluating the proposals will include, but not be limited to the following:

- experience with public pension plan administration processes and procedures
- experience with auditing at other public retirement systems
- quality of references provided with preference given to references that include experience with the audit firm's proposed staff
- clarity, completeness, and content of proposed work plan and deliverables and ability to meet EPFPPF's timetable
- cost

EPFPPF will evaluate cost information for completeness and mathematical accuracy.

EPFPPF may call to the attention of the audit firms, for discussion and correction, minor problems of completeness or compliance.

EPFPPF reserves the right to require additional information from bidders, and to conduct necessary investigations to determine responsibility of bidders or to determine accuracy of bid information.

EPFPPF may contact audit firm references during the initial evaluation or at a later stage in the evaluation process.

EPFPPF will notify unsuccessful audit firms in writing following the completion of the contract award.

1.8 RIGHTS RESERVED TO EPFPPF

EPFPPF reserves the right to award in part, to reject any and all proposals in whole or in part, and to waive technical defects, irregularities and omissions if, in its judgment, the best interest of EPFPPF will be served.

1.9 PRICING SCHEDULE

The bidder is to submit a "not to exceed" cost estimate that includes a fee schedule for each year audited. This estimate must completely enumerate all costs and pricing options associated with the services the audit firm will provide.

Each bidder is solely responsible for the accuracy and completeness of its bid.

EPFPPF is not liable for any cost incurred by the bidders prior to execution of a contract.

The selected bidder shall be required to assume responsibility for all items offered in their bid whether or not they produce them. Further, EPFPPF shall consider the selected bidder to be the sole point of contact with regard to contractual matters, including payment of any and all charges resulting from the contract.

The EPFPPF will provide normal and customary work space, accounting schedules, verification assistance and clerical help to the extent that the regular work of EPFPPF is not impaired. Please include in your proposal an estimate of EPFPPF accounting Staff time to be utilized in workpaper preparation. If increased Staff time will result in a substantially lower fee, please so indicate in your proposal.

2.0 METHOD OF PAYMENT

Fees are payable within thirty (30) days of completion of the audit. All invoices for payment shall be submitted to the following address:

Robert J. Stanton, Executive Director
El Paso Firemen & Policemen's Pension Fund
Chase Building
201 East Main
Suite 1616
El Paso, Texas 79901

APPENDIX A**SUMMARY OF ASSETS (UNAUDITED)**

Asset type	Market Value December 31, 2009 (in millions)	Percent of Total Fund
U.S. Equity	\$298,066,573,261.0	31.972
Non-U.S. Equity	\$304,582,374	32.671
Fixed Income	\$321,922,592	34.531
Alternatives	\$3,954,174	0.424
Cash	\$3,755,690	0.403
Total Fund	\$932,281,403	100.0

Code of Ethics

The Board of Trustees ("the Board of Trustees" or "the Board") of the El Paso Firemen and Policemen's Pension Fund is obligated to administer its pension fund as a trust fund solely in the interest of the participants and beneficiaries. In performance of this obligation, the Board of Trustees is required to administer the Fund in accordance with Article 6243b V.A.T.S., and other applicable state and federal laws and regulations.

In furtherance of these obligations, the Board of Trustees hereby adopts the following Code of Ethics which shall be applicable to all trustees and fiduciaries of the El Paso Firemen and Policemen's Pension Fund ("the Fund"), its consultants, advisors, and any employees hired by the Board.

I. Fiduciary Duties

Under Texas State statutes and applicable federal law and regulations, the Fund is a trust fund to be administered solely in the interest of the participants and beneficiaries thereof, for the exclusive purpose of providing benefits to participants and beneficiaries, and to defray reasonable expenses of the Fund.

In the performance of these duties, all trustees, officers, employees and other fiduciaries of the Fund are subject to the "Prudent Person Rule" which requires that they exercise their duties "with the care, skill, prudence, and diligence under the prevailing circumstances that a prudent person acting in a like capacity and familiar with matters of the type would use in the conduct of an enterprise with a like character and like aims." Further, all fiduciaries of the Fund shall maintain high ethical and moral character both professionally and personally, such that the conduct of all fiduciaries shall not reflect negatively upon the Board of Trustees or the Fund.

II. Prohibited Transaction

- A. No fiduciary of the Fund shall receive compensation from any person in connection with any action involving assets of the Fund.
- B. No fiduciary of the Fund shall participate in a decision or action involving any asset or benefit for his or her own interest, except insofar as a benefit is incidental to the fiduciary's membership in a large class such as that of the Fund participants.
- C. No fiduciary of the Fund shall engage in the purchase, sale, exchange, or leasing of property with the Fund if that fiduciary holds an interest in the property.
- D. No fiduciary of the Fund shall engage in the purchase, sale, or exchange of any direct investment with the Fund if that fiduciary holds an interest in the investment.
- E. No fiduciary of the Fund shall participate in the lending of money or furnishing of other credit by the Fund if the fiduciary has a direct or indirect interest in the loan or credit unless

such loan or credit is generally available to members of the Fund, generates a reasonable return, provides adequate security, and is made in accordance with specific provisions of the plan.

- F. Any goods, services or facilities furnished by the Fund to any person shall be used for the exclusive benefit of the Fund unless reasonable consideration is received by the Fund for the use of the goods, services, or facilities.
- G. No fiduciary of the Fund shall cause the Fund to engage in any of the prohibited transactions listed above with any immediate relative or business associate of the fiduciary, any other trustee, employee, custodian or counsel to the Fund, any other fiduciary of the Fund, any person providing services to the Fund, any employee organization whose members are covered by the Fund, or the City of El Paso and its officers, officials and employees.

III Exercise of Fiduciary Duties

- A. In making or participating in decisions, the fiduciaries of the Fund shall give appropriate consideration to those facts and circumstances that the fiduciary knows or should know, are relevant to the particular decision, and shall refrain from using facts or circumstances which are not relevant to the decision.
- B. In making decisions, the fiduciaries shall make a determination that the particular investment of course of action is reasonably designed, as part of the portfolio, to further the purposes of the Fund, taking into consideration the risk of loss and the opportunity for gain or other return.
- C. Fiduciaries of the Fund shall keep adequate records of all investment and benefit decisions to provide documentation of those decisions for future reference.
- D. If a fiduciary is present at any time a decision is being made concerning any investment, benefit or other action in which the fiduciary has an interest, the fiduciary shall disclose the interest and refrain from participating in the decision or discussion concerning the action, including abstention from voting regarding such action.
- E. Conflict of interest affidavits shall be completed annually and a record of voting abstentions shall be maintained outlining the basis for such abstentions.
- F. No fiduciary of the Fund shall participate in the breach of fiduciary duty of another fiduciary of the Fund, participate in concealing such breach or knowingly or negligently permit such breach to occur.
- G. In the conduct of all decision-making regarding the Fund, it is understood that at times individuals will consult with trustees in order to impact decisions of the Board. However, "ex-parte" communications by trustees with individuals seeking to influence the decisions of the Board shall be strongly discouraged. All trustees shall make a written report of all such "ex-parte" communications which includes the date, name, and firm of the person(s) involved.

IV Gifts and Benefits

Definition of Gifts - Gift shall mean anything of tangible value given without adequate consideration and shall include, but not be limited to, any payment of cash, or receipt of goods or services. For purposes of this definition meals, refreshments and entertainment shall be considered intangibles but shall clearly be subject to the restrictions contained in Section VI of this provision.

Trustees, officers and employees shall be discouraged from accepting any gifts from any source, particularly those sources which are current or prospective contractors or service providers to the Fund. Towards this end, all fiduciaries of the Fund shall report on a form provided by the board, the receipt of any gift with a fair market value of greater than \$25.00

Definition of Benefit - Benefit shall mean anything reasonably regarded as economic gain or advantage, including benefit to any other person in whose welfare the beneficiary is interested.

Trustees, officers and employees shall not solicit, accept or agree to accept any benefit from any source.

1. **Reporting of gifts** - Each trustee, officer, and employee of the pension fund shall file a report of all gifts received which have a market value of over \$25.00 on the form provided by the Board. The form shall note the source of the gift, the dates received, and the estimated market value of the gift. Gift reports shall be filed at least quarterly, and if a trustee, officer, or employee has no such gift to report for the quarter, a statement to that effect must be filed on the applicable report. All reports shall be retained by the Board and shall be made available to the public upon reasonable request.
2. **Disclosure and disqualification** - All trustees, officers, and employees of the pension fund shall be prohibited from participation in any action or decision affecting the financial interest of any source of a gift if the trustee, officer, or employee has in the preceding twelve months received a tangible gift of gifts with an aggregate total market value of more than \$100.00.
3. **Return of gift** - Any gift, the receipt of which is prohibited by this policy, shall be returned to its source whenever possible. If the source is unidentified, or cannot be located, the gift shall be donated to charity.
4. **Receipt of gifts through intermediaries** - No trustee, officer, or employee shall receive any gift through an intermediary, if the persons knows, or has reason to know, that the gift has originated from another source.
5. **Anonymous gifts** - In no event shall any trustee, officer, or employee accept a gift, if the source of the gift is not identified.

V. Travel and Related Expenses

- A. It shall be the policy of the Board that whenever possible, expenses for travel, lodging, meals and incidentals for trustees, officers, or employees traveling on official business on behalf of the Fund shall be paid by the Fund. This policy shall apply to all travel related to any business meeting, educational seminar, conference, or convention attended by any trustees,

officers, or employees of the Board. Payment of travel and related expenses by any other source shall not be accepted under the provisions of this policy.

- B. **Expenses - Definition** - The policy shall apply to any expenses related to travel, lodging, meals or incidentals expenditures made by another source in connection with any official business trip taken by any trustee, officer, or employee of the Board.
- C. **Expenses related to new business** - In no event shall any trustee, officer, or employee of the Board accept any expenses related to travel, the purpose of which is to determine the selection of new contractors or to determine the assignment of continuing or additional business to existing contactors.
- D. **Acceptance of travel and related expenses** - If, in the opinion of the Board, the interests of the pension fund are served by accepting travel and related expenses from another source to attend any conference, convention, seminar, or business meeting, the Board may authorize the acceptance of the expenses by any trustee, officer, or employee.

VI Miscellaneous - Intangibles

- A. Acceptance by a Fund Representative of any "favor" or complimentary work or analysis, offered or performed by a current or prospective contractor or service vendor of the pension fund, intended to benefit personally the involved Fund representative is prohibited.
- B. Solicitation or encouragement by a trustee, officer, or employee of the Fund of expensive meals, refreshments or entertainment from a current or prospective contractor or service provider of the pension fund is prohibited. On-going acceptance of such meals, refreshments or entertainment shall be strongly discouraged.
- C. Invitations from any current or prospective contractor or service provider to dinners or other events must be communicated to the Fund staff. Acceptance of such invitations shall be reported on a form and shall include the names and firms of the person(s) involved and the date on which the event occurred.

VII General Provisions

Adherence to any and all other applicable laws. Nothing in this policy shall excuse any trustee, officer, or employee from any other restrictions of state or federal law concerning conflicts of interest and fiduciary duties.

ADOPTION: The foregoing Code of Ethics was adopted by the Board of Trustees of the El Paso Firemen and Policemen's Pension Fund at its meeting held October 3, 1994.