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**EL PASO FIREMEN & POLICEMEN'S PENSION FUND**  
**REGULAR MEETING HELD**  
**Wednesday, July 20, 2011 at 1:00 PM**  
**El Paso Firemen and Policemen's Pension Fund Office**  
**Chase Tower, Suite 1616**  
**201 East Main Drive, El Paso, Texas 79901**

**MINUTES**

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**TRUSTEE MEMBERS PRESENT:**

Fire Division

Chief Michael V. Calderazzo  
Chief Jerry Villanueva

Police Division

Lieutenant Tyler Grossman  
Detective Stanley Hayes

Mayoral Appointments:

Dr. Robert Tollen  
Mr. Presi Ortega  
Ms. Carmen Arrieta-Candelaria

City Manager Appointments

Ms. Terri Garcia  
Mr. William F. Studer

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**OTHERS PRESENT:**

Mr. Robert J. Stanton - Secretary  
Ms. Yolanda Carreon - Assistant Secretary  
Chief Ricci Carson - Fire Division  
Mr. Scott Eliason - Moss Adams, LLP  
Mr. Peter Riviello - Mondrian Investment Group  
Mr. Russell Mackie - Mondrian Investment Group  
Mr. Robert Duwa - William Blair & Company  
Mr. Mike Balkin - William Blair & Company

**TRUSTEE MEMBERS ABSENT:**

Chief Ralph Johnson  
Commander Mark Austin

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1. Call to order.

Chairman 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. Establishment of Quorum

Chairman Calderazzo established a Quorum is present.

3. Reading and approval of the Minutes of the previous Board Meeting held June 15, 2011.

Dr. Tollen moved to approve the minutes of the previous Board Meeting held on June 15, 2011, seconded by Mr. Grossman and passed by the Board.

Consent Agenda

Ms. Garcia requested clarification on the payments posted in the Northern Trust reports reference legislative consultant payments. Mr. Franco explained that earlier payments had been split using the Fund's ratios and adjustments had been requested to split 50/50. The reports this month is reflecting these corrections.

*Mr. Ortega moved to approve the Consent Agenda, seconded by Mr. Hayes and passed by the Board.*

Unfinished Business

None at this time.

Reports and recommendations of Committees

- A. Audit and Risk Management Committee - Did Not Meet.
- B. Investment Committee - Did Not Meet
- C. Benefits Committee - Will be discussed under New Business.
- D. Management Development and Review Committee - Did Not Meet.
- E. Ad-Hoc Committee for Office Space - Did Not Meet.
- F. Budget & Finance Committee - Chairman Calderazzo reported that the Committee reviewed the financial reports at their quarterly meeting and everything is in order.

New Business

1. Discussion and action on approval of the December 31, 2010 Audited Financial Statements as presented by Mr. Scott Eliason of Moss Adams, LLP.

Copies of a discussion draft of the Financial Audit were provided to the Board Trustees. A copy is also attached to the minutes.

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Mr. Scott Eliason of Moss Adams, LLP reviewed the Independent Auditor's Report and stated that they audited the accompanying consolidated statement of plan net assets of the El Paso Firemen and Policemen's Pension Fund as of December 31, 2010, and the related consolidated statement of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Fund's management. The accountant's responsibility is to express an opinion on these combined financial statements based on their audits. He stated that the consolidated financial statements of the fund as of and for the year ended December 31, 2009 were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated July 28, 2010. The audit is conducted in accordance with generally accepted auditing standards in the United States of America. Mr. Eliason expressed the following: In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of El Paso Firemen and Policemen's Pension Fund as of December 31, 2010, and the changes in its plan net assets for the years then ended in conformity with accounting principles generally accepted in the United State of America".

Mr. Eliason provided the following financial highlights:

- The Fund was up 12.83%, ranking in the 77<sup>th</sup> percentile for the year ending December 31, 2010.
- The assets of the Fund exceeded its liabilities at the close of the fiscal year 2010 by \$1,024,630,858.
- The Fund's total net assets increased by \$89,936,046 in 2010.
- Benefit payments made during fiscal year 2010 totaled \$49,918,863, an increase of \$929,822 over fiscal year 2009 primarily due to the net increase in the number of retirees and cost of living increases.

The following deficiencies were communicated to the Board of Trustees by Mr. Eliason. The current financial close and reporting process is very fragmented. Management of the Fund tracks and reconciles cash basis funds from the City to the Northern Trust Statements, reconciles retiree disbursements to the Northern Trust Statements and reconciles the checking accounts. A trial balance is used primarily to account for general and administrative expenses in both the Fund and the Subsidiary (Lomaland LLC). Accrual basis funds are not traced. Currently, the Accountant prepares entries, posts entries, and reviews the entries posted to the trial balance. These are incompatible duties as best practices require segregation of these duties to ensure completeness and to eliminate errors from occurring. In the future, as the Fund moves to have complete trial balances and interim and year-end financial statements, proper segregation of duties will become even more critical. The recommendation is to consider additional resources to ensure proper segregation of duties and to cover the increased workload that will occur as the Fund moves toward complete trial balances and interim and year-end financial reporting. Additionally, Mr. Eliason recommends the Fund begin the process of formalizing accounting process and procedures to ensure that all daily, monthly and annual process are completed accurately and timely.

*Mr. Grossman moved to approve the audit report as presented by Mr. Scott Eliason of Moss Adams LLP, seconded by Mr. Villanueva and passed by the Board.*

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2. Investment Performance Review for period ended December 31, 2010 and update as presented by Mr. Steve Starnes and Mr. Russell Mackie of Mondrian Investment Group.

Mr. Riviello and Mr. Mackie reemphasized that the firm was founded in 1990, having twenty years of stable consistent leadership with over US\$70 billion under management. The firm is an independent, employee owner company (effective July 12, 2011) with equity ownership plan designed to attract, retain and motivate highly skilled people. Approximately 80 employees are owners, up from 60 in 2004. They have a highly experienced team of 53 professionals in London, low turnover of professional staff and a strong culture of client service and support. All products utilize an income-oriented value discipline successfully applied since the company's founding in 1990. The firm's investment methodology utilizes a value approach which emphasizes yield and future growth in dividends. Consistent dividend discount methodology which compares value across all securities, markets and sectors. In-depth worldwide fundamental research with an emphasis on company visits, and a long term purchasing power parity approach to currency analysis. Seek to produce meaningful high real returns, aim to preserve capital during global market declines and returns that typical have shown lower volatility than the index and most other managers. Focused on portfolios with strong characteristics and a long term focus resulting in low turnover and reduced transaction costs. Since inception, June 1, 2009 the Fund had a return of 15.6% compared to 16.4% for EAFE. Through June 30, 2001 the Fund had a return of 8.0% compared to 5.0% for EAFE.

3. Investment Performance Review for period ended December 31, 2010 and update as presented by Mr. Robert Duwa and Mr. Mike Balkin of William Blair & Company.

Mr. Duwa and Mr. Balkin provide the Board an overview of the US Institutional Growth Equity. William Blair has over four-hundred institutional clients relationships, some of decades long standing. The firm has total investment management assets of \$46.0 billion. \$19.0 billion in US Strategies and \$27.0 billion in Non-US Strategies. Within in the US Strategy, the firm manages \$10.7 billion Growth Equity. Step one of the process is to look at approximately 2,000 plus companies through respected referrals, which includes external networks, sell side analysis and industry sources. Technical analysis which includes, group, sector and company, and quantitative screens, which includes quality, growth, valuation, EPS trend, and price momentum. Step two is a preliminary bottom-up analysis, through firm wide resources, public filings, industry contacts and wall street research. Step three is through fundamental analysis, identifying durable business franchises and valuation framework and market psychology. Step four involves portfolio construction and risk control, with 75-85 quality growth companies. For quarter ended June 2011, the Fund had a return of -0.61% compared to -0.59% for the Russell 2000 growth index, year-date return of 2.86%, compared to 8.49% for the index and since inception the Fund returned 18.53%, compared to 27.18% for the index.

4. Discussion and action on the Application for Disability Retirement of Mr. Douglas Baldwin pursuant to the recommendation of the Benefits Committee.

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*Pursuant to the recommendation of the Benefits Committee, Mr. Grossman moved to approve the request for of a job-related disability retirement for Mr. Baldwin, seconded by Mr. Hayes and passed by the Board.*

5. Discussion on the City's fixed contribution rate as set forth in City Charter at the request of Chairman Calderazzo.

Chairman Calderazzo recommended that the Board consider entering into discussions with the City to remove the cap at the next charter election. Mr. Studer felt it is unnecessary as State law pre-empts the City Charter, however, one of the reasons we have charter elections is to clean up inaccuracies with State law so this might be the opportunity to fix this. This issue will be discussed further in coming months.

*No action.*

6. Discussion and action on the certification of the recent Trustee Election results.

The results of the election recently held were provided to all Board Members. Election Analysis revealed a 22.45% return from the Police Division; and 27.27% return from the Fire Division. This is a 24.55% vote of the total active eligible voters. Mr. Ricci Carson, present at this meeting, was welcomed as a new Board Member.

*Mr. Hayes moved to approve the certification of the Police and Fire Trustee election results, seconded by Mr. Grossman and passed by the Board.*

7. Special recognition to Trustees Stanley Hayes and Ralph Johnson for their years of dedicated service to the members and beneficiaries of the El Paso Firemen & Policemen's Pension Fund.

On behalf of the Board of Trustees, Chairman Calderazzo expressed a sincere gratitude to Detective Hayes and Chief Johnson for the number of dedicated years they served as members and Trustees of the Fund. A plaque of appreciation was presented to Detective Hayes. Chief Johnson was not in attendance for the presentation.

8. Opportunity for Statements from Retired Members/Public.

None.

9. Report of Executive Director.

Mr. Stanton provided the Board with an update to his prior written report. He informed the Board that TEXPERS will be placing an ad in our local newspaper congratulating the Fund for achieving above average returns.

10. For Notation:

Informational Material For Review. No Action Required.

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A. Service Retirement

Ms. Rosalia Cubillos                      Police Department  
(Pending final payment from City)

B. Service/BackDrop Retirement

1. Roberto Avila                      Fire Department  
2. Arturo Garcia                      Fire Department  
3. David Miramontes                      Fire Department

C. Cost of Living Adjustments

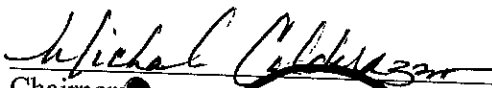
1. Victor Acosta                      Fire Department  
2. Ysaias Almeraz                      Fire Department  
3. Carlos D. Beltran                      Fire Department  
4. Mark A. Beltran                      Fire Department  
5. Perry Brooks                      Fire Department  
6. Elena Serna                      Fire Department  
7. Carlos Carrillo                      Police Department  
8. Tracy Pace                      Police Department

D. Refund of Contributions

1. Pedro Medina                      Fire Department  
2. Adan Chavez                      Police Department

11. Adjournment.

*Mr. Ortega moved to adjourn, seconded by Mr. Grossman and passed by the Board. The El Paso Firemen & Policemen's Pension Fund Board of Trustees meeting stands in adjournment at 3:10 p.m.*

  
Chairperson

  
Secretary