

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING HELD
Wednesday, November 16, 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

TRUSTEE MEMBERS PRESENT

Fire Division

Chief Michael V. Calderazzo
Chief Jerry Villanueva
Chief Rick Carson

Police Division

Commander Mark Austin
Lieutenant Tyler Grossman
Detective JD Cotham

Mayoral Appointments:

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

City Manager Appointments

Mr. William F. Studer
Ms. Terri Garcia

OTHERS PRESENT

Mr. Robert J. Stanton - Secretary
Ms. Yolanda Carreon - Assistant Secretary
Mr. Eric Ralph – Summit Strategies Group

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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. Establishment of Quorum

Chairperson Calderazzo established a Quorum is present.

3. Reading and approval of the Minutes of the previous Board Meeting held October 19, 2011.

Dr. Tollen moved to approve the minutes of the previous Board Meeting held on October 19, 2011, seconded by Mr. Villanueva and passed by the Board.

Consent Agenda

Mr. Grossman moved to approve the Consent Agenda, seconded by Dr. Tollen and passed by the Board.

Unfinished Business

1. Discussion and action on clarifying/interpreting Sub-section 3.18 of the Plan Document to determine at what time must the disability or incompetence of the child exists in order for the child to be a qualified child in accordance with Sub-section 3.18 of the Plan Document. (Tabled September 21, 2011).

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

2. Discussion and action regarding the HEART Act with Legal Counsel in accordance with Federal Law and the Fund's Plan Document.

Will present recommendations upon completion of cost analysis and appropriate legal language as directed by the Board. (September 21, 2011)

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

Reports and recommendations of Committees

- A. Audit and Risk Management Committee - Did not meet.
- B. Investment Committee – Dr. Tollen informed the Board that the committee will meet tomorrow morning. Three International Large Capitalization Growth Equity candidates will present to the committee. Due diligence on-site trips will follow in December or January. Mr. Studer questioned the benefits of on-site visits versus other methods of checking out a manager such as the manager reporting here to us. Mr. Ralph provided his perspective stating that you get a better in-depth understanding of

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what the managers are doing; how they are achieving their excess returns, how the team works together, and sort of the liability of the enterprise. Dr. Tollen added that he feels there is real value associated with engaging in the due diligence process. He stated Baillie Gifford would not have been hired if not for the on-site visit. Mr. Calderazzo understands the value of these trips but feels maybe this can be accomplished with one or two trustees doing these on-site visits. Discussion ensued.

- C. Benefits Committee - Did not meet.
- D. Management Development and Review Committee – There was no quorum to conduct meeting scheduled earlier today. Another meeting will be scheduled prior to next month's meeting.
- E. Ad-Hoc Committee for Office Space – The committee will again visit the A.B. Fall Mansion sometime in the latter part of November.
- F. Budget & Finance Committee – Will report later.

JD Cotham arrived at 1:10 p.m.

New Business

1. Presentation and review of 3rd Quarter 2011 Investment Performance, as presented by Mr. Eric Ralph of Summit Strategies Group and related matters.

An increased US debt ceiling, the first downgrade in 70 years of the US federal government's AAA credit rating, record swings in US stocks, and new lows on 10-year Treasury yields are just some of the contributing factors to the tremendously volatile third quarter. The third quarter's aberration continued with weather woes across the nation, worldwide memorial ceremonies for the 10th anniversary of 9/11, and an announcement by the Fed indicating their intent to keep the record low target rate through mid-2013. The US unemployment rate was 0.1% in September. Payrolls increased by 287,000 this quarter, but that is still less than the 360,000 needed to keep pace with population growth. In August, consumer confidence waivered to its lowest level in over 31 years (47.4). Fears of a relapse into recession continue to surface as the global economic recovery continues to hit a variety of speed bumps.

The equity markets were significantly negative across the board for the quarter. Domestic large core, value, and growth preserved 720,530 and 910 bps of value relative to their small cap counterparts, respectively. Hindered by the strengthening Dollar, international large cap underperformed the S&P 500 by 510 bps. International small cap outperformed emerging markets by 400 bps, and longer term, emerging markets carries the only negative double digit 1-year return (-16.2%).

In spite of the US debt downgrade by S&P, Treasuries rallied, pushing yields to record lows across the curve. Investment grade corporate spreads widened by 62 bps but still returned 2.9%. High yield returned -6.1% in the third quarter as spreads gapped out to 841 bps; trailing mortgage-backed securities and US Treasuries by 850 bps and 1,260 bps, respectively. Non-US bonds underperformed the Barclays Aggregate by 450 bps.

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2. Discussion and action on approving the 2012 Administrative & Operating Budget as approved and recommended by the Budget & Finance Committee.

At the recommendation of the Budget & Finance Committee, Chair Calderazzo moved to approve the proposed 2012 Administrative & Operating Budget, seconded by Dr. Tollen and passed by the Board.

In relationship to the budget, Chair Calderazzo provided a book to the trustees encouraging them to read the second chapter which summarizes policy governance. He believes that by taking the policy governance route, the Board can start having solid concrete ways to evaluate the Executive Director's performance and simple line item issues will not be relevant to Trustees but bottom line issues will. With clearly stated policies, administrative budgets can proceed without significant board involvement. He stated you do want to see the budget, but you do not spend the board's precious time going through line items.

Ms. Garcia stated that for the last three to four years, the organizational audit has recommended a more comprehensive financial reporting system to include a full budget including a balance sheet. Mr. Stanton replied that the Accountant is working on this and should be ready soon.

Mr. Ortega inquired on the status of a retirement plan for staff. Mr. Stanton met with Robert Ash reference participation with the City's pension plan and encountered a couple of issues such as prior service credit. As per Mr. Ash, the City has never allowed prior service credit so we would have to start with zero credit. Chair Calderazzo recommends that this be taken to whoever has the authority to say "yes" or "no".

3. Opportunity for Statements from Retired Members/Public.

None.

4. Report of Executive Director.

Mr. Stanton provided the Board with an update to his prior written report. He informed the board that we will continue with the Northern Trust contract. Northern will continue the custody fee flat at \$50k and the securities lending split will continue at 30/70. We will however, start paying for the benefit payment services which is pretty much the industry standard. The first 5 years of our contract this was inclusive in the \$50k flat fee.

A recent concern of not obtaining routine personnel data from the City on a timely basis for potential retirees was addressed by Mr. Stanton. Discussions ensued on how to make this process simpler. One recommendation was to tentatively process applications based on estimated amounts and data. However, Mr. Stanton pointed out that overpayments and underpayments are addressed separately under state legislature, and incorrect payments are very time consuming to administer.

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5. For Notation:

Informational Material For Review. No Action Required.

A. Service Retirement

- | | |
|-----------------------|-------------------|
| 1. Arturo Vega | Fire Department |
| 2. Arthur H. McDaniel | Police Department |
| 3. Ernesto Saucedo | Police Department |

B. Early Retirement

Roberto M. Armendariz, Jr. Fire Department

C. Deferred Retirement

Luis A. Acosta Police Department

D. Cost of Living Adjustments


- | | |
|--------------------|-------------------|
| 1. Miguel A. Perez | Fire Department |
| 2. Jaime H. Reyes | Police Department |

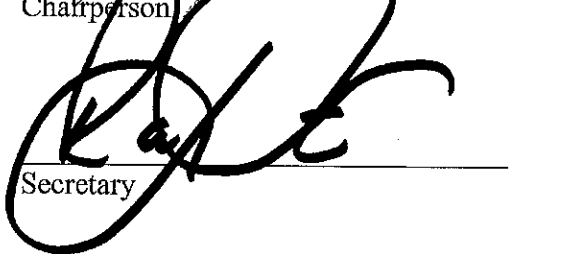
E. Refund of Contributions

David M. Jimenez Police Department

6. Adjournment.

Mr. Ortega moved to adjourn, seconded by Mr. Villanueva and passed by the Board. The El Paso Firemen & Policemen's Pension Fund Board of Trustees meeting stands in adjournment at 2:45 p.m.


Chairperson


Secretary