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**EL PASO FIREMEN & POLICEMEN'S PENSION FUND**  
**REGULAR MEETING HELD**  
**Wednesday, February 15, 2012 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 Rick Carson  
Chief Jerry Villanueva

Police Division

Commander Mark Austin  
Lieutenant Tyler Grossman

Mayoral Appointments:

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

City Manager Appointments

Mr. William F. Studer  
Ms. Terri Garcia

**OTHERS PRESENT**

Mr. Robert J. Stanton - Secretary  
Ms. Yolanda Carreon - Assistant Secretary  
Mr. Sonny Franco - Accountant  
Mr. Eric Ralph - Summit Strategies Group  
Mr. Steven J. Prullage - Buck Consultants  
Mr. Alan Cleveland, Esq. via teleconference  
Mr. Warren DeKinder - INTECH  
Mr. Christian McCormick - INTECH  
Mr. Earl Hayden - Fire Association

**TRUSTEE MEMBERS ABSENT:**

Detective JD Cotham

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1. Establishment of Quorum

Chairperson Calderazzo established a Quorum is present. The Regular Meeting of the El Paso Firemen & Policemen's Pension Fund Board of Trustees was called to order at 1:01 p.m.

2. Reading and approval of the Minutes of the previous Board Meeting held January 18, 2012.

*Dr. Tollen moved to approve the minutes of the previous Board Meeting held on January 18, 2012, seconded by Mr. Villanueva and passed by the Board. Correction to date on first page was noted.*

Consent Agenda

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

*Chair Calderazzo requested that the Board change the order of business today in order to get to Item 1 under New Business.*

*Mr. Ortega moved to go to New Business Item 1, seconded by Mr. Grossman and passed by the Board.*

New Business

1. Discussion and action on approving the amended Statement of Investment Policy as recommended by Summit Strategies, pursuant to the approval and recommendation of the Investment Committee.

Mr. Eric Ralph of Summit Strategies Group stated that the Investment Committee met this morning and went through all the recommended changes to the Investment Policy. Mr. Ralph proceeded to review the modifications to the changes that were discussed at the meeting earlier today.

*After careful discussion, and due consideration, the Investment Committee in consultation with the Fund's Investment Consultant, Summit Strategies Group, approved the recommended changes to the Fund's Statement of Investment Policy and further recommends approval by the Board of Trustees on motion by Dr. Tollen, seconded by Mr. Austin and passed unanimously by the Board.*

Chairperson Calderazzo recommended moving back to Unfinished Business. Without any objections from the Board, Unfinished Business followed.

Unfinished Business

1. Discussion and action on the Actuarial Study regarding the Articles of Agreement between Local 51/International Association of Fire Fighters and the City of El Paso, as presented by Mr. Stephen Prullage of Buck Consultants.

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Mr. Prullage of Buck Consultants presented the results of the actuarial impact to the El Paso Firemen's Pension Fund as a result of the recent changes related to sick leave pay-out. He stated that the current plan document provides that the City and a member shall contribute a percentage of wages where wages include, among other items, lump sum payments for accrued vacation and sick leave. Under the Articles of Agreement between the City of El Paso and Local 51, International Association of Fire Fighters, Inc., amounts accrued in Sick Leave Banks above certain minimums would be cashed out on an annual basis. This is a significant change from current practice, no pension contributions would be deducted from these annual payouts of sick leave accruals. He stated that this change will increase the funding period to amortize the unfunded actuarial accrued liability as the Fund will receive less in contributions from the City and from members since contributions will not be collected on the annual payout of sick leave balances. For purposes of estimating the impact of this change, Buck assumed that each member would receive a payout of 120 hours of sick leave each year, for which no contributions would be collected. He further stated that based on these assumptions, the estimated impact on the funding period to amortize the unfunded actuarial accrued liability, as compared to the funding period from the 2010 valuation from 49 years to 98 years.

Legal counsel, Mr. Alan Cleveland, via teleconference informed the Board that neither the Association nor the City has the authority whatsoever to negotiate the terms of this Plan. Additionally he pointed out that the plan is written a certain way that affects both Fire and Police. This Collective Bargaining agreement talks in terms of the members of the Fire only. Does this mean we have to have a different definition in terms of the plan with respect to wages for the Fire and separate definition for wages with respect to Police. If so, this would require the Board to amend this Plan to conform to the Collective Bargaining Agreement otherwise it would be in violation of Internal Revenue Code requirement that the Plan be administered in accordance with the written terms.

*Mr. Austin moved to accept the actuarial study on the impact of sick leave changes on the El Paso Firemen's Pension Fund, seconded by Dr. Tollen and passed by the Board.*

*Mr. Villanueva moved to suspend the rules of order to allow Mr. Hayden to speak, seconded by Mr. Ortega and passed by the Board.*

Mr. Hayden asked that if pension contributions are paid on these sick leave payouts by both the City and the member and credited service is given, will this affect the Fund negatively. Mr. Prullage responded that he did not think this will have a negative impact to the Fund.

*Ms. Arrieta-Candelaria moved to send a letter to the City and the Association notifying them that the language currently written in the document is contrary to the Plan Document and that it is required that the City and the employees pay their contributions or some other similar negotiations must occur, seconded by Mr. Studer and passed by the Board.*

Reports and recommendations of Committees

A. Audit and Risk Management Committee - Did not meet.

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- B. Investment Committee - Dr. Tollen stated the Committee met earlier this morning and thoroughly reviewed the changes to the Statement of Investment Policy as previously discussed by Mr. Ralph earlier with the Board. At the request of Mr. Ralph, Dr. Tollen proceeded to provide the Board with a short review of the performance of the Fund for the previous twelve months.
- C. Benefits Committee - Mr. Austin informed the Board that the committee met this morning. An action item will be discussed under New Business.
- D. Management Development and Review Committee - Mr. Grossman informed the Board that the committee will be meeting in the very near future.
- E. Ad-Hoc Committee for Office Space - Did not meet.
- F. Budget & Finance Committee - Did not meet.

New Business

- 2. Discussion and action on the Application for Disability Retirement of Mr. Ricardo Lopez pursuant to the recommendation of the Benefits Committee.

*Pursuant to the recommendation of the Benefits Committee, Mr. Austin moved to approve the request for a service connected disability retirement for Mr. Lopez. The motion was unanimously passed by the Board.*

Mr. Ortega absented himself at 2:36 p.m.

- 3. Investment Performance Review for period ended December 31, 2011 and update as presented by Mr. Warren DeKinder of INTECH.

Mr. Warren DeKinder and Mr. Christian McCormick noted that INTECH's Enhanced Plus strategy outperformed the S&P 500 Index for the quarter ended December 31, 2011, gross of fees. While their historical analysis has shown that interim fundamental factors do not show persistent negative or positive contributions over time, they will have an impact on shorter-term performance. Accordingly, stock selection among the energy, financials, and industrials sectors as well as an overweight allocation to the energy sector and an underweighted allocation to the information technology sector contributed to the strategy's relative gains in the quarter. The actual positioning of the portfolio from a sector and stock specific perspective is a residual of the investment process, and the rationale for overweighted positions is a function of stocks' relative volatility and correlation characteristics in aggregate. As of December 31, 2011, INTECH had \$39.9 billion in assets under management. INTECH has 81 employees worldwide, which include 24 investment professionals. Jennifer Young, formerly President and Co-CEO, succeeded Robert Garvey as Chairman and CEO. Adrian Banner, formerly Co-CIO, succeeded E. Robert Fernholz as CIO. Mr. Garvey and Dr. Fernholz continue to support INTECH in a strategic consulting capacity.

Ms. Garcia absented herself at 2:45 p.m.

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4. Discussion and action on "Special Incentive Pay" regarding the Article XI, Section 5 of the Articles of Agreement between Local 51/International Association of Fire Fighters and the City of El Paso which allows Fire Fighters who are on Special Teams such as Hazardous Materials to be paid an additional \$50.00/month.

As this is part of the regular incentive pay, this item will be considered for informational purposes only per Chairperson Calderazzo.

*No action.*

5. Opportunity for Statements from Retired Members/Public.

*None*

6. Report of Executive Director.

Mr. Stanton provided the Board with an update to his prior written report.

7. For Notation:

Informational Material For Review. No Action Required.

A. Early Retirement

Kevin W. Lanahan                      Police Department

B. Cost of Living Adjustments

- |    |               |                   |
|----|---------------|-------------------|
| 1. | Kaelin Gagnon | Police Department |
| 2. | Megan Gagnon  | Police Department |
| 3. | Yun Gagnon    | Police Department |

C. Death of member(s)

Robert B. Burgess                      Police Department


D. Refund of Contributions

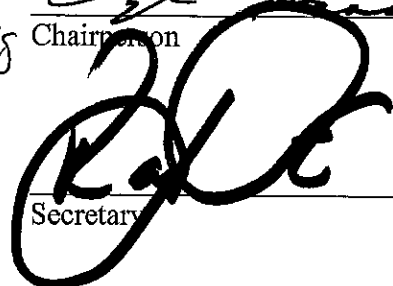
Edric Ray Flores                      Police Department

8. Adjournment.

*Mr. Studer moved to adjourn, seconded by Ms. Arrieta-Candelaria and passed by the Board. The El Paso Firemen & Policemen's Pension Fund Board of Trustees meeting stands in adjournment at 3:01 p.m.*

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*Acting*   
Chairperson

  
Secretary