

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING HELD
Wednesday, July 18, 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

TRUSTEE MEMBERS PRESENT

Fire Division

Chief Michael V. Calderazzo
Chief Jerry Villanueva

Police Division

Commander Mark Austin
Detective JD Cotham

Mayoral Appointments:

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

City Manager Appointments

Ms. Terri Garcia

OTHERS PRESENT

Mr. Robert J. Stanton - Secretary
Ms. Yolanda Carreon - Assistant Secretary
Mr. Steve Prullage - Actuary, Buck Consultants
Mr. Scott Eliason - Moss Adams, LLP
Mr. Gerry Branka - Pyramis Global Advisors
Mr. Brian Hosely - Pyramis Global Advisors

TRUSTEE MEMBERS ABSENT:

Chief Rick Carson
Mr. William F. Studer
Lieutenant Tyler Grossman

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1. Establishment of Quorum

Chair 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 1:04 p.m.

2. Reading and approval of the Minutes of the previous Board Meeting held June 20, 2012.

Ms. Garcia moved to approve the minutes of the previous Board Meeting held on June 20, 2012, seconded by Dr. Tollen and passed by the Board.

Consent Agenda

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

Unfinished Business

1. Discussion and action on response letter from Mr. David Almonte, Deputy City Manager, Health & Public Safety regarding sick leave incentive program approved by the City and Local 51, International Association of Fire Fighters, tabled April 25, 2012.

Mr. Stanton stated that a reply to the Fund's Open Records Request was received stating that the letter in question was not found. A subsequent request will be sent requesting any and all correspondence, legal opinions and memoranda of the Office of the City Attorney during the period 1989 through 1991 pertaining to the 1989-1991 Articles of Agreement between the City of El Paso and International Association of Fire Fighters, Local 51.

Dr. Tollen moved to table this item for an additional sixty days, 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 - Reporting for the Investment Committee, Dr. Tollen stated that the committee met this morning and a recommendation will be provided under New Business.
- C. Benefits Committee - *Mr. Austin moved to convene into Executive Session for the purpose of discussing this item, seconded by Dr. Tollen and passed by the Board.*

The El Paso Firemen & Policemen's Pension Fund Board of Trustees retired into Executive Session at 1:07 p.m. and returned to regular session at 1:31 p.m.

- D. Management Development & Review Committee - Did not meet.
- E. Ad-Hoc Committee for Office Space - Did not meet.
- F. Budget & Finance Committee - Did not meet.

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New Business

1. Investment Performance Review for period ended December 31, 2011 and update as presented by Mr. Gerry Branka and Mr. Brian Hoesly of Pyramis Global Advisors.

Mr. Branka spoke briefly about the Investment Team lead by Michael Strong, with Brian Hoesly and Chris Steward. The Regional Sub-Portfolios are as managed by the following: Europe: Peter Hadden and Stephen Oler, Japan: Eileen Din, and Pacific Basin Ex Japan, Henry Chan. Mr. Branka reiterated Pyramis's International Growth Investment Process which is driven by fundamental bottom-up research, modular portfolio construction through teams of senior regional portfolio managers and close interaction between analysts and portfolio managers with individual accountability. Mr. Hoesly provided the investment results as of June 30, 2012. The Fund had a positive return of 4.98% year-to-date, the one-year period of -12.45%, 7.76% for the three year period, -4.17% for the five year period and 8.20% since inception date of December 2002. The MSCI EAFE Index had a return of 2.96%, year to date, -13.83% for the one year period, 5.96% for the three year period, 6.10% for the five year period and 7.18% since inception.

2. Discussion and action on approval of the December 31, 2011 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, 2011 and 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. 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, 2011 and 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 proceeded to review pages 3 to 6 or the Management's Discussion and Analysis of the financial statements themselves. He noted that total net assets decreased by \$37,605,074 or 3.67% during the fiscal year 2011 to \$985,430,881. The decrease to net assets is primarily due to the Fund's investment activities.

The following financial highlights were provided in the audit report:

The Fund was down 1.74% and up 12.83%, ranking in the 89th and 77th percentile investment return for the years ending December 31, 2011 and December 31, 2010, respectively.

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The assets of the Fund exceeded its liabilities at the close of the fiscal year 2011 and 2010 by \$985,430,831 and \$1,023,035,955, respectively.

The Fund's total net assets decreased by \$37,605,074 and increased by \$88,341,143 in 2011 and 2010, respectively.

Dr. Tollen moved to approve the audit report as presented by Mr. Scott Eliason of Moss Adams, LLC, seconded by Mr. Cotham and passed by the Board.

Ms. Garcia left at 2:00 p.m.

Ms. Arrieta-Candelaria arrived at 2:22 p.m.

3. Discussion and action on approval of January 1, 2012 Actuarial Valuation as presented by Mr. Steve Prullage of Buck Consultants.

Mr. Steve Prullage of Buck Consultants provided the Board with a presentation of the Actuarial Valuation as of December 31, 2011. A copy of this presentation is attached to the minutes. Mr. Prullage reported that the primary purpose of the valuation report is to determine the adequacy of the current City's contribution rate, to describe the current financial condition of the Fund, and to analyze changes in the Fund's condition. In addition, the report provides information required by the Governmental Accounting Standards Board Statement (GASB) No. 25. The member and employer contribution rates are established by statute. The City contributes 18.5% of total salary, while the Police members contribute 13.89% and Fire members 15.28% of total salary. The rates are intended to be sufficient to pay the normal cost and to amortize the Fund's unfunded actuarial accrued liability. As of January 1, 2012, the employer contribution rate needed in order to meet these goals with a 30 year amortization of the Unfunded Actuarial Accrued Liability (UAAL) is 27.38% for Police and 23.82% for Fire. This is more than the rate currently required by law, so the current contribution rate is inadequate to satisfy the 30-year maximum amortization period for the unfunded liability that is established under GASB No. 25. Section 14A of Article 6243b Vernon's Annotated Texas Statute (VATS) requires that the actuary determine any additional contribution rate necessary to amortize the unfunded actuarial accrued liability, as defined in GASB No. 25, over a 40-year period. If an additional contribution rate is necessary, the contribution rate will be split between the City and the Members in the same proportion as the current contribution rates. However, the contribution rates of the Members shall only increase if the City increases its rate to the 40-year contribution rate. For purposes of Section 14A of Article 6243b (VATS), it is assumed that the return on the market value of assets is 7.75% and used the other assumptions and methods described in this valuation. The assumptions used are individually reasonable and reasonable in the aggregate. It was further noted by Mr. Prullage that the other measure is the funding period. This is the length of time in years that will be required to amortize the current UAAL based on the current contribution rate. This period was 49 years in 2010 for Fire but is 76 years based on the 2012 valuation. For Police, this period was 71 years in 2010 but is infinite based on the 2012 valuation. Additionally, under GASB No. 27, employers must determine a pension expense based on a 30-year amortization of the UAAL. The amortization can assume payroll growth due to inflation, but no membership growth. Prior to 2006, the pension expense under GASB No. 27 was determined based on a 40-year amortization of the UAAL. If the actual contribution rate is

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less than the rate required under GASB No. 27, the excess must be expensed. This will result in the employer showing an accrued but unpaid liability for pension benefits on its financial statements. The annual required contribution under GASB No. 25 is 27.38% of wages for Police and 23.82% for Fire. The City must contribute 27.38% of wages for Police and 23.82% for Fire plus an adjustment for any pension asset or obligation to avoid any changes in its net pension asset or obligation.

Mr. Austin moved to approve the January 1, 2012 Actuarial Valuation as presented by Mr. Steve Prullage of Buck Consultants, seconded by Mr. Villanueva and passed by the Board.

4. Discussion and action on approving the extension of Meketa's Investment Consulting Services Agreement for two years under the current terms of Section 8, of the Agreement, as approved and recommended by the Investment Committee.

After careful discussion, due consideration and at the recommendation of the Investment Committee, Dr. Tollen moved to approve the extension of Meketa's Investment Consulting Agreement for two years under the current terms of Section 8 of the Agreement, seconded by Mr. Cotham and passed unanimously by the Board.

5. Discussion and action on approval/denial of full-time Student Request from Ms. Lety Hernandez in accordance with Section 3.18 "Qualified Child" of the Plan Document.

Mr. Austin moved to approve the Student Request Application of Ms. Lety Hernandez, seconded by Mr. Cotham and passed by the Board.

6. Discussion and action on request for Ordinary Disability retirement for Mr. Ricardo Corral, Police Department, pursuant to the recommendation of the Benefits Committee.

For the record, it was noted that this item should read "Fire Department" not Police Department.

After careful discussion and due consideration Mr. Austin moved to approve the disability retirement for Mr. Corral, seconded by Mr. Villanueva and passed unanimously by the Board.

7. Discussion and action on authorizing the Executive Director to purchase iPad's to assist the Fund to go electronic, save printing costs and other related expenses.

Mr. Stanton requested feed-back from Board members on the feasibility of going paperless and securing iPad's for Board meetings. The iPad is an important piece of technology that can allow Staff to provide the meeting packet electronically. If interested, Mr. Stanton will research the various uses of this device for our meetings.

Ms. Arrieta-Candelaria moved to authorize the Executive Director to purchase iPad's to assist the Fund in going electronic, seconded by Mr. Ortega and passed unanimously by the Board.

8. Opportunity for Statements from Retired Members/Public.

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None

9. Report of Executive Director. Submitted Written Report.

Mr. Stanton provided the Board with an update to his prior written report. He informed the Board that the office lease will be expiring in March, 2013 and would like direction from the Board as to what they would like to do.

10. For Notation:

Informational Material For Review. No Action Required.

A. Service Retirement

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|--------------------|-------------------|
| 1. Michael Brucks | Police Department |
| 2. Pedro J. Gaytan | Police Department |

B. Survivor Benefits

Estella O. Flores, survivor of Carlos D. Flores, Fire Department.

C. Cost of Living Adjustments


- | | |
|-----------------------|-------------------|
| 1. Tony Castro | Fire Department |
| 2. David Fowler | Fire Department |
| 3. Reginaldo Olivares | Fire Department |
| 4. Thomas Garcia | Police Department |
| 5. Bryan Olson | Police Department |
| 6. Andy Valenzuela | Police Department |

D. Refund of Contributions

George R. Reynolds	Fire Department
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11. Adjournment.

Mr. Ortega moved to adjourn, seconded by Ms. Villanueva and passed by the Board. The El Paso Firemen & Policemen's Pension Fund Board of Trustees meeting stands in adjournment at 3:26 p.m.


Chairperson


Secretary