

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

TRUSTEE MEMBERS PRESENT

Fire Division

Chief Michael V. Calderazzo
Chief Jerry Villanueva
Chief Rick Carson

Police Division

Commander Mark Austin
Detective JD Cotham
Lieutenant Tyler Grossman

Mayoral Appointments:

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

City Manager Appointments

Ms. Terri Garcia
Mr. William F. Studer

OTHERS PRESENT

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

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING
August 15, 2012 - 1:00 P.M.

2

1. Establishment of Quorum

Chairman 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. Election and approval of a Chairperson and a Vice-Chairperson of the Board of Trustees for a term of two years in accordance with Section 3 of the By-Laws of the Board of Trustees.

Chairman Calderazzo asked for nominations for Chair and Vice-Chair.

Mr. Austin nominated Mr. Tyler Grossman for Chairperson and motion passed unanimously by the Board.

Mr. Austin nominated Mr. Mike Calderazzo for Vice-Chairperson and motion passed unanimously by the Board.

Newly elected Chairperson Grossman presided for the remainder of the meeting.

Ms. Garcia arrived at 1:03 p.m.

3. Reading and approval of the Minutes of the previous Board Meeting held July 18, 2012.

Mr. Calderazzo moved to approve the minutes of the previous Board Meeting held on July 18, 2012, seconded by Dr. Tollen and passed by the Board.

Consent Agenda

Mr. Calderazzo moved to approve the Consent Agenda, seconded by Mr. Villanueva 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, May 16, and July 18, 2012.

No response from the City of El Paso.

No Action.

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 to discuss the results of Cooke & Bieler's Small-Cap Value Equity Qualitative evaluation performed by Summit Strategies at the request of the

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING
August 15, 2012 - 1:00 P.M.

3

Investment Committee. Mr. Ralph provided the Committee with Summit's evaluation which included but not limited to, the following issues: Firm Specific, Product Specific, Personnel, and Investment Philosophy and Process.

Additionally, Mr. Ralph discussed the Risk and Asset Allocation Framework for the up-coming Asset Allocation Study which Summit will perform in the fourth quarter of 2012. This will include Summit's goal to introduce a risk-based framework within various asset classes and allocations which can be evaluated as well as a portfolio framework to help view asset allocation through a risk aware perspective.

- C. Benefits Committee - Did not meet.
- D. Management Development & Review Committee - This item will be discussed under New Business.
- E. Ad-Hoc Committee for Office Space - Did not meet.
- F. Budget & Finance Committee - Did not meet.

New Business

- I. Presentation and review of Second Quarter 2012 Investment Performance, as presented by Mr. Eric Ralph of Summit Strategies Group.

Mr. Ralph provided the following observations for the Second Quarter 2012. Despite legislative gridlock in the US, Prime Minister turnover in Italy and Greece, and austerity measures throughout Europe, the fourth quarter holiday season helped rally the broad US market into the black for the year. In spite of legislation that will trigger automatic cuts of the same magnitude, the congressional "Super Committee's" failure to cut \$1.2 trillion from the budget seems to have been a non-event. It is widely believed that legislation will be passed to prevent the cuts, leaving the budget uncertainty to continue through 2012's election year. The Federal Reserve reaffirmed its intent to keep the record low target rate through mid-2013. The US unemployment rate fell to 8.5% in December. Payrolls increased by 4000,000 this quarter, slightly exceeding the 360,000 needed to keep pace with population growth. Consumer confidence rose steadily throughout the quarter from 49.4 in September to 63.6 in December.

Equity markets were positive for the quarter. Domestic small core, value and growth outperformed their large cap counterparts by 370, 290, and 440 basis points respectively. Hindered by the sovereign debt turmoil, international large cap underperformed the S&P 500 by 850 bps. Emerging markets outperformed the developed world for the quarter, but were still the laggard for the year across all equities with a loss of 18.4%.

"Operation Twist" was a success as treasuries continued to rally, pushing yields to record lows across the curve. Investment grade corporate spreads were unchanged for the quarter but still returned 1.9%. High yield returned 6.5% in the fourth quarter as spreads compressed to 733 bps, leading mortgage-backed securities and US Treasuries by 560 bps each. Non-US bonds underperformed the Barclays Aggregate by 150 bps.

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING
August 15, 2012 - 1:00 P.M.

4

Mr. J. D. Cotham departed at 1:30 p.m.

2. Discussion or discussion and action on Cooke & Bieler as presented by Mr. Eric Ralph, Summit Strategies and as approved and recommended by the Investment Committee.

Reporting for the Investment Committee, Dr. Tollen reported that no action was taken by the Committee on this item.

3. Discussion or discussion and action on Lord Abbett Guidelines with Mr. Eric Ralph, Summit Strategies, as approved and recommended by the Investment Committee.

Reporting for the Investment Committee, Dr. Tollen reported that no action was taken by the Committee on this item.

4. Discussion or discussion and action on conducting annual on-site visits with the Fund's Alternative Investment Managers, pursuant to the recommendation of the Fund's financial auditors, Moss Adams, as approved and recommended by the Investment Committee.

Reporting for the Investment Committee, Dr. Tollen reported that no action was taken by the Committee on this item.

5. Discussion and action on updating the Meketa Agreement to reflect a waiver of the 90 day requirement and reflect a retroactive extension to the contract beginning June 1, 2012 (instead of the July 18, 2012 meeting date) to avoid any inconsistencies in the Agreement.

During this discussion it was noted that a system should be put in place to monitor deadlines of all contracts.

After careful discussion and due consideration, and at the recommendation of the Investment Committee, Dr. Tollen moved to approve the waiver of the 90 day requirement and reflect a retroactive extension to the contract beginning June 1, 2012, seconded by Mr. Calderazzo and passed unanimously by the Board.

6. Discussion and action on proposal for Legislative Consultant Services at the request of Chairman Calderazzo.

After a lengthy discussion regarding the political challenges of the 2013 legislative session and the need or no need for Legislative Consultant Services, several Board members feel strongly that with the threat to Defined Benefit (DB) plans, that we need representation in Austin to monitor the activities of the next legislative session. Other Board members commented that the monitoring received from this Legislative Consultant firm last legislative session is probably obtainable through TEXPERS. Mr. Studer requested that last legislative communications be made available to all Board members.

After careful discussion and due consideration, Dr. Tollen moved to table this item for one month, seconded by Mr. Studer. Dr. Tollen, Mr. Studer, Ms. Arrieta-Candelaria, Mr. Ortega,

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING
August 15, 2012 - 1:00 P.M.

5

Mr. Austin and Ms. Garcia voted in favor. Mr. Villanueva, Mr. Carson, Mr. Calderazzo, and Mr. Grossman opposed. Motion passed.

7. Discussion or discussion and action on the impact of GASB 68 on pension accounting including the inclusion of the net pension liability on the City's balance sheet, at the request of Chairman Calderazzo.

The Board discussed Statement No. 68, *Accounting and Financial Reporting for Pensions*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. The new standards will improve the way state and local governments report their pension liabilities and expenses, resulting in a more faithful representation of the full impact of these obligations. Among other improvements, net pension liabilities will be reported on the balance sheet, providing citizens and other users of these financial reports with a clearer picture of the size and nature of the financial obligations to current and former employees for past services rendered. Mr. Stanton will have discussions with the Fund's actuary regarding the new standards.

Ms. Garcia left at 3:48 p.m.

8. Discussion and action on Proposals for Fiduciary Liability Insurance, as submitted by Wells Fargo Insurance Services, Ullico, and Ferdinando/Cross.

Notation: The companies which submitted proposals was listed incorrectly. The correct listing should read, Wells Fargo Insurance Services, Arthur J. Gallagher Risk Management Services, and Ferdinando/Cross.

After careful discussion and due consideration, Mr. Calderazzo moved to approve the proposal from Arthur J. Gallagher Risk Management Services, Inc. as the fund's fiduciary liability insurance carrier, seconded by Mr. Carson and passed unanimously by the Board.

9. Discussion or discussion and action on proposal by W.R. Wechsler regarding Staff Succession Plan and Procurement of Imaging System as directed by Committee, as approved and recommended by the Management Development and Review Committee.

Mr. Stanton stated that prior to commencing this project an analysis and development of an RFP for imaging implementation and back file conversion must be considered. After an extensive discussion, the Board requested to further evaluate this issue.

(1) After careful discussion and due consideration, and at the recommendation of the Management Development and Review Committee, Mr. Carson moved to accept the proposal by W.R. Wechsler regarding a Staff Succession Plan and Procurement of Imaging System, seconded by Mr. Villanueva. Motion failed.

(2) Mr. Calderazzo moved to engage the services of W.R. Wechsler to develop a Succession and Risk Mitigation Plan at the cost of \$44,620 inclusive of travel, seconded by Dr. Tollen and passed unanimously by the Board.

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING
August 15, 2012 - 1:00 P.M.

6

10. Discussion and action on a Staff Retirement Plan at the request of Trustee Cotham.

Mr. Stanton provided the Board with a brief history on retirement options for staff. Ms. Arrieta-Candelaria has concerns with providing credit on a retroactive basis. She feels that at the time of hire if an individual wants a compensation package that includes retirement it should be required at that time. She does not feel it is prudent to provide it years later on a retro basis.

Mr. Calderazzo moved to table this item for one month, seconded by Mr. Carson and passed unanimously by the Board.

11. Opportunity for Statements from Retired Members/Public.

None

12. Report of Executive Director. Submitted Written Report.

Mr. Stanton provided the Board with an update to his prior written report. A brief summary of the Actuarial Valuation presentation given to City Council yesterday was provided to the Board by Mr. Stanton. Discussion ensued.

13. For Notation:

Informational Material For Review. No Action Required.

A. Service Retirement

- | | |
|----------------------|--------------------------------------|
| 1. Manuel Duran, Jr. | Fire Department |
| 2. Wade A. Warling | Fire Department |
| 3. Ruben Olmos | Police Department – <i>Unaudited</i> |

B. Early Retirement

Ricardo Huante Police Department – *Unaudited*

C. Service/BackDrop Retirement

- | | |
|-----------------------------|--------------------------------------|
| 1. Steven M. Applegate, Jr. | Police Department – <i>Unaudited</i> |
| 2. Joseph A. Barragan | Police Department – <i>Unaudited</i> |

D. Cost of Living Adjustments

- | | |
|--------------------|-------------------|
| 1. Hector Quinones | Fire Department |
| 2. Ramiro Rios | Fire Department |
| 3. Darwin Armitage | Police Department |

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING
August 15, 2012 - 1:00 P.M.

7

E. Deaths


- | | | |
|----|-----------------|-------------------|
| 1. | Roberto Ramos | Fire Department |
| 2. | Juan G. Buttner | Police Department |
| 3. | Adeline Maestas | Police Department |

F. Refund of Contributions

Mark A. Morales Police Department

14. Adjournment.

Mr. Ortega moved to adjourn, seconded by Mr. Calderazzo and passed by the Board. The El Paso Firemen & Policemen's Pension Fund Board of Trustees meeting stands in adjournment at 3:50 p.m.


Chairperson


Secretary