

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING HELD
Wednesday, November 14, 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

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:

Mr. William F. Studer

OTHERS PRESENT

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

TRUSTEE MEMBERS ABSENT:

Chief Jerry Villanueva
Chief Rick Carson
Ms. Terri Garcia

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1. Establishment of Quorum

Chair Grossman 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 1:00 p.m.

2. Reading and approval of the Minutes of the previous Board Meeting held October 17, 2012.

Dr. Tollen moved to approve the minutes of the previous Board Meeting held on October 17, 2012, seconded by Mr. Ortega and passed by the Board.

Consent Agenda

Dr. Tollen moved to approve the Consent Agenda, seconded by Mr. Austin 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, July 18, 2012, and September 19, 2012.

The Board was informed that a letter from Mr. David Almonte dated October 24, 2012 was received. It states, based upon the City's analysis of the issue and in the interest of the City, the City's is making the its pension contributions and the Member will be making their contributions to the El Paso Firemen & Policemen's Pension Fund for the upcoming sick leave buy back.

No action required.

Ms. Arrieta-Candelaria arrived at 1:05 p.m.

2. Discussion and action on office space as recommended and approved by the Ad-Hoc Committee on Office Space, tabled October 17, 2012.

Mr. Austin stated that a special meeting was recently held to discuss this topic.

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 and the items will be discussed under New Business. It was noted that Dr. Tollen was re-elected Chair.

C. Benefits Committee - Reporting for the Benefits, Mr. Austin stated that the committee met and a recommendation will be provided under New Business..

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- D. Management Development & Review Committee - The Committee met and elected a new Chair, Mr. Mike Calderazzo.
- E. Ad-Hoc Committee for Office Space - The Committee met and re-elected Mr. Mark Austin as the new Chair.
- F. Budget & Finance Committee - Chair Grossman stated that this committee will meet once the chairs of the other committees are elected. He also informed the Board that Mr. Villanueva was elected Chair to the Ad Hoc Legislative Committee.

New Business

1. Presentation and review of Third Quarter 2012 Investment Performance, as presented by Mr. Eric Ralph of Summit Strategies Group.

Mr. Ralph provided the following commentary. A year ago the US debt was downgraded, the European Union imploded into its own sovereign debt crisis and equities were signaling doom. Elevated unemployment rates remain as the US faces an uncertain "fiscal cliff" and the Euro zone languishes on; however, 1-year equity returns ending September 30th are a shiny ray of hope as domestic equities returned over 30.0%. The unemployment rate dropped to 7.8%, it first time below 8.0% since January 2009. The decline was largely due to a surge in part-time work. For the past 12 months, job creation has remained below the 200,000 a month needed to boost economic growth (437,000 jobs added this quarter). Record-low mortgage rates have spurred the US housing market, as housing market begins to turn the corner, consumers are once again gaining confidence. US manufacturing had slipped into contraction territory, then rebounded in September (51.5).

The equity markets finished the third quarter in positive territory. Domestic large cap components outperformed their small cap counterparts by as much as 130 bps, with large value leading the charge (6.5%). Longer term, large cap growth maintains the strongest 3- and 5-year results with annualized gains of 14.7% and 3.2%, respectively. Large cap international equities lagged international small cap by 100bps, while emerging markets returned 7.7%.

In mid-September, the Fed started QE3 – open-ended buying of mortgage bonds, consisting of \$40 billion per month – and will keep it in place until the labor market improves. It also stated an intention to keep rates low at least through mid-2015. Mortgage-backed securities underperformed the Aggregate by 50bps for the quarter as agency MBS spreads collapsed, tightening 52bps to 24 bps, their lowest level in years.

2. Discussion and action on amended Statement of Investment Policy as presented Mr. Eric Ralph of Summit Strategies and as approved and recommended by the Investment Committee,

Reporting for the Investment Committee, Dr. Tollen stated the Committee had met earlier today and two items were discussed. First, is an adjustment to the statement throughout the Investment Policy to address the inclusion of group annuity contracts. The second item is to delete all of Section 6.3 *Investment Manager Directed Brokerage*.

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After careful discussion, due consideration and at the recommendation of the Investment Committee, Dr. Tollen moved to approve the amended changes to the Fund's Statement of Investment Policy, seconded by Mr. Cotham and passed by the Board.

3. Discussion and action to approve/confirm the commitment of \$18.0 million in a Modular Group Annuity Contract for Principals U.S. Property Separate Account Only, pending legal review, 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/confirm the commitment of \$18.0 million to a Modular Group Annuity Contract Only, for Principals U.S. Property Separate Account Only, previously approved June 20, 2012 and pending legal review, seconded by Mr. Ortega and passed by the Board.

4. Discussion and action on proposed Site Visit Policy as proposed by Summit Strategies and as approved and recommended by the Investment Committee.

After careful discussion, due consideration, and at the recommendation of the Investment Committee, Mr. Calderazzo moved to table the proposed Site Visit Policy with the recommended changes from the Investment Committee to be made by Summit Strategies Group for future approval, seconded by Dr. Tollen and passed by the Board.

5. Discussion and action on request for Ordinary Disability retirement for Mr. Ricky L. Jordan, Police Department as recommended by the Benefits Committee.

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

6. Discussion and action/interpretation on Section 6.01 as it relates to yearly lump-sum payment for accrued sick leave at the request of Trustee Arrieta-Candelaria.

Ms. Arrieta-Candelaria stated she met with Mr. Stanton reference a special code to track the annual lump-sum payment for accrued sick leave for Firefighters. During this discussion she learned that credited service will be granted for these payoffs. Mr. Calderazzo stated that 6.01 of the Plan document states that *Credited Service shall mean that period of time during which a Member contributes to a Fund Division, including the period for which a member receives lump-sum payment for accrued vacation and sick leave.* The question asked by Mr. Studer is.....If granting additional credited service for annual sick leave payout is going to make the Fund worse, should this be changed. Mr. Stanton believes that the Actuary has already answered this question of whether this additional credited service time has a neutral or negative impact to the Fund. He will research and produce this information at next month's meeting. Ms. Arrieta-Candelaria is also concerned that by giving credit on the annual sick leave payout, we are actually giving out more service credited than the amount that is earned in a year.

After careful discussion, due consideration, Ms. Arrieta-Candelaria moved to request an actuarial analysis on the impact to the Fund of the sick leave payout in the manner currently interpreted, seconded by Mr. Studer. Ms. Arrieta-Candelaria, Mr. Studer and Mr. Ortega voted

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in favor. Mr. Austin, Mr. Cotham, Dr. Tollen, Mr. Calderazzo, and Mr. Grossman voted against. Motion failed.

7. Opportunity for Statements from Retired Members/Public.

None.

8. Report of Executive Director, Submitted Written Report.

Mr. Stanton provided the Board with an update to his prior written report. He added that the Securities Lending program is doing very well.

9. For Notation:

Informational Material For Review. No Action Required.

A. Service Retirement

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|----|----------------------|-------------------|
| 1. | Rodolfo Portillo | Fire Department |
| 2. | James A. Holmes, Jr. | Police Department |

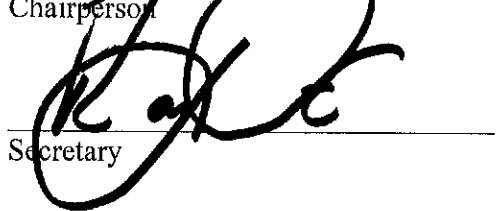
B. Cost of Living Adjustments

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|----|--------------|-------------------|
| 1. | Ralph Romero | Fire Department |
| 2. | Thomas Quinn | Police Department |

10. Adjournment.

Mr. Calderazzo moved to adjourn, seconded by Mr. Cotham and passed by the Board. The El Paso Firemen & Policemen's Pension Fund Board of Trustees meeting stands in adjournment at 2:38 p.m.


Chairperson


Secretary