

**EL PASO FIREMEN & POLICEMEN'S PENSION FUND**  
**REGULAR MEETING HELD**  
**Wednesday, February 20, 2013 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 Jerry Villanueva  
Chief Michael V. Calderazzo  
Chief Ricci Carson

Police Division:

Commander Mark Austin  
Detective JD Cotham  
Lieutenant Tyler Grossman

Mayoral Appointments:

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

City Manager Appointments:

Ms. Terri Garcia

**OTHERS PRESENT**

Mr. Robert J. Stanton - Secretary  
Ms. Yolanda Carreon - Assistant Secretary  
Ms. Christina Ramirez - Benefits Manager  
Mr. Eric Ralph - Summit Strategies Group  
Attorney Gary Lawson - Strasburger & Price, L.L.P.  
Ms. Nicole Nesbitt - Brown Advisory  
Mr. Kevin Osten - Brown Advisory  
Mr. Michael C. Rossi - Active Fire  
Mar. Mark Campos - Active Police  
Mr. Michael Short - (EPMPOA)  
Mr. Raymond Valles - (EPMPOA)  
Mr. Octavio Cobos - Local 51  
Mr. Joe Tellez - Local 51  
Mr. Paul Thompson - Local 51

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Mr. Ron Martin - (EPMPOA)  
Mr. Randy Rodriguez - (EPMPOA)

**TRUSTEE MEMBERS ABSENT:**

Mr. William F. Studer

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 1:02 p.m.

2. Reading and approval of the Minutes of the previous Board Meeting held January 16, 2013, and Special Board meeting held November 9, 2012

*Dr. Tollen moved to approve the minutes of the previous Board Meetings held on November 9, 2012, and January 16, 2013 seconded by Mr. Cotham and passed by the Board.*

Consent Agenda

Ms. Arrieta-Candelaria requested to move the Financial Report for the month ending January 31, 2013 from the Consent Agenda to New Business for further discussion.

*Ms. Arrieta-Candelaria moved to approve the Consent Agenda with the preceding request to pull the financials, seconded by Mr. Villanueva and passed by the Board.*

Unfinished Business

1. Discussion and action on proposed Site Visit Policy as proposed by Summit Strategies and as approved and recommended by the Investment Committee, tabled November 14, 2012, December 19, 2012, and January 16, 2013.

*Dr. Tollen moved to table this item to next month, seconded by Mr. Villanueva and passed by the Board.*

2. Discussion and action on approving the extension of the existing current office space lease, tabled January 16, 2013.

Mr. Austin informed the Board that the Committee is continuing the process of purchasing a building and will be meeting next week to discuss the legal contract, appraisal, environmental study, etc. A six month extension on the current lease at Chase Tower is in progress with a 5% increase per square footage. This should give us ample time for renovations and moving to the new property.

*Mr. Austin moved to allow the Committee to extend the current lease at Chase Tower for a period of six months, seconded by Mr. Cotham and passed by the Board.*

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Reports and recommendations of Committees

- A. Audit and Risk Management Committee - Did not meet. Will meet in March.
- B. Investment Committee - Per Dr. Tollen, further discussion under New Business.
- C. Benefits Committee - Did not meet.
- D. Management Development & Review Committee - Did not meet.
- E. Ad-Hoc Committee for Office Space - Mr. Austin stated that the Committee will be meeting next Monday. He also informed the Board that the Fall Mansion was never offered to the Fund for \$1.00 as stated by City Council, but rather at a minimum rent of \$8.00 per sq. ft. of useable space, (fair market value).
- F. Budget & Finance Committee - Did not meet.
- G. Ad-Hoc Legislative Review Committee - Chair Grossman provided a short synopsis of the events that recently occurred while meeting with the members of the El Paso Delegation in Austin. Prior to sending the Notice of Inadequate Funding, as required by state statute, to all plan participants, several Board Trustees met or attempted to meet with members of City Council to advise them of this Notice. Likewise, while in Austin, a couple of Board Trustees met with the El Paso Delegation primarily to introduce themselves and to inform them of the latest development on the Notice of Inadequate Funding.

New Business

1. Investment Performance Review for period ended December 31, 2012 and update as presented by Ms. Nicole Nesbitt and Mr. Kevin Osten of Brown Advisory.

Ms. Nicole Nesbitt and Mr. Kevin Osten provide the Board with a Relationship Overview. The firm was founded in 1993, with office in Baltimore, Washington, DC, London, Boston, Chapel Hill, NC, and Wilmington, DE. The firm has in excess of 300 employees and over 40 investment professionals. Firm assets under management is 31 billion. The mandate is large-cap growth equity, benchmarked to the Russell 1000 Growth Index, with an inception date of March 15, 2012. The current portfolio value as of January 31, 2013 was \$64,262,479. Total Portfolio Return, Gross of fees from inception was 5.54%, Net of fees, 5.36%.

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

Mr. Ralph provided the following observations for the 4<sup>th</sup> Quarter 2012. With little time to spare a fiscal cliff deal was reached which extended the Bush tax cuts. The 2.0% payroll tax cut was allowed to expire and the estimated effect is a decrease of \$120 billion in disposable income. The spending side is yet to be resolved and has been pushed out two months, coinciding with the debt ceiling negotiations. In December, the unemployment rate was 7.8% and continues to remain elevated. For the past 12 months, job creation has remained below the 200,000 a month needed to boost economic growth (155,000 jobs added in December).

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Domestic growth, as measured by real GDP growth, grew at its weakest pace in three years (1.5% YoY) in the fourth quarter of 2012. Consumer credit rose \$16.1 billion in December. Consumer prices were flat in December. Core CPI, which excludes food and energy, increased a mere 0.1%. Consumer prices were up 1.7% for the 12 months ending December, while the core rate increased 1.9%. The Producer Price Index decreased 0.2% in December (-0.1% expected in December). Excluding food and energy, the PPI increased 0.1%. The PPI rose 1.3% year-over-year ending December, and core prices rose 2.0%. Existing home sales dipped to -1.0% in part due to a limited supply of available homes. However, on an annual basis, sales have risen to their highest level in five years. Housing starts rose an impressive 12.1% , while building permits, an indicator of future projects, increased 0.3%. Inventories at US wholesalers were up 0.6% in December, along with retail sales (ex auto and gas). Manufacturing strengthened in December, as the ISM Index beat expectations and rose to a modest 50.7.

Mr. JD Cotham left at 2:45 p.m.

3. Discussion and action on letter from Summit Strategies regarding Funds historical investment performance.

Mr. Ralph of Summit Strategies Group provided a summary of performance result as of December 31, 2012. It states that the Fund returned 6.1% over the trailing 7-year period and 8.4% over the trailing 10-year period, ranking in the 10<sup>th</sup> and 13<sup>th</sup> percentiles, respectively, among all public plan peers. Outperforming 920% of our peers is one definition of a successful investment program. A second and more important measure of success is a comparison of performance to our custom benchmarks. This measurement reflects El Paso's specific investment objectives. For the 7-and 10-year periods the Fund outperformed these benchmarks as well. Successful investment programs are not built by "getting it right" every year, but rather through thoughtful strategic cost conscious design that captures major asset class themes and returns over time. He states that El Paso's Firemen and Policemen's Pension Fund has achieved this goal.

4. Discussion and action on legal opinion regarding a Board Trustees fiduciary duty of loyalty under Texas law and the Funds governing authority as presented by Attorney Gary Lawson, at the request of Chairman Grossman.

Attorney Gary Lawson provided a review on how board members can fulfill their role as fiduciaries to the El Paso Firemen & Policemen's Pension Fund. He stated that recently the question was asked at City Council "who in the Board is looking after the City's interest". The question has arisen lately and it arises around pension funds around the nation and it has for many, many years.....what are the duties of a Trustee? Mr. Lawson stated that the duty of a Trustee or the duty of a Fiduciary imposes the highest duty known to the law. That theme has existed in the common law for almost an eternity. As long as we, the United States, have had a common law, we have recognized that the duty of a Fiduciary is the highest, highest standard. Trustees cannot serve any master other than the fund. Additionally, state statute, Texas Government Code 802, further states that the duties of a Trustee is to act in the sole interest of the participants for the exclusive purpose of providing benefits to participants and beneficiaries. Mr. Lawson's presentation concluded with a brief question and answer session. Additionally, the Board discussed electing a person to speak for the Board. Consideration was given to delegate this authority to the Chair and the Executive Director.

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*Mr. Calderazzo moved to authorize the Chair as the spoke person to discuss policy of the Board, seconded by Mr. Ortega and passed by the Board.*

5. Discussion of Investment Committee Membership to include members with experience in investments and investment management at the request of Trustee Arrieta-Candelaria.

Ms. Arrieta-Candelaria voiced her concern with the composition of the Investment Committee. She stated that this is the strongest and most important committee and she feels that special training and education should be required of the members of this committee. Mr. Stanton stated that special investment courses are offered such as the Wharton School, but it comes at a high price. Discussion ensued.

Ms. Garcia recommends that when we give City Council an annual report on the Fund's status that we include the experience and training information of the Investment Committee. Because this is not an action item, Mr. Stanton stated this can be accomplished internally.

Mr. JD Cotham returned at 4:05 p.m.

6. Discussion and action on actuarial underfunding at the request of Chairman Grossman.

Chair Grossman gave a brief history on the underfunding and his meeting with the El Paso delegation in Austin. He discussed the proposed language to address the City's contribution issue through the legislative process. An intensive discussion on this issue followed. Ms. Arrieta-Candelaria stated that in conversation with Mr. Studer, they believe that Section 14A will trump the Charter and that the City may at the will of City Council make the contributions regarding the underfunding without going to the voters. She believes City Council can make contributions through the budgetary process. Mr. Calderazzo added that a provision that speaks to decreasing contributions as well at the same ratio that is today should be considered.

*Ms. Garcia moved to clean-up the wording on the Proposed language to address City contribution issues; have legal counsel review and make the necessary changes, and present to the Legislative working committee and to City Council, seconded by Mr. Villanueva and passed by the Board.*

A Special Board of Trustees meeting will be scheduled for Monday, February 25, 2013 to authorize the final language.

7. Discussion and action on Independent Actuarial Audit issue in accordance with Section 802.1012 of the Texas Government Code at the request of Chairman Grossman and accompanying request letter sent to Mr. William Studer, Deputy City Manager.

*Ms. Arrieta-Candelaria moved to send a letter to the City regarding a conflict with A.J. Gallagher, Inc., as Gallagher is a consultant to the City of El Paso therefore they cannot conduct an independent actuarial audit, seconded by Mr. Calderazzo and passed by the Board.*

8. Discussion and action on approval/denial of full-time Student Request Application submitted by Ms. Danielle Mendoza in accordance with Section 3.18 "Qualified Child" of the Plan Document.

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*Ms. Garcia moved to approve the Student Request Application of Ms. Danielle Mendoza, seconded by Mr. Villanueva and passed by the Board.*

9. Opportunity for Statements from Members/Retired Members/Public.

The following members of the public commented:

1. Mr. Joe Tellez
2. Mr. Ron Martin

Both Mr. Tellez and Mr. Martin thanked the Board for their hard work and pledged their support in assisting the Fund with any efforts to solve the underfunding issue.

10. Report of Executive Director. Mr. Stanton provided the Board with an update to his prior written report.

11. For Notation:

Informational Material For Review. No Action Required.

A. Letter from Senator Rodriguez to Mayor John Cook.

Letter from City's Legislative Delegation to Mayor Cook.

Letter from Mayor Cook to Representative Marisa Marquez.

Letter from City Manager to the Funds Membership.

Letter from Mayor Cook to Members of the El Paso Delegation

E-mail communication between Chairman Grossman and City Manager.

B. Service Retirement

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|----|-----------------|-------------------|
| 1. | Gilbert Cordova | Police Department |
| 2. | Steve Keeth     | Police Department |

12. Adjournment.

*Mr. Villanueva 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 5:22 p.m.*

  
Chairperson

  
Secretary