

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

TRUSTEE MEMBERS PRESENT

Fire Division:

Chief Jerry Villanueva
Chief Michael V. Calderazzo
Chief Ricci Carson

Police Division:

Lieutenant Tyler Grossman

Mayoral Appointments:

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

City Manager Appointments:

Ms. Terri Garcia
Mr. William F. Studer

OTHERS PRESENT

Mr. Robert J. Stanton - Secretary
Ms. Christina Ramirez - Benefits Manager
Mr. Tim Campbell - Baillie Gifford
Mr. Tom Record - Baillie Gifford
Mr. Thad Fletcher - Cooke & Bieler
Mr. Mehul Trivedi - Cooke & Bieler
Mr. Octavio Cobos - Local 51

TRUSTEE MEMBERS ABSENT:

Commander Mark Austin
Detective JD Cotham

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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 1:02 p.m.

2. Reading and approval of the Minutes of the previous Board Meetings held February 20, 2013, and Special Board meeting held February 25, 2013.

Dr. Tollen moved to approve the minutes of the previous Board Meetings held on February 20, 2013, and the Special Board meeting held February 25, 2013, seconded by Mr. Carson and passed by the Board.

Ms. Arrieta-Candelaria and Mr. Studer, arrived at 1:06 p.m.

Consent Agenda

Ms. Terry Garcia requested to move the Internal Financial Report for the months ending December 31, 2013 and January 31, 2013 from the Consent Agenda to New Business for further discussion.

Mr. Calderazzo 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, January 16, 2013, and February 20, 2013.

Dr. Tollen spoke on behalf of the Investment Committee. The Committee reviewed the draft policy and recommended that the following be removed on the final policy: Item 8 under Basis for Site Visit, "Other Issues," items 2e and 2i under Procedure, "visit with custodian bank liaison," and "inquire about other products available through the firm," and finally the last sentence under Site Visit Team, "The Board will consider the need for upcoming site visits during the annual budget process."

Mr. Studer expressed concerns on the policy. He recommended that a budget be established and that the number of people who attend these site visits be limited.

Ms. Arrieta-Candelaria recommended that the site visits be limited to two trustees and the Summit consultant.

Dr. Tollen explained that the site visit policy was drafted for three reasons: 1) upon recommendation of Summit due to the change in the Fund's portfolio structure and the addition of a new asset class that the Fund had not previously been involved with, 2) if there is concern with an existing manager, and 3) to give an opportunity to visit a manager that has not been visited in a while. He stated that he was aware of the concern for the additional expenses that

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would be incurred but also understood the importance of the education provided to the trustees as a result of these visits.

Dr. Tollen moved to approve the site visit policy with the exclusion of items 8 (under Basis for Site Visit), items 2e and 2i (under Procedure), and with an adjustment to the last sentence under Site Visit Team, "The Board will consider the need for upcoming or potential site visits during the annual budget process," seconded by Mr. Calderazzo and passed by the Board.

2. Discussion and action on approving the extension of the existing current office space lease. The Fund was recently informed that Borderplex will only accept a 1 year renewal.

Mr. Stanton explained that Borderplex had originally given the Fund a 6-month extension on the lease but would now only provide a 1-year extension.

Chair Grossman further explained that it would take approximately 60 day for closing on the new building and an additional nine months to hire and complete construction renovations on the new building.

Mr. Calderazzo moved to approve the extension of the existing current office space lease for a 1-year renewal, seconded by Mr. Villanueva and passed by the Board.

The two items pulled from the Consent Agenda were now heard. Ms. Garcia wanted more information on the organizational costs and the other income lines listed on the financials. Mr. Stanton stated that he would check with Bixler and get back to the Board. He believed that the other income consisted of Securities litigation.

Dr. Tollen moved to approve the Internal Financial Reports for months ending December 31, 2012 and January 31, 2013 removed from the Consent Agenda, seconded by Mr. Villanueva and passed by the Board

Reports and recommendations of Committees

- A. Audit and Risk Management Committee - Mr. Villanueva stated that the committee met earlier today and had a quick off meeting for the 2012 financial audit. It will begin on April 1, 2013 and Moss Adams will present information of the audit to the board on May 1, 2013. He also stated that the in-kind offer from the City to conduct an audit of the Fund's Management Policies and Procedures as well as various expenses would be postponed until the current audit by Moss Adams was completed.
- B. Investment Committee - Dr. Tollen stated that the Committee met earlier today and discussed two action items. One of those items was regarding the Site Visit policy and the other was on additional funding for KPS which will be discussed in new business. He also stated that for the upcoming April

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Investment Committee meeting two items will be discussed: possible site visits to Baillie Gifford and Mondrian and education for Committee members.

- C. Benefits Committee - Did not meet.
- D. Management Development and Review Committee - Mr. Calderazzo stated the committee met last week and items 4 and 5 under New Business are the items that were covered.
- E. Ad-Hoc Committee for Office Space - Did not meet.
- F. Budget & Finance Committee - Did not meet.
- G. Ad-Hoc Committee on Legislative Review - Chair Grossman sated the committee met with the Mayor on March 7. They agreed to wait for the Gallagher report which should arrive on March 27 to continue discussion with Mayor on Fund's underfunded status. A meeting with the Mayor is scheduled for March 27 at 8 am.

In order to discuss Item 7 then items 4 &5, Mr. Villanueva made a motion to move into Executive Session, seconded by Mr. Grossman. Motion carried.

The El Paso Firemen & Policemen's Regular Board Meeting retired into Executive Session at 1:36 p.m. and reconvened to regular session at 2:23 p.m.

Mr. Calderazzo left at 1:52 pm and returned at 2:09 pm.

Ms. Arrieta-Candelaria left at 2:20 pm.

New Business

1. Investment Performance Review for period ended December 31, 2012 and update as presented by Mr. Tim Campbell and Mr. Tom Record of Baillie Gifford.

Mr. Campbell and Mr. Suggett reported that the initial appointment was March 2005 with an assets value of \$32.0 million. Value of assets as of February 28, 2013 were \$73, 956,960. Performance since inception to February 28, 2013 was 11.8% compared to the benchmark of 12.2%. The top three relative stock contributors for the 12 months to February 28, 2013 were Samsung Electronics, TSMC and Hyundai Mobis, and the bottom three stock contributors were Petrobras, Tullow Oil and OGX.

2. Investment Performance Review for period ended December 31, 2012 and update as presented by Mr. Thad Fletcher and Mr. Mehul Trivedi of Cooke & Bieler.

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Mr. Fletcher and Mr. Trivedi up-dated the Board with the firm overview. Cooke & Bieler has been managing equity portfolios since 1949. The firm is independent and management owed with 13 partners and 32 employees. Institutional clients include corporate, endowment/foundation, Taft-Hartley and public funds. Private wealth clients include family and sub-advisory. Currently they manage \$4.4 billion in assets, which includes Large, Mid, Small and All Cap Value. The portfolio holds between 40-50 companies with positions sizes typically ranging from 1% - 4%, limited cash, a sector size limit of 35% of portfolio, industry size limit of 20% of portfolio, and position size limit of 5%. For year ended 2012, the portfolio returned 11.6% compared to the Russell 1000 value benchmark of 17.5%. For the period of January 1, 2013 through February 28, 2013 the portfolio returned 8.7% compared to 8.0% for the Russell 1000. Since inception the portfolio returned 5.7% compared to 4.5% for the Russell 1000.

3. Discussion and action on the commitment of \$3,000,000 to KPS Fund IV as recommended by Meketa Investment Group and approved by the Investment Committee.

Dr. Tollen spoke on behalf of the Investment Committee. He explained that this would be a slightly higher risk investment which would require a larger investment and higher cost. KPS is a highly experienced investor operating in the potentially less competitive and less efficient turnaround space. KPS is led by a stable senior team, with all four partners having worked together for at least the past 13 years. The Firm has generated strong historical performance, with all four prior funds ranking in the top quartile (on an IRR basis) versus U.S. buyout funds for their respective vintage years. A seven-year investment period with a twelve-year total term would be required by the Fund.

Mr. Ortega moved that the Pension Fund subscribe to and purchase an interest in the KPS Special Situations Fund IV (Series B) as a capital contribution in the amount of \$3,000,000, and that Tyler Grossman, Chairman of its Board of Trustees is authorized, empowered and directed by the Board to enter into and execute all partnership agreements, subscription documents and side letters, and to do all such other things as may be necessary or desirable to effect the Pension Fund's investment as a Limited Partner in KPS Special Situations Fund IV (B), as its free act and deed, seconded by Mr. Calderazzo and passed by the Board.

4. Discussion and action on performance review of the Executive Director as recommended by the Management Development and Review Committee.

Discussion centered on the Executive Director Evaluation Form and how the committee should tally the assessment of all board members. Dr. Tollen commented that the committee should come up with a recommendation and bring it to the Board for approval.

Mr. Calderazzo moved to table the performance review of the Executive Director, seconded by Dr. Tollen and passed by the Board.

5. Discussion and action on authorizing the update of the 2008 compensation review performed by Fox Lawson to include the pricing structure of a Chief Investment Officer and Chief Financial

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Officer, as recommended and approved by the Management Development and Review Committee, not to exceed \$5,000.00.

Mr. Calderazzo stated that last review was done five years ago and that is why a new review is needed now. Compensation for a Chief Investment Officer and Chief Financial Officer would be reviewed should the Fund decide to add those positions to the administration of the Fund in the future.

Mr. Calderazzo moved to approve no more than \$5,000.00 to the update of the compensation review of all of the positions of the Fund to include the pricing structure of a Chief Investment Officer and Chief Financial Officer, seconded by Dr. Tollen and passed by the Board.

6. Discussion of the Status Report on TEXPERS Organizational Goals at the request of Chairman Grossman.

Chair Grossman reviewed TEXPERS training and educational goals 1 and 3: 1. TEXPERS is seen as the premier organization in the country for training trustees and 3. TEXPERS provides more in-depth training. He went on the state that trustees will be required to complete a 10-hour CTT course. This training should be completed within the next two years. Each fund should develop their own policy to coincide with the training goals of TEXPERS. It is preferred that all trustees should obtain this education not just those trustees who are elected.

7. Personnel Matters

No discussion or action.

8. Discussion and action on Trustees Calderazzo, Villanueva, and Carson to attend Wharton School.

Ms. Garcia requested that Mr. Stanton inquire with Wharton School about the group discount that is offered if four or more people attend this school. If the discount is significant, the board should consider sending one more trustee in order to obtain this discount.

Mr. Ortega stated that he would be interested in attending.

Dr. Tollen moved to approve that Trustees Calderazzo, Villanueva, and Carson attend the Wharton School and to add a fourth member based on the caveat that a group discount be received, seconded by Mr. Ortega and passed by the Board.

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

None.

Mr. Studer left at 3:30 pm.

10. Report of Executive Director.

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Mr. Stanton provided the Board with an update to his prior written report. He stated that elections would have to be conducted this year: two on the Fire side and two on the Police side. He also reported that the Fund would need to re-apply for a favorable determination letter from the IRS late this year or early 2014. He stated that this might prove to be more difficult this time than it was five years ago because of the death benefits that are provided to spouses and other family members.

11. For Notation:

Informational Material For Review. No Action Required.

A. Service Retirement

Eleazar A. Juarez Jr. Police Department *Unaudited*

B. Service/BackDrop Retirement

Jorge F. Sanchez Fire Department

C. Cost of Living Adjustments

- | | |
|--------------------|-------------------|
| 1. Samuel Casillas | Fire Department |
| 2. Ruben Villa | Police Department |

D. Death of member(s)

- | | |
|----------------------------|-----------------|
| 1. Joseph S. Doyle, Jr. | Fire Department |
| 2. William G. Hawkins, III | Fire Department |

12. Adjournment.

Mr. Calderazzo moved to adjourn, seconded by Mr. Ortega and passed by the Board. The El Paso Firemen & Policemen's Pension Fund Board of Trustees meeting stands in adjournment at 3:25 p.m.

Chairperson

Secretary