

THE EL PASO FIREMEN & POLICEMEN'S PENSION BOARD OF TRUSTEES
REGULAR MEETING HELD
Wednesday, July 15, 2009 at 1:00 PM
El Paso Firemen and Policemen's Pension Fund Office
Chase Tower, 201 East Main, Suite 1616
El Paso, Texas 79901

MINUTES

MEMBERS PRESENT:

Mayoral Appointments:

Mr. Presi Ortega
Dr. Robert Tollen

City Manager Appointments

Ms. Terri Garcia
Mr. William F. Studer

Police Department

Chief Robert Feidner
Commander Mark Austin
Detective Stanley Hayes

Fire Department

Chief Michael V. Calderazzo
Chief Matt G. Widtfeldt
Chief Ralph B. Johnson

OTHERS PRESENT:

Mr. Robert J. Stanton – Secretary
Ms. Christina Ramirez - Specialist
Mr. Paul Leung - Sterling Johnston
Mr. Jon Fritzingler - Sterling Johnston

MEMBERS ABSENT:

Mr. John D. Davis, III

1. **Call to order**

Chairperson Calderazzo called the regular meeting of the El Paso Firemen & Policemen's Pension Fund Board of Trustees to order at 1:10 p.m.

2. **Approve minutes of Board meeting held June 17, 2009.**

Mr. Johnson moved to approve the minutes of the meeting held June 17, 2009, seconded by Mr. Hayes and passed by the Board.

3. **Consideration and approval of the Financial Report for the month ending June 30, 2009, as recommended by the Budget & Finance Committee.**

Ms. Garcia reporting on behalf of the Budget and Finance Committee stated that the documentation was in order. Ms. Garcia noted that there was not anything of significance to report but did note that there will be a transfer of funds coming up soon in the disaster recovery area.

Ms. Garcia moved to approve the Financial Reports for the month ending June 30, 2009, seconded by Mr. Feidner and passed by the Board.

4. **Approve Pension Payrolls:**

Fire	\$ 1,691,637.43
Police	\$ 2,218,425.78

Mr. Stanton stated the Pension Payrolls were in order.

Mr. Hayes moved to approve the Pension Payrolls for the month ending June 30, 2009, seconded by Mr. Johnson and passed by the Board.

5. **Consideration and action on request for Service Retirement with Back/Drop.**

Reymundo Leyva	Fire Department
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Mr. Stanton stated the documentation was in order and recommended approval for service retirement with Back/Drop for Mr. Leyva.

Mr. Hayes moved to approve service retirement with Back/Drop for Mr. Leyva, seconded by Mr. Johnson and passed by the Board.

6. **Consideration and action on request for survivor benefits**

Mary E. Atkinson survivor of Bobby G. Atkinson, Fire Department

Mr. Stanton stated the documentation was in order and recommended approval for survivor benefits for Ms. Atkinson.

Mr. Johnson moved to approve survivor benefits for Ms. Atkinson, seconded by Mr. Hayes and passed by the Board.

As Representatives from Sterling Johnson were not here yet, Chairperson Calderazzo suggested moving to Item 13. Without any objections from the Board, Item 13 followed.

13. Discussion and approval of December 31, 2008 Audited Financial Statements as presented by Mr. Michael O'Donnell of Bixler & Company.

Copies of the Consolidated Financial Statements for December 31, 2008 and 2007 were presented to the Board of Trustees. Mr. O'Donnell reviewed the table of contents with the Boards members to give them a sense of how it is arranged and put together. He stated that they have audited the accompanying consolidated statements of the plan net assets of the El Paso Firemen and Policemen's Pension Fund and subsidiary, a component unit of the City of El Paso, Texas, as of December 31, 2008 and 2007 and the related consolidated statements of changes in plan net assets for the years then ended. He emphasized that these financial statement are the responsibility of the fund's management. Bixler's responsibility is to express an opinion on these financial statements based on the audits. He further read the opinion provided in the audit as follows: *"In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial status of the El Paso Firemen and Policemen's Pension Fund and subsidiary as of December 31, 2008 and 2007"*. He stated this is an unqualified opinion, which is the best you can get and it is what the audit is all about. Mr. O'Donnell proceeded to review the consolidated financial statements with the Board.

In reference to the management letter, basically there were no areas lacking or needing improvements. However, last year's suggestion to hire a person with accounting skills has been accomplished and it is now highly recommended that training be provided to better understand the financials coming in and out of Northern Trust and to monitor any changes. He recommended three areas of training: (1) Northern's reporting system; (2) QuickBooks; and (3) local 8 hours seminars in the area of Governmental Accounting Standards.

Ms. Garcia moved to approve the audit report as presented by Mr. O'Donnell of Bixler & Co., seconded by Mr. Hayes and passed by the Board.

8. Discussion and action on placement of the infusion of additional investment capital to be received from the City of El Paso as recommended by the Investment Committee.

Dr. Tollen stated that the Investment Committee met and that Mr. Ralph of Summit Strategies presented the Committee with three recommended options for the disbursement of \$110,000,000. After careful discussion and due consideration, Mr. Austin moved to accept the recommendation of the Investment Committee that the Fund stay with its current asset allocation policy and further to approve Option 1-ProRata Investment (please refer to contribution analysis by Summit), seconded by Mr. Hayes and passed by the Board.

9. **Discussion and action on amending the Statement of Investment Policy pursuant to paragraph 5.15 thereof, with regards to the Discretionary Investment Agreement with Lord Abbett as recommended by the Investment Committee.**

As recommended by the Investment Committee, Dr. Tollen moved to table this item pending additional research by Summit Strategies, seconded by Mr. Austin and passed by the Board.

10. **Up-date on the implementation of the Pension Administration System and related matters by Mr. Andy Flewelling of L.R. Wechsler.**

Mr. Flewelling was requested to call somewhat later on in the meeting, the Board requested a short up-date from Mr. Stanton on the TACS implementation process for the current period. He voiced some recent annoyance with Tyler where at a recent phone conference training session, it was apparent that the individual from Tyler was totally unprepared for the training session. There has been some communication problems with them but it is nothing unusual. He informed the Board that we are in the process of entering the reconciliation prepared by Steve Speed and entering those changes into PAS. Once these changes are made and some fixes done by Tyler, we will start running parallel payrolls from the Northern payrolls from January to present.

7. **Portfolio review by Mr. Jon Fritzing and Mr. Scott Johnston of Sterling Johnston.**

Mr. Fritzing relayed Mr. Johnston's regrets that he was unable to attend the portfolio review. Mr. Fritzing provided the Board with highlights of Sterling Johnston. Sterling Johnston continues to grow its institutional assets while providing exceptional client service and solid investment performance. The firms plan for growth is to remain an independent boutique, that senior partners share management of the business, and contingency succession plan in place. The firm has twelve professional staff employees and four administrative/back office employees. The internal research process is 80% fundamental analysis which includes public documents/SEC filings, brokerage research analysts, review/generate financial models, on-off site management discussions and consultants, 10% is quantitative analysis which includes proprietary screens and factor scoring models and 10% is technical analysis which includes entry/exit/timing mechanisms. The secondary research includes internal/field research, independent research/consultants and quantitative analysis. El Paso's fund had a return of negative return of 28.73% as of June 30, 2009, negative 8.99% for the three year period ended June 30, 2009, negative .54% for the five years ended June 30, 2009 and negative 1.99% since inception.

11. **Discussion and action on approving ESEI to implement the Fund's Data Back-Up and Recovery Solution and to further appropriate funds in the amount of \$15,000.00.**

After careful discussion and due consideration, Ms. Garcia moved to approve the contract with ESEI for implementation of the Fund's Data Backup and Recovery Solution and to transfer \$16,705.00 from the Imaging Project allocation, seconded by Dr. Tollen and passed by the Committee.

12. **Discussion and action on legal opinion received from Legal Counsel regarding the payment of contributions as outlined in the Amato settlement agreement reached between the City of El Paso and the El Paso Police Department.**

Mr. Stanton provided the legal opinion received from Attorney Gary Lawson regarding the settlement agreement between the City of El Paso and Officer Amato. Attorney Lawson stated that the Plan Document does not explicitly permit nor does it expressly prohibit the purchase of Credited Service. Discussion ensued with various concerns as to how this could set precedence. Mr. Stanton was requested to craft language with clarification that the member and the City must pay the necessary interest and bring back to the Board for approval.

After careful discussion and due consideration, Dr. Tollen moved to table this item, seconded by Mr. Ortega and passed by the Board.

14. **Report of Executive Director.**

Mr. Stanton provided an up-date as follows:

- Assets of the Fund are growing; we are at \$703,000,000.
- Trustees were reminded to submit their biographies for the web page.
- A special meeting will be scheduled for July 20, 2009 to discuss a couple of urgent items that did not make it on this agenda.

15. **Opportunity for Statements from Retired Members/Public.**

None.

16. **Committee Reports:**

- A. Actuary/Audit Committee – Did not meet
- B. Budget & Finance Committee – Already reported
- C. Disability Committee – Did not meet
- D. Investment Committee – Already reported. Dr. Tollen added that they plan to recommend a target allocation of 7.5% to Private Equity.
- E. Personnel Committee – Did not meet.

17. **For Notation:**

A. Cost of Living Adjustments

- | | |
|--------------------|-------------------|
| 1. Woodrow Bare | Police Department |
| 2. Frederick Ellis | Police Department |
| 3. David Norman | Police Department |
| 4. Arthur Seelig | Police Department |

B. Death of member(s)

Riley H. Pollock	Police Department
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C. Refund of Contributions

1. Joseph Escalante Police Department
2. Ellwood T. Whitten, Jr. Police Department

D. Payments to Service Providers

1. Summit Strategies (2nd Qtr.) \$ 47,750.00
2. Strasburger & Price, L.L.P. (5/31/09) \$ 2,062.50

18. Adjournment.

Mr. Austin moved to adjourn, seconded by Mr. Hayes and passed by the Board. The El Paso Firemen & Policemen's Pension Fund Board of Trustees meeting stands in adjournment at 3:15 p.m.

Chairperson

Secretary