

THE EL PASO FIREMEN & POLICEMEN'S PENSION BOARD OF TRUSTEES
REGULAR MEETING HELD
Wednesday, August 19, 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
Mr. John D. Davis, III

City Manager Appointments

Ms. Terri Garcia

Police Department

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. Yolanda Carreon – Assistant Secretary
Ms. Christina Ramirez – Specialist
Ms. Corinne Koch – Operations/Consulting
Mr. Eric Ralph – Summit Strategies Group
Mr. Wade Warling – Active Fire
Mr. Alan Parsons – Active Fire

MEMBERS ABSENT:

Mr. William F. Studer
Sgt. Tyler Grossman

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 1:05 p.m.

2. **Welcome Trustee Mr. Tyler Grossman.**

Mr. Grossman is the newly elected Trustee but was unable to attend the meeting as he is out of town on job related business.

3. **Approve minutes of Board meeting held July 15, 2009 and Special Board Meeting of July 20, 2009.**

Dr. Tollen moved to approve the minutes of the meeting held July 15, 2009 and Special Board Meeting held July 20, 2009, seconded by Mr. Johnson and passed by the Board.

4. **Consideration and approval of the Financial Report for the month ending July 31, 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 July 31, 2009, seconded by Dr. Tollen and passed by the Board.

5. **Approve Pension Payrolls:**

Fire	\$ 1,700,523.64
Police	\$ 2,210,738.17

Mr. Stanton stated the Pension Payrolls were in order.

Mr. Hayes moved to approve the Pension Payrolls for the month ending July 31, 2009, seconded by Mr. Johnson and passed by the Board.

Mr. Presi Ortega presented himself 1:15 p.m.

6. **Presentation and review of 2nd Quarter Investment Performance, as presented by Mr. Eric Ralph of Summit Strategies Group and related matters.**

Mr. Ralph presented the Fund's investment performance for period ended June 30, 2009. The U.S. Economy contracted 1.0% in the second quarter, the fourth decline in a row, marking the longest losing streak on record. Government spending rose at a 5.6%, offsetting the consumer retrenchment. Consumer spending fell 1.2% in the second quarter after rising 1.4% during the first quarter. Consumer prices fell 1.2% over the trailing twelve months ending June while the core CPI, which excludes food and energy, rose 1.7%. Producer prices fell 4.4% year-over-year ending June, while core prices rose 3.3% for the

12-month period. The US unemployment rate rose to 9.5% in June, the highest level in almost 26 years. U.S. job growth fell by 467,000, reflecting the 18th straight month of

losses. Housing starts rose 3.6% in June after jumping 17% in May, led by a 29.0% increase in the West and a 17.0% increase in the South. Building permits, an indicator of future projects, continued to improve. The Fed kept the overnight rate in a range between zero and 0.25% in the second quarter. The US Dollar depreciated more than 6.0% against major currencies and oil prices ended at almost \$70/barrel. Since the lows reached on March 9, 2009, the equity markets rallied considerably in the second quarter as signs of economic stabilization emerged. The S&P 500 Index gained 15.9% in the second quarter, led by financials up 35.7%. Small cap led large cap for the quarter, gaining 20.7%. Small cap growth was the best performing segment of the domestic market during the quarter posting a gain of 23.4%, outperforming small cap by 5.4%. International equity earned 25.4% for the quarter, outperforming the S&P 500 Index by 9.5% with an overall depreciating dollar contributing 850 bps to performance. Value stocks led growth stocks by almost 840 bps. Emerging markets continued to lead the way in recovery, earning an impressive 34.7% and outperforming the developed market by 9.3%. Yields rose and the curve steepened during the quarter as the 2-year Treasury yield rose 31 bps to 1.11% and the 30-year yield jumped 80 bps to 4.3%. US corporate (10.4%) and high yield (23.1%) outperformed Treasuries (-3.0%). The Total Fund was up 13.83% for the quarter and down 14.18% for the trailing year. Relative to all public plans-total peer group returns, the fund was in the 10th percentile for the quarter, 33rd percentile for the one year, 11th for the three year and 5th percentile for the five year period.

Chairperson Calderazzo suggested moving Item 15 next on the agenda as there is someone signed up to speak. Without any objections from the Board, Item 15 followed.

15. Opportunity for Statements from Retired Members/Public.

Mr. Wade Warling addressed the Board stating he has worked for the Fire Department for thirty seven years and is requesting some relief reference his pension contributions. He recommends a few options such as a modified Drop, cease pension contributions after 28 years of service, or remove the cap. Chairperson Calderazzo informed Mr. Wade that an agenda item will be presented at the next meeting to further address this issue.

7. Consideration and action on request for Service Retirement. (Un-Audited)

Mr. Tracy L. Pace

Police Department

Ms. Carreon explained to the Board that the function of auditing leave balances necessary for final payoffs has been transferred from the City's HR Department to the Financial Services Department. Financial Services personnel earlier indicated that it could take from 60 to 90 days before a final payoff is processed for those members that retire or resign. However, after knowing how this will impact their initial retirement benefit, yesterday the City indicated that they would strive to get the final payoff within 30 days from the time the member leaves. Ms. Carreon also explained to the Board that the last five members processed for a final payoff were incorrectly paid because no pension was deducted. The City is currently in the process of reversing and reissuing the payment with the correct

pension deduction for those affected. For this reason, at the time the agenda was posted some of the records had not been audited but are now audited.

Mr. Stanton stated the documentation was in order and recommended approval for service retirement for Mr. Pace.

Mr. Hayes moved to approve service retirement for Mr. Pace seconded by Dr. Tollen and passed by the Board.

8. Consideration and action on request for Early Retirement. (Audited)

Mr. Alberto Chavez Police Department

Mr. Stanton stated the documentation was in order and recommended approval for early retirement for Mr. Chavez.

Mr. Ortega moved to approve early retirement for Mr. Chavez seconded by Mr. Johnson and passed by the Board.

9. Consideration and action on request for Early Retirement. (Un-Audited)

A. Mr. Carlos Carrillo Police Department
B. Mr. Robert Holguin Police Department

Mr. Stanton stated the documentation was in order and recommended approval for early retirement for Item 9A and 9B.

Mr. Ortega moved to approve early retirement for Mr. Carrillo and Mr. Holguin seconded by Mr. Hayes and passed by the Board.

10. Consideration and action on request for survivor benefits

A. Ms. Irene V. Pacillas, survivor of Raul Pacillas, Police Department
B. Ms. Helga P. Pollock, survivor of Riley H. Pollock, Police Department

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

Mr. Hayes moved to approve survivor benefits for Item 10A and 10B seconded by Mr. Ortega and passed by the Board.

11. Discussion and action on approval of the El Paso Firemen & Policemen's Pension Fund new Student Policy/Procedures document.

A draft policy outlining recommendations relating to survivor benefits for those qualified children attending college was presented by Ms. Corrine Koch. She stated that there has never been an established policy approved by the Board of Trustees to address these issues which in the past has created significant problems. This proposed policy will determine whether an individual is a qualified child and will avoid the problems previously

encountered. A Qualified Child Procedures document was also presented for approval. This will establish much necessary internal administrative procedures.

Ms. Koch informed the Board that basically with this new procedure we will suspend benefits once the child turns eighteen; advise them of the proper documentation they need to submit to the Fund; and provide them with a time schedule in which to provide the documentation in order to consider them eligible for the benefit. This benefit will only be paid retroactively upon completion of the semester and once the Fund receives all the proper documents to show eligibility. A lengthy discussion followed reference the issue of interest since we are holding their money. Also discussed was what constitutes a full time status and semester vs. quarters. Discussion ensued.

Mr. Davis moved to approve the proposed policy contingent upon discussion with legal counsel on clarification of full-time status and discussion also on paying interest on the retro benefit seconded by Dr. Tollen and passed by the Board.

Mr. Johnson made a motion to move into Executive Session for the purpose of discussing Item 12. Mr. Hayes seconded. Motion carried.

The El Paso Firemen & Policemen's Pension Fund retired into Executive Session at 3:00 p.m. and returned to regular session at 3:12 p.m.

12. Discussion and action on overpayments relating to survivor benefits.

Mr. Hayes moved to authorize Attorney Alan Cleveland to conduct an asset search on the two individuals discussed seconded by Mr. Austin and passed by the Board.

13. Up-date on the implementation of the Pension Administration System by Executive Director.

Mr. Stanton stated that the January payroll has been reconciled, and subsequent payrolls should not take as much time as January. Tyler is still dealing with some critical issues but is working closely with staff to resolve.

14. Report of Executive Director.

Mr. Stanton provided an up-date as follows:

- Assets of the Fund are at \$845,000,000; the City has paid their contributions.
- Fiduciary account is up to \$121,000 and we will get that back down again.
- The newsletter will be going to the membership in a couple of weeks. Mr. Austin recommends sending the newsletter as an insert in their Silver Badge publication.
- The Web page will be finalized soon. We are currently lacking some trustee biographies.

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 – Dr. Tollen informed the Board that the committee met yesterday and had presentations with five managers for the International Small Cap Equities. Due diligence trips to visit Dimensional Fund Advisors, Highclerc International Investors and Mondrian Investment Partners will be scheduled. Baillie Gifford will also be visited following Eric Ralph's commentary and since the group will be in London.
- E. Personnel Committee – Did not meet.

Committee reassignments will soon be done and Chairperson Calderazzo requested input from Trustees if they were interested in a particular committee. He is also considering a standing committee for a Customer Service/Communications Committee and an ad-hoc Committee for Office Space.

17. **For Notation:**

A. Cost of Living Adjustments

Mr. Refugio R. Chavez Police Department

B. Death of member(s)

- 1. Mr. Hector Ramirez Fire Department
- 2. Mr. Troy C. Bunn Police Department
- 3. Mr. Raul Pacillas Police Department

C. Refund of Contributions

- 1. Mr. Oscar A. Bolivar Police Department
- 2. Ms. Mariela G. Melchor Police Department

D. Withdrawal of Deferred Retirement Application

Mr. Oscar A. Bolivar

E. Payments to Service Providers

- 1. Baillie Gifford – 2nd Q2009 \$ 102,966.66
- 2. Buck Consultants – 2nd Q2009 \$ 49,437.50
- 3. Cooke & Bieler, L.P. 2nd Q2009&Perf.fee \$ 80,029.06
- 4. Goldman Sachs – 2nd Q2009 \$ 24,717.24
- 5. Intech – 2nd Q2009 \$ 27,251.20
- 6. Lord Abbett – 2nd Q2009 \$ 73,361.44
- 7. Eduardo Miranda, Atty. – 06/30/2009 \$ 250.00
- 8. Eduardo Miranda, Atty. – 07/31/2009 \$ 200.00

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9. Mondrian – Period ending 06/30/2009	\$	37,408.84
10. Pyramis Global Advisors – 2 nd Q2009	\$	90,278.00
11. Sheehan Phinney Bass + Green – 05/31/09	\$	19,101.85
12. Sheehan Phinney Bass + Green – 06/30/09	\$	5,585.75
13. Sterling Johnson Capital Mgmt. – 2 nd Q2009	\$	40,385.20
14. Strasburger & Price, L.L.P. - 06/30/09	\$	1,500.00
15. Strasburger & Price, L.L.P. – 06/30/09	\$	1,968.75

For the record, Mr. Hayes stated he does not want the Actuary getting involved in legal issues or giving legal advice. He is an Actuary and should provide only actuarial information.

18. Adjournment.

Mr. Hayes moved to adjourn seconded by Mr. Johnson and passed by the Board. The El Paso Firemen & Policemen's Pension Fund Board of Trustees meeting stands in adjournment at 3:30 p.m.

Chairperson

Secretary