

THE EL PASO FIREMEN & POLICEMEN'S PENSION BOARD OF TRUSTEES
REGULAR MEETING HELD
Wednesday, November 18, 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
Sergeant Tyler Grossman

Fire Department

Chief Michael V. Calderazzo
Chief Matt G. Widtfeldt

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
Mr. Eric Calhoun via teleconference

MEMBERS ABSENT:

Chief Ralph B. Johnson
Mr. William F. Studer

1. **Call to order**

Vice Chairperson Calderazzo called the regular meeting of the El Paso Firemen & Policemen's Pension Fund Board of Trustees to order at 1:07 p.m.

2. **Approve minutes of Board Meeting held October 21, 2009.**

Dr. Tollen moved to approve the minutes of the meeting held October 21, 2009, seconded by Ms. Garcia and passed by the Board.

3. **Consideration and approval of the Financial Report for the month ending October 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 moved to approve the Financial Reports for the month ending October 31, 2009, seconded by Mr. Ortega and passed by the Board.

4. **Approve Pension Payrolls:**

Fire	\$ 1,705,807.19
Police	\$ 2,267,855.00

Mr. Stanton stated the Pension Payrolls were in order.

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

5. **Consideration and action on disability retirement:**

Mr. Charles A. Berry

Fire Department

Reporting for the Disability Committee, Mr. Stanton stated that the committee had met and reviewed all the medical documentation for Mr. Berry and that it was their recommendation that his request for a disability retirement be granted. The agenda incorrectly stated William Berry and is now corrected to reflect Charles A. Berry.

Mr. Ortega moved to approve disability retirement application for Mr. Berry, seconded by Mr. Grossman and passed by the Board.

6. **Presentation and review of 3rd 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 September 30, 2009. The U.S. Economy expanded at a 3.5% annual rate in the 3rd quarter, after a 0.7% contraction in the 2nd quarter. Household purchases climbed 3.4%, mostly attributable to purchases of autos supported by the government's cash-for-clunkers program. Consumer prices fell 1.3% over the last 12 months while the core CPI, which excludes food and energy, rose 1.5%. Producer prices fell 4.8% year-over-year ending September, while core prices rose 1.8% for the 12-month period. The US unemployment rate increased to 9.8% in September, the highest level since 1983. US job growth fell by 263,000 jobs following a drop of 216,000 in August. Total job losses hit 7.2 million since the beginning of the recession (12/2007). Housing starts rose 0.5% in September as single-family homes (85% of the industry) increased 3.9%. Multi-Family units dropped 15%. Building permits, an indicator of future projects, fell 1.2%. The Fed met on November 4 with no action taken, keeping the overnight rate in a range between zero and 0.25%. The US dollar depreciated over 4.0% against most major currencies and oil prices ended September at almost \$71/barrel. Equity markets posted significant gains in the third quarter led by lower quality, higher risk stocks. The S&P 500 Index gained 15.6%, led by financials up 25.5%. Small cap led large cap for the quarter, gaining 19.3%. Small cap value was the best performing segment of the domestic market during the quarter posting a gain of 22.7% and outperforming small cap growth by 6.7%. International equity earned 19.5% for the quarter, outperforming the S&P 500 Index by 3.9% with a depreciating dollar contributing 465 bps to performance. Value stocks led growth stocks by 535 bps. Emerging markets continued to recover nicely, earning a strong 20.9% in the 3rd quarter and outperforming the developed market by 1.4%. Yields fell and the curve flattened as the 2-year Treasury yield fell 16 bps to 0.95% and the 30-year yield dropped 25 bps to 4.05%. Relative to the Aggregate (+3.7%), U.S. corporate (+8.1%) and high yield (+14.2%) outperformed while Treasuries underperformed (+2.1%). The Total Fund was up 12.76% for the quarter and up 7.72% for the trailing year. Relative to all public plans-total peer group returns, the fund was in the 23rd percentile for the quarter, 7th percentile for the one year, 8th for the three year and 1st percentile for the five year period.

7. **Discussion and action on eliminating Unrelated Business Taxable Income (UBTI) from the Partners Group underlying partnerships at the cost of an additional 5 basis points as recommended by the Investment Committee.**

Definition: Income regularly generated by a tax-exempt entity by means of taxable activities. This income is not related to the main function of the entity, but is needed to generate a small portion of income.

After careful discussion and due consideration, Dr. Tollen moved to eliminate the Unrelated Business Taxable Income (UBTI) that may be generated from about half of Partners Group underlying partnerships at the cost of an additional 5 basis points as recommended by the Investment Committee, seconded by Mr. Davis and passed by the Board.

8. **Discussion and action with Legal Counsel regarding the legal process in obtaining a legal judgment for survivor overpayments.**

Mr. Stanton stated that several months ago the Board requested to file judgments on those dependent children with outstanding survivor overpayments. These overpayments are a result of not providing proper documentation of attendance as a full-time student at an accredited secondary school. Attorney Cleveland recommends that the Board understand the entire process for this and recommends we discuss this with our Texas counsel. Via teleconference, Attorney Eric Calhoun provided the Board with a detailed summary of this process. He concluded by stating that while most cases will cost only a couple of thousand dollars others might be significantly more expensive. After much discussion, the consensus of the Board is to contact local attorneys such as Mr. Edward Miranda and compare fees.

No action.

9. **Discussion and action on overpayment relating to survivor benefits.**

Ms. Corinne Koch provided documentation to the Board reference a survivor overpayment. In this scenario the Fund received documentation in January 2009 showing the dependent child enrolled at the University of Texas at El Paso but failed to provide the required documentation to confirm completion of the semester in May 2009. Ms. Koch discussed the numerous attempts made by staff to receive the evidence of attendance to support the benefit payments made and/or the attempts to collect the overpayment. Since this is an overpayment to the dependent child and an underpayment to the surviving spouse (her mother), the Board requested that the Executive Director see if the mother is willing to waive her rights to this benefit for this period of time.

No action

10. **Discussion and action on the following matters with the Meketa Group:**

- Private Equity Investment Policy Statement.
- Three year investment road map.
- Current Private Equity Market Opportunities.
- Fund recommendations

After careful discussion and due consideration, and at the recommendation of the Investment Committee, Dr. Tollen moved to approve the placement of \$12,000,000 to Lexington Capital Partner VII, as recommended by Meketa Investment Group pending legal review, seconded by Mr. Davis and passed by the Board.

After careful discussion and due consideration, and at the recommendation of the Investment Committee, Dr. Tollen moved to approve the placement of \$3,000,000 to Newstone Capital Partners II, as recommended by Meketa Investment Group pending legal review, seconded by Mr. Davis and passed by the Board.

After careful discussion and due consideration, and at the recommendation of the Investment Committee, Dr. Tollen moved to approve the placement of \$3,000,000 to Riverside Europe Funds IV, as recommended by Meketa Investment Group pending legal review, seconded by Mr. Davis and passed by the Board.

Additionally, Dr. Tollen stated that the Committee has informed Meketa that it will place the Private Equity Policy Statement under review at this time.

Mr. Ortega absented himself at 2:25 p.m.

11. Discussion and action on approving revisions to the Pension Application Procedure as recommended by the Disability Committee.

The City of El Paso has informed the Fund that the *Assessment by Department Head for Assignment* will now be completed and signed by the Human Resources Department. As such, the form will now be entitled *Human Resources Assessment*. Ms. Koch also explained to the Board that under the Disability Pension Application Process we will change *Independent Physician's Statement* to *Independent Physician Evaluation Request Packet*. The *Independent Physician's Statement* referred to a cover letter that was mailed to the physician conducting the IME. This letter included several questions that were asked of the physician. There was no form called the *Independent Physician's Statement*. The revision to the packet includes a general cover letter similar to the prior letter used; however, the questions from the letter have been included in the packet. Mr. Stanton stated that these revisions have gone to the Disability Committee and they are recommending approval.

Dr. Tollen moved to approve the revisions to the Disability Pension Application Procedure, seconded by Mr. Davis and passed by the Board.

12. Discussion and action to engage Buck Consultants to provide a Retirement Plan Experience Study for the period of January 1, 2004 through December 31, 2009.

Mr. Hayes moved to table Items 12 for one month, seconded by Mr. Austin and passed by the Board.

13. Discussion and action on renewing the Actuarial Consulting Services Agreement with Buck Consultants.

Mr. Hayes moved to table Items 13 for one month, seconded by Mr. Austin and passed by the Board.

14. Discussion and action regarding the paying of interest for retro-active survivor benefits in accordance with Section 3.18, "Qualified Child".

The issue of interest was discussed by the Board as a result of the recent approval of the Qualified Child Determination Policy/Procedures which will provide payments on a retro basis only. Mr. Austin stated that if our policy is to charge interest on overpayments,

interest should be paid on any monies that we hold and later pay on a retro basis. Discussion ensued on this topic.

After considerable discussion, Mr. Austin moved to pay regular interest on all retro-active payments made to a Qualified Child, seconded by Dr. Tollen. Mr. Austin, Dr. Tollen, Mr. Davis, Ms. Garcia, Mr. Calderazzo, Mr. Widtfeldt, and Mr. Grossman voted in favor. Mr. Hayes opposed. Motion passed.

15. Up-date on Pension Administration System by Robert J. Stanton, Executive Director.

A status report was presented to the Board by Mr. Stanton. He voiced disappointment in the results of the reverse feed from Northern Trust. After submitting a test payroll file to Northern Trust, the Fund found that check numbers were not included in the reverse feed file and as a result, would not be imported into Tyler. Though this was contrary to Tyler and the Fund's expectations, the file did conform to the format Northern Trust had provided Tyler. A request has been made to NT to look into what is required to have the check number field added and populated.

The October payroll file was uploaded to NT in a test run. Three issues were identified in the reverse feed file (with multiple instances occurring of each):

- Payees with incorrect federal withholding calculation-a fix has been installed and awaits next test payroll run
- Payments with incorrect distribution codes-staff to confer with management on appropriate code
- Absent or incomplete direct deposit transactions-staff to confer with Tyler and confirm scope expected within the upload file.

All on the project team had hoped the test would run without issues. On a positive note, the latter two items appear to require only minor modifications. The challenge may be receiving prompt turnaround from Northern Trust of the test payroll file.

16. Report of Executive Director.

Mr. Stanton provided an up-date as follows:

- Assets of the Fund as of yesterday are at \$914,182,000.
- Fiduciary account is about \$111,000 and we will get that back down again.
- A Trustee is unable to attend Public Funds and Mr. Stanton asked if anyone not yet registered is interested in attending.
- Mr. Stanton continues to work with Attorney Cleveland on day to day issues and finalizing the procedures packed on Domestic Relations Orders.

17. Opportunity for Statements from Retired Members/Public.

None.

18. **Committee Reports:**

- A. Actuary/Audit Committee – Did not meet.
- B. Budget & Finance Committee – Already reported
- C. Disability Committee – Already reported.
- D. Investment Committee – In addition to his earlier report, Dr. Tollen stated that the Investment Committee is still working on the negotiations with Meketa on the fee structure. Also the Committee will continue to monitor Sterling Johnston.
- E. Personnel Committee – Did not meet.

19. **For Notation:**

A. Service Retirements

- 1. Mr. Fernando Rojas Police Department
- 2. Mr. Louis G. Saiz Police Department

B. Early Retirements

- 1. Mr. Raymundo Acuna Police Department
- 2. Mr. Guillermo Martinez Police Department

C. Survivor Benefits

Agueda Y. Dagda, legal guardian of Miguel & Eduardo Macias, dependent survivors of Michael D. Macias, Police Department

D. Cost of Living Adjustments

Mary Lou Carrillo Police Department

E. Death of member(s)

- 1. Ms. Belva J. Brown Fire Department
- 2. Michael D. Macias Police Department

F. Payments to Service Providers

- 1. Baillie Gifford – 3rd Q2009 \$ 125,492.15
- 2. Bixler -2008 Audit \$ 15,000.00
- 3. Buck Consultants – 3rd Q2009 & '08 BS \$ 49,342.10
- 4. Cooke & Bieler, L.P. 3rd Q2009&Perf.fee \$ 99,556.67
- 5. Goldman Sachs – 3rd Q2009 \$ 29,430.43
- 6. Intech – 3rd Q2009 \$ 38,235.39
- 7. Lord Abbett – 3rd Q2009 \$ 106,975.68

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8

8.	Mondrian – Period ending 09/30/2009	\$	134,200.07
9.	Pyramis Global Advisors – 3 rd Q2009	\$	104,021.00
10.	Sterling Johnson Capital Mgmt. – 3 rd Q2009	\$	57,304.36

20. Adjournment.

Mr. Davis moved to adjourn, seconded by Ms. Garcia and passed by the Board. The El Paso Firemen & Policemen's Pension Fund Board of Trustees meeting stands in adjournment at 2:45 p.m.

Chairperson

Secretary