

EL PASO FIREMEN & POLICEMEN'S PENSION FUND
REGULAR MEETING TO BE HELD
Wednesday, June 16, 2010 at 1:00 PM
El Paso Firemen and Policemen's Pension Fund Office
Chase Tower, Suite 1616
201 East Main, El Paso, Texas 79901

MINUTES

MEMBERS PRESENT:

Mayoral Appointments:

Dr. Robert Tollen
Mr. John D. Davis, III
Mr. Presi Ortega

City Manager Appointments

Ms. Terri Garcia
Mr. William F. Studer

Police Department

Commander Mark Austin
Lieutenant Tyler Grossman
Detective Stanley Hayes

Fire Department

Chief Ralph Johnson
Chief Jerry Villanueva

OTHERS PRESENT:

Mr. Robert J. Stanton – Secretary
Ms. Christina Ramirez – Specialist
Mr. Richard Mackesey – Buck Consultants
Mr. James Savage - Lord Abbett.
Ms. Stacia Ikpe – Lord Abbett
Mr. Tim Campbell - Baillie Gifford & Co
Mr. Gordon Sugggett – Baillie Gifford & Co.

MEMBERS ABSENT:

Chief Michael V. Calderazzo

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1. **Call to order.**

Vice Chairman Austin called the regular meeting of the El Paso Firemen & Policemen's Pension Fund Board of Trustees to order at 1:00 p.m.

2. **Approve Minutes of Board Meeting held May 19, 2010.**

Mr. Ortega moved to approve the minutes of the meeting held May 19, 2010, seconded by Mr. Hayes and passed by the Board.

3. **Consideration and approval of the Financial Report for month ending May 31, 2010 as recommended and approved by the Budget & Finance Committee.**

Ms. Garcia reporting for the Budget and Finance committee stated all reports are in order and recommended approval of the Financial Report for the month ending May 31, 2010. She noted that both the annual report line item and postage line item have spent very little so far this year, however this will change once the annual report goes out later this year.

Mr. Johnson moved to approve the Financial Reports for the month ending May 31, 2010, seconded by Mr. Grossman and passed by the Board.

4. **Discussion and action on certifying the Police Trustee election results in accordance with Section 2(C) of the El Paso Firemen and Policemen's Pension Fund Election Policy.**

Mr. Grossman moved to approve the certification of the Police Trustee election results, seconded by Dr. Tollen and passed by the Board.

5. **Discussion and action on certifying the Fire Trustee election results in accordance with Section 4(E) of the El Paso Firemen and Policemen's Pension Fund Election Policy.**

Mr. Ortega moved to approve the certification of the Fire Trustee election results, seconded by Mr. Johnson and passed by the Board.

Mr. Austin welcomed Mr. Villanueva as a new Trustee.

6. **Approve Pension Payrolls:**

Fire	\$ 1,760,335.13
Police	\$ 2,374,300.48

Mr. Stanton stated the Pension Payrolls were in order.

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Mr. Hayes moved to approve the Pension Payrolls for the month ending May 31, 2010, seconded by Mr. Johnson and passed by the Board.

Mr. Stanton suggested moving to Item 9 since representatives for both Lord Abbett and Baillie Gifford were still not present.

9. **Discussion on the proposed Retirement Plan for Staff as presented by the Fund's actuary, Mr. Richard Mackesey of Buck Consultants.**

This item was discussed at committee level earlier today and is still in preliminary stage. Item will be on the agenda again next month.

10. **Discussion and action on approval of the January 1, 2010 Experience Study results as recommended and approved by the Actuarial/Audit Committee as presented by Mr. Richard Mackesey of Buck Consultants.**

Mr. Mackesey explained that experience studies are conducted on a periodic basis. He stated that every six years assumptions that place value on the plan are reviewed to make certain that those assumptions are in line with actual experience. The main recommendations on assumption changes after the Experience Study are as follows:

- The inflation assumption should be decreased from 4% to 3.5%
- The rate of return on investments assumption should be decreased from 8% to 7.75%
- Change to Salary increase assumptions
- Change to both Police and Fire Termination rate assumptions
- Decrease termination rate assumption for Police
- Decrease termination rate assumption for Fire
- Overtime assumption for Police should be increased from 4.75% to 8%
- Overtime assumption for Fire should be increased from 0.75% to 4%

Assumption changes result in a funded ratio of 84.1% for police and 84.3% for fire. The "Infinite" funding period noted in the report indicates that the current contributions and valuation are not adequate to get this plan to be fully funded. As more Tier 2 members come into the Fund, the funding period will improve because Tier 2 members have a lesser benefit and lesser value benefits. Therefore the contributions of Tier 2 members can pay for some of these unfunded. The 84% Funded ratio is a significant improvement over the Funded ratio previous to the infusion of the city's \$210,000,000. Mr. Mackesey further explained that as part of the valuation they would be recommending a contribution rate to the City to satisfy the Fund's liabilities over a forty year period. If the City increases their contribution rate, the member's contribution rate will be increased proportionately automatically.

Dr. Tollen moved to approve Experience Study results recommended and approved by the Actuarial/Audit Committee, seconded by Mr. Davis and passed by the Board.

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11. **Discussion and action on approval of recommended assumptions changes for the January 1, 2010 Actuarial Valuation as recommended and approved by the Actuarial/Audit Committee as presented by Mr. Richard Mackesey**

Mr. Davis moved to approve assumptions changes as recommended by the Actuarial/Audit Committee and Buck Consultants as a result of the January 1, 2010 Experience Study, seconded by Mr. Ortega and passed by the Board.

12. **Discussion and action on seeking a Request for Proposal for consulting and legislative services for the 2011 Texas Legislative Session at the request of Chairman Calderazzo, previously tabled (May 19, 2010).**

Tabled for one month by Vice Chair Austin.

7. **Investment Performance update as presented by Mr. James Savage, Director and Ms. Stacia Ikpe, Client Portfolio Manager of Lord Abbett.**

Mr. Savage and Ms. Ikpe informed the Board that as of May 31, 2010, Lord Abbett had \$105.2 billion of assets under management. Of that total, \$40.9 billion are domestic equity, \$2.5 billion of international & global equity, \$34.0 billion of taxable fixed income, \$13.7 billion of tax free fixed income and \$2.6 billion in a balanced account.. Small Cap Value Equity Assets represents \$5.1 billion of total assets under management. Since inception, January 21, 2004, the Fund has had a return of 9.25% compared to 3.53% for the Russell 2000 Value Index, for the one year period the Fund had a total return of 32.18% compared to 36.60% for the Russell 2000 Value Index. Year to date, the Fund is up 6.41% compared to 7.77% for the Index. As of May 31, 2010 the portfolio market value was \$63,750,148.

8. **Investment Performance update as presented by Mr. Tim Campbell, Director and Mr. Gordon Sugggett, Client Portfolio Manager of Baillie Gifford & Co.**

Mr. Campbell informed the Board that Baillie Gifford Funds was appointed by the Board in March 2005 with an initial value of assets in the amount of 32.0 million. Value of assets as of May 31, 2010 were a little over \$64,289,524. Annualized performance since inception to May 31, 2010 was 15.5% compared to the benchmark of 15.3%. Number of clients as of March 31, 2010 is 299 compared to 283 at the same time last year. Number of staff grew to 651 compared to 618. Number of investment professionals grew to 167 compared to 156 and assets under management grew to \$94.4 billion compared to \$58.3 billion. The firm has thirty-five full time partners. Fund performance to year to date is -6.6% compared to the benchmark of -4.9%. Portfolio remains positioned from ongoing growth and recovery and stock specific risk and performance dominate rather than big macro or thematic positions. Outlook: Emerging Markets enjoying strong economic growth, heightened risk aversion increasing stock volatility, sovereign debt focus favors Emerging Markets balance sheets and valuations attractive.

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

None.

14. **For Notation:**

Informational Material For Review. No Action Required.

15. **Report of Executive Director.**

Written Report Attached. As per Mr. Stanton, the Fund's assets as of the close of business yesterday are \$914.2 million, down as stated in the Executive Director's written report. Also Blackstone made their first capital call down in the amount of \$280,000 on June 11th. For notation, police member who was previously with TCDRS has asked if he could PRP the service he had with TCDRS. This is allowed after verification of his service. However TCDRS has opted not to recognize service from our plan. Members who retire from our plan may have issues because they will not be able to PRP their service with TCDRS. We believe that is an issue for TCDRS not us. Finally, a former trustee's service calculation was done incorrectly. This resulted in a service calculation of 27 years and 11 months instead of 28 years. He is actually one day short to reach the 28 years. The city has been asked to allow him to change his retirement date by one day to be able to increase his service calculation to 28 years. This is currently pending.

16. **Committee Reports:**

- A. Actuary/Audit Committee – Already Reported.
- B. Budget & Finance Committee – Already Reported.
- C. Disability Committee – Did not meet.
- D. Investment Committee – Trustee Davis had a question on the private equity process. The recently approved process was explained to Mr. Davis.
- E. Personnel Committee – Mr. Hayes explained that committee gave some direction on where we needed to go and next month some 401 plan options should be presented by Mr. Mackesey for committee to digest.
- F. Ad-Hoc Committee for Office Space – Did not meet.

17. **For Notation:**

A. **Service Retirements**

Mr. Matt G. Widtfeldt Fire Department

B. **Service/BackDrop Retirements**

Mr. Richard A. Recovo Police Department

C. **Early Retirements**

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Mr. Bion R. Bell Police Department

D. Cost of Living Adjustments

Mr. Larry Portillo Police Department

E. Death of member(s)

1. Raul Holguin Fire Department
2. Milton R. Lege Police Department

F. Termination of Benefits


Ms. Lorie C. McGill Fire Department

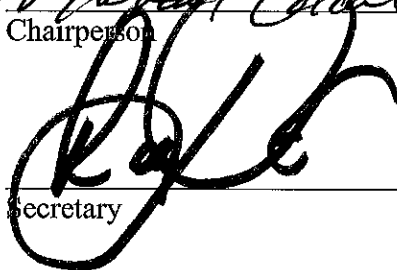
G. Payments to Service Providers

1. Baillie Gifford - 1 st Q2010	\$	134,281.53
2. Goldman Sachs – 1 st Q2010 (Perf. Fee)	\$	15,806.00
3. Meketa Investment Group – 1 st Q 2010	\$	35,714.01
4. Eduardo Miranda, Atty. – 04/30/2010	\$	275.00
5. Eduardo Miranda, Atty. – 05/31/2010	\$	75.00
6. Mondrian – 1 st Q2010	\$	147,000.89
7. Sheehan Phinney Bass + Green – 03/31/10	\$	7,972.15
8. Strasburger & Price, L.L.P. – 04/30/10	\$	938.86
9. Summit Strategies Group	\$	566.19

18. Adjournment.

Dr. Tollen 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. 3:09 p.m.


Chairperson


Secretary