

**THE EL PASO CITY EMPLOYEES' PENSION FUND
BOARD MINUTES FOR THE REGULAR MEETING
HELD THURSDAY, DECEMBER 14, 2017 AT 8:30 A.M.
CITY HALL, CITY COUNCIL CHAMBERS, 300 N. CAMPBELL**

Members in Attendance:

Karl C. Rimkus, Chairman
Presi Ortega
Rebecca L. Torres
Jesus E. Garcia II
Robert C. Studer

Members Absent:

Rene Peña, Vice Chairman

Others in Attendance:

Eduardo Miranda, Attorney
Luis Mier, Treasury Services Coordinator for the City of El Paso
Robert Ash, Pension Administrator
David Garcia, Payroll/Accounts Payable Specialist
Karina Chavez, Retiree Coordinator/ Data Entry Clerk
Paul Erlendson, Callan LLC
Alex Browning, Callan LLC
Enrique Martinez, City's DoITS Director
Richard Campos, City's DoITS Enterprise Applications Administrator
Stephan Schmitz, Construction Consultant
Robb Pridemore, USI
Joseph Lueras, USI
Fernando Garcia

- Item 1. David Garcia, Payroll/Accounts Payable Specialist, called the meeting to order at 8:35 A.M. Garcia noted that the quorum was met.

The Board observed a Moment of Silence and recited the Pledge of Allegiance.

MOMENT OF SILENCE

PLEDGE OF ALLEGIANCE

David Garcia, Payroll/Accounts Payable Specialist, read the Notice to the Public.

NOTICE TO THE PUBLIC

All matters listed under the CONSENT AGENDA will be considered by the Pension Board to be routine and will be enacted by one motion in the form listed below. There will be no separate discussion of these items unless members of the Pension Board or persons in the audience request specific items be removed from the CONSENT AGENDA to the REGULAR AGENDA for discussion prior to the time the Pension Board votes on the motion to adopt the CONSENT AGENDA.

CONSENT AGENDA

Item 2. Approve the Minutes of the Regular Board meeting of November 15, 2017.

Item 3. Consideration and action on the following retirements:

| | <u>NAME</u> | <u>DEPARTMENT</u> | <u>SERVICE TIME (EST)</u> |
|----|---------------------------|-------------------|---------------------------|
| A. | Age & Service Retirement: | | |
| 1 | De La Pena, Mario | Mass Transit | 18 years 09 months * |
| 2 | Espinoza, Rene | Parks & Rec. | 15 years 10 months |
| 3 | Galaviz, Joaquin | Mass Transit | 22 years 05 months * |
| 4 | Gonzalez Jr., Manuel | Mass Transit | 17 years 08 months * |
| 5 | Herrera, Miguel R. | SAM | 30 years 06 months * |
| 6 | Reyes, Javier | Engineering | 29 years 08 months |
| 7 | Varela, Elizabeth | Library | 07 years 06 months |

* The 3-year average was used to calculate the final pension benefit.

** The 12-month average was used to calculate the final pension benefit.

Item 4. Consideration and action on survivor benefit applications for:

A. Rocha, Maria Angelica Survivor of Ruben Rocha, retiree.

Item 5. Consideration and action on invoices as follows:

| | <u>COMPANY</u> | <u>DESCRIPTION OF SERVICE</u> | <u>PERIOD</u> | <u>FEE DUE \$\$</u> | |
|----|---------------------------------|-----------------------------------|-------------------------|---------------------|----|
| A. | AQR Style Premia Fund, LP | Investment Fees | Mo. Ended 10/31/17 | \$24,419.00 | ** |
| B. | BKD LLP | Audit Fees | Year Ending 08/31/17 | \$20,000.00 | |
| C. | Eddie Miranda | Legal Fees | Mo. Ended 11/30/17 | \$875.00 | |
| D. | Gordon Davis Johnson & Shane PC | Legal Fees | Mo. Ended 11/30/17 | \$1,356.95 | |
| E. | Gordon Davis Johnson & Shane PC | Legal Fees | Mo. Ended 11/30/17 | \$9,734.40 | |
| F. | Warach, Soto & Associates | Legal Fees | June 2017–November 2017 | \$1,800.00 | |

* To be paid by Directed Brokerage credits.

** For Notation Only – to be withdrawn from the commingled account.

*** Performance based fee.

Item 6. Consideration and action on the following Committee reports/assignments:

A. Actuary Committee

- B. Administrative Services Committee
- C. Audit Committee
- D. Facilities and Maintenance Committee
- E. Investment Committee

Motion made by Robert C. Studer to approve the Consent Agenda; seconded by Jesus E. Garcia II. The motion required polling:

| | |
|---------------------------|------------|
| Presi Ortega | aye |
| Rebecca L. Torres | aye |
| Jesus E. Garcia II | aye |
| Robert C. Studer | aye |

Motion carried.

Items in the Regular Agenda were presented in the order as shown below.

REGULAR AGENDA

- Item 7. Discussion and action regarding committee assignments.

Karl Rimkus, Chairman, reviewed the committee assignments. Rimkus revised the assignments for the Actuary Committee noting Item 9. Rimkus assigned Jesus E. Garcia II to the Actuary Committee and appointed Rene Peña as Chair.

No action was taken on this item.

- Item 8. Discussion and action regarding the presentation of a Service Award.

Karl Rimkus, Chairman, advised that the Administrative Services Committee and the Board authorized the presentation of a Service Award to Pat Hickman, Deputy Pension Administrator. Rimkus noted that the Board recently accepted Hickman's resignation. Rimkus noted that Hickman was not present and advised that Robert Ash, Pension Administrator, would present the award to Hickman at the Pension office. Ash discussed Hickman's contribution to the Fund and noted her work history. Ash expressed his gratitude for her service to the Fund. Rimkus, on behalf of the Board, expressed his gratitude for Hickman's dedication to the Fund.

No action was taken on this item.

- Item 9. Discussion and action regarding the resignation of Mr. Ed Archuleta, Trustee.

Robert Ash, Pension Administrator, spoke; the Board received and reviewed the letter of resignation of Ed Archuleta, Trustee, as submitted to the Mayor. Ash thanked Archuleta for his service to the Board. Ash advised that the Mayor will nominate a retiree for appointment; Pension Administration has contacted the Mayor's Office.

No action was taken on this item.

- Item 13. Discussion and action regarding Moment of Silence.

Karl Rimkus, Board Chairman, advised that the Board recently authorized opening the Board meetings with the Pledge of Allegiance. Additionally, a former Trustee requested to observe a Moment of Prayer. As directed by legal counsel, the Board authorized observing a Moment of Silence.

Discussion ensued. Trustees, Jesus E. Garcia II, Presi Ortega and Robert C. Studer preferred that the Board add a Moment of Silence to the agenda, as necessary. Robert Ash, Pension Administrator, confirmed that the Trustees can request the item by contacting him or the Board Chairman.

Motion made by Presi Ortega to make a Moment of Silence optional; seconded by Jesus E Garcia II. Motion carried.

- Item 14. Discussion and action regarding rebranding to include possibly changing the Fund's name, slogan, logo and seal (Karl Rimkus, Chairman).

Karl Rimkus, Chairman, presented; the Board received and reviewed the presentation of the Fund's name.

Rimkus reviewed the rebranding of the Fund noting the cost, as approved by the Board, including a name change. Presi requested additional information regarding the necessity of a name change. Rimkus noted that the name change is incorporated in the rebranding efforts. Robert Ash, Pension Administrator, reviewed the due diligence performed by the firm, Ghostlight. The name change was based in part on the results of the survey performed by the firm. Rimkus reviewed the initial name presented by the firm in October, *City Employee Retirement Trust, El Paso, Texas* and the name presented by Ghostlight in November, *City of El Paso Employees Retirement Trust*. Rimkus advised of the confusion by the firm on the approved name. In October the Board approved the name, *El Paso, City Employees Retirement Trust*. Rimkus reviewed the proposed name recommended by the Chairman and Administrator, *City Employees Retirement Trust of El Paso, Texas*.

Discussion ensued. Rebecca L Torres, Trustee, stated that she preferred the name as recommended by the firm on the slide labeled 3, *City of El Paso Employees Retirement Trust*. Jesus E. Garcia II agreed with the recommendation of the Chairman and Administrator. Robert C. Studer disagreed with the recommendations and expressed his preference for the recently approved name, *El Paso, City Employees Retirement Trust*. The Board discussed the use of acronym C.E.R.T.

Motion made by Rebecca L. Torres to support changing the Fund's name to the name shown on the slide labeled 3, *City of El Paso Employees Retirement Trust*; seconded by Presi Ortega, Jesus E. Garcia II, and Rebecca L. Torres voted in favor. Motion carried.

Eduardo Miranda, Attorney, advised this action supersedes the previous name change. Rimkus noted that he and the Administrator will advise Ghostlight of the name change. Rimkus advised that the firm will adjust the seal as previously requested and present a final package to the Board in January. Rimkus noted that the name change must be presented to Council.

- Item 15. Discussion and action regarding fiduciary liability and cyber liability insurances for 2017-2018 (Robert Pridemore, USI).

Robert Pridemore, USI, presented; the Board received and reviewed the fiduciary liability and cyber liability insurance for 2017-2018.

Pridemore reviewed the 10-year premium history for the Fund. The cost for the fiduciary liability insurance has remained steady among different carriers. Pridemore noted that the premium decreased from last year. Pridemore commended the Board for adding cyber liability and social engineering in 2017 advising of a recent cyber breach experienced by the City of San Marcos. Pridemore reviewed the features of the cyber liability insurance including notifications.

Robert Ash, Pension Administrator, noted that Pridemore received quotes from several different carriers. Pridemore advised that all the carriers are highly rated, specializing in pension fiduciary liability. When prompted by Ash, Pridemore advised that the total limit is 25 million dollars for the fiduciary liability and an additional limit of up to two million dollars for most cyber-attacks and one million dollars for extortion.

Motion made by Presi Ortega to approve as recommended; seconded by Robert C. Studer. The motion required polling:

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|---------------------------|------------|
| Presi Ortega | aye |
| Rebecca L. Torres | aye |
| Jesus E. Garcia II | aye |
| Robert C. Studer | aye |

Motion carried.

Item 16. Discussion and action regarding Private Equity Pacing and possible reinvestment.

Paul Erlendson of Callan LLC presented; the Board received and reviewed the private equity Pacing and reinvestment presentation.

Erlendson provided an overview of the private equity asset class including strategies and schematic of the corporate growth and private finance cycle. The key objective of investing in private equity is to earn a net-of-fee rate of return that exceeds those of publicly-traded stocks. Erlendson reviewed the Portfolio Advisors (PA) primary partnerships and the Fund vehicles track record. The Fund allocated 60 million dollars across both PA's primary fund-of-funds (60 percent) and secondary vehicle (40 percent); PA Private Equity Fund VII (PAPEF VII): Primaries provide a stable long-term base for the program. PA Secondary Fund II (PASF II): Secondaries provide more rapid investment and distributions. Callan recommended that the Fund consider an additional primary fund-of-funds commitment of 15 million dollars with Portfolio Advisors.

Discussion ensued. The Board discussed the target allocation, the firm's fee structure and compared expected return between primary and secondary funds. Erlendson advised that the additional commitment would advance the Fund toward the target allocation considering the assumption of growth. Erlendson provided a peer review of PA. PA has above average performance and regularly ranks in the second quartile. Presi Ortega, Trustee, expressed that a second manager might benefit the Fund. Erlendson advised that Callan does not recommend a second manager and suggested that the Fund's Investment Committee discuss with Callan whether or not to allocate the entire private equity allocation to Portfolio Advisors or to add a second, complementary fund-of-funds manager.

Motion made by Presi Ortega to accept the recommendation to authorize staff and Callan to work with Portfolio Advisors to commit an additional 15 million dollars in PAPEF IX; seconded by Rebecca L. Torres. The motion required polling:

| | |
|---------------------------|------------|
| Presi Ortega | aye |
| Rebecca L. Torres | aye |
| Jesus E. Garcia II | aye |
| Robert C. Studer | aye |

Motion carried.

- Item 17. Discussion and action regarding the assignment of OM Asset Management plc's interest to employees of Heitman.

Robert Ash, Pension Administrator, presented; the Board received and reviewed the proposed assignment of OM Asset Management plc's interest to employees of Heitman.

Pension Administration received notification from Heitman, a private real estate manager for the Fund, that OM Asset Management plc, one of the firm's owners, is willing to sell their interest to the Heitman employees; Heitman would become employee-owned. There is an assignment that is required by the Fund. The assignment would not affect fees or structure. Ash advised that Callan did not have any objection to the assignment.

Motion by Presi Ortega to approve the assignment of OM Asset Management plc's interest to employees of Heitman; seconded by Robert C. Studer. Motion carried.

- Item 22. Adjournment

Motion made by Presi Ortega to adjourn the El Paso City Employee's Pension Fund Board Meeting on December 14, 2017; seconded by Robert C. Studer. Motion carried at 9:40 A.M.