

**THE EL PASO CITY EMPLOYEES' PENSION FUND
BOARD MINUTES FOR THE REGULAR MEETING
HELD WEDNESDAY, APRIL 19, 2017 AT 8:30 A.M.
CITY HALL, CITY COUNCIL CHAMBERS, 300 N. CAMPBELL**

Members in Attendance:

Karl C. Rimkus, Chairman
Presi Ortega
Rep. Lily Limón
Rebecca L. Torres
Ed Archuleta
Christina Stokes
Rep. Jim Tolbert
Mario R. Hernandez

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
Patricia Hickman, Deputy Pension Administrator
David Garcia, Payroll/Accounts Payable Specialist
Karina Chavez, Retiree Coordinator/ Data Entry Clerk
Bill Howard, Callan Associates
Richard Campos, City's DoIT Enterprise Applications Administrator
Brian Zeiler, Franklin Templeton

- Item 1. Karl Rimkus, Chairman, called the meeting to order.

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 March 15, 2017, and the Special Board Meeting of April 10, 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	Acuna, Magda Cecilia	Environmental Services	24 years 05 months
2	Castaneda, Raul	Airport	29 years 03 months *
3	Espinosa, John	Fire	17 years 03 months
4	Fierro Carrillo, Raymundo	Environmental Services	09 years 10 months
5	Flores, Carlos	Financial Services	32 years 05 months
6	Geller, Norma Elaine	Engineering	09 years 06 months
7	Guerrero, David E.	Mass Transit	27 years 10 months *
8	Mendoza, Rene	EPWU	11 years 07 months *
9	Pena, Louisa G.	Streets	23 years 07 months
10	Ruiz, David M.	EPWU	24 years 11 months
11	Valles Jr., Cruz	Police	23 years 04 months
B.	Early:		
1	Laredo-Rubin, Adriana	DoITS	26 years 08 months
2	Venzor, Paul	Parks & Recreation	20 years 03 months
3	Villalpando, Maria L.	Health	15 years 10 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. Dudley, Peggy survivor of Horton B. Dudley, retiree.
- B. Garcia, Maria O. survivor of Francisco V. Garcia, retiree.
- C. Vera, Teresa survivor of Raymundo Vera, Sr., 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 Emerging Equities Fund LP	Investment Fees	Mo. Ended 02/28/17	\$10,023.00	**
B.	AQR Style Premia Fund LP	Investment Fees	Mo. Ended 02/28/17	\$18,934.00	**
C.	AQR Emerging Equities Fund LP	Investment Fees	Mo. Ended 03/31/17	\$16,902.00	**
D.	AQR Style Premia Fund LP	Investment Fees	Mo. Ended 03/31/17	\$23,698.00	**
E.	Callan Associates Inc.	Consulting Fees	Qtr. Ended 03/31/17	\$71,326.29	
F.	Eduardo Miranda	Legal Fees	Mo. Ended 03/31/17	\$850.00	
G.	Franklin Templeton (CT432-327)	Investment Fees	Qtr. Ended 01/31/17	\$21,499.12	**
H.	Lazard Asset Management	Investment Fees	Qtr. Ended 03/31/17	\$50,922.82	**
I.	Vulcan Value Partners LLC	Investment Fees	Qtr. Ended 03/31/17	\$58,617.56	
J.	Salient Capital Advisors LLC	Investment Fees	Qtr. Ended 03/31/17	\$75,828.95	

* 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. Ad-Hoc Facilities Committee
- C. Audit Committee
- D. Investment Committee
- E. Personnel Committee

Motion made by Ed Archuleta to approve the Consent Agenda; seconded by Rep. Lily Limón. The motion required polling:

Presi Ortega	aye
Rep. Lily Limón	aye
Ed Archuleta	aye
Christina Stokes	aye
Mario R. Hernandez	aye

Motion carried.

REGULAR AGENDA

Item 7. Discussion and action regarding the Treasurer's Report for the month ended March 31, 2017.

Luis Mier, Treasury Services Coordinator for the City of El Paso, presented; the Board received and reviewed the Treasurer's Report for the month ended March 31, 2017.

Mier reviewed the statement of net assets available for benefits. The unaudited totals in the statement are for the month ended March 31, 2017. Mier reviewed assets. Cash and investments have increased by about 12 million dollars. Unrestricted receivables decreased by approximately 8.4 million dollars. Mier reviewed liabilities. Total liabilities decreased by approximately 1.3 million dollars including a decrease of about 1.8 million dollars in the amount due for securities. The total net assets available for benefits increased by approximately 4.9 million dollars.

Mier reviewed the statement of changes in net assets available for benefits. The unaudited totals are for the seven months ended March 31, 2017. The net change in fair value of investments increased for the month of March by about 6.8 million dollars and an increase of approximately 37 million dollars for the fiscal year. Mier reviewed additions. Contributions continue to average about 3.4 million dollars per month, totaling approximately 23.5 million dollars for the fiscal year. Interest and dividends totaled just over 3.5 million dollars. Mier reviewed deductions. For the fiscal year, benefits paid to retirees totaled approximately 36 million dollars.

Mier reviewed the quarterly statement of changes in net assets available for benefits. Contributions are trending consistently at 3.4 million dollars per month. The net appreciation in fair value continues to increase since November. For the four months ended March 31, 2017, the total increase was about 47.6 million dollars. The increase is attributed to the net increase in appreciation of the fair value of investments.

Mier reviewed the investment income analysis. The year-to-date net investment return is 5.6 percent.

Trustee, Presi Ortega, requested additional information on capital assets. Robert Ash, Pension Administrator, responded. Ash advised that there will be three accounts in capital assets: land, building, and furniture/equipment. Presently, only land is listed in capital assets. Ash noted that expenses are capitalized to that account by the Fund's custodian, BNY Mellon. Trustees discussed the reporting of appreciation in value for the expected accounts and the receipt of a land appraisal. Ash responded that the Fund's auditors will update the account periodically and noted that he will discuss updating the capital asset value of the land account based on the recent appraisal.

Motion made by Presi Ortega to approve the Treasurer's Report; seconded by Rep. Lily Limón. Motion carried.

Item 8. Discussion and action regarding current IT issues and the potential involvement of ADP in resolving those issues.

Richard Campos, City's DoIT Enterprise Applications Administrator, reviewed the current IT issues. Campos listed the status for pending items:

1. ADP will be performing validation testing for payroll on April 24th.
2. ADP has requested various reports. DoIT provided ADP with a contribution validation report and reports regarding retirees, survivors, and alternate payees.
3. DoIT and Pension personnel attended the pension administration system demo; two vendors presented, HR Knowledge (HRK) and PTG. Campos noted that DoIT has assisted with the technical requirements regarding the upcoming Request for Proposal (RFP) for a pension administration system vendor.
4. Campos noted that DoIT continues to perform the withdrawal "clean-up" and advised that the "clean-up" of the City Employer contributions is in progress.

Robert Ash, Pension Administrator, advised that the City is requiring the Fund to find a vendor for pension software. Ash requested that Patricia Hickman, Deputy Administrator, provide additional information on the RFP process. Hickman discussed the recent pension administration system demo. Hickman advised that one of the vendors displayed knowledge of the requirements and capabilities to meet Pension demands while the other vendor only answered questions as they did not have a prepared presentation. Pension Administration had requested a list of vendors that ADP had successfully interfaced with; however, ADP did not provide a list. ADP indicated that they have the capability to interface with any vendor. Pension Administration recommends to put out the RFP quickly and request a quick response from vendors. Hickman advised that staff has identified about four pension administration system vendors and noted that additional information is needed on their capability and functionality.

Discussion ensued. Karl Rimkus, Board Chairman, requested additional information on potential vendors. Hickman discussed ADP's partnership with HRK. Ash listed the vendors identified by staff: PTG, CPAS, Tegrity, and Pension Gold/LRS. Ash advised that staff is seeking approval to move forward with the RFP and requested direction from the Board regarding the process to select a vendor. Rimkus recommended that staff move forward with the RFP, evaluate the proposals, and present a recommendation to the Board with the assistance of the Fund's attorney.

Rimkus noted the progress with the design regarding the fiber-optic cable.

Motion made by Mario R. Hernandez to direct staff to work on the RFP and provide a recommendation to the Board for pension module services; seconded by Christina Stokes. Motion carried.

- Item 9. Discussion and action regarding an amendment to the Fund's Purchase Policy to allow for Request for Proposal (RFP), purchase orders and cooperatives.

Robert Ash, Pension Administrator, presented; the Board received and reviewed the proposed amendment to the Fund's Purchase Policy to allow for Request for Proposal (RFP), purchase orders, and cooperatives.

Ash reviewed the proposed amendments to the Fund's existing Purchase Policy. The proposed amendments allow for different avenues of procurement as necessary. Karl Rimkus, Chairman, noted that cooperatives allow the Fund to use services in an expedited manner.

Motion made by Ed Archuleta to approve the Fund's Purchase Policy; seconded by Rebecca L. Torres. Motion carried.

- Item 10. Discussion and action regarding an amendment to the Fund's Investment Policy revising proxy voting and directed brokerage requirements.

Bill Howard of Callan presented; the Board received and reviewed a proposed amendment to the Fund's Investment Policy revising proxy voting and directed brokerage requirements.

Howard reviewed the proposed amendments and the rationale for proposed changes to the Fund's Investment Policy as follows: Revised language for reporting requirements for investment managers with separate accounts to include an annual trading cost analysis; Revised language for proxy voting requirements for investment managers with separate accounts to provide an annual proxy voting report; Added Cash investment guidelines.

Presi Ortega, Trustee and Investment Committee Chairman, noted that the proposed amendments were discussed in the recent Investment Committee Meeting.

Motion made by Presi Ortega to approve the amendments to the Fund's Investment Policy; seconded by Rep. Lily Limón. Motion carried.

- Item 11. Discussion and action regarding the receipt of an investment manager report from Franklin Templeton (Brian Zeiler, Franklin Templeton.)

Brian Zeiler, Franklin Templeton, presented; the Board received and reviewed the investment manager report from Franklin Templeton. (In this item the firm will be referred to as Templeton.)

Templeton manages two mandates for the Fund, International Small Cap and Global Multisector Plus. Zeiler reviewed International Small Cap. Zeiler reviewed the investment philosophy. Templeton selects small cap stocks against the benchmark with a value philosophy. Zeiler provided an overview of the investment team noting the internal managerial changes. Zeiler reviewed the portfolio's performance, providing a comparison with the benchmark. The portfolio outperformed the benchmark in eight out of the 10 calendar years. Zeiler reviewed underperformance. The largest degree of underperformance occurred in 2016, which Zeiler attributed in part to the market's reaction to BREXIT. Zeiler reviewed recent performance. As of March 31, 2017, the portfolio was 130 basis points ahead of the benchmark. Zeiler reviewed the portfolio characteristics including geographic and sector allocation noting growth of spending.

Trustee, Presi Ortega, questioned the price to earnings ratios as shown in the portfolio characteristics slide. Zeigler responded that Templeton believes the asset class is under allocated and is confident in the appreciation.

Zeiler reviewed the Global Multisector Plus Trust. Zeiler reviewed the investment philosophy. Templeton focuses on potential long-term value without reference to traditional benchmarks. Zeiler reviewed the investment team. Zeiler provided an overview of the market post-election and reviewed performance highlighting the active return for the year. Zeiler reviewed the performance attribution versus cash as of December 31, 2016. Zeiler reviewed the portfolio characteristics, including geographic allocation and currency allocation.

Ortega requested additional information on allocation in the Global Multisector portfolio. Zeiler responded that 30 percent of the portfolio is in BB or below, a combination of corporate bonds and sovereign credit issuers. The guideline in the portfolio is a maximum of 50 percent. Zeiler reviewed the historic data and strategy.

No action was taken on this item.

Item 12. Discussion and action regarding a report from Callan Associates (Bill Howard, Callan.)

Bill Howard of Callan presented; the Board received and reviewed the monthly “flash” report for the period ended March 31, 2017, and the rebalancing sheet.

Howard noted the asset allocation. Howard noted the market values of the portfolios and reviewed returns per market. The end fund balance was approximately 752 million dollars. Howard reviewed the outflows noting the private equity calls. Fiscal year-to-date the fund is up about 5.7 percent.

Howard reviewed the managers’ performance noting that the fiscal year-to-date column represents seven months ended March 31, 2017. Returns are net of management fees. Howard advised that the Fund’s custodian had not received the real estate data by closing. Howard noted that the return was positive and will be reflected in the quarterly report. Howard noted the 3-month lag on private equity data. Trustee, Presi Ortega, requested additional information. Howard advised that the cash remains up-to-date and commented that Callan is pleased with the performance of Portfolio Advisors. Howard discussed the mitigation of the J-curve with secondary funds. Karl Rimkus, Chairman, noted the performance of Portfolio Advisors’ PASF II fund. Ortega discussed the performance of MLPs and questioned if Callan tracks the performance of the other MLP managers that presented to the Fund’s Investment Committee. Discussion ensued. Rimkus requested that Callan provide, to the Investment Committee, a performance comparison for all MLP managers that were interviewed by the Committee. Howard confirmed that peer comparison data is available in Callan’s database.

Howard reviewed the performance of the managers on “watch” and advised that managers are reviewed for the “watch” list quarterly with receipt of peer comparisons. Howard advised that Callan will evaluate Franklin Templeton’s “watch” status, highlighting the performance attribution of the Franklin Templeton Global Plus Portfolio. Howard noted underperformer Lazard and advised that Callan will present a recommendation.

Howard reviewed the proposed rebalancing noting that the Fund must raise cash quarterly for benefit payments. The cash will be taken from the overweight in international equity.

Trustee, Mario R. Hernandez, questioned the weighting in private equity and real estate. Howard reviewed the target allocation. Howard advised that the long-term target to private

equity is 10 percent, currently displaying seven percent; the extra three percent will be called down from domestic equity.

Motion made by Presi Ortega to approve the rebalancing; seconded by Ed Archuleta. The motion required polling:

Presi Ortega	aye
Rep. Lily Limón	aye
Rebecca L. Torres	aye
Ed Archuleta	aye
Christina Stokes	aye
Mario R. Hernandez	aye

Motion carried.

Howard noted that an absolute return manager met with the Investment Committee and there will be a proposal to add a third manager at the next Board Meeting; Callan will review funding at that time, if approved.

Item 13. Discussion and action regarding a report from the Pension Administrator.

Robert Ash, Pension Administrator, reported on the following:

- Election for Employee Representatives to the Pension Board
 - The election will be held April 24, 25 and 26.
 - Two incumbents (Mario R. Hernandez and Karl C. Rimkus), eight total candidates.

Discussion ensued. Trustee, Ed Archuleta, questioned voter turnout. Karl Rimkus, Chairman, responded that in the previous election the top two candidates received about 800 votes combined. Ash discussed the declining trend in voter turnout and advised that the election process is solely in the City Clerk's province.

- Pension Administration continues to review the state legislative process as it pertains to pension issues.
 - Presently, there are no issues or proposed legislation pertaining to the Fund.
 - Current legislation regarding pension in the session is pertaining to state plans.
 - There is one month left in the legislation process; Pension Administration will continue to monitor the session.
- The newsletter was delayed pending the Board decision regarding the COLA for retirees.
- The Pre-Retirement Training was held today. Alma Duenas, Benefits/Budget Specialist, presented.
- NCEPERs is holding their annual conference from May 23 – 24 in Hollywood, FL.
 - Trustees interested in attending should contact David Garcia, Payroll/Accounts Payable Specialist.

No action was taken on this item.

Item 14. For Notation:

A. Directed brokerage credit balance for month ended February 28, 2017: \$128,930.68

B. Qualified Domestic Relations Order:

1. Carlos Ramirez and Maria Del Rosario Ramirez

C. Property Development Cost:

1. F.T. James Construction	Inv #007 Svcs -Design Build Contract	\$8,668.12
2. Stephan Schmitz	03/17 Construction Consultant Fees	\$2,083.33
3. Warach, Soto & Associates	Inv #14340 Legal Fees	\$1,450.00
4. Wilkinson, Pendergrass & Beard L.P.	Real Estate Appraisal	\$1,500.00

D. Refund of Contributions:

	NAME	DEPARTMENT	TOTAL REFUND
1	Andrade, Edgar	ESD	\$1,876.52
2	Antunez, Steven	Health	\$1,592.10
3	Calleros, Martin	Fire	\$32,603.21
4	Castañeda, Dora A.	Fire	\$898.67
5	De La Garza, Juan	Mass Transit	\$8,968.16
6	Escobar, Yvonne	Mayor & Council	\$10,601.76
7	Garcia, Brenda	MPO	\$8,553.21
8	Hinojosa, Juan	Mass Transit	\$25,388.67
9	Loague, Katherine M.	Museum	\$9,390.34
10	Lujan, Juan B.	EPWU	\$25,123.03
11	Lujan, Olga	Zoo	\$7,413.47
12	Luna, Stephen	EPWU	\$1,355.03
13	Mendez, Agustin	ESD	\$1,358.91
14	Montes Fonseca, Edith	Airport	\$1,531.11
15	Montoya, David	Fire	\$14,037.33
16	Muñoz, Edgar	Mass Transit	\$1,907.56
17	Noyles Jr., Ronaldo E.	EPWU	\$6,974.81
18	Palacio, Jorge	Parks	\$13,407.54
19	Pinedo, Rafael	Airport	\$1,537.51
20	Robles Garcia, Irma	EPWU	\$4,861.23
21	Saavedra, David	EPWU	\$1,355.73
22	Sarabia, Cynthia	EPWU	\$640.11
23	Shaar, Laura	QDRO	\$253,004.42
24	Solis, Juan C.	EPWU	\$575.44
25	Soriano, Federico	ESD	\$7,269.31
26	Vasquez, Porfirio	EPWU	\$13,099.06
27	Venegas, George	ESD	\$5,789.29
28	Whitt, Shamori	Planning	\$38,531.78
29	Wright III, John N.	EPWU	\$705.19
		TOTALS	<u>\$500,350.50</u>

* Additional interest/contributions due

** Eligible for Early Retirement

Trustee, Mario R. Hernandez, questioned the QDRO amount. Robert Ash, Pension Administrator, advised that the amount represents a lump sum payout of a future benefit.

For notation, no action required on this item.

Motion made by Rebecca L. Torres to retire into Executive Session to discuss items under Sections 551.071-551.076 and Section 551.078; seconded by Rep. Lily Limón. Motion carried at 9:41 A.M.

Motion made by Presi Ortega to reconvene from Executive Session; seconded by Mario R. Hernandez. Motion carried at 10:02 A.M.

Item 15. The Board will retire into EXECUTIVE SESSION pursuant to the Texas Government Code, Sections 551.071-551.076 and Section 551.078 to discuss any of the following:

Section 551.071 CONSULTATION WITH ATTORNEY

Section 551.072 DELIBERATION REGARDING REAL PROPERTY

Section 551.074 PERSONNEL MATTERS

Section 551.075 CONFERENCE WITH EMPLOYEES

Section 551.076 DELIBERATION REGARDING SECURITY DEVICES

Section 551.078 DELIBERATION REGARDING DISABILITY APPLICANT'S MEDICAL RECORDS

A. Section 551.071 and 551.072

Discussion and action regarding the real property located at 1039 Chelsea.

Motion made by Ed Archuleta to proceed with Design A and direct staff to work with the design-build firm; seconded by Rep. Jim Tolbert. Motion carried.

Item 16. Adjournment

Motion made by Presi Ortega to adjourn the El Paso City Employee's Pension Fund Board Meeting on April 19, 2017; seconded by Mario R. Hernandez. Motion carried at 10:03 A.M.