

**THE EL PASO CITY EMPLOYEES' PENSION FUND
BOARD MINUTES FOR THE REGULAR MEETING
HELD WEDNESDAY APRIL 16 AT 8:30 A.M.
CITY HALL, CITY COUNCIL CHAMBERS, 300 N. CAMPBELL**

Members in Attendance:

Rene Peña, Chairman
Mario R. Hernandez, Vice Chair
Presi Ortega
Larry E. Romero, City Representative
Robert Andron
Karl C. Rimkus
Cecilia A. Rios

Members Absent:

Christina Stokes
Dr. Michiel Noe, City Representative

Others in Attendance:

Eduardo Miranda, Attorney
Dr. Mark Sutter, Comptroller
Robert Ash, Pension Administrator
Patricia Hickman, Deputy Pension Administrator
David Garcia, Payroll/Accounts Payable Specialist
Karina Chavez, Retiree Coordinator/ Data Entry Clerk
Alma Duenas, Benefit/Budget Specialist
Bill Howard, Callan Associates
Mark F. Binnion, Franklin Templeton
Martin Cereceres

Item 1. Rene Peña, Chairman, called the meeting to order at 8:36 A.M.

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 19, 2014.

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	Ballesteros, Alfredo	Mass Transit	08 years 04 months *
2	Flores, Manuel Z	El Paso Water Utilities	15 years 01 month *
3	Garcia, Richard	Parks	29 years 00 months
4	Gonzalez, Gerardo	Mass Transit	21 years 09 months *
5	Lynch, Rosa L. N.	Human Resources	23 years 04 months
6	Olivas, Josephine	Municipal Court	20 years 01 month
7	Parks, Roxann	Health	12 years 08 months
8	Rayas, Maria	Health	21 years 00 months
9	Zafiro, Maria E.	Health	12 years 08 months
B.	Deferred:		
1	Valencia, Michael A.	IT	14 years 05 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. Johnson, Linda S., survivor of Byron Johnson, retiree.
- B. Clark, Virginia, survivor of Neil M. Clark, 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.	Callan Associates Inc.	Investment	Qtr Ending 03/31/14	\$68,022.23
B.	Denver Investments	Investment	March 31, 2014	\$9,858.00 **
C.	Eduardo Miranda	Legal	March 31, 2014	\$775.00
D.	Vulcan Value Partners LLC	Investment	Qtr Ending 03/31/14	74,924.79

- * To be paid by Directed Brokerage credits.
- ** For Notation Only – to be withdrawn from commingled account.
- *** Performance based fee.

Motion made by Larry Romero to accept Consent Agenda; seconded by Presi Ortega. Motion required polling:

Presi Ortega aye
Robert Andron aye
Larry Romero aye
Cecilia A. Rios aye

Motion carried.

Mario Hernandez in after Consent Agenda approved.

REGULAR AGENDA

Item 6. Discussion and action regarding the Treasurer's Reports for months ending March 31, 2014.

Dr. Mark Sutter, Comptroller, presented; Monthly Treasurer's Report for the period ending March 31, 2014 was distributed. The February recovery sustained into March; the net assets available for benefits increased by about \$7 million. Overall the net appreciation in fair value of investments over the past seven months has surpassed the total for the entire 2013 fiscal year. The rate of contributions versus the benefits paid remains constant at a \$1 million accumulative deficit per month. Administrative costs are maintained below budget and the Fund remains ahead of the target return for the entire year.

Motion made by Larry Romero to accept the Treasurer's Report for the month ending March 31, 2014; seconded by Robert Andron. Motion carried (unanimous).

Item 7. Discussion and action regarding the receipt of a death verification analysis.

Robert Ash, Pension Administrator, spoke; report was distributed. At the Board's request, the death verification analysis is conducted every other month. The report returned the usual names with recurring data issues; no action is required.

No action required on this item.

Item 8. Discussion and action regarding the untimely application for retirement benefits of Martin Cereceres.

Robert Ash, Pension Administrator, addressed the Board. Martin Cereceres was terminated from the City on January 31, 2014. Mr. Cereceres did not meet the deadline (30 days from the date of termination) to submit his application for retirement benefits. Mr. Cereceres was advised of the deadline and that the reason for missing the deadline must be due to more than his conscious indifference. Subsequently, Mr. Cereceres requested to speak to the Board and submitted a letter citing his reasons for not filing a retirement application on a timely basis (letter was translated from Spanish to English and distributed to the Board.)

Martin Cereceres, petitioner, addressed the Board in Spanish and a translator was provided; Karina Chavez, Retiree Coordinator/Data Entry Clerk, translated. Mr. Cereceres explained that he appealed his termination from the City, and it was his understanding that he must complete the application after his appeal hearing. He summarized that because he had four different hearings he was unsure of when to complete his application for retirement benefits.

Discussion ensued.

Alma Duenas, Benefits/Budget Specialist, addressed the Board and provided additional information regarding Mr. Cereceres attempt to complete a retirement application and additional employment information as requested by the Board.

The Board requested clarification from the Fund's legal counsel regarding the ordinance. Eduardo Miranda, Attorney, addressed the Board. The ordinance allows an extension of time to file an application if the applicant can show that through no fault of his own, i.e. through no conscious indifference, he failed to apply in a timely fashion. If the applicant can prove to the Board that he acted in good faith and the failure to apply was not deliberate or with conscious disregard, then the Board is allowed by the ordinance to allow for an untimely application.

Motion made by Presi Ortega to accept Martin Cereceres' untimely application for retirement benefits; seconded by Larry Romero. Motion required polling:

Presi Ortega	aye
Mario Hernandez	aye
Robert Andron	aye
Larry Romero	aye
Karl Rimkus	abstain
Cecilia A. Rios	aye

Motion carried.

Karl Rimkus in during polling for Item 8.

Item 9. Discussion and action regarding the adoption of a Continuing Education Policy.

Robert Ash, Pension Administrator, presented; draft of Continuing Education Policy was distributed. The state of Texas in the last legislative session requested that the State Pension Review Board (PRB) require mandatory training for Pension Administrators as well as Board Members of Pension Funds. The PRB has a working group that is developing the requirements for continuing education. Consequently, the Board directed that a Continuing Education Committee be created to draft a continuing education policy for the Fund. The Fund's draft policy incorporates the PRB's potential requirements and requires more hours of training than what is currently being contemplated by the PRB.

Although the PRB is only considering 4-7 hours of training, the Fund's draft policy outlines 12 hours of training per year as recommended by the Continuing Education Committee: 8 hours of core content training and 4 hours of non-core content training. The core content listed in the policy mirrors that of the content listed by the PRB. The PRB is requiring that the majority of training hours, especially for first year Trustees, be dedicated to core content topics.

The Board also received a review of the types of education authorized as listed in the draft policy and possible fees. Travel would be limited to the lower 48 contiguous States to minimize travel cost and "headline risk"; however, Trustees can petition the Board to attend training out of the lower 48 contiguous States. Fees for online training will be taken from the travel budget.

Trustees' questioned what the consequences would be for not completing the required 12 hours of training. Mr. Ash clarified that as indicated in the draft policy, if the minimum required training hours are not met a report will be made to the appointing authority and will be publicized in the Fund's semi annual newsletter. Administrative staff will track training hours completed by Trustees each year. Trustees will have to submit documentation to show proof of completion and type of course (core/non-core.) The Board will receive an annual report detailing the completed continuing education hours.

Motion made by Mario Hernandez to accept the Continuing Education Policy effective May 2014; seconded by Larry Romero. Motion carried (unanimous).

- Item 10. Discussion and action regarding the receipt of an annual performance report from Franklin Templeton.

Mark F. Binnion of Franklin Templeton presented; report was distributed. The Board received a review of the global multi-sector plus and international small cap portfolio. Mr. Binnion summarized strategy and basic approach in the global market. Currently, their approach is defensive as Franklin Templeton believes that the unprecedented amount of liquidity that has been pumped into the market is leading to pockets of inflation.

When prompted by Presi Ortega, Bill Howard of Callan Associates explained that there is very little overlap between Franklin Templeton and Touchstone in the emerging market portfolio as Franklin Templeton is small cap.

No action required on this item.

- Item 11. Discussion and action regarding a report from Callan Associates.

Bill Howard of Callan Associates presented; report was distributed. The Board received a review of the “flash” report for the month of March 2014. The Touchstone international equity portfolio was up almost 5% (approx. 150 basis points) in March. Consequently, another emerging markets manager has been selected and is in contract negotiations. The Fund is close to funding and finalizing contracts with the selected manager. Initially, money will be split between Touchstone and the new manager.

The Board also received a review of the rebalancing of assets; the April rebalancing worksheet was distributed. As approved by the Board last month, staff moved approximately \$14 million out of the S&P 500, which was significantly overweight, and rebalanced between the Mellon BC Agg Bond Account (\$10 million), private equity (\$1.2 million), and cash (\$3 million.) Callan is proposing to move \$4 million out of the Mellon S&P 500 into cash to fund the 13th check and to fund benefit payments for the next couple months.

When prompted by Presi Ortega, Mr. Howard clarified that the selected manager is not against defined-benefit plans. The selected manager had previously been included in a list of money managers that are publically against defined-benefit plans; the manager had been removed from that list.

No action required on this item.

Larry Romero exited during Item 11.

- Item 12. Discussion and action regarding a report from the Pension Administrator.

Robert Ash, Pension Administrator, reported on the following:

- Audit Committee will meet immediately after today’s Board meeting in the executive session room.
- CherryRoad, the IT group that is helping the City with the implementation of the PeopleSoft product, is still working on the issues for Pension.
 - Pat Hickman, Deputy Administrator is working with CherryRoad and IT.

- Even though a CherryRoad representative has been in the Pension office for the past three weeks, issues continue to persist with pension calculations, actuarial abstract, benefit statements and PSB records.
- The City's IT Department will report to the Board in May.

The Board requested clarification on the ongoing issue with the PSB data. Pat Hickman clarified that the PSB data is transferred from a separate system.

- Pension Board elections will be held this week. Trustees Karl Rimkus and Robert Andron are running for reelection. There are five total candidates: two candidates are from the Mayor and Council Offices (1 from the City Manager's office and 1 from a representative's office) and a final candidate is from the health department.
- Internal audit has met with Pension staff. At the staff's request, the internal audit will help establish and define a purchasing policy. Currently on going.
- Parking during baseball games should not affect Committee Members. Staff will notify Members if parking may be an issue.

Trustees suggested scheduling Committee Meetings before noon.

- The 13th check will be processed early and is on schedule to be released on May 15th. Pension will have to fund Prudential for that group of annuitants around the 1st of May.

No action required on this item.

Item 13. Discussion and action regarding the following Committee reports/assignments:

- A. Actuary Committee – Committee did not meet
- B. Ad-Hoc Continuing Education Committee – Committee did meet, summary of report was presented during Item 9.
- C. Ad-Hoc Facilities Committee – Committee did not meet
- D. Audit Committee – Committee did not meet, will meet immediately following today's Board Meeting.
- E. Investment Committee – Committee did meet

Presi Ortega read the Investment Committee minutes: The Investment Committee met on April 15, 2014. The Committee received the monthly "flash" report of investment performance for the month of March 2014. The Committee also received semi annual investment performance reports from Mellon Capital Management Co. and Franklin Templeton. No material exceptions noted in their reports.

The Committee also discussed asset rebalancing and cash flow analysis. The Committee recommends that the Administrator be authorized to raise cash in the amount of \$4 million dollars by selling \$4 million dollars from the S&P 500 index to accommodate the fund's negative cash flow for the next few months.

Finally, the Committee engaged in a follow-up discussion regarding the fund's asset allocation considering a potential investment in Master Limited Partnerships (MLP's). The Committee requested Callan to provide allocation analysis with between 5 and 7.5% allocated to MLP's. The Committee also discussed the potential source, either equities or bonds, for funding a future MLP allocation.

The next regularly scheduled meeting of the Investment Committee will occur on May 20, 2014.

Motion made by Presi Ortega to authorize the Administrator to raise cash in the amount of \$4 million dollars by selling \$4 million dollars from the S&P 500 index to

accommodate the fund's negative cash flow for the next few months; seconded by Bob Andron. Motion required polling:

Presi Ortega aye
Mario Hernandez aye
Robert Andron aye
Karl Rimkus aye
Cecilia A. Rios aye

Motion carried.

- F. Personnel Committee – Committee did not meet, scheduled to meet in May.
- G. Retiree Committee – Committee did not meet

Item 14. For Notation:

- A. Directed brokerage credit balance for month ended February 28, 2014: \$ 137,180.05
- B. Qualified Domestic Relations Order:
 - 1. Oduma Louis and Socorro B. Louis
- C. Refund of Contributions:

	NAME	DEPARTMENT	TOTAL REFUND
1	Andrade, Andres J.	Mass Transit	\$243.11
2	Aydelotte, Jennifer	Zoo	\$6,311.45
3	Cruz, Yvonne	Mass Transit	\$767.32
4	Gomez, Anthony	PSB	\$16,617.94
5	Grecco, Guillermo V.	General Services	\$5,393.95
6	Ledesma, Francisco	Environmental Services	\$19,225.37
7	Muniz, Elvia	Library	\$14,775.47
8	Navejas, Valerie	Library	\$13,069.93
9	Reyes, Claudia	Fire	\$11,300.60
10	Talamantes, Manuel J.	Mass Transit	\$9,227.13
11	Tonche, Patricia	PSB	\$3,671.16
	TOTALS		<u>\$100,603.43</u>

- * Additional interest/contributions due
- ** Eligible for Early Retirement

No discussion. **No action taken on this item.**

Motion made by Robert Andron to go into Executive Session to discuss items under Section 551.071 and Section 551.074; seconded by Karl Rimkus. Motion carried @ 9:42 A.M. (unanimous.)

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** – Claim# 001-2014 – Dionisio Lugo

Motion made by Mario Hernandez to settle the claim regarding Dionisio Lugo's QDRO payment plus 3% interest as determined by administration; seconded by Karl Rimkus. Motion required polling:

Presi Ortega	aye
Mario Hernandez	aye
Robert Andron	aye
Karl Rimkus	aye
Cecilia A. Rios	aye

Motion carried.

B. **Section 551.071** – Claim# 002-2014 – Wayne Baker

Motion made by Mario Hernandez to settle the claim regarding Wayne Baker's QDRO payment plus 3% interest as determined by administration; seconded by Robert Andron. Motion required polling:

Presi Ortega	aye
Mario Hernandez	aye
Robert Andron	aye
Karl Rimkus	aye
Cecilia A. Rios	aye

Motion carried.

C. **Section 551.071** and **Section 551.074** - Discussion and action regarding requested comparative staff salary information.

Motion made by Mario Hernandez to refer Item 15C to the Personnel Committee; seconded by Robert Andron. Motion carried (unanimous.)

Item 16. Adjournment

Motion made by Mario Hernandez to adjourn the El Paso City Employee's Pension Fund Board meeting on April 16, 2014; seconded by Karl Rimkus. Motion carried @ 10:26 A.M. (unanimous).

Secretary

Vice-Chair