

**THE EL PASO CITY EMPLOYEES' PENSION FUND
BOARD MINUTES FOR THE REGULAR MEETING
HELD WEDNESDAY APRIL 15, 2015 AT 8:30 A.M.
CITY HALL, CITY COUNCIL CHAMBERS, 300 N. CAMPBELL**

Members in Attendance:

Rene Peña, Chairman
Karl C. Rimkus, Vice Chair
Mario R. Hernandez
Dr. Michiel Noe, City Representative
Pat Aauto
Christina Stokes
America Luna

Members Absent:

Presi Ortega
Larry E. Romero, City Representative

Others in Attendance:

Eduardo Miranda, Attorney
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
Denise Grizzle, CFPO Comptroller, City of El Paso
Richard Campos, City's IT Enterprise Applications Administrator

- Item 1. Rene Pena, Chairman, called the meeting to order at 8:35 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 Special Board Meeting of April 2, 2015 and the Minutes of the Regular Board Meeting of March 18, 2015.

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	Bettise, Nora	City Manager	10 years 10 months
2	Carrasco, Rafael	Env Svces	07 years 05 months
3	Cook, Jerome	EPWU	25 years 00 months
4	Emler, Eric M.	EPWU	32 years 10 months *
5	Fuller, Alfred R.	EPWU	30 years 09 months *
6	Gilliland, Marla K.	Police	11 years 06 months
7	Hernandez, Ernesto	Library	40 years 04 months
8	Robles, Maria	Fire	19 years 11 months *
9	Rodelas, Jesus	Tax	28 years 07 months
10	Rodriguez, Michael	Sun Metro	24 years 04 months *
B.	Early:		
1	Martinez, Raul	Parks	17 years 07 months
C.	Deferred:		
1	Molina, Patricia	HR	24 years 03 months
2	Tomor, Michael A.	MCAD	09 years 04 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 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	Consulting Fees	1 ST QTR 2015	\$70,062.92
B.	Eduardo Miranda	Legal Fees	March 31, 2015	\$875.00
C.	Lazard Asset Management	Investment Fees	1 st QTR 2105	\$61,911.15 **
D.	Salient Partners	Investment Fees	4 th QTR 2014	\$62,795.53
E.	Salient Partners	Investment Fees	1 st QTR 2015	\$62,120.90
F.	Vulcan Value Partners LLC	Investment Fees	1 st QTR 2015	\$80,815.39
G.	Warach, Soto & Associates	Legal Fees	March 31, 2015	\$800.00

* To be paid by Directed Brokerage credits.

** For Notation Only – to be withdrawn from commingled account.

*** Performance based fee.

Motion made by Dr. Michiel Noe to accept the Consent Agenda; seconded by America Luna. Motion required polling:

Mario Hernandez aye
Rep. Dr. Michiel Noe aye
Pat Adauto aye
Christina Stokes aye
America Luna aye

Motion carried.

REGULAR AGENDA

Item 6. Discussion and action regarding the Treasurer's Report for month ended March 31, 2015.

Denise Grizzle, CFPO Comptroller, presented; the Board received and reviewed the Treasurer's Report for month ended March 31, 2015.

Although the net appreciation in fair value of investments decreased by approximately \$1.4 million, the total cash and investments increased by approximately \$1.9 million from February.

The increase in accrued expenses resulted from a delay in the wire transfer for March. The large variance in the reconciliation to Mellon statements from cash to accrual reflects this provisional increase. The statement of changes reflects the expected deficit between contributions received and benefits paid. The rate of return of 2.36% continues to trail the target rate of 7.5% for the fiscal year.

As reflected in the Pension Administration actual/budget comparison report, the percentage utilized for seven months ended March 31, 2015 remains under budget at 53.2%.

Motion made by Dr. Michiel Noe to accept the Treasurer's Report for month ended March 31, 2015; seconded by Christina Stokes. Motion carried (unanimous.)

Item 7. Discussion and action regarding the monthly report from the City's Department of Information Technology.

Richard Campos, Enterprise Applications Administrator of the City's Information Technology (IT) Department, spoke. The Board received a progress report on the pending issues with the Pension Module.

Within the past month IT has made service credit adjustments for rehired personnel from 2014. Comparison reports have been generated and are currently under review by Pension. Presently, IT is reviewing service history for employees' benefit statements. Periodic processing will resume with the completion of the benefit statements.

Patricia Hickman, Deputy Pension Administrator, confirmed that Pension staff is reviewing the comparison reports and expects that the benefit statements will be sent to the printer by the end of the month.

The Board Members asked questions to the presenter.

No action required on this item.

Item 8. Discussion and action regarding an analysis of TEXPERS statistics comparing our Fund with other Texas retirement systems.

Robert Ash, Pension Administrator, presented. The Board received and reviewed an analysis of TEXPERS statistics comparing our Fund with other Texas retirement systems.

The TEXPERS report is a culmination of data requested by municipal plans in Texas. The survey had fifty-two respondents and total assets of \$53 billion.

Additional information was requested by Trustee, Karl Rimkus, concerning the initial report as presented to the Board in March.

The analysis highlights the allocation of the Fund compared to the average respondent. The Fund's portfolio has higher volatility and higher return than the peer group. Accordingly, the Fund has out-performed respondents of the survey. Although the City was historically restrictive on investments permitted, with recent updates to the ordinance, the Fund has gradually increased funding of alternative strategies. According to the Fund's investment consultants, additional funding of alternative strategies will reduce the portfolio's volatility.

Trustees discussed the Fund's allocation and asset classes. The portfolio follows the investment guidelines as recommended by Callan; Callan continuously evaluates strategies.

No action required on this item.

- Item 9. Discussion and action regarding pending pension related bills in the Texas Legislature.

Robert Ash, Pension Administrator, presented. The Board received and reviewed the pending pension related bills in the Texas Legislature.

As directed by the Board, Pension staff has monitored bills in the Texas Legislature that may affect the Fund. The handout highlights only the bills that may affect the Fund; it does not list all bills. Currently, the bills, as listed, are in committee; none have been reported out of committee. In accordance with the respective bill hearings, Pension staff did not find that any of the listed bills would negatively affect the Fund.

TEXPERS has released a list of bills that they are watching and/or opposing. Many of the bills apply to state plans. Generally, bills relating to state plans, which are governed by a state statute, do not affect city municipal plans.

As the Texas Legislature remains in session, Pension staff will continue to monitor proposed bills.

No action required on this item.

- Item 10. Discussion and action regarding the rebalancing of assets to include anticipated cash flow needs.

Bill Howard of Callan Associates presented; the Board received and reviewed the rebalancing handout for April 2015.

Every quarter rebalancing is necessary to raise cash for benefit payments; since cash has low yield the cash balance is maintained low. Additionally, an \$800 thousand expense will be debited in early May. Cash, \$3.75 million, will be taken from assets that are over allocated; presently the largest excess is in domestic equity. Cash will be taken from the Mellon S&P 400 (\$1.5 million) and Wedge (\$2.25 million) raising the cash balance to approximately \$6.8 million.

The handout outlines the target allocation for real estate. However, before Principal can be funded, the Fund's Investment Policy Statement must be amended to include global REITs. Callan will submit the proposed amendments to the Board for action. The Fund remains in queue to invest in Heitman; Callan expects that Heitman will not be funded until late 2015.

Motion made by Mario Hernandez to approve the rebalancing of assets as presented; seconded by Pat Aduato. Motion required polling:

Mario Hernandez	aye
Rep. Dr. Michiel Noe	aye
Pat Adauto	aye
Christina Stokes	aye
Karl Rimkus	aye

Motion carried.

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

Bill Howard of Callan Associates presented; the Board received and reviewed the monthly “flash” report for the period ended March 31, 2015.

The Board reviewed the market performance for the month ended March 31, 2015. March was not a good month for equity markets. Large cap stocks represented by the S&P 500 were down 1.6%. However small cap stocks were slightly positive; the Russell 2000 was up 1.7%. Equities overseas such as the international developed stocks represented by EAFE were down 1.5%. Emerging markets were also down 1.4%. April has been positive so far.

The Board reviewed the performance of the Fund’s domestic equity active managers. In U.S. large cap the Mellon tangent added strategy is slightly behind the benchmark for the last month, however for the fiscal year to date is ahead of the benchmark and for the last year is up over 500 basis points versus their benchmark, the S&P 500. Mellon Capital presented to the Investment Committee on April 14th. Vulcan manages an all cap concentrated portfolio; they have been in line with their benchmark, the Russell 3000, for March and have performed well for the fiscal year to date as well as the last year, up over 300 basis points versus the index. Another large cap manager, Boston Partners, has a value orientation but is benchmarked to the broad S&P 500; they have been in line with the benchmark for the month, but have had a difficult year on a relative basis behind the benchmark over 400 basis. However, Boston Partners remains ahead of the benchmark over the last three and five years. Moving to small cap, Wedge is the value manager; they have been in line with the index for March, slightly behind for the fiscal year to date, however good performance for the last 1 and 3 years, over 200 basis points over the index. Riverbridge reported to the Board in March; they trailed their benchmark in March but they have performed well over the fiscal year to date; however they remain behind for the last year.

The Board reviewed the performance of the Fund’s international equity active managers. Denver international small cap is on watch for performance reasons; they manage a concentrated portfolio with a growth orientation. Denver was behind the benchmark for March by over 200 basis points and remains behind for the fiscal year to date and over the last year. Denver does not have three years since inception with the Fund therefore there aren’t long term performance markers in the report. The other international small cap, Franklin Templeton, on a relative basis has performed well; up approximately 120 basis over the benchmark for the month and up over 400 basis points versus the index for the year. Lazard, which in the international space is similar to the Vulcan all cap portfolio, has performed well over the month; over the fiscal year to date and over the last year Lazard is up over 400 basis points for both periods. As emerging markets is volatile the portfolio has two active managers for diversification, Touchstone and AQR. Touchstone remains on watch for performance; they are behind the benchmark for the past month and the fiscal year to date; they are ahead of the benchmark for the last year, but remain behind the benchmark over the last 3 years. AQR, the newest manager in international equities, is in line with the benchmark for the month and

ahead for the fiscal year to date. AQR has not completed one year since inception with the Fund therefore there aren't long term performance markers in the report.

The Board reviewed the performance of the Fund's fixed income active managers. The Janus core plus portfolio is in line with the benchmark for the month; over the last year Janus has delivered a return of 5.3%. Franklin Templeton is a global bond portfolio; they performed well on a relative basis, but have not performed as well as the Janus portfolio on an absolute basis.

The Board reviewed the performance of the Fund's real estate active managers. Invesco performed well during the month and over the last year; they slightly trail the benchmark over three and five years.

The Board reviewed the performance of the Fund's MLP portfolio. Oil prices have stabilized in 2015 impacting MLPs. Salient outperformed the index for the month and over the fiscal year to date.

Overall, the total fund was down 29 basis points in March ahead of the benchmark by 31 basis points. The fund is positive fiscal year to date by about 2.3%, which trails the target rate of 7.5%. The actual asset allocation remains close to the target allocation.

Mr. Howard clarified, when questioned by the Board, that the returns represented in the report include the return for the stocks in the portfolios as well as the currency in dollars.

The Board Members asked questions to the presenter.

No action required on this item.

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

Robert Ash, Pension Administrator, reported on the following:

- Trustees, Christina Stokes and Pat Aduato, attended the TEXPERS conference and have fulfilled the continuing education requirement as mandated by the state.
- NCPERS is holding a conference in New Orleans from May 3rd thru May 7th.
- Pension Board elections to be held at the end of the month for two employee representative seats.
 - The election is governed by ordinance and controlled by the City Clerk's Office.
 - Four people are running for election including current Trustees, Christina Stokes and Mario Hernandez.
 - The Pension webpage has been updated with the election information.
- The newsletter has been sent to the printer and will be distributed by next week.

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 Facilities Committee – Committee did not meet.
- C. Audit Committee – Committee did not meet.
- D. Investment Committee – Committee did meet.

Rene Pena read the Investment Committee minutes:

The Investment Committee met on April 14, 2015. The Committee received the monthly performance report for the month ended March 31, 2015 as prepared by Callan Associates.

Next the Committee reviewed the possibility of using currency hedging. The Committee heard from Callan Associates and requested that Callan perform additional work regarding possibly hedging international equity investments.

The Committee also received semi-annual investment manager reports from Salient Capital Advisors and Mellon Capital Management Co. The Committee members asked questions of the presenting firms. No major discrepancies were noted in the manager reports. The Committee acknowledged Rand Larson of Mellon Capital for his years of reporting to the Committee and wished him well in his retirement.

Franklin Templeton did not report as planned and the Committee requested that they report to the Board and Investment Committee next month.

The Committee discussed an asset rebalancing plan prepared by Callan Associates. The plan would rebalance assets closer to the Fund's target allocation and raise some cash for anticipated cash needs. The Committee recommends approval and that an item be placed on a Board agenda for consideration.

The Committee also received a report from the Administrator as requested by Mr. Rimkus regarding the plan's asset allocation. The prepared information was based upon a recently released report from TEXPERS. The plan compares favorably with other pension plans in Texas. The plan's current asset allocation is higher than other plans in domestic equity and lower in alternative assets. The Committee discussed the report with the Administrator and Callan and requested that this comparison be reported to the Board at its next meeting.

Finally, the Committee also received a report regarding contract negotiations with the Principal the proposed Global REIT manager. Funding is anticipated in the next month.

The next regularly scheduled meeting of the Investment Committee will be held on May 18, 2015 at 1 PM.

No action required on this item.

E. Personnel Committee - Committee did meet.

Mario Hernandez read the Personnel Committee minutes:

The Personnel Committee met on April 8, 2015. The Committee reviewed the job solicitation for the position of Benefit Technician. The Committee also discussed the process that will be used by staff to hire the Benefit Technician. Discussion was held regarding how the position was being advertised. The Committee asked questions of the Administrator and was satisfied with the proposed selection and hiring process. It is expected that a new Benefit Technician will be hired and begin work around the beginning of June.

No action required on this item.

F. Retiree Committee – Committee did not meet.

Item 14. For Notation:

A. Directed brokerage credit balance for month ended February 28, 2015: \$136,485.83

- B. Qualified Domestic Relations Order:
1. Melissa Jaime and Javier Jaime
 2. Albert Gallegos and Myrna Gallegos
 3. Gerardo Lira and Alejandra Lira
- C. Refund of Contributions:

	NAME	DEPARTMENT	TOTAL REFUND	
1	Arambula, Manuel	Environ. Svces	\$23,496.00	**
2	Avila, Desiree	Municipal Clerk	\$1,116.45	
3	Avila, Susana S.	Tax Office	\$38,811.00	**
4	Caraveo Jr., Rafael	Purchasing	\$2,386.47	
5	Chavez, Kathy M.	Parks & Recreation	\$2,505.44	
6	Daniels, Derrick	Environ. Svces	\$920.86	
7	Edwards, Robert E	Health	\$6,137.48	
8	Escobedo, German A.	IT	\$22,335.93	
9	Frias, Eduardo Jose	Transportation	\$12,739.87	
10	Galindo, Christine	Health	\$16,092.00	**
11	Garcia, Derrick Alan	EPWU	\$817.37	
12	Gonzalez, Alberto	General Svces	\$10,615.31	
13	Gonzalez, Christopher	EPWU	\$7,599.28	
14	Guerrero, Julio C.	EPWU	\$2,863.27	
15	Hidalgo, Juan	EPWU	\$3,843.76	
16	Johnson, Kristi L.	Zoo	\$6,768.24	
17	Lara, Alfredo	Health	\$21,209.15	
18	Licon, Salvador D.	General Svces	\$79,140.43	**
19	Lopez Jr., Juan	General Svces	\$8,340.87	
20	Malott, Curtis	Zoo	\$4,028.66	
21	Martinez, Eduardo E.	EPWU	\$171.72	
22	Morales, Christine	Mass Transit	\$2,812.02	
23	Nunez, Jose	Health	\$1,558.49	
24	Overton-Adams, Vera Kay	City Development	\$9,243.96	
25	Perez Guerrero, Crispina	Museum	\$3,852.34	
26	Reta, Vanessa	Fire	\$1,364.86	
27	Rodriguez, Jesus H.	Mass Transit	\$11,316.44	
28	Sanchez, Antonio	EPWU	\$4,430.80	
29	Serrano, Alberto	EPWU	\$12,813.77	
30	Tracy, Sabrina	Parks & Recreation	\$1,114.62	
31	Urias, Jesus	Mass Transit	\$1,605.95	
32	Arroyo Jr., Ruben	EPWU	\$7,416.06	
			<u>\$329,468.87</u>	

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

For notation, no action required on this item.

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

Motion made by Karl Rimkus to go into Executive Session to discuss item 15A under Section 551.071 regarding survivorship tax issues concerning recent IRS guidance related to DOMA after Windsor; seconded by Christina Stokes. Motion carried @ 9:00 A.M. (unanimous.)

Motion made by Mario Hernandez to reconvene from Executive Session; seconded by America Luna. Motion carried (unanimous.)

A. **Section 551.071** Discussion and action regarding survivorship tax issues concerning recent IRS guidance related to DOMA after Windsor.

No action taken on this item.

Motion made by Karl Rimkus to go into Executive Session to discuss items under Section 551.071 and 551.072; seconded by Dr. Michiel Noe. Motion carried @ 9:40 A.M. (unanimous.)

Motion made by Pat Aduino to reconvene from Executive Session; seconded by Christina Stokes. Motion carried @ 10:00 A.M. (unanimous.)

B. **Section 551.071 and 551.072** Discussion and action regarding the possible purchase of real property.

Motion made by Karl Rimkus to approve an expenditure not to exceed \$755 thousand dollars to Rio Bravo Title for the acquisition of real property and to authorize the Chairman or the Pension Administrator to complete the transaction; seconded by Mario Hernandez. Motion required polling:

Mario Hernandez	aye
Rep. Dr. Michiel Noe	aye
Pat Aduino	aye
Christina Stokes	aye
Karl Rimkus	aye
America Luna	aye

Motion carried.

Item 16. Adjournment

Motion made by Pat Aauto to adjourn the El Paso City Employee's Pension Fund Board meeting on April 15, 2015; seconded by Dr. Michiel Noe. Motion carried @ 10:02 A.M. (unanimous).

Secretary

Vice-Chair