

**THE EL PASO CITY EMPLOYEES' PENSION FUND
BOARD MINUTES FOR THE REGULAR MEETING
HELD WEDNESDAY DECEMBER 18 AT 8:30 A.M.
CITY HALL, CITY COUNCIL CHAMBERS, 300 N. CAMPBELL**

Members in Attendance:

Rene Peña, Chairman
Presi Ortega
Dr. Michiel Noe, City Representative
Christina Stokes
Robert Andron
Larry E. Romero, City Representative
Karl C. Rimkus
Cecilia A. Rios

Members Absent:

Mario R. Hernandez, Vice Chair

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
Bill Howard, Callan Associates
Robb Pridemore, Wells Fargo
Chris Adey, AGF Investments
Brian Wood, Touchstone
John Fenley, Denver Investments

Item 1. Rene Peña, Chairman, called the meeting to order at 8:37 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 November 20, 2013.

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.	Benavides, Arturo	Mass Transit	12 years 7 months
2.	Enriquez, Eva L.	Fire	24 years 1 month *
3.	Fernandez, Mario	EPWU	18 years 7 months *
4.	Lopez, Ruben	EPWU	10 years 7 months
5.	Maguire, Thomas	City Development	21 years 2 months
6.	Martinez, Luis	Dept. of Transportation	20 years 8 months
7.	Soto, Blanca	Library	7 years 11 months
8.	Velasquez, Eduardo	Mass Transit	19 years 7 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 invoices as follows:

	<u>COMPANY</u>	<u>DESCRIPTION OF SERVICE</u>	<u>PERIOD</u>	<u>FEE DUE \$\$</u>
A.	BKD, LLP	Audit	YE August 31, 2013	\$25,000.00
B.	BNY Mellon Asset Servicing	Custodial	07/01 - 09/30 2013	\$44,197.86
C.	Denver Investments	Investment	October 31, 2013	\$8,500.00 **
D.	Eduardo Miranda	Legal	November 30, 2013	\$737.50
E.	Franklin Temp Inv-CT432-327	Investment	08/01 - 10/31 2013	\$22,990.64 **
F.	Franklin Temp Inv-CT910-75	Investment	08/01 - 10/31 2013	\$56,334.60 **
G.	Gordon Davis Johnson & Shane	Legal	October 31, 2013	\$8,055.89 (a)
H.	Gordon Davis Johnson & Shane	Legal	November 30, 2013	\$1,660.88
I.	Invesco National Trust Co	Investment	07/01 - 09/30 2013	\$32,530.29 **
J.	Investigations Plus Inc.	Misc	December 2013	\$920.00

* To be paid by Directed Brokerage credits.

** For Notation Only - to be withdrawn from commingled account.

*** Performance based fee.

(a) October 2013 invoice amount overstated and credit to be applied to November invoice

Motion made by Larry Romero to accept Consent Agenda as presented; seconded by Robert Andron. Motion required polling:

Presi Ortega	aye
Dr. Michiel Noe	aye
Christina Stokes	aye
Larry E. Romero	aye
Robert Andron	aye
Karl Rimkus	aye
Cecilia A. Rios	aye

Motion carried.

REGULAR AGENDA

- Item 5. Discussion and action regarding the Treasurer's Reports for months ending November 30, 2013.

Dr. Mark Sutter, Comptroller, presented; Monthly Treasurer's Report for the period ending November 30, 2013 was distributed. The Board will receive a report regarding the audited financial statements for the fiscal year ending August 31, 2013 (looked at by the Audit Committee on December 17, 2013.) The column for August 31, 2013 will be edited to reflect the final audited numbers in the Treasurers report for January. Dr. Sutter reviewed the Treasurer's Report for November 30, 2013 as presented.

Motion made by Larry Romero to accept the Treasurer's Report for the months ending September 30, 2013 and October 31, 2013; seconded by Dr. Michiel Noe. Motion carried (unanimous).

- Item 6. Discussion and action regarding the receipt of a death verification analysis.

Robert Ash, Pension Administrator, spoke; report was distributed. Mr. Ash summarized that there is nothing new to report and concluded that the bi-monthly report is instrumental in verifying all retiree deaths.

No action required on this item.

- Item 7. Discussion and action regarding the payment for fiduciary liability insurance for 2014-2015.

Robb Pridemore, Wells Fargo, presented; report was distributed. Wells Fargo Insurance Services has evaluated the marketplace for fiduciary liability. Mr. Pridemore reviewed the report as presented. Wells Fargo recommended that the limits remain the same (\$25 million of coverage): primary \$15 million limit again be placed through the NCPERS program with the excess \$10 million limit through Zurich.

Motion made by Dr. Michiel Noe to renew and fund the Fund's fiduciary liability policy as recommended by Wells Fargo; seconded by Larry E. Romero. Motion required polling:

Presi Ortega	abstain
Dr. Michiel Noe	aye
Christina Stokes	aye
Robert Andron	aye
Larry E. Romero	aye
Karl Rimkus	aye
Cecilia A. Rios	aye

Motion carried.

- Item 8. Discussion and action regarding a proposed amendment to the Fund's Personnel Rules and Regulations.

Robert Ash, Pension Administrator, presented; draft amendment of the Fund's Personnel Rules and Regulations as related to Section 3 subsection K entitled Tuition Reimbursement was distributed. The Personnel Committee met this month and recommended that the Fund's Personnel Rules and Regulations be amended as follows: the \$1,000.00 annual limit be eliminated (for both graduate and undergraduate degrees) and that 80% of the UTEP course requirements and tuition fees be reimbursed if the employee obtains a B in graduate school or a C in undergraduate school with a maximum number of courses of five per year. This amendment would increase the amount that would potentially be paid out. Currently there are two staff members that are attending an institution of higher education. This amendment, as presented, codifies the recommended changes from the Personnel Committee. These changes would possibly increase the budget by \$7000.00 if staff continues to take the same course load (Going forward the amount may increase depending on how many staff members attend an institute of higher education.)

In response to Dr. Noe, Mr. Ash clarified that for subsequent fiscal years the increase will be approximately \$13,000 - \$14,000 and will increase concurrently with tuition inflation (currently the proposed increase if approved would take effect in January; changes will not be retroactive.)

Discussion ensued.

Karl Rimkus questioned if there is a caveat in the Fund's Tuition Reimbursement Policy that requires the employees to remain in their position for a year, mirroring the policy of El Paso City. Mr. Ash responded that all employees are contract and there is currently no such language in the contract. He advised that upon the Boards request the contracts can be amended.

When prompted by Rene Peña, Chairman, Eddie Miranda, Attorney, recommended that the employee contracts be amended going forward as opposed to making a retroactive adjustment.

Motion made by Karl Rimkus to approve the draft amendment with the addition of the floor amendment that any new employee contract and all renewals of staff contracts notify the employee that they will forfeit their tuition reimbursement for the prior term and must repay the amount they received back to the Fund if that employee resigns from their position during the contract year; seconded by Larry E. Romero. Motion required polling:

Presi Ortega	aye
Dr. Michiel Noe	aye
Christina Stokes	aye
Robert Andron	aye
Larry E. Romero	aye
Karl Rimkus	aye
Cecilia A. Rios	aye

Motion carried.

Item 9. Discussion and action regarding the receipt of an annual investment manager report from AGF.

Chris Adey, AGF Investments, presented; report was distributed. Mr. Adey reviewed the report as presented highlighting the portfolios underperformance that occurred in the last six months attributing virtually all underperformance to stock selection, specifically in precious metals, and Fed tapering. Mr. Adey explained that partially due to the portfolio's underperformance AGF

has decided to replace their current CIO of 25 years, Martin Hubbes, with a new “investment focused” CIO by February 2014.

Discussion ensued.

Karl Rimkus expressed his concern advising that AGF was the only portfolio to have significant underperformance in the Fund’s international investments.

Presi Ortega questioned AGF’s decision to replace current CIO and requested AGF’s outlook on emerging markets. Mr. Adey responded that although the environment is currently very challenging, emerging markets will continue to be the drivers of world GDP growth.

When prompted by Presi Ortega, Mr. Adey advised that when the team turnover occurred, AGF immediately lost \$2 billion. Recently as a result of the portfolio’s underperformance, AGF lost \$1.5 billion in a single large fund. Total assets remain at \$6.5 billion.

Presi Ortega advised that AGF will be put on watch; he explained that for the last year the portfolio has been under 10%, which will be difficult to recover. Mr. Ortega requested clarification on the \$41 million tax issue that AGF has been experiencing. Mr. Adey believes that the tax issue has been resolved but does not have the details.

No action required on this item.

- Item 10. Discussion and action regarding the receipt of an annual investment manager report form Denver Investment Advisors.

John Fenley, Denver Investments, presented; report was distributed. Mr. Fenley advised that Denver Investments has closed the international small cap mandate to new clients; the Fund is one of the last clients to invest in this mandate bringing the total to approximately 20 accounts. Mr. Fenley reviewed the report.

When prompted by Presi Ortega, Mr. Fenley advised that he feels the portfolio is sufficiently diversified in terms of end demand and lower risk with 36 companies.

No action required on this item.

- Item 11. Discussion and action regarding the City’s Actuarial Audit performed by Rudd and Wisdom.

Robert Ash, Pension Administrator, spoke; report was distributed. The Board received the final report from Rudd and Wisdom to be presented to City Council on Thursday January 2nd for acceptance. As discussed in prior meetings, Rudd and Wisdom contends that, although the Fund uses a mortality table which is appropriate, the Fund’s actuary, Buck Consultants, gave undue credence to actual plan mortality in the last experience study. Buck Consultants refute that opinion. The effect of applying a mortality table and not experience, as recommended by Rudd and Wisdom, would be a 2 year increase in the Fund’s amortization and the unfunded liability would increase about \$13 million. Mr. Ash concluded that ultimately the difference is only in professional opinion.

When prompted by Karl Rimkus, Mr. Ash advised that the Fund has updated the mortality table approximately three times in 16 years with professional recommendation based on increasing life expectancy.

Discussion ensued.

No action required on this item.

- Item 12. Discussion and action regarding a report from Callan Associates and training regarding multi asset class investments.

Bill Howard of Callan Associates presented; report was distributed. Mr. Howard reviewed the monthly “flash” investment performance report for the month of November 2013 and the rebalancing report. Touchstone, which is on watch, will be reviewed on a monthly basis. The Board received training regarding strategically tactical investing.

Motion made by Presi Ortega to authorize Robert Ash, Administrator, to transition assets pursuant to the rebalancing; seconded by Christina Stokes. Motion carried (unanimous).

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

Robert Ash, Pension Administrator, reported on the following:

- Holiday Schedule
 - Pension Office will be closed next week. Administrator will be on call.
- City Council Meeting Jan. 2nd
 - Rene Peña along with Mr. Ash will be present for the actuarial report performed by Rudd and Wisdom.
- Detroit Bankruptcy Case
 - Concerns pension plans that have a state constitutional amendment like Texas.
 - The federal bankruptcy judge declared that the state constitutional protection for pension plans does not hold ground in federal bankruptcy court; retirees to submit an appeal.
- Audit complete; Audit Committee will have a report.
- Actuary was hired and currently working on the interim evaluation which will be completed in January pending audited financials.
- Transition work for the second part of the domestic equity will be taking place next week. Administrator will be on call.
 - Transition started Dec 17th majority to be completed Dec 23rd, all transitions to be finished by the second week of January.

No action required on this item.

- Item 14. 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 meet.

Rene Peña spoke; the Board received the final draft of the auditor’s report. Mr. Peña highlighted the summation pages that reflect the Fund’s excellent performance in the past three years. The Committee recommended that the draft report be issued subject to Board approval.

Motion made by Larry Romero to accept the auditor’s report as presented by BKD; seconded by Dr. Michiel Noe and Christina Stokes. Motion carried (unanimous).

- D. Investment Committee - Committee did meet.

Presi Ortega read the Investment Committee minutes: The Investment Committee met on December 17, 2013. The Committee received the monthly “flash” investment performance report for the month of November 2013. The Committee also received semiannual investment manager reports from Janus, Denver Investments and AGF. No materials exceptions were noted in their semiannual reports of Denver or Janus. The Committee recommended that AGF be placed on “Watch” and that a search begin for a new emerging market investment manager.

The Committee also received a report from the Administrator and investment consultants regarding phase 2 of the transition of the domestic equity portfolio. Northern Trust was hired to conduct the transition and the majority of the transition is expected to be completed in December with just a small portion expected to settle in January 2014.

Finally, the Committee received a rebalancing schedule from Callan regarding portfolio rebalancing. It was recommended by the Committee that the rebalancing occur based upon the analysis and that the rebalancing amount for emerging markets (\$10m) be invested in the MSCI emerging markets index managed by Mellon Capital Management. Callan was requested to include the rebalancing in their report at the December Board meeting.

The next regularly scheduled meeting of the Investment Committee will occur on January 14, 2014. Everyone is welcome to attend.

No action required on this item.

E. Personnel Committee - Committee did meet.

Christina Stokes read the Personnel Committee minutes: The Personnel Committee met on December 9, 2013. The Committee received and reviewed the annual performance evaluation for the Fund’s Payroll/Accounts Payable Specialist. The Committee discussed the evaluation and related performance goals with the Administrator and the Payroll/Accounts Payable Specialist. After review the Committee recommends approval of the evaluation with any merit increase effective as of his anniversary date.

The Committee also reviewed the Fund’s tuition reimbursement policy. The Committee discussed the policy and compared the current policy with the tuition reimbursement policy of the City of El Paso. The Committee discussed removing the reimbursement cap which currently is \$1000 each fiscal year and reducing the number of eligible classes from six (6) to five (5) classes each fiscal year. Removing the current reimbursement cap with two employees attending university classes at a maximum of five (5) classes per year would cost the Fund an additional \$6750 per year. After discussion, the Committee recommends that the cap be removed and that the limit of eligible classes be reduced from six (6) classes to five (5) classes each fiscal year. The Committee requested that the Administrator prepare an amendment to the Fund’s Personnel Rules for Board consideration regarding the proposed changes.

No action required on this item.

F. Retiree Committee - Committee did not meet.

Representative Larry Romero exited during the presentation for Item 14E.

Item 15. For Notation:

A. Directed brokerage credit balance for month ended October 31, 2013: \$137,676.65

B. Refund of Contributions:

	NAME	DEPARTMENT	TOTAL REFUND	
1	Avila, Martha L. widow of Avila, Eduardo	Environmental Services	\$15,581.54	
2	Avila, Miguel	Environmental Services	\$15,809.98	
3	Brown, Nathan	Legal	\$3,858.04	
4	Bustillos, Angel R.	Zoo	\$12,451.11	
5	Calderon, Alberto	Financial Services	\$461.14	
6	Campbell, Amy M.	Environmental Services	\$797.72	
7	Cervantes, Angel	General Services	\$6,856.03	
8	Chavez, Norma	Human Resources	\$24,352.04	**
9	Cruz, Juan	Engineering	\$19,822.66	
10	Dubord, Arianni	IT	\$4,034.87	
11	Estrada, Christopher A.	Mass Transit	\$1,424.38	
12	Flores, Lorenzo	El Paso Water Utilities	\$3,472.63	
13	Franzen, Scott	El Paso Water Utilities	\$20,565.04	
14	Garcia, Jorge	Dept of Transportation	\$2,732.91	
15	Granados, Raul	El Paso Water Utilities	\$10,614.17	
16	Hanna, Angela	Environmental Services	\$27,977.81	**
17	Hurtado, Conrad	Environmental Services	\$3,725.40	
18	Jimenez, Nora	Health	\$2,334.16	
19	Lamas, Jennifer	Health	\$6,199.86	
20	Lara, Luis O.	Transportation	\$2,848.47	
21	Lazos, Robert	El Paso Water Utilities	\$740.97	
22	Licerio, Kathy C.	Fire	\$48,770.71	**
23	Mancha, Margarita	City Development	\$4,914.99	
24	Martinez, Manuel	Mass Transit	\$8.66	
25	Martinez, Michael	Fire	\$4,151.51	
26	Mendoza, Frank Jr.	Environmental Services	\$3,379.54	
27	Mireles, Israel	Mass Transit	\$4,500.07	
28	Moreno, Ramon	International Airport	\$483.40	
29	Portillo, Daniel	Mass Transit	\$1,220.97	
30	Rodriguez, Jacob Matthew	Mayor & Council	\$5,326.09	
31	Ruiz, Gilbert	Mass Transit	\$12,261.19	
32	Samaniego, David	City Development	\$15,936.09	
33	Santillan, Michael	El Paso Water Utilities	\$16,511.87	
34	Smith, Elizabeth A.	Police	\$564.57	
35	Solis, Miguel	Transportation	\$17,317.15	
36	Spencer, Mirian D.	City Development	\$37,622.95	
37	Torres, Daisy R.	Environmental Services	\$950.97	
38	Torres, Lorenzo Jr.	Environmental Services	\$10,301.88	

39	Vazquez, Sylvia L.	Environmental Services	\$32.25
40	Velazquez, Guillermina	El Paso Water Utilities	\$913.95
TOTALS			\$371,829.74

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

No discussion. **No action required 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 @ 10:47 A.M. (unanimous).

Item 16. 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 551.074** – Discussion and action regarding staff performance appraisal of the Fund's Payroll/Accounts Payable Specialist.

Motion made by Cecilia Rios to approve the evaluation of the Payroll/Accounts Payable Specialist and grant him a merit increase based on his evaluation rating; seconded by Christina Stokes. Motion required polling:

Presi Ortega	aye
Christina Stokes	aye
Robert Andron	aye
Karl Rimkus	aye
Cecilia A. Rios	aye

Motion carried.

Item 17. Adjournment

Motion made by Presi Ortega to adjourn the El Paso City Employee's Pension Fund Board meeting on December 18, 2013; seconded by Robert Andron. Motion carried @ 10:58 A.M. (unanimous).