

**THE EL PASO CITY EMPLOYEES' PENSION FUND
BOARD MINUTES FOR THE REGULAR MEETING
HELD WEDNESDAY DECEMBER 17, 2014 AT 8:30 A.M.
CITY HALL, CITY COUNCIL CHAMBERS, 300 N. CAMPBELL**

Members in Attendance:

Rene Peña, Chairman
Karl C. Rimkus, Vice Chair
Presi Ortega
Mario R. Hernandez
Pat Aauto
Christina Stokes

Members Absent:

Dr. Michiel Noe, City Representative
Larry E. Romero, City Representative
America Luna

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, Interim Comptroller
Charlie Lino, Financial Reporting Coordinator
Bill Latimer, AQR Vice President
Iwan Djanali, AQR

- Item 1. Rene Pena, Chairman, called the meeting to order at 8:31 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 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	Acosta, Juana	Mass Transit	11 years 01 months *
2	Allen, Laverne E.	Airport	15 years 02 months
3	Flores, Victor	Land Mgmt	34 years 01 months *
4	Herrera, Reynaldo	EPWU	15 years 07 months*
5	Lucero, Juan M.	EPWU	15 years 07 months
6	Magallanes, Rafael	Mass Transit	10 years 05 months*
7	Tate, Jimmy L.	Mass Transit	20 years 08 months*
8	Webster, Toni	City Clerk	22 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. Cowan, Kathleen survivor of William W. Cowan, retiree
 - B. Saucedo, Jose I. survivor of Delia Saucedo, 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.	BKD, LLP	Audit	YE August 31, 2014	\$10,000.00	
B.	Denver Investment Advisors	Investment Fees	November 30, 2014	\$8,266.00	**
C.	Eduardo Miranda	Legal Fees	November 30, 2014	\$725.00	
D.	Franklin Templeton-CT432-327	Investment Fees	3 mos. Ended 10/31/14	\$24,356.27	**
E.	Franklin Templeton-CT910-75	Investment Fees	3 mos. Ended 10/31/14	\$59,471.80	**
F.	Gordon Davis Johnson & Shane PC	Legal Fees	October 31, 2014	\$630.88	
G.	Warach, Soto & Associates	Legal Fees	November 30, 2014	\$650.00	
H.	AQR Emerging Equities Fund LP	Investment Fees	November 30, 2014	\$12,203.00	**

* To be paid by Directed Brokerage credits.

** For Notation Only – to be withdrawn from commingled account.

*** Performance based fee.

Motion made by Presi Ortega to accept the Consent Agenda; seconded by Pat Aauto.

Motion required polling:

Presi Ortega	aye
Mario Hernandez	aye
Pat Aauto	aye
Christina Stokes	aye
Karl Rimkus	aye

Motion carried.

REGULAR AGENDA

- Item 6. Discussion and action regarding the Treasurer's Reports for months ending November 30, 2014.

Denise Grizzle, Interim Comptroller, presented. Ms. Grizzle introduced to the Board Charlie Lino, Financial Reporting Coordinator, of the City Comptroller's Office. Mr. Lino prepares the monthly Treasurer's Report and will present to the Board in the absence of Ms. Grizzle.

The Board received and reviewed the Treasurer's Report for the period ended November 30, 2014. Although the fund remains behind the target rate of return, the total fund balance increased in November which is attributed to an increase in cash and decrease in liabilities. The statement of changes reflects the expected deficit between contributions received and benefits paid. As projected the administrative expenses have balanced for November given the annual payout of workers' compensation and the distribution of the semi-annual newsletter. The total in-house administrative expenses are at 25.7% of the budget, on track for this time of year.

Trustees requested that the Treasurer's Report be submitted with the Board packet.

Motion made by Karl Rimkus to accept the Treasurer's Report for the month ended November 30, 2014 as presented; seconded by Christina Stokes. Motion carried (unanimous.)

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

Enrique Martinez, Interim Director of the City's Information Technology (IT) Department, spoke. The Board received a progress report on the pending issues with the Pension Module.

Periodic processing updates have been completed through September; IT staff is currently completing the periodic processing for October. IT should meet the 1099R target for retiree reporting as no issues have been reported.

IT will produce the annual comparison report for the benefit statements in February.

IT staff will be presenting a scope of work to upper management, the office of the City's CPO and the office of the City's CFO; IT has itemized the consultant project proposing to separate the Pension Module. IT staff has identified 12 tasks totaling 970 hours equating to approximately 24 weeks for the pension component. IT is finalizing a budgetary estimate, pending the traveling cost for the consultant. (Discovery and project estimates to be solidified by the consultant once in-house.)

Discussion ensued.

No action required on this item.

- Item 8. Discussion and action regarding the receipt of a death verification analysis.

Robert Ash, Pension Administrator, presented; report was distributed. The death verification analysis is conducted every other month as recommended by the Fund's auditors. The report did not identify any new names; no action is required by the Board.

No action required on this item.

Item 9. Discussion and action regarding Board fiduciary liability insurance.

Robert Ash, Pension Administrator, presented in the absence of Robb Pridemore of USI; report was distributed.

The report indicates that USI submitted a request for bid for fiduciary liability insurance. USI recommends that the Fund remain with the same carriers as last year as those premiums remain the most competitive with an overall increase of approximately 2-3%. Trustees discussed quantity of coverage and coverage as compared to peers.

Motion made by Pat Aauto to accept the insurance as recommended by USI; seconded by Christina Stokes. Motion required polling:

Presi Ortega	abstain
Mario Hernandez	aye
Pat Aauto	aye
Christina Stokes	aye
Karl Rimkus	aye

Motion carried.

Item 10. Discussion and action regarding the Board's Continuing Education Policy.

Robert Ash, Pension Administrator, and David Garcia, Pension Payroll/Accounts Payable Specialist, presented; report was distributed.

Staff provided a comparison of the minimum educational training requirements adopted by the Board and those adopted/proposed by the State Pension Review Board (PRB).

Trustees requested clarification on certain PRB terminology: A Current Trustee is a person serving on the board as of January 1, 2015; A New Trustee is a person serving on the Board on or after January 1, 2015; A Sponsor is the person/entity providing training that is accredited by the PRB.

The PRB is the administrator of this state law for continuing education; failure to comply with the minimum training requirements would inhibit a person's ability to serve on the Board. The PRB will be submitting a compliance report to the state legislature.

As the PRB has made a distinction between new/current trustee training requirements and is requiring less hours with structured allotment in core/non-core content over a longer period of time, the Board discussed possible/necessary revisions to the Fund's policy. Trustees made several suggestions including to mirror the PRB policy for the freshmen term of the Fund's Continuing Education Policy.

The Board discussed different avenues for training. In-house training must be pre-certified by the PRB. Staff is inquiring about the process for becoming a sponsor.

Discussion ensued.

Ad-Hoc Continuing Education Committee to be established.

Motion made by Karl Rimkus that the El Paso City Employees' Pension Fund Board adopt the State Pension Review Board's continuing education standards amending the Fund's current Continuing Education Policy; seconded by Presi Ortega. Motion carried (1 opposed, 4 in favor.)

- Item 11. Discussion and action to authorize the Board Chairman or Administrator to sign the contract for investment consulting services with Callan Associates.

Robert Ash, Pension Administrator, presented; draft agreement for investment consulting services was distributed.

Last month the Investment Committee made a recommendation that the Board not request a solicitation of investment consulting services and extend Callan's contract. The proposed contract continues with the provisions from the previous agreement and reflects that the contract will be extended for 5 years. One major change is in the fee schedule: an escalation factor of 3% not to exceed the CPI. The scope of work has been updated to incorporate two training sessions per year. The agreement has already been reviewed by the Fund's legal counsel.

Motion made by Presi Ortega to authorize the Board Chairman or Administrator to sign the contract for investment consulting services with Callan Associates; seconded by Karl Rimkus. Motion required polling:

Presi Ortega	aye
Mario Hernandez	aye
Pat Aauto	aye
Christina Stokes	aye
Karl Rimkus	aye

Motion carried.

- Item 12. Discussion and action to authorize the Board Chairman or Administrator to sign a subscription agreement and related documents with Heitman Real Estate Trust for the management of a real estate portfolio.

Robert Ash, Pension Administrator, presented; Heitman subscription agreement as recommended by the Investment Committee and approved by the Board in November was distributed. As previously approved, the allocation for private real estate increased from 9 to 10% which will be distributed between two manager firms including Heitman.

Motion made Pat Aauto to authorize the Board Chairman or Administrator to sign a subscription agreement and related documents with Heitman Real Estate Trust for the management of a real estate portfolio; seconded by Karl Rimkus. Motion required polling:

Presi Ortega	aye
Mario Hernandez	aye
Pat Aauto	aye
Christina Stokes	aye
Karl Rimkus	aye

Motion carried.

- Item 13. Discussion and action regarding the receipt of an investment manager report from AQR Capital Management.

Bill Latimer, AQR Vice President, and Iwan Djanali of AQR presented; report was distributed.

The Board received an overview of the assets under AQR management, firm philosophy (multi-strategy investment approach), and portfolio performance. Since inception, June 2014, the AQR Emerging Equities Fund has returned 2.2% with an excess return of 3.0%. Contribution to the portfolio excess return can be attributed to three strategies: stock selection 1.9%, country 0.6%, and currency selection 0.4%.

As requested by the Board, Mr. Latimer provided a market projection; he advised that in order to see better returns in emerging markets there must be some recovery internationally and in commodities.

The Board Members were able to ask questions of the presenting manager firm.

No action required on this item.

- Item 14. Discussion and action regarding a report from Callan Associates.

Bill Howard of Callan Associates presented; the monthly “flash” report for the period ended November 30, 2014 was distributed.

The Board received an update on the market; the market is very volatile. Oil prices have declined by almost 50%, over a five year low, which creates turmoil in the equity markets. November was a good month for equities with US leading the way; International stocks were positive 1.4% and emerging markets were down one percent.

The Board received a review of the “flash” report for the period ended November 30, 2014. Mr. Howard reviewed the performance of active management. The index for Wedge is a spliced index in order to accurately capture their benchmark before they converted from small/mid cap to small cap. Denver International a concentrated international small cap growth portfolio had the worst performance for the month of November; Denver will present to Board in January. Overall, the total fund is up about 1.2%.

No action required on this item.

- Item 15. Discussion and action regarding a report from the Pension Administrator.

Robert Ash, Pension Administrator, reported on the following:

- The auditor and actuary will report to the Board in January.
- The Fund’s actuary will provide training during the January Board Meeting.
- On December 15th, BNY Mellon had a platform change.
 - Staff has been working with the custodial bank to incorporate the new account numbers.
- Pension Matters Newsletter will be released; Trustees are encouraged to submit articles.
- 1099R will be released.
 - Staff is working with IT.
- As approved by the Board, the Pension office will follow the City’s holiday schedule.
- Audit and Actuary Committee Meeting to be held before next month’s Board Meeting.

- As approved by the Board, administration will open the new position in the first quarter of next year.

No action required on this item.

Item 16. 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.

Presi Ortega read the Investment Committee minutes: The Investment Committee met on December 16, 2014. The Committee received and reviewed the monthly “flash” report for November which was prepared by Callan Associates.

Next the Committee received the semi annual portfolio performance report from AQR Capital Management and Janus Capital. The Committee members were able to ask questions regarding the performance and the economic climate. There were not material discrepancies noted in their report.

The consultant discussed the possibility of changing the current REIT mandate from domestic to a global REIT mandate. The reason for the change would be additional diversification. The Committee then reviewed possible Global REIT candidate firms with information provided by Callan. The Committee requested Callan to perform additional work and have the finalist firms present at a future meeting.

The Committee then reviewed the work plan for Callan Associates for the upcoming year. The Committee is in agreement with the work plan for calendar year 2015-2016.

Finally, the Committee reviewed the draft contract for consulting services. The Committee recommends approval and requested the Administrator place an item on the next Board meeting for Board consideration.

The next regularly scheduled meeting of the Investment Committee will be held on January 20, 2015.

No action required on this item.

- E. Personnel Committee - Committee did not meet.
- F. Retiree Committee - Committee did not meet.

Item 17. For Notation:

A. Directed brokerage credit balance for month ended October 31, 2014: \$137,037.06

B. Refund of Contributions:

	NAME	DEPARTMENT	TOTAL REFUND
1	Anaya, Martha	Environ. Svces	\$3,558.20
2	Arambula, Marco	General Services	\$2,585.36
3	Armendariz, Fabiola	Health	\$894.91
4	Armendariz, Miguel A.	EPWU	\$4,317.82

5	Avila, Maria	EPWU	\$1,288.75
6	Carreon, Diana A.	Parks & Rec	\$2,162.33
7	Ceballos, Sonia	Parks & Rec	\$8,218.65
8	Felix, Adrian	Engineering	\$3,976.90
9	Fierro, Jorge J.	EPWU	\$38,521.21
10	Fierro, Veronica C.	EPWU	\$26,709.51
11	Garcia, Fernando	Dept of Transportation	\$45,049.74 *
12	Green, Antjuan	EPWU	\$1,383.00
13	Hernandez, Ricardo	EPWU	\$1,602.51
14	Hewitt, Kaitlin	Zoo	\$6,043.21
15	Ingram, Jessica	Library	\$12,274.08
16	Jacquez, Jonathan	EPWU	\$836.24
17	Jaramillo, Daniel	Parks & Rec	\$883.07
18	Martinez, David	Fire	\$1,090.92
19	Martinez, Gerardo	Parks & Rec	\$701.45
20	Mendoza, Patricia	Parks & Rec	\$180.41
21	Ogaz, Octavio	Museum	\$570.02
22	Ortega, Joe D.	Mass Transit	\$63.86
23	Payan, Juan Antonio	Environ. Svces	\$6,842.44
24	Perez, Alfredo	Police	\$3,324.64
25	Ramirez, Obed	Mass Transit	\$2,777.99
26	Rodriguez, Karla E.Q.	Parks & Rec	\$1,746.10
27	Sanchez, Raymond	Dept of Transportation	\$4,075.64
28	Sandoval, Orlando	Parks & Rec	\$15,674.81
29	Scott, Helsa	Health	\$1,016.15
30	Torres, Raymond W.	Mass Transit	\$917.41
31	Uribe, Vannessa	Municipal Clerk	\$9,662.00
32	Vargas, Pedro	General Services	\$861.87
33	Zañudo, Misael	Parks & Rec	\$3,429.98
TOTALS			<u>\$213,241.18</u>

* Additional interest/contributions due

** Eligible for Early Retirement

For notation, no action required on this item.

Motion made by Mario Hernandez to go into Executive Session to discuss items under Section 551.071 and Section 551.074; seconded by Christina Stokes. Motion carried @ 10:16 A.M. (unanimous.)

The Board reconvened from Executive Session @ 10:30 A.M.

Item 18. 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 the annual performance evaluation of the Fund's Payroll/Accounts Payable Specialist.

Motion made by Mario Hernandez to accept the performance evaluation for the Fund's Payroll/Accounts Payable Specialist; seconded by Christina Stokes. Motion required polling:

Presi Ortega	aye
Mario Hernandez	aye
Pat Aauto	aye
Christina Stokes	aye
Karl Rimkus	aye

Motion carried.

Item 19. Adjournment

Motion made by Presi Ortega to adjourn the El Paso City Employee's Pension Fund Board meeting on December 17, 2014; seconded by Pat Aauto. Motion carried @ 10:35 A.M. (unanimous).