

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

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**Members in Attendance:**

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

**Members Absent:**

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  
Bill Howard, Callan Associates  
Araceli Guerra, City of El Paso IT Department  
Richard G. Campos Sr., City of El Paso IT Department  
Enrique Martinez, City of El Paso IT Department  
Tony Ramos, City of El Paso IT Department  
Tyler Grossman, El Paso Police/Fire Pension Board Chairman and TEXPERS Board Member

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 January 15, 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	Aguilar, Daniel M.	Airport	33 years 10 months	*
2	Beltran, Roberto	Sun Metro	13 years 02 months	*
3	Campos, Mario	Mass Transit	30 years 07months	*
4	Cisneros, Marcelo	Env. Services	34 years 09 months	*
5	Diaz, Ernesto	EPWU	20 years 05 months	*
6	Garcia, Rodolfo	City Dev	28 years 07 months	
7	Gonzalez, Hector	EPWU	25 years 05 months	*
8	Guzman, Paul	Sun Metro	29 years 04 months	*
9	Pena, Rodolfo	EPWU	38 years 03 months	
10	Salinas, Bertha	EPWU	13 years 08 months	
11	Shelton Jr., James	EPWU	11 years 10 months	
12	Soria, Ruben	Sun Metro	19 years 04 months	
13	VonHatten, James	Sun Metro	20 years 11 months	
B.	Early:			
1	Black, Aida	Env. Services	09 years 06 months	
2	Gonzalez, Jose A	Fleet Services	20 years 04 months	
C.	Deferred:			
1	Lerma, Ernesto	Env. Services	29 years 02 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. Lerma, Eustolia, survivor of Alejandro Lerma, retiree.
- B. Ponce, Maria, survivor of John Ponce, 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.	Denver Investment Advisors	Investment	December 31, 2013	\$15,056.00	**
B.	Eduardo Miranda	Legal	January 31, 2014	\$337.50	
C.	Janus Capital Group	Investment	10/01 - 12/31 2013	\$65,104.52	
D.	Lazard Asset Management	Investment	10/01 - 12/31 2013	\$50,741.06	**
E.	Mellon Capital Management	Investment	4 <sup>th</sup> Quarter 2013	\$25,293.45	**
F.	Robeco Investment Management	Investment	4 <sup>th</sup> Quarter 2013	\$34,728.35	
G.	UBS Realty Investors	Investment	4 <sup>th</sup> Quarter 2013	\$95,438.56	**
H.	Wedge Capital Management LLP	Investment	4 <sup>th</sup> Quarter 2013	\$121,412.53	

- \* 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 with the following typographical error corrections; seconded by Robert Andron.**

- ITEM 2: Revise year listed from 2013 to 2014.
- ITEM 5: Revise year listed from 2014 to 2013 for companies listed under letters: C and D.

**Motion required polling:**

<b>Presi Ortega</b>	<b>aye</b>
<b>Larry E. Romero</b>	<b>aye</b>
<b>Robert Andron</b>	<b>aye</b>
<b>Karl Rimkus</b>	<b>aye</b>
<b>Cecilia A. Rios</b>	<b>aye</b>

**Motion carried.**

**REGULAR AGENDA**

- Item 6. Discussion and action regarding the Treasurer's Reports for months ending December 31, 2013 and January 31, 2014.

Dr. Mark Sutter, Comptroller, presented; Monthly Treasurer's Report for the period ending December 31, 2013 (revised) and for the period ending January 31, 2014 were distributed. The Board received the revised Treasurer's Report for the period ending December 31, 2013. The final returns from BNY had a positive impact on the December Treasurer's report. The revised December report reflects an increase of approximately \$5.6 million in net assets (available for benefits) and a significant increase in the net appreciation in fair value of investments than previously reported.

The Board also received a review of the Treasurer's Report for the period ending January 31, 2014. The asset performance in January was negative. The net assets (available for benefits) dropped approximately \$16 million from December. However, the Fund remains ahead for the target return for the entire year and the net assets (available for benefits) remain close to the historical high.

Robert Ash, Pension Administrator, advised that as of the morning of the Board meeting the Fund was at \$690 million; February has fared much better than January.

**Motion made by Presi Ortega to accept the Treasurer's Report for the months ending December 31, 2013 and January 31, 2014; seconded by Larry Romero. Motion carried (unanimous).**

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

Robert Ash, Pension Administrator, spoke; report was distributed. Mr. Ash summarized that the Fund will continue to perform the death verification analysis every other month. The analysis found an invalid name and invalid social security numbers. No new deaths were found by the analysis.

Karl Rimkus requested the status regarding the search for the retirees that have failed to contact the Fund over an extended period of time. Mr. Ash explained that an investigation was conducted privately through a third party and no further action was necessary.

**No action required on this item.**

- Item 8. Discussion and action regarding receipt of a presentation by the City's IT Department regarding issues related to computer processing.

Robert Ash, Pension Administrator, addressed the Board. He advised that Patricia Hickman, Deputy Pension Administrator, has been working with the City's IT Department over the past year. He addressed several computer processing issues including generating a Pension extract file for the actuarial evaluation, the processing of Form 1099R, and the periodic processing of PSB employees. (1099R forms have been mailed; however, approximately thirty 1099R forms were processed using an alternative method.)

Tony Ramos of the El Paso City IT Department addressed the Board. Mr. Ramos provided an overview of the current issues related to computer processing. There are three focal issues: There is a doubling issue in the Pension module which will be resolved by CherryRoad. In regards to generating the Pension extract to Actuary file there are two options; if the system delivered process fails, a custom process, which was generated before the update to PeopleSoft, can be utilized. Finally, regarding the PSP interface, currently only the data is being updated since the process is now working.

Mr. Ash acknowledged the due diligence demonstrated by the Deputy Pension Administrator and Rick Campos of the City's IT Department in resolving computer processing issues. He requested a timeframe for completion and expressed his concern over the time expended by limited Pension Staff.

Enrique Martinez, City IT Director, addressed the Board. Mr. Martinez acknowledged that limited resources within the City's IT Department contribute to the delay in resolving computer processing issues. With approval granted by the City Manager, the City's IT Department will hire two additional full time equivalent employees to improve their internal productivity and assist with the PeopleSoft Pension module.

**No action taken on this item.**

- Item 9. Discussion and action regarding a possible cost-of-living increase for retirees.

The Actuary Committee reviewed a possible cost-of-living increase for retirees. Mario Hernandez read the Actuary/Retiree Committee minutes: A joint meeting of the Actuary and Retiree Committees met on February 5, 2014. The Committees reviewed the latest actuarial valuation and the Fund's policy for granting a cost of living increase for retirees. The Committee also reviewed the standards for actuarial soundness adopted by the State Pension Review Board. The Committee also received information regarding the cost to provide a cost of living increase. The Fund's actuary has determined that the amortization period will not increase one year if a 13th check is approved by the Board of Trustees.

The Committee discussed the impact granting a cost of living increase may have on the City's accounting records, the effect on the Fund's amortization period, the current unfunded accrued actuarial liability and the current volatility in the capital markets. The funding period before and after a cost of living increase was discussed. The Committee also reviewed the schedule of

prior cost of living increases by the Fund. It was noted that it has been 7-years since a full 13th check has been granted by the Fund. The Committee believes that inflation as evidenced by the Consumer Price Index has had a detrimental affect on pension payments and the Board is concerned with the diminished purchasing power of the amount retirees receive.

After discussion the Committees recommended that one-half of an additional monthly pension payment be made to retirees receiving benefits as of the February 19, 2014 and who retired before January 1, 2013. It was acknowledged that payment of the one-half of the 13th check will not occur until about 3-months after any cost of living increase is approved by the Board in conformance with the Board's existing policy.

The Committees also reviewed the format for the next Fund newsletter. One suggestion was to incorporate more pictures on the web site and in the newsletter from the El Paso vicinity. The staff agreed to work on providing more pictures related to the El Paso vicinity. The next newsletter is schedule to go out in April.

Discussion ensued.

The Board questioned if granting a full 13<sup>th</sup> check would have an impact on the Fund. Robert Ash, Pension Administrator, advised that granting a 13<sup>th</sup> check may add a full year to the amortization of the Fund (bringing the amortization period to 18 years) as opposed to a half of a 13<sup>th</sup> check that would not. However, the Fund would remain under the state (25 years or less) and the GASB (30 years or less) amortization guidelines.

Mr. Ash commented that the caveat in Item 3 of the Fund's COLA Policy indicates that the maximum amount of any given COLA shall not be more the actual increase in CPI as released by the Bureau of Labor Statistics since the last COLA was granted. A full 13<sup>th</sup> check would be approximately an 8% increase, which would be above inflation. Eduardo Miranda, Attorney, responded that in his legal opinion a full 13<sup>th</sup> check is not in the literal interpretation of Item 3 in the Fund's COLA Policy but the Board should consider further clarification of that item. Mr. Miranda concluded that at this time a 13<sup>th</sup> check is not guided by the current COLA policy.

**A motion made by Mario Hernandez was amended and adopted as follows:  
Motion to grant a full 13<sup>th</sup> check in conjunction with the actuarial evaluation;  
seconded by Larry Romero. Motion required polling:**

<b>Presi Ortega</b>	<b>aye</b>
<b>Mario Hernandez</b>	<b>aye</b>
<b>Christina Stokes</b>	<b>aye</b>
<b>Robert Andron</b>	<b>aye</b>
<b>Larry E. Romero</b>	<b>aye</b>
<b>Karl Rimkus</b>	<b>aye</b>
<b>Cecilia A. Rios</b>	<b>abstain</b>

**Motion carried.**

Item 10. Discussion and action regarding the Fund's Travel Policy.

Rene Peña, Chairman, tapered Item 10 as follows: discussion and action regarding the Fund's Travel Policy *regarding continuing education for Trustees.*

Mr. Peña established an Ad-Hoc Committee on Continuing Education. The committee members are as follows: Rene Peña - Chair, Rep. Larry Romero and Presi Ortega.

Discussion ensued.

The Board directed the Ad-Hoc Committee on Continuing Education to discuss different avenues for the Trustees to fulfill their continuing education requirements and to establish a continuing education policy which will be subject to the Funds Travel Policy. The Trustees suggested online training, attending conferences, and/or hosting events.

**No action taken on this item.**

- Item 11. Discussion and action regarding the receipt of an annual investment manager report from Robeco.

Rene Peña, Chairman, entertained a motion to cancel Item 11 advising that bad weather has prevented the Robeco representative from attending. Callan will address the Robeco report as part of the Callan Report.

**A motion made by Robert Andron to delete Item 11 from the agenda; seconded by Christina Stokes. Motion carried (unanimous).**

- Item 12. Discussion and action regarding a report from Callan Associates.

Bill Howard of Callan Associates presented; report was distributed. The Board received a review of US economic data for the 4<sup>th</sup> quarter in 2013 which was generally positive. The growth forecast for 2014 is a welcome development at 2.7% (The GDP growth for 2013 was approximately 2%.)

The Board received a review of the Fund's quarterly investment performance report for the quarter ended December 31, 2013. The total fund return for the 4<sup>th</sup> quarter is 6% which is better than the target return of 4.7%. The total return for the calendar year is 200 basis points better than the target. The Fund outperformed the target rate for every quarter in the calendar year. Mr. Howard reviewed Robeco's performance in light of their absence. Robeco is one of the best performing managers for the Fund. For the last year Robeco ranked in the top quartile of their respective peer group.

The Board also received a review of the "flash" report for the month of January 2014. All equity managers except for two (Robeco and Franklin Templeton) underperformed. Regarding real estate, Invesco is being monitored closely due to continuous underperformance. Regarding asset allocation, although the Fund's actual allocation is now within the policy ranges, Callan will likely recommend another rebalancing in an attempt to get closer to the Fund's target asset allocation. The total fund is down 2.2% for the month of January, which is 74 basis points below the target. However, the total fund for the past year is 174 basis points ahead of the target.

**Motion made by Larry Romero to accept the report as presented; 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:

- TEXPERS annual conference will be held in Fort Worth, Texas March 23-26.

- Trustees have attended this annual conference in the past.
- TEXPERS summer conference will be held in August, additional information will be provided to Trustees as available.
- Website Update
  - New pictures of the El Paso vicinity have been uploaded to the Fund's website as requested.
- Form 1099R mailed to retirees.
  - Pre/post tax information has been added to the forms with the exception of approximately 30 forms (this issue with the data of PSB employees will be resolved by next year.)
- Issues with IT should be resolved within a couple months.
  - Issues have taken up limited Pension resources for the past year.
  - If the issues are not resolved within a couple months, IT will return to report to the Board.
- Internal Audit Department of the City will meet with the Fund's Audit Committee. The Audit Committee will meet with the City's Audit Department once they have finalized a task for them.
- The actuary evaluation is this year. Pension staff is working with IT to ensure that the Fund is able to provide all required information.
- Pension Staff is obtaining a quote for audit services.
- The Actuary Committee will review and decide what course to take in addressing the concerns expressed by City Council regarding the audit of the Fund's actuary.

**No action taken on this item.**

- Item 14. Discussion and action regarding the following Committee reports/assignments:
- A. Actuary Committee – Committee did meet, addressed in Item 9.
  - 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 February 18, 2014. The Committee reviewed the monthly “flash” report for the month of January 2014 and the quarterly investment performance report for the quarter ended December 31, 2013.

The Committee received semi annual investment portfolio performance reports from INVESCO and the Administrator and Investment Consultant reviewed the presentation materials from ROBECO. No material exceptions were noted in their reports.

The Committee also reviewed the preliminary search report for an emerging markets investment manager. The Committee was able to narrow the search to three finalists who will make a presentation to the Investment Committee at their next meeting. The three finalist firms are AQR Capital management, Eaton Vance Management and Delaware Investments.

The next regularly scheduled Investment Committee meeting is scheduled for March 18, 2014. Everyone is invited.

**No action taken on this item.**

- E. Personnel Committee - Committee did not meet. Scheduled to meet in March.
- F. Retiree Committee - Committee did meet, addressed in Item 9.

Tyler Grossman, El Paso Police/Fire Pension Board Chairman and TEXPERS Board Member, addressed the Board. Mr. Grossman provided an overview of TEXPERS role in protecting defined benefit plans, developing continuing education and he encouraged the Board to attend the TEXPERS annual conference.

Item 15. For Notation:

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

B. Refund of Contributions:

	NAME	DEPARTMENT	TOTAL REFUND	
1	Aguilar, Adrian	Mass Transit	\$1,503.46	
2	Avila, George Jr.	Police	\$1,803.11	
3	Banuelos, Mychael	Environmental Svces	\$759.65	
4	Campos, Pedro	Zoo	\$4,093.46	
5	Chavira, Delia	Health	\$61,111.48	**
6	Do, Anh D.	Environmental Svces	\$13,081.82	
7	Dominguez, Luis	EPWU	\$45,658.87	
8	Escobedo, Victor	Environmental Svces	\$640.17	
9	Flores, Carlos	Mass Transit	\$17,253.02	
10	Gomez, Roberto	Environmental Svces	\$1,296.40	
11	Hobbs, Samantha	EPWU	\$689.65	
12	Martinez Jr., Armando R.	IT	\$1,061.95	
13	Mitchell, Laiza	Health	\$18,228.78	
14	Morales, Elisa C.	IT	\$3,768.54	
15	Salazar, Marco	Mass Transit	\$15,567.97	
16	Valenzuela, Luis	Environmental Svces	\$1,589.87	
17	Vandenburg, Robert	Mass Transit	\$21,661.02	
18	Virchis, Carmen	EPWU	\$12,089.96	
<b>TOTALS</b>			<b>\$221,859.18</b>	

\* Additional interest/contributions due

\*\* Eligible for Early Retirement

**Rene Peña, Chairman, amended Item 15 as follows: Employee listed under number 5 is eligible for Early Retirement (single asterisk should be replaced with a double asterisk.)**

Item16. 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

Item 17. Adjournment

**Motion made by Presi Ortega to adjourn the El Paso City Employee's Pension Fund Board meeting on February 19, 2014; seconded by Christina Stokes and Mario Hernandez. Motion carried @ 10:11 A.M. (unanimous).**