

**THE EL PASO CITY EMPLOYEES' PENSION FUND
BOARD MINUTES FOR THE REGULAR MEETING
HELD WEDNESDAY FEBRUARY 18, 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
Presi Ortega
Mario R. Hernandez
Pat Aauto
Christina Stokes
America Luna

Members Absent:

Dr. Michiel Noe, City Representative
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
Charlie Lino, Financial Reporting Coordinator
Richard Campos, City's IT Enterprise Applications Administrator
John Forelli, CFA Boston Partners

- Item 1. Rene Pena, Chairman, called the meeting to order at 8:39 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 21, 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	Bustos, Salvador	Airport	08 years 11 months
2	Chesak, Ross A.	Community Dev	24 years 09 months *
3	DeBeer, Linda G.	Mass Transit	12 years 07 months
4	Ellington, Michele	Community Dev	29 years 05 months
5	Gallardo, Pedro	Mass Transit	16 years 11 months *
6	Grant, Terri M.	Library	21 years 02 months
7	Nuzzo, Vincenzo	Community Dev	20 years 11 months *
8	Perez, Diane	EPWU	23 years 07 months
9	Perez, Rene	EPWU	13 years 08 months *
10	Salas, Jose A.	Airport	26 years 01 month
11	Salazar, Edward G.	Airport	23 years 00 months
12	Silva, Daniel	Police Dept.	23 years 11 months
13	Trivizo, Juan Antonio	Env Svces	12 years 09 months
14	Kerwin, Jesse	Fire	13 years 01 months *
B.	Early:		
1	Lozoya, German	Mass Transit	18 years 08 months *
2	Montoya, Francisco	EPWU	13 years 01 month
3	Urbina, Sylvia	Env Svces	11 years 03 month
C.	Deferred:		
1	Enriquez, Rogelio	Dept. of Transp.	20 years 08 month

* 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. Figueroa, Ruth survivor of William Figueroa, retiree
- B. Loera, Maria E. de survivor of Ruben Loera, retiree
- C. Nealis, Rosa M. survivor of John D. Nealis, retiree
- D. Sharp, Susan survivor of David H. Sharp, 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.	AQR Emerging Equities Fund LP	Investment Fees	January 31, 2015	\$11,560.00	**
B.	BKD LLP	Audit Fees	YE August 31, 2014	\$9,500.00	
C.	Buck Consultants LLC	Consulting Fees	January 31, 2015	\$12,247.00	
D.	Denver Investment Advisors	Investment	January 31, 2015	\$8,069.00	**
E.	Gordon Davis Johnson & Shane PC	Legal Fees	December 31, 2014	\$180.25	

F. Invesco	Investment	Qtr End Dec 31, 2014	\$39,568.84	**
G. Janus Capital Group	Investment Fees	Qtr End Dec 31, 2014	\$63,332.26	
H. Lazard Asset Management	Investment Fees	Qtr End Dec 31, 2014	\$60,049.22	**
I. Riverbridge Partners LLC	Investment Fees	Qtr End Dec 31, 2014	\$44,200.16	
J. Robeco Investment Management	Investment Fees	Qtr End Dec 31, 2014	\$23,862.58	
K. UBS Realty investors LLC	Investment Fees	Qtr End Dec 31, 2014	\$115,167.41	**
L. Wedge Capital Management LLP	Investment Fees	Qtr End Dec 31, 2014	\$49,386.35	
M. Eduardo Miranda	Legal Fees	January 31, 2014	\$612.50	

* 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 Mario Hernandez. 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 January 31, 2015.

Charlie Lino, Financial Reporting Coordinator, of the City Comptroller's Office presented; the Board received and reviewed the Treasurer's Report for months ending January 31, 2015.

For the month of January, the total cash and investments decreased by \$5.6 million and net assets available for benefits decreased by \$4.9 million. However, there has been some recovery in February in net appreciation of fair value of assets. The summary of quarterly statement for net changes remains relatively equal to prior months: there continues to be a negative appreciation in assets and the amount available for benefits remains at approximately \$720 million. The fiscal year to date appreciation of investments is -0.64%.

In the Pension Administration actual/budget comparison, the percentage utilized for two categories are over budget due to annual payout: Workers Compensation and professional licenses and membership.

Motion made by Presi Ortega to accept the Treasurer's Report for the month ended January 31, 2015 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.

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.

IT continues to work with Pension Staff to resolve issues with periodic processing resulted from the previous software re-implementation. Periodic processing has been updated through December; however individual issues are still being reviewed. Once all issues have been resolved, the benefit statement comparison reports will be generated for review by Pension Staff. Trustees' discussed the residual issues and questioned the schedule; IT could not provide a definitive timeline for completion.

The 1099R Forms were completed on schedule in January. At this time, there is no update on the status of the pension module consultant.

The Board Members asked questions to the presenter.

No action required on this item.

- Item 8. Discussion and action regarding the possible investment in a global REIT portfolio.

Motion made Pat Aduato to table Item 8; seconded by Christina Stokes. Motion carried (unanimous.)

- Item 9. Discussion and action regarding the receipt of an investment manager report from Robeco.

John Forelli, CFA of Boston Partners, presented. The Board received and reviewed the investment manager report from Robeco/Boston Partners.

Going forward the firm will only be referred to as Boston Partners as they have completed their rebranding (previously identified as Robeco/Boston Partners.)

The Board reviewed additions to the firm's investment team, performance objectives, asset allocation and guidelines. Boston Partners has been in the top quartile in its peer group. The firm has transitioned from a domestic to a global investment manager; staffing reflects that transition. Over the next twelve months REITs will remain underweight in the portfolio and Energy allocation is expected to increase based on the price of oil.

Boston Partners manages a large cap value portfolio for the Fund. Large cap value is the flagship strategy for Boston Partners. The Fund's net investment is negative \$12 million; the total assets remaining in the Fund's portfolio is \$37 million. The total assets managed by the firm in the large cap value strategy are \$31.5 billion.

The Board reviewed the firm's performance versus the large cap value benchmark and the S&P 500. After fees the compounded returns for the Fund have been 2% higher than the benchmark. However, in last year's bull market the firm trailed the benchmark; performance is measured over 3-5 year period. Historically the portfolio outperforms in a down market.

The Board Members asked questions to the presenter.

No action required on this item.

Item 10. 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 January 31, 2015, the 4th Quarter 2014 Market Update and the quarterly investment performance report.

The Board received and reviewed the 4th Quarter 2014 Market Update. Domestic markets have performed well; year to date the Russell 3000 was up 13%. For the calendar year the domestic economy grew 2.4%; continuing an increasing trend and expected to increase to 3% in 2015. Globally, international markets both developed and emerging were negative in part due to the strengthening dollar. Europe is struggling with deflation; consequently, the European Central Bank announced the launch of a government bond purchase program. As of 2/13/15, the Russell 3000 is up an additional 2.3%, international developed stocks are up an encouraging 3.7%, emerging markets are positive 3.3%, bonds are up 0.8%, and MLPs are positive 0.7%. Regarding sector performance, utilities was the best performing sector for the quarter. The 10-year Treasury yield fell 35 basis points during the quarter; the rate is constant with sporadic fluctuations, however interest rates are expected to increase in 2015.

The Board also received and reviewed the quarterly investment performance report. The total fund return for the 4th quarter was up 2.2%, better than the target return of 1.5%. The manager effect was positive adding value of 58 basis points, except for fixed income with a negative 36 basis points for the quarter. The asset allocation effect was also positive largely because the portfolio was underweight in MLPs. For the year, the total return was 6.3% which is under the target rate for 2014. Overall the manager’s effect was negative particularly because of domestic equity and fixed income; the asset allocation effect was also slightly negative. Denver and Touchstone are two managers that are on watch. In 2014, Denver underperformed in three of the four quarters mainly due to stock selection; Touchstone had four straight quarters of underperformance in 2013, although Touchstone has had some recovery in 2014, Callan recommends they remain on watch. For the last year in a peer comparison, the Fund was above the median in the 43rd percentile; for the last three years the Fund has been in the top quintile.

The Board received and reviewed the monthly “flash” report for the period ended January 31, 2015. The Board reviewed active management returns. Denver, a manager on watch, outperformed the benchmark last month, but remains behind for the last year. Overall the portfolio underperformed the benchmark by approximately 20 basis points; over the last year the Fund is ahead of the benchmark but trails the target rate of return.

The Board Members asked questions to the presenter.

No action required on this item.

Item 11. Discussion and action regarding a report from the Pension Administrator.

Robert Ash, Pension Administrator, reported on the following:

- TEXPERS is holding a conference in Austin from March 29th to April 1st.
 - There is a training component, which will meet the state requirements for continuing education.
- NCPERS is holding a conference in New Orleans from May 3rd thru May 5th.
- Final audit and actuary reports have been provided to Trustees.
- The annual financial report will be provided to the Board in March.

- The audit, actuary and annual reports will be provided to Mayor and Council; Pension Administrator to review reports with certain City staff.
- Form 1099R was released on schedule.
- Benefit statements are being processed for tentative release in April; IT and Pension staff continue to review errors.
- Pension staff has contacted the State Pension Review Board (PRB) regarding a comparison report of Texas pension funds which was released to state legislatures; there is an issue with the date of the information which can vary by plan.
- Pension staff will continue to monitor the state legislative session for any legislation that may affect pension plans.

No action required on this item.

- Item 12. 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 February 17, 2015. The Committee received a monthly “flash” performance report for January 2015 and a quarterly investment performance report for the quarter ended December 2014 from Callan Associates.

Next the Committee received semiannual investment manager reports from Vulcan Value Partners, INVESCO and ROBECO/Boston Partners. The Committee members were able to ask questions of the presenting firms. No material exceptions were noted in their respective reports.

The Committee then engaged in a follow-up discussion related to the possibility of investing in a global REIT portfolio. Callan Associates explained the rationale for possibly investing in this strategy. The Committee requested that Callan provide additional information.

The Committee and investment consultant discussed the possibility of currency hedging for the Fund’s international investments. The Committee requested that Callan provide an education session regarding currency hedging possibilities at a future Committee meeting.

The next regularly scheduled meeting of the Investment Committee is scheduled for March 17, 2015.

No action required on this item.

- E. Personnel Committee - Committee did meet.

Mario Hernandez read the Personnel Committee minutes:

The Personnel Committee met on February 2, 2015. The Committee reviewed the job descriptions of the Fund’s Benefit Technician and Benefit Budget Specialist. The Administrator indicated that the job descriptions were reviewed by staff and the staff recommended some minor changes. The proposed changes appeared reasonable and the Committee recommended that the changes be approved as proposed. The Committee requested that an agenda item be placed on the next pension board meeting agenda for consideration.

The Committee also reviewed the annual performance evaluation of the Pension Administrator. The Committee had the opportunity to discuss the evaluation, as prepared by the Board Chairman, with the Administrator. The Committee recommends that the evaluation be accepted and approved by the Board of Trustees at their next meeting.

No action required on this item.

F. Retiree Committee - Committee did not meet.

Item 13. For Notation:

A. Directed brokerage credit balance for month ended December 31, 2014: \$137,121.58

B. Refund of Contributions:

	NAME	DEPARTMENT	TOTAL REFUND	
1	Almanza, Francisco	Airport	\$57,838.15	**
2	Baughman, Michael Ray	EPWU	\$2,514.17	
3	Chavarria, Alfredo	DOT	\$8,084.72	
4	DeGracia Delgado, Katherine	Fire	\$16,896.94	
5	Duran, Edwin	Env. Svces	\$2,219.54	
6	Escalona, Iris	Municipal Court	\$7,487.03	
7	Garcia, Desiree E.	EPWU	\$6,362.99	
8	Gaytan, Ernesto	Zoo	\$5,096.31	
9	Gomez, Gloria	Municipal Clerk	\$3,779.88	
10	Mares, Marissa A.	EPWU	\$4,529.73	
11	Meraz, Alejandro	Library	\$2,986.63	
12	Morales, Claudia	IT	\$3,264.69	
13	O'Connell, Christina	Health	\$8,308.06	
14	Politz, Kevin	Env. Svces	\$3,012.74	
15	Plummer, Stephen	Police	\$1,909.12	
16	Quevedo, Priscila	Health	\$7,514.05	
17	Rios, Luis	Env. Svces	\$8,196.24	
18	Vargas, Juan	EPWU	\$13,191.58	
	TOTALS		\$163,192.57	

* Additional interest/contributions due

** Eligible for Early Retirement

For notation, no action required on this item.

Motion made by Presi Ortega to go into Executive Session to discuss items under Section 551.071, 551.072 and Section 551.074; seconded by Mario Hernandez. Motion carried @ 9:45 A.M. (unanimous.)

The Board reconvened from Executive Session @ 10:31 A.M.

Item 14. 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 551.072** Discussion and action regarding the possible purchase of real property.

Motion made by Karl Rimkus to authorize the Pension Administrator to pursue the appraisal on prospective real estate; seconded by Presi Ortega. Motion required polling:

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

Motion carried.

B. **Section 551.071 and 551.074** Discussion and action regarding the annual performance evaluation of the Pension Administrator.

Motion made by Mario Hernandez to accept the performance evaluation of the Fund's Pension Administrator and directed legal counsel to meet with the Pension Administrator to review his contract; seconded by Presi Ortega. Motion required polling:

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

Motion carried.

Item 15. Adjournment

Motion made by Presi Ortega to adjourn the El Paso City Employee's Pension Fund Board meeting on February 18, 2015; seconded by Pat Aauto. Motion carried @ 10:33 A.M. (unanimous).