

**THE EL PASO CITY EMPLOYEES' PENSION FUND
BOARD MINUTES FOR THE REGULAR MEETING
HELD WEDNESDAY, JANUARY 18, 2017, AT 8:30 A.M.
CITY HALL, CITY COUNCIL CHAMBERS, 300 N. CAMPBELL**

Members in Attendance:

Karl C. Rimkus, Chairman
Rene Peña, Vice Chairman
Presi Ortega
Rep. Lily Limón
Rebecca L. Torres
Ed Archuleta
Christina Stokes
Rep. Jim Tolbert
Mario R. Hernandez

Members Absent:

Others in Attendance:

Eduardo Miranda, Attorney
Charles Lino, Assistant Comptroller
Robert Ash, Pension Administrator
Patricia Hickman, Deputy Pension Administrator
David Garcia, Payroll/Accounts Payable Specialist
Karina Chavez, Retiree Coordinator/ Data Entry Clerk
Paul Erlendson, Callan Associates
Richard Campos, City's DoIT Enterprise Applications Administrator
Enrique Martinez, City's DoIT
Iwan Djanali, AQR Capital Management
Scott Metchick, AQR Capital Management

- Item 1. Karl Rimkus, 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 Regular Board meeting of December 15, 2016.

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	Balderrama, Maria	Public Health	15 years 06 months
2	Beatty, Sue E.	Public Health	28 years 09 months
3	Becker, Ronald Gerard	EPWU	12 years 06 months
4	Duenas, Lourdes	Police	13 years 08 months *
5	Elliott, Mary Neville	Airport	31 years 04 months
6	Flores, Julian	SAM	25 years 04 months *
7	Luebke, Jerry Allen	Zoo	29 years 02 months *
8	Mendizabal, Ernesto	EPWU	27 years 00 months *
9	Moreno, Gumaro	Fire	19 years 04 months
10	Moreno, Joel	Mass Transit	24 years 04 months *
11	Munoz, Ruben Mendoza	EPWU	21 years 01 month
12	Reyes Jr., Juan	Mass Transit	20 years 02 months *
13	Rios, Socorro F.	Municipal Clerk	11 years 01 month
14	Shipp, Barbara Ann	Planning & Inspections	30 years 00 months
15	Subia, Ricardo	EPWU	28 years 11 months
16	Valdez, Carlos Angel	EPWU	07 years 07 months
B.	Early:		
1	Lugo, Alejandro	Mass Transit	17 years 03 months *
2	Romero, Melissa A.	Police	19 years 06 months
3	Urueta, Albert	SAM	11 years 06 months
C.	Deferred:		
1	Cutter, Minerva	Public Health	08 years 07 months
2	Flores, Gerardo	EPWU	25 years 04 months
D.	PRP:		
1	Aguirre, Alfredo	EMS- Fire	11 years 03 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. Calderon, Celia L. survivor of Bernabe Calderon, retiree.
- B. Ceballos, Maria survivor of Raymundo Ceballos, retiree.
- C. Murguia, Maria A. survivor of Jose L. Murguia, retiree.
- D. Rodelas, Clara L. survivor of Jesus Rodelas, retiree.
- E. Tellez, Elena Rios survivor of Felix M. Tellez, 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	Investment Fees	December 31, 2016	\$10,304.00	**
B. AQR Style Premia Fund, LP	Investment Fees	December 31, 2016	\$18,912.00	**
C. BNY Mellon Asset Services	Custodial Fees	Qtr. Ended Sept. 30, 2016	\$35,073.89	
D. Buck Consultants LLC	Actuarial Fees	November 30, 2016	\$3,372.00	
E. Callan Associates Inc.	Consulting Fees	Qtr. Ended Dec. 31, 2016	\$64,317.73	
F. Denver Investment Advisors	Investment Fees	December 31, 2016	\$8,385.00	**
G. Eduardo Miranda	Legal Fees	December 31, 2016	\$487.50	
H. Gordon Davis Johnson & Shane PC	Legal Fees	December 31, 2016	\$133.90	
I. Principal Global Investors	Investment Fees	December 31, 2016	\$4,932.49	**
J. Vulcan Value Partners, LLC	Investment Fees	Qtr. Ended Dec. 31, 2016	\$54,025.38	

* To be paid by Directed Brokerage credits.

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

*** Performance based fee.

Item 6. Discussion and action regarding the following Committee reports/assignments:

- A. Actuary Committee
- B. Ad-Hoc Facilities Committee
- C. Audit Committee
- D. Investment Committee
- E. Personnel Committee

**Motion made by Rene Peña to accept the Consent Agenda; seconded by Christina Stokes.
The motion required polling:**

Presi Ortega	aye
Rep. Lily Limón	aye
Ed Archuleta	aye
Christina Stokes	aye
Rene Peña	aye
Mario R. Hernandez	aye

Motion carried.

REGULAR AGENDA

Item 7. Discussion and action regarding the Treasurer's Report for the month ended December 31, 2016.

Charles Lino, Assistant Comptroller for the City of El Paso, presented; the Board received and reviewed the Treasurer's Report for the month ended December 31, 2016.

Lino noted that the totals are preliminary and are subject to being adjusted.

Lino reviewed the statement of net assets available for benefits. The unaudited totals in the statement are for the month ended December 31, 2016. Lino reviewed assets. The recovery in investments is reflected in the total assets available for benefits which increased by approximately 17.3 million dollars from November. Lino noted that the audited totals for fiscal year 2016 will be presented during the February Board Meeting.

Lino reviewed the statement of changes in net assets available for benefits. Lino noted the deficit in the first quarter of the fiscal year and noted the recovery in the four months ended December 31, 2016.

Lino reviewed the quarterly statement of changes in net assets available for benefits. Lino noted that the unaudited totals in the statement are for the first month in the second quarter.

Lino reviewed the investment income analysis. As of January 17, 2017, the investment earnings were at approximately 1.06 percent, which is a significant improvement from November.

Lino reviewed the administration actual/budget comparison. At the end of December, the expected budget utilization is approximately 33.3 percent; actual utilization was at about 26.3 percent. Lino noted that majority of the categories are under budget; Lino noted the exceptions.

Lino reviewed the ten-year graph of net assets available for benefits and the ten-year graph for investment income. Lino noted the recovery in December.

Motion made by Presi Ortega to accept the Treasurer's Report; seconded by Rep. Lily Limón. Motion carried.

- Item 8. Discussion and action regarding current IT issues and the potential involvement of ADP in resolving those issues.

Richard Campos, City's DoIT Enterprise Applications Administrator, reviewed the current IT issues. Campos listed the status for pending items:

1. DoIT is working on PSB adjustments to contributions for provisional appointments. Campos noted that Patricia Hickman, Deputy Pension Administrator, is assisting DoIT with the adjustments.
2. The City Employer contributions clean-up scripts are in progress.
3. Campos noted that the City has approved ADP as a vendor for HR and HR-related services. There was a meeting held on January 12, 2017, between City management and ADP. ADP will meet with Pension Administration on January 19th. Robert Ash, Pension Administrator, noted that Hickman will attend that meeting. Trustees discussed ADP's scope of work with Enrique Martinez of the City's DoIT.

When prompted by Ash, Campos advised that DoIT has completed the periodic processing for November and will begin the periodic processing for December. Ash noted that in order to process benefit statements, periodic processing must be completed through December. Benefit statements should be processed by April.

No action was taken on this item.

- Item 9. Discussion and action regarding death verification audit.

Robert Ash, Pension Administrator, presented; the Board received and reviewed the death verification audit. Ash advised that the report is completed every other month in order to find unreported deaths. The report did not identify any new names.

No action was taken on this item.

Item 10. Discussion and action regarding the receipt of an investment manager report from AQR Capital Management (Iwan Djanali, AQR.)

Iwan Djanali and Scott Metchick of AQR Capital Management presented; the Board received and reviewed the investment manager report from AQR Capital Management. (In this item the firm will be referred to as AQR.)

Djanali reviewed the firm. AQR manages two investments for the Fund: Style Premia and Emerging Equity. Djanali noted the firm's staff. Djanali described AQR as a systematic fundamental investor. Djanali reviewed the firm's investment process. The firm has approximately 175.2 billion dollars of assets under management including approximately 18 billion dollars invested in Style Premia and about 13 billion dollars invested in Emerging Equity.

Metchick reviewed the Style Premia Strategy. Metchick reviewed the focused styles in the strategy: Value, Momentum, Carry, and Defensive. Metchick reviewed the target strategic risk allocation. To balance and diversify style exposure, risk is allocated to available styles within each asset group.

Metchick reviewed the performance for the Style Premia Strategy. Metchick noted that there is not a full calendar year of performance to review as the Fund invested in the strategy in mid-April of 2016. Metchick provided a performance summary by quarter and reviewed contributing factors. Metchick reviewed performance attribution by style and asset class. The Board discussed performance attribution including in defensive stocks and fixed income. Trustee, Presi Ortega, requested a review of the absolute return strategy. Metchick reviewed strategy objectives, noted recent performance, and outlined expected performance. Investment consultant, Paul Erlendson of Callan, requested information on return. Metchick reviewed the expected rate of return and reviewed the correlation between volatility and diversification and reviewed the correlation between risk aversion and performance attribution.

Djanali reviewed the Emerging Equity Strategy. The objective of the portfolio is to outperform the MSCI Emerging Index. Djanali reviewed the investment process including risk management and multi-strategy investment. Djanali reviewed performance by stocks, country, and currency and noted the portfolio is "long only." Erlendson requested additional information on stock selection. Djanali reviewed the performance of stock selection since inception of the strategy. Djanali reviewed the performance by sectors and themes in stock selection noting the underperformance of momentum in 2016. Djanali reviewed emerging country performance and contributions in 2016. Board Vice Chairman, Rene Peña, requested information on continuity in the portfolio. Djanali and Metchick reviewed sector selection based on the firm's theme model including momentum and peer-to-peer comparisons. The Board discussed the expected geopolitical volatility and questioned the firm's sector and country exposure. Djanali provided the firm's outlook on emerging markets and reviewed the firm's risk-management model and the return generating model.

The Board discussed the two strategies. Robert Ash, Pension Administrator, defined emerging markets.

No action was taken on this item.

Item 11. Discussion and action regarding an amendment to the Fund's Investment Rules to reflect the asset allocation revised by the Board in December 2016 (Paul Erlendson, Callan.)

Paul Erlendson of Callan presented; the Board received and reviewed the draft amendment to the Fund's Investment Rules. Erlendson advised that the Investment Policy Statement must be revised to reflect the new asset allocation target. Erlendson reviewed the amendments and suggested language. Erlendson noted that the draft Investment Policy Statement has been reviewed by the Fund's Investment Committee. Robert Ash, Pension Administrator, noted that the amendments are intended to reflect the new asset allocation which was approved by the Board in December.

Motion made by Presi Ortega to approve; seconded by Rene Peña. Motion carried.

Item 12 Discussion and action regarding a report from Callan Associates (Paul Erlendson, Callan.)

Paul Erlendson of Callan presented; the Board received and reviewed the preliminary "flash" report for December 2016.

Erlendson reviewed performance. Callan estimates that the total fund return was approximately 7.1 percent for the calendar year. Erlendson noted that the return rate is preliminary and will be adjusted pending valuation for private equity; Erlendson noted the performance of the private equity benchmark. Erlendson reviewed domestic equity return and diversification including strategy by manager to clarify the perceived performance discrepancy. The Board discussed performance by asset class including the underperformance of international equity. Erlendson reviewed the revised asset allocation noting that the international equity target has been reduced.

No action was taken on this item.

Item 13. Discussion and action regarding a proposed structural rebalancing to transition assets to the revised asset allocation (Paul Erlendson, Callan.)

Paul Erlendson of Callan presented; the Board received and reviewed the rebalancing worksheet.

Erlendson reviewed the proposed transition of assets noting the managers that will be eliminated: Mellon Emerging Markets Mandate, Denver International Small-Cap, and the Principal Global REIT portfolio. Erlendson reviewed target allocation. Erlendson reviewed the portfolio's risk profile and noted the expected delay in increasing allocation in private equity. In the interim, Callan recommends transitioning assets into public equity for liquidity and comparable risk.

Motion made by Mario R. Hernandez to authorize the transition of these assets as recommended by Callan Associates and authorize the Chairperson, Administrator, and Consultant to transition these assets; seconded by Rene Peña. The motion required polling:

Presi Ortega	aye
Rep. Lily Limón	aye
Rebecca Torres	aye
Ed Archuleta	aye
Christina Stokes	aye
Rep. Jim Tolbert	aye
Mario R. Hernandez	aye

Motion carried.

Item 14. Discussion and action regarding a private equity pacing analysis as prepared by Callan Associates (Paul Erlendson, Callan.)

Paul Erlendson of Callan presented; the Board received and reviewed the private equity pacing analysis.

Erlendson reviewed the Fund's commitment with Portfolio Advisor's primary and secondary vehicles. Erlendson reviewed expected performance including the J-Curve. In late-2016, the private equity target was increased from 7 percent to 10 percent. Callan recommended an additional 15 million dollar commitment to Portfolio Advisors.

Motion made by Presi Ortega to authorize an additional 15 million dollar commitment to Portfolio Advisors' PASF III and authorize those drawdowns as they may occur; seconded by Rep. Lily Limón. The motion required polling:

Presi Ortega	aye
Rep. Lily Limón	aye
Rebecca L. Torres	aye
Ed Archuleta	aye
Rene Peña	aye
Rep. Jim Tolbert	aye
Mario R. Hernandez	aye

Motion carried.

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

Robert Ash, Pension Administrator, reported on the following:

- The audit is ongoing pending the actuarial report. The Audit Committee will meet to review the audit. The Fund's actuarial account was recently transitioned to a different actuary. Ash noted that Buck Consultants is now called Conduit. The Actuary Committee will meet to review the actuarial valuation upon receipt. Both reports will be presented to the Board in February.
- The Personnel Committee will meet in February.
- Patricia Hickman, Deputy Pension Administrator, will meet with ADP to discuss data issues and possible resolutions.

No action was taken on this item.

Item 16. For Notation:

A. Directed brokerage credit balance for month ended November 30, 2016: \$128,930.68

B. Property Development Cost:

1. Stephan Schmitz December Construction Consultant Fees \$2,083.33

C. Refund of Contributions:

	NAME	DEPARTMENT	TOTAL REFUND
1.	Calderon, Jasmin	International Bridges	\$871.58

2.	Enriquez, Julio	EPWU	\$534.87
3.	Flores, Samantha	Health	\$8,130.34
4.	Gonzalez, Jazmine	Police	\$2,647.36
5.	Padilla, Saul	Mass Transit	\$11,441.21
6.	Pardo, Christian	Mass Transit	\$8,875.66
7.	Raya, Esteban	Parks & Recreation	\$757.19
8.	Robles, Fabiola	International Bridges	\$3,717.63
9.	Romero, Manuel	Fire	\$560.05
10.	Saiz, John	Fire	\$39,833.94
11.	Solis, Jesus	Environmental Services	\$6,625.98
12.	Vizcarra, Ellis	Mass Transit	\$2,256.85
13.	Wilcox, Adriana	Municipal Clerk	\$12,051.61
		Total	<u>\$98,304.27</u>

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

For notation, no action required on this item.

Item 17. 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 18. Adjournment

Motion made by Presi Ortega to adjourn the El Paso City Employee's Pension Fund Board Meeting on January 18, 2017; seconded by Rep. Lily Limón. Motion carried at 10:12 A.M.