

**THE EL PASO CITY EMPLOYEES' PENSION FUND
BOARD MINUTES FOR THE REGULAR MEETING
HELD WEDNESDAY JULY 16, 2014 AT 8:30 A.M.
CITY HALL, CITY COUNCIL CHAMBERS, 300 N. CAMPBELL**

Members in Attendance:

Rene Peña, Chairman
Presi Ortega
Christina Stokes
America Luna
Larry E. Romero, City Representative
Karl C. Rimkus
Cecilia A. Rios

Members Absent:

Mario R. Hernandez, Vice Chair
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
Denise Grizzle, City Comptroller's Office
Enrique Martinez, Interim Director of the City's IT Services
Richard Campos Jr., City's IT Dept.
Araceli Guerra, City's IT Dept.
Christopher Adey, AGF Investments
Robert Andron, El Paso Water Utilities

Item 1. Rene Pena, 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 June 18, 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	Alvarez, Beatriz	Legal	24 years 05 months
2	Gamez, Aurora	Health	10 years 05 months
3	Juarez, Ricardo	Library	37 years 00 months
4	Lilly, William	Community Dev.	08 years 09 months *
5	Louis, Oduma	Mass Transit	15 years 01 month *
6	Marquez, Ernesto	Library	38 years 03 months
7	Rios, Marcos	Mass Transit	23 years 03 months *
8	Sigala, Tomas	DOT	21 years 06 months *
9	Studer, William	Deputy City Mgr.	09 years 07 months
10	Yanagidate, Christine	Health	09 years 09 months
B. Early:			
1	Chavarria, Tomas	Env Svces	24 years 02 months *
C. Deferred:			
1	Luevano, Raul	General Services	07 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. Bolanos, Silvia survivor of Frank W. Moses, retiree.
- B. Steele, Patricia Ann survivor of Harry E. Steele, retiree.
- C. Stewart, Lilian T. survivor of Richard C. Stewart, retiree.
- D. Torres, Rosa survivor of Ramon Torres, 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> <u>\$\$</u>	
A.	AQR Emerging Equities Fund L.P.	Investment	June 30, 2014	\$11,991.00	**
B.	Callan Associates, Inc.	Consulting Fees	Q1 2014–Balance Due	\$2,000.00	
C.	Callan Associates, Inc.	Consulting Fees	Q2 2014	\$68,022.23	
D.	Eduardo Miranda	Legal Fees	June 30, 2014	\$337.50	
E.	Franklin Templeton - CT432-327	Investment	3 Mos. Ending 4/30/14	\$24,354.66	**
F.	Franklin Templeton - CT910-75	Investment	3 Mos. Ending 4/30/14	\$57,564.81	**
G.	Riverbridge Partners	Investment	Oct 17 – Dec 31, 2013	\$36,911.70	
H.	Riverbridge Partners	Investment	Q1 2014	\$44,264.06	
I.	Vulcan Value Partners, LLC	Investment	Q2 2014	\$79,271.90	

* 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 the Consent Agenda with the following corrections:

ITEM 3: Revise average listed, used to calculate the final pension benefit, to a 3 year average for retirees listed under numbers: A4, A8 and B1.

Seconded by Christina Stokes. Motion required polling:

Presi Ortega	aye
Christina Stokes	aye
Larry Romero	aye
Karl Rimkus	aye
Cecilia A. Rios	aye

Motion carried.

America Luna in after the polling for the Consent Agenda.

REGULAR AGENDA

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

Dr. Mark Sutter, Comptroller, presented; the Treasurer's Report for the period ending June 30, 2014 was distributed.

With the resignation of the City's CFO, Dr. Sutter will serve as the City's Interim CFO until the national recruitment for a replacement is completed. Denise Grizzle has been appointed as the Interim Comptroller and will be presenting to the Board in Dr. Sutter's absence.

The Board received a review of the Treasurer's Report for the period ending June 30, 2014. The larger deficit seen between benefits paid and contributions received is explained by the expense of the 13th check. At 15.74% return, the Fund has more than doubled the target rate of return of 7.50% for the fiscal year.

Motion made by Larry Romero to accept the Treasurer's Report for the month ending June 30, 2014; seconded by Christina Stokes. Motion carried (unanimous).

Item 7. Discussion and action regarding the presentation of a Board Service Award.

Robert Andron of El Paso Water Utilities accepted the Board Service Award. Robert Andron served on the Pension Board from 2008-2014.

No action required on this item.

Item 8. 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. Mr. Martinez reported that given that the benefit statements are ready for printing, IT will now dedicate their resources to resolving issues with the actuarial evaluation.

The new implementation partner is on schedule to begin in August, and further funding is available for developing a dedicated PeopleSoft team; IT will further discuss department

organization with the new City Manager. In the interim, time constraints limit IT's ability to implement updates; instead IT is developing customized processes for accessing data.

Robert Ash, Pension Administrator, advised that the Fund's Actuary and Auditors met on July 15th to develop a timetable. A data request received from the Fund's Actuary has been forwarded to IT.

No action required on this item.

- Item 9. Discussion and action regarding the Fund's asset allocation as prepared by Callan Associates.

Bill Howard of Callan Associates presented; report was distributed. The Asset Allocation Report projected return (at 10 years) and summarized the role of asset classes. The Board discussed two alternative asset allocation strategies which would include an MLP component.

Motion made by Presi Ortega to implement Alternative 2 as shown; seconded by Larry Romero. Motion carried (unanimous).

An amendment to reflect the change will be made to the Investment Policy Statement to be presented to the Board next month.

- Item 10. Discussion and action regarding the possible hire of an investment manager for a MLP portfolio.

Bill Howard of Callan Associates presented; report was distributed. The Investment Committee received finalist presentations for the possible management of a Master Limited Partnership portfolio from three firms.

Discussion ensued.

Trustees discussed the Board's role in reviewing matters referred to the Investment Committee. Suggestions made by Trustees included: having [investment manager] finalist present to the Board and/or having all Trustees attend Investment Committee meetings during presentations.

Motion made by Presi Ortega to authorize the Administrator to enter into contract negotiations with the firm recommended by the Investment Committee; seconded by Larry Romero. Motion carried (unanimous).

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

Chris Adey, AGF Investments, presented; report was distributed. The Board received a review of AGF's investment philosophy, performance, and structure. The portfolio is actively managed with a high tracking error of approximately 5.6%. AGF has appointed a new President and Chief Investment Officer, Kevin McCreadie. Recent year to date success (2.1% above the benchmark) has not superseded the poor performance experienced in 2013 (9.4% below the benchmark.)

Discussion ensued.

AGF echoed the Board's concern regarding the portfolio's underperformance and confirmed that their objective is to outperform the benchmark by 200-300 basis points.

AGF remains on watch.

No action required on this item.

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

Bill Howard of Callan Associates presented; report was distributed. Mr. Howard reviewed the monthly "flash" report for the period ending June 30, 2014. Mr. Howard advised that Robeco is changing their name to Boston Partners (which may appear in subsequent reports); however there will be no changes to their structure.

Trustees questioned the allocation in active management given recent underperformance. Mr. Howard advised that historically over full market cycles active management in international small cap and emerging markets (as in the Fund's portfolio) adds value. Performance is gauged over a 3-5 year period.

Karl Rimkus requested that speakers provide an electronic version of reports so Trustees can follow along.

No action required on this item.

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

Robert Ash, Pension Administrator, reported on the following:

- TEXPERS is having a summer conference in Houston, Texas from August 10-12, 2014.
- Benefit statements will be mailed by the end of the month.
 - If approved by the City Manager, the City's mailroom will assist in distributing the statements.
- Internal audit completed.
 - Internal Auditor has not been available to make a presentation to the Audit Committee; however, an Audit Committee meeting will be scheduled before next month's Board meeting.
 - A new purchasing/accounts payable policy will be established.
- Committee attendance is low.
 - Please attend your committee meetings in order to meet quorum.
 - Personnel Committee met to review the tuition reimbursement policy but there was no quorum.
 - Members in attendance agreed that there should be no change to the tuition reimbursement policy.
 - Members also directed staff to add a position to next year's budget (for half the year) for a Benefit Technician.
- The Pension Administrator will be on vacation from July 24th to Aug. 1st; He can be reached by cellphone.
 - Deputy Administrator will be available.

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 Continuing Education Committee - Committee did not meet.

Trustees discussed dissolving the Ad-Hoc Continuing Education Committee. It was resolved that although the State Pension Review Board is still developing their policy including the certification processing, the Fund's education policy is much more stringent and will not need to be revisited.

Motion made by Karl Rimkus to dissolve the Ad-Hoc Continuing Education Committee; seconded by Christina Stokes. Motion carried (unanimous).

- C. Ad-Hoc Facilities Committee - Committee did not meet.
- D. Audit Committee - Committee did not meet.

Rene Pena appointed America Luna to the Audit Committee.

- E. Investment Committee - Committee did meet.

Presi Ortega read the Investment Committee minutes: The Investment Committee met on July 15, 2014. The Committee reviewed the monthly "flash" report as prepared by Callan Associates. The Committee also received semiannual investment performance reports from AGF/Touchstone and Denver Investment Advisors. AGF is currently on "watch" and the Committee recommends that they stay on "watch." The Committee also discussed with Denver Investment Advisors their recent portfolio performance in detail.

The Committee also received finalist presentations for the possible management of a Master Limited Partnership portfolio. The Committee had the opportunity to ask questions of the presenting firms and received and reviewed materials from the presenting firms as well as the Fund's Investment Consultants. The Committee discussed the presentations of each firm and recommends that the Administrator be authorized to enter into contract negotiations with the recommended firm and authorize the Chairman or Administrator to sign the contract.

Finally the Committee reviewed a proposed change to the Fund's asset allocation. Callan presented a revised asset allocation to include a five percent (5%) allocation to MLP's. The Investment Committee recommends that asset allocation (Alternative 2) be approved by the Board of Trustees. Alternative two would add a 5% allocation to MLP's, decrease the allocation to bonds from 30 to 28%, increase real estate from 9 to 10 percent and decrease global equity (ex US) from 24 to 20 percent. The Committee requested that the consultant and administrator draft an amendment to the Fund's Investment Policy to incorporate these changes if approved by the Board.

The Committee also requested that Callan provide some training regarding absolute return strategies at the conclusion of August pension board meeting.

The next regularly scheduled Investment Committee meeting is scheduled for August 19, 2014.

No action required on this item.

- F. Personnel Committee - Committee did meet, but there wasn't a quorum.

Rene Pena removed Dr. Michiel Noe and appointed America Luna to the Personnel Committee.

- G. Retiree Committee - Committee did not meet.

Item 15. For Notation:

- A. Directed brokerage credit balance for month ended May 31, 2014: \$137,180.05
- B. Qualified Domestic Relations Order:
 - 1. Oduma Louis and Socorro B. Louis
- C. Refund of Contributions:

	NAME	DEPARTMENT	TOTAL REFUND
1	Baughman, Ray	General Services	\$2,032.51
2	Caballero, Alejandra	Health	\$3,377.10
3	Camarillo, Guillermo	City Development	\$2,187.53
4	Fisk, James	City Development	\$7,942.96
5	Gloria, Dianna	Mayor & Council	\$3,973.54
6	Gonzalez, Gabriel	Environmental Svcs.	\$916.06
7	Guevara, Jose	Parks & Recreation	\$3,430.79
8	Hernandez, Bruno	PSB	\$1,491.60
9	Laskowski, Barry	General Services	\$951.53
10	Licon, Victor	Environmental Svcs.	\$1,187.32
11	Nelson, Celeste Y.	Zoo	\$4,925.54
12	Rosales, Nancy J.	Fire	\$2,700.30
13	Soto, Pamela	Legal	\$557.11
	TOTALS		\$35,673.89

* Additional interest/contributions due

** Eligible for Early Retirement

For notation, no action required on this item.

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 **551.078** Discussion and action regarding the disability retirement application of Matthew Yacono.

The Board discussed postponing Item 16A for one month. **No action was taken.**

Item 17. Adjournment

Motion made by Larry Romero to adjourn the El Paso City Employee's Pension Fund Board meeting on July 16, 2014; seconded by Presi Ortega. Motion carried @ 10:18 A.M. (unanimous).