

**THE EL PASO CITY EMPLOYEES' PENSION FUND
BOARD MINUTES FOR THE REGULAR MEETING
HELD WEDNESDAY MARCH 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
Dr. Michiel Noe, City Representative
Pat Aauto
Christina Stokes
Larry E. Romero, City Representative
America Luna

Members Absent:

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
Paul Erlendson, Callan Associates
Denise Grizzle, CFPO Comptroller, City of El Paso
Tim Wilkinson, Riverbridge Partners

- Item 1. Rene Pena, Chairman, called the meeting to order at 8:33 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 February 18, 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	Almanzan, Maria C.	Airport/Admin.	18 years 10 months
2	Brunt, Larry B.	Environ. Svces.	07 years 02 months
3	Fleming, John T.	EPWU	22 years 09 months
4	Gonzalez, Jesus	Transportation	10 years 01 months *
5	Harper, Jacqueline	Municipal Clerk	14 years 10 months
6	Lira, Gerardo	Environ. Svces.	23 years 08 months
7	Marquez, Guadalupe	EPWU	27 years 00 months
8	Medina, Juan A.	EPWU	30 years 09 months
9	Mendez, Jose Eduardo	Tax Office	29 years 02 months
10	Morales, Irene	Human Resources	12 years 06 months
11	Orozco, Xavier R.	EPWU	18 years 09 months
12	Sierra, Alma	Financial Services	19 years 09 months
13	Sink, Mark	Environ. Svces.	16 years 08 months
B. Early:			
1	Hunter, Dehric B.	Streets	13 years 09 months
C. Deferred:			
1	Cortez, Gabino	Facilities	12 years 11 months
2	Silva, Ida	Police	28 years 11 months
3	Ray, Jimmy	Streets	12 years 10 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. Yacono, Matthew L. survivor of Jeanne Hendricks, 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 LP	Investment Fees	February 28, 2015	\$10,183.00	**
B.	BNY Mellon Asset Servicing	Custodial Fees	4 th Qtr. 2014	\$37,603.43	
C.	Buck Consultants	Consulting Fees	February 28, 2015	\$965.00	
D.	Denver Investment Advisors	Investment Fees	February 28, 2015	\$8,503.00	**
E.	Eduardo Miranda	Legal Fees	February 28, 2015	\$625.00	
F.	Franklin Templeton - CT432-327	Investment Fees	3 Mos. Ended 01/31/15	\$23,343.97	**
G.	Franklin Templeton - CT910-75	Investment Fees	3 Mos. Ended 01/31/15	\$71,900.42	**
H.	Gordon Davis Johnson & Shane PC	Legal Fees	January 31, 2015	\$403.76	
I.	Mellon Capital Management	Investment Fees	4 th Qtr. 2014	\$50,786.41	**

* To be paid by Directed Brokerage credits.

** For Notation Only - to be withdrawn from commingled account.

*** Performance based fee.

Motion made by Rep. Larry Romero to accept the Consent Agenda; seconded by Christina Stokes. Motion required polling:

Presi Ortega	aye
Rep. Dr. Michiel Noe	aye
Pat Aauto	aye
Christina Stokes	aye
Rep. Larry Romero	aye
Karl Rimkus	aye

Motion carried.

REGULAR AGENDA

Item 6. Discussion and action regarding the Treasurer's Reports for months ended February 28, 2015.

Denise Grizzle, CFPO Comptroller, presented; the Board received and reviewed the Treasurer's Report for month ended February 28, 2015.

The portfolio performed well in February. Total cash and investments increased by approximately \$23 million from January, which resulted in an increase in net assets available for benefits. The statement of changes reflects the expected deficit between contributions received and benefits paid. The quarterly statement for net changes remains relatively equal to prior months with the exception of an increase in net appreciation of \$14 million in fair value of investments. Although the rate of return increased in the second quarter to 2.5%, the portfolio continues to trail the target rate of 7.5% for the fiscal year.

In the Pension Administration actual/budget comparison, the percentage utilized for six months ended February 28, 2015 is slightly below budget with the exception of two categories that are over budget due to being paid once per year: Workers Compensation and Professional Licenses and Membership.

The Investment Income graph does not reflect the increase for February; a corrected report will be submitted to Trustees.

No action required on this item.

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.

Within the past month, IT completed a review of gaps in service credit. Presently, IT is reviewing the personnel service history and upon completion will generate the benefit statement comparison reports for review by Pension Staff. Benefit statements are expected to be released next month.

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 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 amendments to the job descriptions of the Fund's Benefit Technician and Benefit Budget Specialist.

Robert Ash, Pension Administrator, spoke. The Board received and reviewed the amendments to the job descriptions of the Fund's Benefit Technician and Benefit Budget Specialist.

The amendments were reviewed and recommended for approval by the Fund's Personnel Committee. Administration will seek an additional Benefits Technician.

Motion made by Mario Hernandez to accept the amendments to the job descriptions of the Fund's Benefit Technician and Benefit Budget Specialist; seconded by Rep. Larry Romero. Motion carried (unanimous.)

- Item 10. Discussion and action regarding the possible payment of a cost of living increase to retirees.

Robert Ash, Pension Administrator, addressed the Board. The Board received and reviewed the cost of living increase impact information.

The Trustees are granted by ordinance the responsibility of considering cost of living increases for retirees.

The Fund's Actuary Committee has met and provided a recommendation. Christina Stokes read the Actuary Committee minutes:

The Actuary Committee met on March 16, 2015. The Committee discussed the possibility of granting of an ad hoc cost of living increase to Fund retirees. The Committee reviewed the applicable Ordinance provision for granting a cost of living increase and the Board's Cost of Living Policy. The Committee also discussed with staff the current investment return for the fiscal year. The Committee also discussed the CPI increase for the past year as reported by the Bureau of Labor Statistics.

After discussion the Committee does not recommend granting a cost of living increase this year. As stated in the Fund's policy, a cost of living increase is designed to offset to some degree the increase in cost of living for retirees.

Material factors considered by the Committee were:

The CPI is currently negative .1 percent and with the drop in gas prices is expected to decline in the next few months; and

The Fund's investments have not yet produced the assumed investment return assumption of 7.5 percent for this fiscal year; and

Granting a cost of living increase will have a negative effect on the plan's funded percentage.

The Committee will meet again next year to consider granting a cost of living increase based upon the financial and actuarial position of the Fund at that time.

No action required on this item.

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

Tim Wilkinson, Riverbridge Partners, presented. The Board received and reviewed the investment manager report from Riverbridge Partners.

Riverbridge manages a small cap growth portfolio for the Fund. The Board reviewed the firm's organization, investment philosophy and performance goals. The firm's goal is to outperform their benchmark, Russell 2000 Growth, over an entire economic cycle which is typically 4-8 years.

The Board discussed the firm's performance since inception and requested a peer performance comparison over the past three years. Riverbridge has a lower turnover than its peers at 15% per year, a 7 year holding per security. Riverbridge's highly concentrated portfolio struggled more than its peers. Returns for the past year have trailed the benchmark.

The Board discussed how the market outlook would affect the portfolio. Aside from the average turnover, Riverbridge does not plan to make any major changes to the holdings in the portfolio. The expected interest rate increase would benefit the portfolio.

The Board Members asked questions to the presenter.

No action required on this item.

- Item 12. Discussion and action regarding the possible investment in a global REIT portfolio.

Robert Ash, Pension Administrator, addressed the Board. The Board received and reviewed the Global REIT Search report. The issue of the possible investment in a global REIT portfolio has been addressed by Trustees in consecutive Board Meetings.

Presi Ortega read the Investment Committee minutes:

The Investment Committee met on March 17, 2015. The Committee received and reviewed the monthly investment performance report for the month of February 2015. The Committee noted that the investment performance was positive for the month.

UBS real estate next presented to the Board. The returns of the private real estate portfolio were reviewed. The Committee members asked questions of the presenting firms and reviewed their written materials. No material exceptions were noted in their report.

Next the Committee heard from Riverbridge Partners regarding the performance of the small cap equity investments. The Committee members asked questions of the presenting firm and reviewed the written materials which were presented. No material exceptions were noted in their report.

Finally, the Committee reviewed a potential allocation to global REIT's. The Committee recommends that \$7.5 million dollars be reallocated to Principal Global Investors to manage a global REIT portfolio. The money for this reallocation will come from the current REIT

allocation. The Committee requested that an item be placed on the next Board agenda to discuss and possible approval of this reallocation.

The next scheduled meeting of the Fund's Investment Committee will take place on April 14, 2015.

Motion made by Karl Rimkus that \$7.5 million dollars be reallocated to Principal Global Investors to manage a global REIT portfolio and to authorize the Pension Administrator and Callan to transition those assets and sign any related documents; seconded by Presi Ortega. Motion required polling:

Presi Ortega	aye
Mario Hernandez	aye
Rep. Dr. Michiel Noe	aye
Pat Adauto	aye
Christina Stokes	aye
Rep. Larry Romero	aye
Karl Rimkus	aye

Motion carried.

Item 13. Discussion and action regarding a report from Callan Associates.

Paul Erlendson of Callan Associates presented; the Board received and reviewed the monthly "flash" report for the period ended February 28, 2015.

The presenter provided a performance review of Riverbridge Partners. The firm's poor performance since inception has steadily improved. Callan affirmed that Riverbridge has met the requisites of their investment management agreement. The firm is making a recovery. Riverbridge was ranked in the 14th percentile for the 4th quarter in a peer comparison.

The Board received and reviewed the monthly "flash" report for the period ended February 28, 2015. The Board reviewed asset allocation. The Fund maintains relatively fixed risk as defined by the strategic policy. The portfolio has 64% allocation in growth assets and 36% in income. Majority of the managers in the portfolio hold between 2-6% of the asset allocation with few exceptions. Callan affirmed that the Fund has designed the portfolio to meet the cash flow needs of the Fund.

The Board reviewed the performance of active management and the style biases that affect managers. The diversification of the portfolio has attributed to the excess return over the index. Overall the portfolio has performed well.

The Board Members asked questions to the presenter.

No action required on this item.

Item 14. Discussion and action regarding training by Callan Associates regarding currency hedges.

Andy Iseri of Callan presented; the Board received and reviewed the presentation on currency.

The Board reviewed terminology and compared the Fund's currency exposure to peer groups. The Fund has similar exposure to the median of Callan's Public Plan Sponsor database. Only two

active managers in the Fund's portfolio explicitly manage currency; approximately 20% of assets are natural exposures that are not explicitly managed in the Fund's portfolio.

The Board discussed currency performance, volatility, risk and correlations. The Board reviewed the annual EAFE performance and compared US currency to eight other currencies noting that performance is reciprocal.

The Board reviewed ways to manage currency exposures and hedging ratio options: unhedged – accept the currency effects, passive hedge – seek to remove currency risk at static level, active hedge – seek to remove currency risk at dynamic levels from 0% to 100%, and active overlay – seek absolute return.

The Board reviewed common models and the effect of current events on the currency market. A hike in interest rates will affect the currency market.

The Board Members asked questions to the presenter.

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:

- 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 7th.
- The Fund has achieved certified status to present training; the training will meet the state requirements for continuing education and is subject to additional requirements in order to maintain the certified status.
- Texas Legislature is in session; Trustees received a list of bills introduced during this session.
 - Pension staff will continue to update the Board on the status of bills that may affect the Fund.
- New QDRO guidelines have been approved administratively.
 - The new guidelines have been reviewed by legal counsel.
- The city is completing a survey regarding military service in order to discuss the possibility of granting service credit to employees with military service.
- Employee elections will be in April. The City Clerk's Office will be submitting notification.

No action required on this item.

Item 16. Discussion and action regarding the following Committee reports/assignments:

- A. Actuary Committee - Committee did meet; gave report under Item 10.
- B. Ad-Hoc Facilities Committee – Committee did not meet.
- C. Audit Committee - Committee did not meet.
- D. Investment Committee - Committee did meet; gave report under Item 12.
- 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 January 31, 2015: \$136,485.83

B. Refund of Contributions:

	NAME	DEPARTMENT	TOTAL REFUND	
1	Andino, David	Fire	\$6,497.16	
2	Balderrama, April	EPWU	\$647.54	
3	Cuevas, Alfredo	Mass Transit	\$4,866.82	
4	Foote, Sheryl A. Beneficiary of Christian Montgomery	Environ. Svces	\$3,472.54	
6	Hernandez, Marco A.	EPWU	\$20,443.21	
7	Jacques, Moses	Fire	\$25,904.45	**
8	Lopez, Gustavo	General Services	\$4,811.66	
9	Marquez, Erika	Health	\$3,269.74	
10	Marquez Jr., Gilberto	EPWU	\$3,331.53	
11	Martinez, Alejandro	Fire	\$1,814.43	
12	Moreno, Jess	EPWU	\$3,944.20	
13	Murphy, Erik	EPWU	\$14,103.39	
14	Najera, Renee	Mass Transit	\$968.96	
15	Nieto, Alynha	Fire	\$1,019.77	
16	Nouri, Robert	Mass Transit	\$1,237.32	
17	Ontiveros, Gabriel	Airport	\$1,436.62	
18	Rivas, Steve	Environ. Svces	\$1,124.35	
19	Rodriguez Jr., Andres	Mass Transit	\$1,542.30	
20	Rojas, Elizabeth	Health	\$5,603.25	
21	Saenzpardo, Alonso	Fire	\$4,401.87	
22	Silva, Mark	City Development	\$33,932.45	**
23	Soto, Vicenta	EPWU	\$8,997.31	
24	Vasquez III, Abraham	Engineering	\$3,038.10	
	TOTALS		<u>\$156,408.97</u>	

* Additional interest/contributions due

** Eligible for Early Retirement

For notation, no action required on this item.

Motion made by Karl Rimkus to go into Executive Session to discuss items under Section 551.071 and 551.072; seconded by Mario Hernandez. Motion carried @ 10:20 A.M. (unanimous.)

Motion made by Rep. Larry Romero to reconvene from Executive Session; seconded by Christina Stokes. Motion carried @ 10:33 A.M. (unanimous.)

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

Motion made by Karl Rimkus to continue negotiations concerning the real property that the Board has been considering; seconded by Rep. Larry Romero. Motion required polling:

Presi Ortega	aye
Mario Hernandez	aye
Pat Aauto	aye
Christina Stokes	aye
Rep. Larry Romero	aye
Karl Rimkus	aye
America Luna	aye

Motion carried.

Item 19. Adjournment

Motion made by Rep. Larry Romero to adjourn the El Paso City Employee's Pension Fund Board meeting on March 18, 2015; seconded by Presi Ortega. Motion carried @ 10:34 A.M. (unanimous).

Secretary

Chairman