

**THE EL PASO CITY EMPLOYEES' PENSION FUND
BOARD MINUTES FOR THE REGULAR MEETING
HELD WEDNESDAY, MARCH 15, 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
Rep. Lily Limón
Rebecca L. Torres
Ed Archuleta
Rep. Jim Tolbert
Mario R. Hernandez

Members Absent:

Presi Ortega
Christina Stokes

Others in Attendance:

Eduardo Miranda, Attorney
Luis Mier, Treasury Services Coordinator for the City of El Paso
Robert Ash, Pension Administrator
Patricia Hickman, Deputy Pension Administrator
David Garcia, Payroll/Accounts Payable Specialist
Karina Chavez, Retiree Coordinator/ Data Entry Clerk
Alma Duenas, Benefits/Budget Specialist
Bill Howard, Callan Associates
Richard Campos, City's DoIT Enterprise Applications Administrator
Enrique Martinez, City's DoIT
Araceli Guerra, City's DoIT
Kimberly Henry, BNY-Mellon
Brian Chorba, BNY-Mellon
Tim Wilkinson, Riverbridge
David Choe, Riverbridge
Christina Polito Fyelling, Heitman
Maria Mendoza
Romelia Rocha
Rosie Felix
Efrain Rivas Kline
Luz Elena Kline Urenda

Item 1. Karl Rimkus, 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 15, 2017.

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, Martin	Streets	31 years 02 months
2	Crowe, Richard Allen	EPPD	14 years 07 months
3	De La Cruz, Angie	Sun Metro	24 years 04 months
4	Duran, Eliseo	Parks & Recreation	20 years 09 months
5	Flores, Luis Sergio	Streets	08 years 03 months
6	Frias, Eduardo Alberto	Streets	25 years 07 months
7	Gordon, Laura P.	City Attorney	30 years 09 months
8	Knapp, Michael	EPWU	16 years 03 months
9	Martinez, Andres Armando	Comptroller	12 years 02 months
10	Martinez, Rosa Leticia	Airport	10 years 03 months
11	Martinez, Sylvia	Health	07 years 03 months
12	Ramirez, Stephen	EPWU	10 years 10 months
13	Rodriguez, Alfred	Streets	30 years 01 month *
14	Ruffner, Beatriz	EPWU	13 years 01 month
15	Shaar, Anthony C.	Comm & Human Dev	30 years 0 months
B.	Deferred:		
1	Macias, Victor	Streets	26 years 09 months *
2	Montalvo, Jorge Ignacio	EPWU	24 years 07 months
3	Moreno, Cesar Octavio	Health	09 years 06 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. Paz, Mary Solis survivor of Alfredo Paz, retiree.
- B. Vasquez, Dolores survivor of Louis Vasquez, retiree.
- C. Velasco, Maria G. survivor of George Velasco, 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 Style Premia Fund, L.P.	Investment Fees	Mo. Ended 01/31/17	\$19,039.00	**
B. AQR Emerging Equities Fund LP	Investment Fees	Mo. Ended 01/31/17	\$10,456.00	**
C. Mellon Capital Management Corp.	Investment Fees	Qtr. Ended 12/31/16	55,563.70	
D. Buck Consultants, LLC	Actuarial Fees	Mo. Ended 01/31/17	\$23,885.00	
E. Denver Investments	Investment Fees	Mo. Ended 01/31/17	\$8,702.00	**
F. Eduardo Miranda	Legal Fees	Mo. Ended 02/28/17	\$800.00	
G. Gordon Davis Johnson & Shane PC	Legal Fees	Mo. Ended 01/31/17	\$1,525.47	
H. UBS Realty Investors	Investment Fees	Qtr. Ended 12/31/16	\$94,188.16	**

* To be paid by Directed Brokerage credits.

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

*** Performance based fee.

Item 6. Consideration and action on 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 Ed Archuleta to approve the Consent Agenda with the following floor amendment for Item 5C: Item 5C is amended to read Mellon Capital Management Corporation; seconded by Rep. Lily Limón. The motion required polling:

Rep. Lily Limón	aye
Rebecca Torres	aye
Ed Archuleta	aye
Mario R. Hernandez	aye

Motion carried.

REGULAR AGENDA

Item 7. Discussion and action regarding the Treasurer's Report for the month ended February 28, 2017.

Luis Mier, Treasury Services Coordinator for the City of El Paso, presented; the Board received and reviewed the Treasurer's Report for the month ended February 28, 2017.

Mier reviewed the statement of net assets available for benefits. The unaudited totals in the statement are for the month ended February 28, 2017. Mier reviewed assets. Cash and investments have increased by about 10.2 million dollars. Unrestricted receivables increased by approximately 1.5 million dollars. Mier reviewed liabilities. Total liabilities increased by approximately 1.4 million dollars including an increase of about one million dollars in the amount due for securities. The total net assets available for benefits increase by approximately 10.3 million dollars.

Mier reviewed the statement of changes in net assets available for benefits. The unaudited totals are for the six months ended February 28, 2017. The net increase for the month of February was about 10.3 million dollars and an increase of approximately 20.4 million dollars

for the fiscal year. Mier reviewed additions. Contributions are averaging about 3.4 million dollars per month, totaling approximately 20 million dollars for the fiscal year. Interest and dividends totaled just over 3.1 million dollars. For the month of February, the net investment income increased by approximately 12.6 million dollars and increased by about 30.2 million dollars for the fiscal year. Mier reviewed deductions. For the fiscal year, benefits paid to retirees totaled approximately 31.3 million dollars.

Mier reviewed the quarterly statement of changes in net assets available for benefits. Mier noted that the columns provide full quarter comparisons as the second quarter ended on February 28, 2017. Contributions are trending consistently. The net appreciation in fair value continues to increase significantly since November. The net increase in the second quarter was due to the net increase in appreciation of the fair value of investments.

Mier reviewed the investment income analysis. The year-to-date net investment return is 4.61 percent.

Motion made by Ed Archuleta to accept the Treasurer's Report; seconded by Rene Peña. 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. Public Service Board (PSB) adjustments for contributions for provisional appointments were completed in production; the personnel data for PSB identified individuals was adjusted and reprocessed.
2. A withdrawal cleanup report was submitted to Pension. Campos and Patricia Hickman, Deputy Administrator, are performing an ongoing review of unprocessed individuals.
3. In reference to City employer contribution cleanup scripts, DoIT is reviewing the logic and accuracy of the calculations.

Robert Ash, Pension Administrator, noted that DoIT is currently performing data cleanup on the benefit statements for approximately 100 individuals. Campos does not anticipate any additional issues.

Enrique Martinez of DoIT reviewed the budgetary estimates for connectivity to the new Pension facility as requested by the Board Chairman and Pension Administrator. Martinez reviewed the two connectivity options. The first option, Option A, would be to connect via the City owned and managed fiber-optic cable. The fee to extend the cable to the new location is a one-time investment of about 40 thousand dollars. Martinez noted that because of the proximity to Montana Avenue the expansion will have to be coordinated with TXDOT. The second option, Option B, would be to connect through a service provider. Martinez advised that some of the City's recreation centers and libraries are using AT&T fiber-optic connections. Presently, the recurring monthly cost is about 700 dollars.

Martinez noted that DoIT will assist Pension with either option; however, he recommended Option A, connecting to the City-owned fiber optic cable. The Board discussed the long-term cost of a service provider and requested details of the onetime fee to connect to the City's fiber-optic cable. Martinez advised that the 40 thousand dollar estimate is all-inclusive; Martinez noted that although the TXDOT expenses regarding permitting have not been vetted, possible TXDOT requirements, such as design, have been included in the estimate. Martinez noted that

emergency maintenance of the fiber-optic line is usually funded through the DoIT budget. Martinez recommended that DoIT assist with the property development.

Motion made by Ed Archuleta to approve Option A, which is the estimate of 40 thousand dollars subject to the permitting from TXDOT and other conditions that might change that amount and authorize staff to work with DoIT; seconded by Rep. Lily Limón. The motion required polling:

Rep. Lily Limón	aye
Ed Archuleta	aye
Rene Peña	aye
Rep. Jim Tolbert	aye
Mario R. Hernandez	aye

Motion carried.

- Item 9. Discussion and action regarding the ADP conversion and the requirement for new pension software.

Robert Ash, Pension Administrator, advised that as requested by Trustee, Mario R. Hernandez, ADP's third party vendor, HRK, was scheduled to present but canceled due to inclement weather. Pension Staff will meet with HRK in the interim.

Ash reviewed the discussions that he and the Deputy Administrator, Patricia Hickman, have had with ADP. Regarding the conversion, ADP cannot accommodate the data needs for the Pension Module in regards to the actuarial evaluation and audit. ADP typically uses the third party vendor, HRK, to assist with pension data needs. The City notified Pension Administration that the selection of software and vendor will ultimately be the Fund's decision and an expense for the Fund. The City also suggested that PeopleSoft may remain online for limited use by the Fund for a limited time; however, that suggestion has not been researched by either the City or Pension Administration.

The Board discussed the City's transition to ADP. Ash advised that the conversion is expected to be completed by the end of the calendar year. HRK claims that the pension data conversion can be completed in 10 weeks. The Board discussed possible resources including software used by other pension plans including the Police and Fire Pension.

Motion made by Mario R. Hernandez to direct Pension Administration to continue conversations with ADP and HRK and present two other software packages at the following Board Meeting; seconded by Ed Archuleta. Motion carried.

- Item 10. 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 identified an unreported death. The individual's benefit was stopped and Pension Staff has attempted to recover the final payment.

No action was taken on this item.

- Item 11. Discussion and action regarding assigning the investment management agreement with Janus Capital Group to Henderson Group PLC.

Robert Ash, Pension Administrator, presented; the Board received and reviewed the notice of assignment of the investment management agreement with Janus Capital Group to Henderson Group PLC.

Ash noted that the Janus has merged with the Henderson Group. Pension Administration has received a request that the Fund's Investment Management Agreement with Janus be assigned to the Henderson Group as part of the merger. The assignment does not change fees or requirements outlined in the agreement.

Motion made by Rep. Lily Limón to authorize Staff to make the necessary changes to the agreement; seconded by Mario R. Hernandez. Motion carried.

- Item 12. Discussion and action regarding the receipt of a report and presentation from the Fund's custody bank, BNY-Mellon. (Kimberly Henry and Brian Chorba, BNY-Mellon.)

Robert Ash, Pension Administrator, noted that the State Pension Review Board did not approve the presentation as training.

Kimberly Henry and Brian Chorba of BNY-Mellon presented; the Board received and reviewed a report and presentation from the Fund's custody bank, BNY-Mellon.

Henry and Chorba reviewed the firm and the role of a custodian. A custodian is a financial institution responsible for safeguarding a firm's or individual's financial assets. The role of a custodian is to hold in safekeeping assets such as equities and bonds, arrange settlement of any purchases and sales of such securities, collect information on and income from such assets (dividends in the case of equities and interest in the case of bonds), provide information on the underlying companies and their annual general meetings, manage cash transactions, perform foreign exchange transactions where directed, perform global custody services, provide regulatory support, proxy voting, and provide frequent reporting on client accounts. Chorba noted that BNY-Mellon does not have any investment discretion.

The Board discussed the firm's accounting process including the daily cash sweep. The Board discussed the consultant's reporting process and the account reconciliation with investment managers. Board Chairman, Karl Rimkus, discussed the recurring issues with delayed reporting. Chorba advised that BNY-Mellon recognizes that the issue is recurring; the issue has been escalated to the firm's senior management and they are performing a root-cause analysis. The Board discussed the reconciliation issues and the auditor's concerns. Henry confirmed that the firm has an eighth business day deadline. Ash noted that he will discuss classification and additional issues with BNY-Mellon.

No action was taken on this item.

- Item 13. Discussion and action regarding the receipt of an investment manager report from Riverbridge Partners (Tim Wilkinson and David Choe, Riverbridge.)

Tim Wilkinson and David Choe of Riverbridge presented; the Board received and reviewed an investment manager report from Riverbridge Partners. (In this item the firm will be referred to as Riverbridge.)

Wilkinson provided an overview of the firm. Wilkinson reviewed the experience and continuity of the investment team. Wilson reviewed the firm's investment process including the investment philosophy, turnover rate, and investment criteria.

Wilkinson provided a performance review. The firm manages a SMID-cap growth portfolio for the Fund. The year-to-date column represents the first two months of the calendar year; the portfolio is ahead of the benchmark at 6.26 percent. Inception of the fund was in October of 2013 as a small-cap growth account; it was converted to a SMID-cap growth portfolio in June of 2016. Wilkinson reviewed the historic performance of the firm's portfolio. Wilkinson reviewed the underperformance as reflected in the 3-year marker; the positive return trailed the benchmark.

Wilkinson reviewed the portfolio characteristics. Wilkinson noted that the sector weightings do not mirror the benchmark.

No action was taken on this item.

- Item 14. Discussion and action regarding the receipt of an investment manager report from Heitman American (Christina Polito Fyelling and Blaise Keane, Heitman.)

Christina Polito Fyelling of Heitman American presented; the Board received and reviewed an investment manager report from Heitman American. (In this item the firm will be referred to as Heitman.) Fyelling noted that Blaise Keane was not able to attend.

Fyelling provided a summary of the Heitman American Real-estate Trust (HART.) HART is the Flagship fund of Heitman, a firm exclusively focused on investing in real estate. Hart provided an overview of the firm noting the Assets Under Management (AUM) and products. Fyelling provided a peer comparison on leverage when prompted by Board Vice Chairman, Rene Peña. Fyelling reviewed leverage risk management.

Fyelling reviewed the Fund's portfolio including performance. Inception of the fund was in October of 2015. The portfolio has a net return of about 9.12 percent. Fyelling reviewed the expected performance.

Fyelling reviewed sector target and allocation. Trustee, Ed Archuleta, questioned the firm's overweight in retail given expected market performance. Fyelling defined A, B, and C tenants. Fyelling reviewed the ODCE benchmark. Fyelling reviewed historical and forecasted NOI growth. Fyelling noted sustainability initiatives and reviewed redemption risk control. Fyelling reviewed investment activity and available capital noting the potential for a real estate crash.

No action was taken on this item.

- Item 15. Discussion and action regarding a report from Callan Associates (Bill Howard, Callan.)

Bill Howard of Callan presented; the Board received and reviewed the monthly "flash" report.

Howard reviewed asset allocation noting that the target was approved in January. The long-term target to private equity is 10 percent, currently displaying seven percent; the extra three percent will be called down from domestic equity.

Howard noted the market values of the portfolios and reviewed returns per market. The end fund balance was approximately 747 million dollars. Howard reviewed the rebalancing activity. Fiscal year-to-date the fund is up almost five percent.

Howard reviewed the managers performance noting that the fiscal year-to-date column represents six months ended February 28, 2017. Returns are net of management fees.

Howard reviewed the performance of the managers on watch and advised that managers are reviewed for the “watch” list quarterly with receipt of peer comparisons. Howard reviewed underperformers, Templeton and Lazard.

Howard noted that the Fed is expected to raise interest rates by 25 basis points.

No action was taken on this item.

Item 16. Discussion and action regarding a report from the Pension Administrator.

Robert Ash, Pension Administrator, reported on the following:

- Annual financial report
 - Completed following audit and actuarial valuation.
 - Staff will meet with Mayor and Council to review.
- Newsletter
 - Comments or questions contact Pension Office.
- Pension Ordinance Amendments
 - Will be introduced to Council on April 4th.
 - No cost to the Fund.
- Pre-Retirement Planning Session is scheduled for April 19, 2017.

No action was taken on this item.

Item 17. For Notation:

A. Directed brokerage credit balance for month ended January 31, 2017: \$128,930.68

B. Property Development Cost:

1. Stephan Schmitz 02/2017 Construction Consultant Fess \$2,083.33

C. Refund of Contributions:

	NAME	DEPARTMENT	TOTAL REFUND	
1	Ahmedin, Mona	Health	913.99	
2	Araujo, Leticia	Health	6,847.90	
3	Barron, Eric	Animal Services	5,021.17	
4	Brown, Ruth	Library	45,361.07	**
5	Bryant, Lawrence	Planning & Inspect.	2,321.82	
6	Bugarin, Victor	Mass Transit	5,966.95	
7	Crest, Marie	Fire	598.36	
8	Dang, Francisco	International Bridges	612.98	
9	Davis, Martha	Fire	637.30	
10	Del Hierro, Alejandra	EPWU	29,235.99	
11	Esquivel, Pablo	SAM	2,976.35	

12	Gallardo, Kristal J.	Health	14,055.53	
13	Garcia, Laura I.	Health	20,312.58	
14	Jimenez, Humberto	Mass Transit	9,668.84	
15	King, Gloria	Library	60.77	
16	Lara Contreras, Jose M.	EPWU	1,049.45	
17	Lopez, Luis Carlos	EPWU	1,450.60	
18	Lucero, Armando	Police	23,407.34	**
19	Marquez, Jose	Mass Transit	4,793.56	
20	McLarry, Paul	EPWU	5,345.38	
21	McVay, Lorraine	Fire	613.53	
22	Mendez, Abigail	Police	6,019.46	
23	Muñiz, Mauricio	Police	24,025.91	
24	Palacio, Sandra D.	Planning & Inspect.	29,784.07	**
25	Peña, Karla	Mass Transit	1,225.96	
26	Quezada Jr., Martin	EPWU	762.79	
27	Rodriguez, Berenise	Fire	16,762.99	
28	Rosains, Javier	Animal Services	11,406.00	
29	Salcido, Fernando	ESD	19,018.73	
30	Sanchez, Jose	EPWU	13,710.83	
31	Sipes, Tracy	Zoo	8,359.77	
32	Telles Jr., Elias	Planning & Inspect.	1,789.94	
33	Torres, Javier	SAM	22,312.00	
34	Vargas, Monica	Parks & Recreation	3,205.70	
35	Vazquez, Hector	Mass Transit	1,574.79	
36	Vela, Jose	CID	17,662.79	
37	Villareal, Jairo	Fire	14,903.54	
38	Web, Brittney	Health	2,122.53	
39	Zylstra, Danielle	Zoo	3,483.86	
			<hr/>	
			\$379,383.12	

* Additional interest/contributions due

** Eligible for Early Retirement

For notation, no action required on this item.

Motion made by Rebecca L. Torres to go into Executive Session to discuss items under Sections 551.071-551.076 and Section 551.078; seconded by Rep. Lily Limón. Motion carried at 8:34 A.M.

Motion made by Rep. Lily Limón to reconvene from Executive Session; seconded by Mario R. Hernandez. Motion carried at 9:50 A.M.

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 551.078

Discussion and action regarding the non-job related disability retirement application of Romelia Rocha.

Motion made by Mario R. Hernandez to approve the non-job related disability retirement application of Romelia Rocha; seconded by Rep. Lily Limón. Motion carried.

B. Section 551.071 and 551.078

Discussion and action regarding the disability/survivor benefit application of Efrain R. Kline.

Motion made by Mario R. Hernandez to approve the disability/survivor benefit application of Efrain R. Kline; seconded by Rep. Lily Limón. Motion carried.

C. Section 551.071

Claim # 001-2017 - Discussion and action on pension contributions of Pedro Lopez.

Motion made by Rep. Lily Limón for the Fund to recover the fees from the City; seconded by Rene Peña. Motion carried.

D. Section 551.071

Claim # 002-2017 – Discussion and action on refund check for Jose U. Gonzalez.

Motion made by Mario R. Hernandez that Pension Administration communicate to Mr. Gonzalez that the Board reviewed his claim and it was denied; seconded by Rene Peña. Motion carried.

E. Section 551.071 and 551.072

Discussion and action regarding the real property located at 1039 Chelsea.

Motion made by Ed Archuleta to approve Site Plan B; seconded by Rep. Lily Limón. Motion carried.

Item 19. Adjournment

Motion made by Rene Peña to adjourn the El Paso City Employee's Pension Fund Board Meeting on March 15, 2017; seconded by Rep. Lily Limón. Motion carried at 11:33 A.M.