

**THE EL PASO CITY EMPLOYEES' PENSION FUND
BOARD MINUTES FOR THE REGULAR MEETING
HELD WEDNESDAY MAY 21, 2014 AT 8:30 A.M.
CITY HALL, CITY COUNCIL CHAMBERS, 300 N. CAMPBELL**

Members in Attendance:

Mario R. Hernandez, Vice Chair
Presi Ortega
Karl C. Rimkus
Cecilia A. Rios
Dr. Michiel Noe, City Representative
America Luna

Members Absent:

Rene Peña, Chairman
Christina Stokes
Larry E. Romero, City Representative

Others in Attendance:

Eduardo Miranda, Attorney
Robert Ash, Pension Administrator
Patricia Hickman, Deputy Pension Administrator
Karina Chavez, Retiree Coordinator/ Data Entry Clerk
Paul Erlendson, Callan Associates
Frank Sposato, Lazard
Mike Powers, Lazard
Gregory McLaurin
Enrique Martinez, Interim Director of the City's IT Services

Item 1. Mario Hernandez, Vice Chair, 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 April 16, 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	Alba, David	EPWU	30 years 04 months *
2	Garcia, Carlos	Mass Transit	14 years 05 months *
3	Grolou, Luis A.	Airport	19 years 00 months *
4	Guzman, Xochitl	Bridges	15 years 11 months
5	Pina, Carlos	Mass Transit	15 years 00 months *
6	Rodriguez, Fernando	Zoo	24 years 03 months
7	Vega, Mike C.	EPWU	17 years 02 months
B. Early:			
1	Cereceres, Martin	Environmental Svces	15 years 02 months *
2	Fierro Jr., Leopoldo	Treasury Svces	25 years 10 months
3	Yanez, Rodolfo	General Svces	27 years 11 months
C. Deferred:			
1	Aguilera, Sandra	EPWU	07 years 03 months
2	Corralejo, Bernardo	Fire	18 years 00 months
3	Etwie, Philip	Develop. Svces	07 years 00 months
4	Soto, Alonzo	DOT	10 years 08 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. Frausto, Patricia, survivor of Jesus E. Frausto, retiree.

B. Macias, Maria De Jesus, survivor of Miguel Angel Macias, 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.	BNY Mellon Asset Svc.	Custodial	Qtr. Ending 3/31/14	\$29,059.53
B.	Eddie Miranda	Legal	April 30, 2014	\$662.50
C.	Invesco Trust Company	Investment	Qtr. Ending 3/31/14	\$33,459.38 **
D.	Janus Capital Group	Investment	Qtr. Ending 3/31/14	\$75,781.68
E.	Lazard Asset Mgt.	Investment	Qtr. Ending 3/31/14	\$59,159.03 **
F.	Robeco Invest. Mgt.	Investment & Performance•	Qtr. Ending 3/31/14	\$314,501.39 ***
G.	UBS Realty Investors	Investment	Qtr. Ending 3/31/14	\$97,456.87 **
H.	Wedge Capital Mgt. LLP	Investment	Qtr. Ending 3/31/14	\$46,662.56

* To be paid by Directed Brokerage credits.

** For Notation Only – to be withdrawn from commingled account.

*** Performance based fee.

- Robeco Performance fee of \$291,213.68 for period 04/01/2013-03/31/2014 included in total *Fee(s) Due*.

Motion made by Karl Rimkus to accept Consent Agenda; seconded by Presi Ortega.

Motion required polling:

Presi Ortega **aye**
Dr. Michiel Noe **aye**
America Luna **aye**
Karl Rimkus **aye**
Cecilia A. Rios **aye**

Motion carried.

REGULAR AGENDA

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

Motion made by Presi Ortega to table Item 6 for one month; seconded by Dr. Michiel Noe. A poll was taken:

Presi Ortega **aye**
Dr. Michiel Noe **aye**
America Luna **aye**
Karl Rimkus **aye**
Cecilia A. Rios **aye**

Motion carried.

Item 7. Discussion and action regarding the canvassing of votes for the Pension Board election held in April 2014.

Mario Hernandez, Vice Chair, addressed the Board to congratulate Karl Rimkus on his re-election to the Pension Board and to welcome new Trustee, America Luna.

Motion made by Presi Ortega to accept the voting results provided by and approved by the City Clerk; seconded by Dr. Michiel Noe. Motion carried (unanimous).

Item 8. Discussion and action regarding an update from the City's Department of Information Technology regarding the monthly closing, benefit statements, actuarial abstract and related computer programs.

Enrique Martinez, Interim Director of the City's Information Technology (IT) Department, spoke. The current implementation partner, CherryRoad, has walked away from the project leaving the Pension Module in PeopleSoft unfinished. The City's IT Department, in collaboration with the City's Legal Department, is working to find a new implementation partner. IT has reached out to three potential consultants and a nationwide placement firm. IT is also considering contacting the developer, PeopleSoft, directly.

Trustees requested a timeframe to finalize the Pension Module and an update on IT's pursuit to add two additional staff members. The module is not fully functioning, and Mr. Martinez could not provide a timeframe; however through manual creation of reports, Pension can meet state imposed deadlines. IT is aware of those deadlines.

Mr. Martinez advised that the search for additional IT staff members is ongoing and that a PeopleSoft learning curve presents an issue in finding qualified candidates.

Trustees requested that the IT Department provide a monthly report to the Pension Board.

Discussion ensued.

No action required on this item.

- Item 9. Discussion and action regarding a request by Mr. McLaurin to apply for disability retirement.

Gregory McLaurin, addressed the Board; letter was distributed. Mr. McLaurin read from his letter as provided to the Board. The Trustees requested clarification of events. Mr. McLaurin, who turned 55 in September of 2013, had taken a refund of his contributions when he separated from the City; he did not apply to receive a benefit at the time of separation.

Motion made by Dr. Michiel Noe to go into Executive Session to discuss Items 9 and 16, under Section 551.071 and Section 551.074; seconded by Presi Ortega. Motion carried @ 9:05 A.M. (unanimous.)

Mario Hernandez, Vice Chair, called reconvene of meeting at 9:28 A.M. (Dr. Noe returned during Item 10.)

When prompted by the Board, Mr. McLaurin confirmed that Pension staff had shown him the paperwork that he signed.

Motion made Mario Hernandez to deny Mr. McLaurin's request to apply for disability retirement due to the signed waiver and timeliness; seconded by Cecilia Rios. A poll was taken:

Mario Hernandez	aye
Presi Ortega	aye
America Luna	abstain
Karl Rimkus	aye
Cecilia A. Rios	aye

Motion carried.

- Item 10. Discussion and action regarding the approval of, and authorizing the Board Chairman to sign, a contract with BKD, L.L.P. for professional external audit services from 2014 to 2018.

Robert Ash, Pension Administrator, presented; BKD, L.L.P. draft contract, for external audit services through the year 2018, was distributed. The Audit Committee had previously reviewed the proposal from BKD; the Board provided administrative direction to amend the proposal or draft a new contract. Subsequently, Eddie Miranda, Fund Counsel, drafted the new contract with a fee increase of approximately 2-3 percent per year. It is the recommendation of the Audit Committee to move forward with the new contract.

Motion made by Karl Rimkus and Dr. Michiel Noe to authorize the Chairman to sign the contract with BKD and to authorize the Pension Administrator to negotiate those discussions; seconded by Cecilia Rios. Motion required polling:

Presi Ortega	aye
Dr. Michiel Noe	aye
America Luna	aye

Karl Rimkus **aye**
Cecilia A. Rios **aye**

Motion carried.

- Item 11. Discussion and action regarding the receipt of an annual investment manager performance report from Lazard Asset Management.

Frank Sposato and Mike Powers of Lazard presented; report was distributed. Frank Sposato provided an overview of Lazard Asset Management. Mike Powers reviewed the performance of Fund's international equity portfolio and Lazard's strategy which is focused in stock picking. Overall the performance of the portfolio was above average rising in value by 17.83% over the past 11 months (from April 2013 to the close of the 1st Quarter in 2014.) Based on the market outlook (US economy is improving with growth appearing to accelerate by better than 3% for the second half of the year, Europe will probably grow by 1-2%, Japan is trying to reform their economy, and emerging markets are doing better) return can be a high single digit or better by the end of the year.

In response to the Board, Mr. Powers advised that this portfolio has not invested in frontier markets but may in the future. He also concluded that a domestic market correction would affect investments.

No action required on this item.

Dr. Michiel Noe exited during the presentation for Item 12.

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

Paul Erlendson of Callan Associates presented; report was distributed. The Board received a review of the "flash" report for the month of April 2014 and a review of the rebalancing proposal. The portfolio is performing very well. Callan recommends corrective action in balancing assets. The Fund is overweight in equities and needs to fund new investment manager, AQR. The 13th check has already been funded which reflects in the manual correction made on the rebalancing worksheet (taking \$12 million from the Mellon S&P 500 instead of the \$15 million previously indicated.)

Motion made by Presi Ortega to approve the rebalancing and authorize the Pension Administrator and the Investment Consultant to move the funds as directed by the rebalancing; seconded by Karl Rimkus. Motion required polling:

Presi Ortega **aye**
Mario Hernandez **aye**
America Luna **aye**
Karl Rimkus **aye**
Cecilia A. Rios **aye**

Mario Hernandez, Vice Chair, exited after Item 12.

Quorum was lost. No further action was taken on Items 13 – 15 (Action on Item 16A was taken when the Board reconvened from Executive Session.) Callan reviewed the Fund's investment diversification. The Pension Administrator and Investment Committee reports were received.

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 seminar in Houston, Texas from August 10-12, 2014.
- Internal audit of purchasing will be done by the end of July.
- A meeting with the Funds auditors and actuaries will probably be held in Dallas, Texas to discuss the audit contract.
- 13th check has been paid; retirees have expressed their gratitude.
 - Letter advising of COLA was mailed to retiree's prior to payment.
- Rene Pena attended the UBS Global Conference; report was distributed.
- New training for Trustees will take effect in the beginning of the year; there aren't any updates from the State PRB.
 - State PRB will provide online training.
 - Trustees will have to report completed training to Pension Staff for tracking.
 - Pension Staff will seek approval from State PRB before group training held in house.

Item 14. Discussion and action regarding the following Committee reports/assignments:

- A. Actuary Committee – Committee did not meet or did not have a quorum.
- B. Ad-Hoc Continuing Education Committee – Committee did not meet or did not have a quorum.
- C. Ad-Hoc Facilities Committee – Committee did not meet or did not have a quorum.
- D. Audit Committee – Committee did not meet or did not have a quorum.
- E. Investment Committee – Committee did meet.

Presi Ortega read the Invest Committee notes: The Investment Committee did not have a quorum yesterday so we could not take any action or make any recommendations. However, we heard semi-annual investment manager reports from Lazard and Portfolio Advisors. No material exceptions were noted in their reports.

We also reviewed the monthly “flash” report prepared by Callan Associates and talked generally about possible finalists for a possible future funding of an MLP allocation focused on energy. We also generally discussed and received an update on contract negotiations with AQR who was previously selected by the Board as an emerging markets investment manager.

Callan also indicated that they would be bringing an asset rebalancing proposal to the Board for action at the next Board meeting for Board consideration.

The next scheduled meeting of the Investment Committee will be held on June 17, 2014.

- F. Personnel Committee – Committee did not meet or did not have a quorum.
- G. Retiree Committee – Committee did not meet or did not have a quorum.

Item 15. For Notation:

- A. Directed brokerage credit balance for month ended March 31, 2014: \$137,180.05
- B. Qualified Domestic Relations Order:
 - 1. Anthony C. Shaar and Laura S. Shaar
 - 2. Richard G. Garcia and Mary O. Barnard-Garcia
- C. Refund of Contributions:

	NAME	DEPARTMENT	TOTAL REFUND	
	Acosta, Dora E. benefit of			
1	Mario Venegas-Almeida	International Bridges	\$14,871.56	
2	Acuña, Jose Jr.	Fire	\$1,841.54	
3	Aguirre, Andres	DOT	\$1,817.23	
4	Aranda, David	Environmental Svcs.	\$27,384.39	
5	Carrillo, Joel	Environmental Svcs.	\$1,196.01	
6	Castañeda, Daniel	Mass Transit	\$254.16	
7	Cavazos, Daniel	Mass Transit	\$670.36	
8	Cervantes, Miguel A.	Health	\$4,988.40	
9	De La Torre, George	Fire	\$7,822.14	
10	Diaz, Edna	Mayor & Council	\$5,408.88	
11	Dominugez, Laura C.	EPWU	\$36,885.51	
12	Elizaldi, Julieta L.	Financial Services	\$10,575.80	
13	España, Jodi Ann	Zoo	\$4,677.45	
14	Ferrari, Rosemary	Police	\$12,728.87	
15	Flores, Lauren M.	Health	\$5,243.13	
16	Gallegos, Ozwaldo	EPWU	\$36,171.46	
17	Jemente Jr., Albert	Fire	\$3,411.71	
18	Lara, Melissa	Mayor & Council	\$355.77	
19	Ledbetter, Robert P.	Mass Transit	\$17,888.80	
20	Lopez, Adan	Fire	\$1,784.40	
21	Lowrence, Justin	Zoo	\$13,970.19	
22	Marin, Daniel Jr.	Environmental Svcs.	\$1,171.04	
23	Martinez, Jose Angel	EPWU	\$54,704.31	**
24	Mascorro, Pedro	Library	\$16,293.66	
25	McDaniel, Anthony	EPWU	\$7,316.62	
26	Ortiz, Sergio	EPWU	\$2,805.95	
27	Parris-Wheeler, Angelina C.	Parks & Recreation	\$7,248.06	
28	Quimiro, Lorraine	MPO	\$14,312.20	
29	Ramirez, Jacqueline	Environmental Svcs.	\$7,975.17	
30	Ramos, Julieta J.	Mass Transit	\$14,143.31	
31	Resendez, Andres	Health	\$4,619.23	
32	Rosillo, Benjamin	DOT	\$14,572.45	
		Information		
33	Samaniego, Erik	Technology	\$10,086.89	
34	Samaniego, Jorge A.	EPWU	\$13,520.84	
35	Solis, Juan Carlos	EPWU	\$21,623.17	
36	Valdez, Jose	Mass Transit	\$4,783.42	
37	Vergara, Luis	Environmental Svcs.	\$471.51	
38	Villegas, Jacqueline	Health	\$9,751.65	
	TOTALS		\$415,347.24	

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

Item16. 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 551.074** - Discussion and action regarding the staff performance evaluation of the Fund's Retiree Coordinator/ Data Entry Clerk.

Motion made by Mario Hernandez to accept the evaluation of the Retiree Coordinator/ Data Entry Clerk and approve the requests of the Pension Board to be effective on the employees' anniversary date; seconded by Presi Ortega. Motion required polling:

Presi Ortega	aye
America Luna	aye
Karl Rimkus	aye
Cecilia A. Rios	aye

The Board directed the Personnel Committee to review the tuition reimbursement policy; item to be placed on the June Agenda.