

**THE EL PASO CITY EMPLOYEES' PENSION FUND
BOARD MINUTES FOR THE REGULAR MEETING
HELD WEDNESDAY NOVEMBER 19, 2014 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
Pat Aauto
Larry E. Romero, City Representative
America Luna
Christina Stokes

Members Absent:

Dr. Michiel Noe, City Representative

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
Bill Howard, Callan Associates
Denise Grizzle, Interim Comptroller
Brian Murphy, Portfolio Advisors
Todd Hughes, Portfolio Advisors

- Item 1. Rene Pena, 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 October 15, 2014 and of the Special Board meeting of November 11, 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.	Diaz, Raul	EPWU	30 years 01 month *
2.	Rodriguez, Alfredo	Mass Transit	07 years 02 months
3.	Valencia, Manuel	Zoo	14 years 00 months
B.	Early:		
1	Garcia, Daniel	EPWU	22 years 07 months *
C.	Deferred:		
1	Stoltz, Nancy	Police	14 years 00 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. Blackwood, Phyllis, survivor of Robert E. Blackwood, retiree.
- B. Casarez, Irene, survivor of Ramon Casarez, retiree.
- C. Castillo, Leticia C., survivor of Refugio Castillo III, 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 LP	Investment Fees	September 30, 2014	\$12,985.00	**
B.	AQR Emerging Equities Fund LP	Investment Fees	October 31, 2014	\$11,894.00	**
C.	BKD, LLP	Audit	YE August 31, 2014	\$18,000.00	
D.	BNY Mellon Asset Servicing	Custodian Fees	3rd QTR 2014	\$32,091.51	
E.	Buck Consultants, LLC	Consulting Fees	September 30, 2014	\$17,983.00	
F.	Buck Consultants, LLC	Consulting Fees	October 31, 2014	\$21,472.00	
G.	Denver Investment Advisors	Investment Fees	October 31, 2014	\$8,745.00	**
H.	Eduardo Miranda	Legal Fees	October 31, 2014	\$625.00	
I.	Gordon Davis, Johnson & Shane PC	Legal Fees	September 30, 2014	\$856.19	
J.	Invesco	Investment Fees	3rd QTR 2014	\$37,765.18	**
K.	Janus Capital Group	Investment Fees	3rd QTR 2014	\$77,333.07	
L.	Lazard Asset Management	Investment Fees	3rd QTR 2014	\$60,074.36	**
M.	Mellon Capital Management	Investment Fees	3rd QTR 2014	\$52,446.71	**
N.	Riverbridge Partners, LLC	Investment Fees	3rd QTR 2014	\$40,054.52	
O.	Robeco Investment Management	Investment Fees	3rd QTR 2014	\$24,502.29	
P.	Salient Capital Advisors, LLC	Investment Fees	9/3 - 9/30, 2014	\$9,526.99	
Q.	UBS Realty Investors LLC	Investment Fees	3rd QTR 2014	\$112,135.10	**
R.	Wedge Capital Management LLP	Investment Fees	3rd QTR 2014	\$45,415.43	

* To be paid by Directed Brokerage credits.

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

*** Performance based fee.

**Motion made by Presi Ortega to accept the Consent Agenda; seconded by Larry Romero.
Motion required polling:**

Presi Ortega aye

Pat Adauto **aye**
America Luna **aye**
Larry Romero **aye**
Karl Rimkus **aye**
Christina Stokes **aye**

Motion carried.

REGULAR AGENDA

- Item 6. Discussion and action regarding the presentation of board recognition for Retiree Board Member, Cecilia Rios.

The Board recognized former Retiree Board Member, Cecilia Rios, for her time and service on the Pension Board. Cecilia Rios was not able to attend to accept her award.

No action required on this item.

- Item 7. Discussion and action regarding the Treasurer's Reports for months ended October 31, 2014.

Denise Grizzle, Interim Comptroller, presented; the Board received and reviewed the Treasurer's Report for the period ended October 31, 2014.

There has been some recovery of the loss experienced in September of net appreciation in fair value of investments. An upward trend is visible in October; total cash increased by approximately \$16 million from September.

The actual administrative expense is slightly above the projected utilization due to the annual payout of workers' compensation and the distribution of the semi-annual newsletter.

Discussion ensued.

Motion made by Larry Romero to accept the Treasurer's Report for the month ended October 31, 2014 as presented; seconded by Karl Rimkus. Motion carried (unanimous).

- 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.

With the completion of the audit and actuarial reports, IT has refocused efforts on periodic processing; the system should be up to date by December. With the expected completion of periodic processing for the calendar year, IT will be able to meet the timeline for releasing benefit statements. (In the past year, the benefit statements were delayed due to problems with periodic processing.)

IT is finalizing the presentation for the additional optimization services to be reviewed by management and to be presented to the City Manager for recommendation.

As other City departments are requesting additional dashboards, a system upgrade is being considered. Robert Ash, Pension Administrator, expressed his concern over the potential

implementation of a system upgrade, given the remaining outstanding issues resulted from the previous upgrade. Mr. Martinez advised that unlike the previous upgrade, extensive testing and validation will be completed prior to recommendation/implementation of a system upgrade.

Motion made by Larry Romero to accept the report; seconded by America Luna. Motion carried (unanimous).

- Item 9. Discussion and action regarding the approval of a succession plan as recommended by the Personnel Committee.

Robert Ash, Pension Administrator, presented. The Board received and reviewed a draft succession plan.

As requested by the Board, a succession plan was drafted to provide for the continuation of services for any vacancy within administration. Vacancies are filled in the interim based on the chain of command. Wage increases for interim positions are at the Board's discretion. The succession plan has been reviewed and recommended by the Personnel Committee and has also been reviewed by the Fund's legal counsel.

Discussion ensued.

Motion made by Mario Hernandez to accept the succession plan as presented; seconded by America Luna. Motion carried (unanimous).

- Item 10. Discussion and action regarding the receipt of an investment manager report from Portfolio Advisors.

Brian Murphy, Managing Partner, and Todd Hughes, Managing Director, of Portfolio Advisors presented; investment manager report was distributed. The Board received an overview of the firm and performance of assets under management.

As requested by the Trustees, the firm provided an overview of private equity defining investment strategies and market jargon; the firm participates in investing in partnerships that are primarily seeking to invest in private companies.

No action required on this item.

- Item 11. Discussion and action regarding a report from Callan Associates.

Bill Howard of Callan Associates presented; the monthly "flash" report for the period ended October 31, 2014, market update, quarterly report and rebalancing sheet were distributed.

The Board received an update on the market; the downturn experienced in the market in the third quarter can be attributed to four fears: Ebola, energy, Europe and earnings. Subsequently at the quarter's end those fears have subsided. Currently the market is readily anticipating an increase in interest rates.

The Board also received and reviewed the quarterly report for the quarter ended September 30, 2014. Total Fund attribution for the third quarter was -1.4% behind the target return of -.77%, attributed to a negative effect in active management particularly in domestic equity. Total fund for the year is up 10.3% slightly behind the target rate of 10.46%. The Fund ranked near the top third in the peer group for the past year.

The Board received a review of the “flash” report for the period ended October 31, 2014 and a rebalancing recommendation. The final round of funding for the MLP will be completed by December 1st. The target allocation is \$36 million which represents 5% of the fund. Currently, there is one manager on watch, Touchstone an emerging markets manager. Although Touchstone has outperformed for three consecutive quarters, Callan recommends they remain on watch. Overall, the total fund outperformed by 70 basis points for the month of October 2014.

Motion made by Presi Ortega to accept Callan’s report and accept the rebalancing as proposed by Callan for November 2014; seconded by Larry Romero. Motion carried (unanimous.)

Item 12. Discussion and action regarding a report from the Pension Administrator.

Robert Ash, Pension Administrator, reported on the following:

- The Board received a study from State Pension Review Board (PRB) regarding the financial health of public retirement systems which was commissioned by the Legislature; this preliminary report will be submitted to the legislature. The report, which is based on amortization periods, is positive following the 2008 recession.
- Administration has received clarification on the proposed PRB rules for continuing education, which will require an adjustment to the Fund’s current Continuing Education Policy. By comparison the PRB will require less training (7-8 hrs. over two years) and will require training in all fields (half hour credit on each of the core subjects.)

Discussion ensued. Trustees considered revising the requirements in the Fund’s current policy and suggested reducing the hours to mirror the PRB requirements.

- Administration will revise the Fund’s Continuing Education Policy to parrot the language of the State to be presented to the Board for discussion and action next month.
- Administration is attempting to obtain accreditation to perform in-house training.
- The Fund’s actuary will report to the Board in January and provide training. A preliminary report will be presented to the Board in December if available.
- The auditor has completed their field work.
- Holiday Hours
 - City will be closed the week of Christmas and will revert to an 8 hr. week on Thanksgiving.
 - The Personnel Committee recommended that the Fund mirror the City’s holiday schedule. Employees must take vacation or SPD the week of the closure.

No action required on this item.

Item 13. Discussion and action regarding the following Committee reports/assignments:

- A. Actuary Committee - Committee did not meet.
- B. Ad-Hoc Facilities Committee - Committee did meet; discussion in executive session.
- C. Audit Committee - Committee did not meet.
- D. Investment Committee - Committee did meet.

Presi Ortega read the Investment Committee minutes: The Investment Committee met on November 17, 2014. The Committee received a monthly portfolio performance report for the month of October 2014 and the quarterly investment performance report for the quarter ended September 2014 as prepared by Callan Associates. The quarterly returns were less than the

plan's performance benchmark. This was largely due to the underperformance in the fund's equity portfolios.

Next the Committee received presentations from three core real estate management firms. The firms which gave proposals were JP Morgan Asset Management, Morgan Stanley Real Estate and Heitman LLC. The Committee discussed detailed back up materials provided by Callan as part of the search process. After discussion the Committee recommends that the Administrator and consultant be authorized to enter into contract discussions with Heitman LLC.

The Committee then heard semi annual investment performance reports from Lazard, Franklin Templeton and Portfolio Advisors. No material discrepancies were noted in either their respective reports. The Committee went into detail regarding the holdings and processes of the private equity manager, Portfolio Advisors, and requested when they make their report to the Board that they remind the Board of their investment thesis and processes.

The Administrator and Consultant then provided the Committee with an update regarding the funding of the MLP strategy. The Committee recommended that the final portion of the initial funding occur on December 1, 2014.

Lastly the Administrator discussed the current contract for consulting services which has recently expired. Callan Associates provided a proposal for continuing their consulting services. The Committee discussed Callan's performance over the past few years and the desirability of issuing a solicitation for investment consulting services. The Committee discussed a proposal from Callan Associates which will continue with the fee schedule in their original contract. The fee is proposed to increase 3 percent per year. The Committee requested that the Administrator and Legal Counsel prepare a proposed 5-year contract with 2 one year options to extend for the Board to review at the December Board meeting. Callan has conceded that the escalator in the new contract will be the CPI as of October reported in November with a maximum of 3%.

The next scheduled meeting of the Investment Committee will be held on December 16, 2014.

Rene Peña, Chairman, appointed Trustee, Pat Aduato, to the Investment Committee.

No action required on this item.

E. Personnel Committee - Committee did meet.

Mario Hernandez read the Personnel Committee minutes: The Personnel Committee met on November 12, 2014. The Committee reviewed the annual performance evaluation for the Fund's Benefit/Budget Specialist. The Committee had the opportunity to speak with the Administrator and Benefit/Budget Specialist. The Committee recommends approval of the evaluation.

The Committee also reviewed the holiday work schedule for fund employees. The City is working 8 hour days the week of Thanksgiving and closing the week of Christmas. The Committee recommends that the pension staff follow the hours of the City during the holiday season and that the employees' be allowed to use SPD or vacation during the week of Christmas.

No action required on this item.

F. Retiree Committee - Committee did not meet.

Item 14. For Notation:

- A. Directed brokerage credit balance for month ended September 30, 2014: \$137,037.06
- B. Qualified Domestic Relations Order:
 - 1. Blanca C. Daniels and Bobby E. Daniels

C. Refund of Contributions:

	NAME	DEPARTMENT	TOTAL REFUND
1	Acosta, Patricia M.	Legal	3,244.16
2	Aguilar, Andres	Mass Transit	58.59
3	Almanzar, Rodolfo	Environ. Svces	249.61
4	Alvarez, Regina A.	International Bridges	21.18
5	Aragones, Adrian	Fire	2,178.01
6	Castro, Francisco	EPWU	4,765.29
7	Fournier, Michelle M.	Health	41,329.04
8	Garcia, Luis Jr.	Fire	5,586.13
9	Gomez, Mike	Police	40,697.69 **
10	Guillen, Becky	Health	1,068.96
11	Hare, Audrey	Legal	16,374.19
12	Hernandez, Claudia L.	Fire	3,885.75
13	Hernandez, Luis J.	General Services	2,379.22
14	Kidwell, Audra	Zoo	346.72
15	Leeper, Lynly G.	OMB	36,653.05
16	Marquez, Verenice	Municipal Court	762.80
17	Melendez Jr., Juan	Mass Transit	3,892.39
18	Mendez, Cynthia	Health	7,481.75
19	Olivo, Richard A.	Municipal Court	2,267.46
20	Perez, Blay	OMB	25,369.29
21	Player, Lorraine	Airport	5,976.27
22	Portillo-Morales, Eloisa	General Services	28,986.43
23	Renovato, Laura	Health	14,307.02
24	Romo, Grissel	Mass Transit	1,332.82
25	Serrano, Diana	Fire	19,901.68
26	Swier, Scott B.	Mass Transit	13,004.62
27	Zepeda, Briana	OMB	9,215.41
TOTALS			291,335.53

* Additional interest/contributions due

** Eligible for Early Retirement

For notation, no action required on this item.

The Board moved into Executive Session @ 10:08 A.M. to discuss items under Section 551.071, 551.072 and Section 551.074.

Motion made by Mario Hernandez to reconvene from Executive Session; seconded by Larry Romero. Motion carried @ 11:18 A.M. (unanimous.)

- Item 15. 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 annual performance evaluation of the Fund's Benefit/Budget Specialist.

Motion made by Mario Hernandez to accept the performance evaluation of the Fund's Benefit/Budget Specialist as presented to the Board; seconded by Larry Romero. Motion carried (unanimous.)

- B. **Sections 551.071 and 551.072** Discussion and action regarding the possible purchase of real property.

Motion made by Karl Rimkus to authorize the Fund's real estate attorney to obtain a fair market appraisal on prospective real estate; seconded by Larry Romero. Motion required polling:

Presi Ortega	aye
Mario Hernandez	aye
Pat Adauto	aye
Larry Romero	aye
Karl Rimkus	aye
Christina Stokes	aye

Motion carried.

- Item 16. Adjournment

Motion made by Larry Romero to adjourn the El Paso City Employee's Pension Fund Board meeting on November 19, 2014; seconded by Presi Ortega. Motion carried @ 11:19 A.M. (unanimous).