

**THE EL PASO CITY EMPLOYEES' PENSION FUND
BOARD MINUTES FOR THE REGULAR MEETING
HELD WEDNESDAY OCTOBER 15, 2014 AT 8:30 A.M.
CITY HALL, CITY COUNCIL CHAMBERS, 300 N. CAMPBELL**

Members in Attendance:

Rene Peña, Chairman
Mario R. Hernandez, Vice Chair
Presi Ortega
Christina Stokes
Dr. Michiel Noe, City Representative
Karl C. Rimkus

Members Absent:

Larry E. Romero, City Representative
America Luna
Pat Aauto

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
Alma Duenas, Benefits/Budget Specialist
Gordon Weightman, Callan Associates
Luis Ortiz, City's Treasury Services Manager
Enrique Martinez, Interim Director of the City's IT Services
Rand Larsen, Relationship Manager of Mellon Capital
Amador A. Villarreal Jr.
Susan Villarreal

- Item 1. Rene Pena, Chairman, called the meeting to order at 8:40 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 September 17, 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	Aragon, Jeanne A.	Police	18 years 05 months *
2	Chavez, Victor	Fire	07 years 09 months
3	Felix, Rosie	Airport	30 years 00 months
4	Garza, Josie	Human Resources	42 years 07 months
5	Hernandez, Jose S.	General Svces	08 years 08 months
6	Holland, Roy	EPWU	27 years 04 months
7	Love, Tony	DOT	30 years 03 months *
8	Mancha, Jose J.	DOT	27 years 09 months *
9	Morales, Luis R.	Solid Waste	29 years 08 months
10	Rodriguez, Enrique	Zoo	26 years 03 months *
11	Shadrick, Robert A.	Engineering	35 years 09 months
12	Sublasky, David	Health	37 years 09 months
13	Talamo, Anthony R.	Engineering	15 years 09 months
14	Wilson, Joyce	City Manager	10 years 01 months
B. Early:			
1	Mendoza, Louis	Zoo	08 years 02 months *
2	Osborne, Cynthia	City Attorney	07 years 02 months
C. Deferred:			
1	Ed, Stuart	General Svces	13 years 08 months
2	Huerta, Diego	EPWU	19 years 11 months
3	Smith, Jr., Jimmy M.	Env. Svces	19 years 04 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. Lazcano, Aida, survivor of Ricardo Lazcano, retiree
- B. Pacheco, Maria E., survivor of Leonardo Pacheco, retiree
- C. Schoch, Jacqueline, survivor of Gerald Schoch, retiree
- D. Torres, Yolanda, survivor of Ruben 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, LP	Investment Fees	August 31, 2014	\$12,551.00	**
B.	Callan Associates Inc.	Consulting Fees	Qtr Ended 09/30/2014	\$68,022.23	
C.	Eduardo Miranda	Legal Fees	September 30, 2014	462.50	
D.	Gordon Davis Johnson & Shane PC	Legal Fees	August 31, 2014	\$746.75	
E.	Riverbridge Partners	Investment Fees	Qtr Ended 06/30/2014	\$43,222.49	
F.	Vulcan Value Partners, LLC	Investment Fees	Qtr Ended 09/30/2014	\$80,906.58	
G.	Denver Investments	Investment Fees	September 30, 2014	\$8,756.00	**

* To be paid by Directed Brokerage credits.

- ** For Notation Only – to be withdrawn from commingled account.
- *** Performance based fee.

Motion made by Christina Stokes to accept the Consent Agenda; seconded by Dr. Michiel Noe. Motion required polling:

Presi Ortega	aye
Dr. Michiel Noe	aye
Christina Stokes	aye
Karl Rimkus	aye

Motion carried.

REGULAR AGENDA

- Item 6. Discussion and action regarding recognition of Board and staff service.

The Trustees recognized the service of the Deputy Pension Administrator, Patricia Hickman. Ms. Hickman has worked in the administrative office of the El Paso City Employees' Pension Fund for over 20 years.

No action required on this item.

- Item 7. Discussion and action regarding the election of officers for the Board of Trustees.

With the integration of new Trustees, the Board elected new officers. Trustees had the opportunity to nominate officers.

Christina Stokes nominated Rene Pena for Chair; seconded by Karl Rimkus. Motion carried (unanimous.)

Rene Pena nominated Karl Rimkus for Vice Chair; seconded by Christina Stokes. Motion carried (unanimous.)

- Item 8. Discussion and action regarding the receipt of an award from GFOA for Excellence in Financial Reporting for fiscal year ended August 31, 2013.

Robert Ash, Pension Administrator, spoke. As previously authorized by the Board Chair, the Fund applied for an award from the Government Finance Officers Association (GFOA) with regards to the Fund's consolidated annual financial report. The GFOA has awarded the Fund with the Certificate of Achievement for Excellence in Financial Reporting (CAFR). The CAFR represents a significant accomplishment by management, staff, and the Board.

No action required on this item.

- Item 9. Discussion and action regarding the Treasurer's Reports for months ending September 30, 2014.

Luis Ortiz, City's Treasury Services Manager, presented for Denise Grizzle who was unable to attend; the Treasurer's Report for the period ending September 30, 2014 was distributed. The Board received a review of the report.

The decrease of approximately \$23 million in total cash and investments from August to September is attributed to the depreciation of the fair value of investments; this fluctuation in the fair value of investments is expected (as illustrated in the Investment Income Chart.) Although the contribution rate has increased, the deficit between contributions received and benefits paid is expected to continue.

The in-house administrative expenses for the new fiscal year are on budget. Robert Ash, Pension Administrator, advised that the expenditure for Building-Leases reflects payment made for two months.

The market outlook for October remains on a downward trend, current-to-date valuation of the portfolio is approximately \$700 million.

Motion made by Dr. Michiel Noe to accept the Treasurer's Report for the month ending September 30, 2014 as presented; seconded by Mario Hernandez. Motion carried (unanimous).

- Item 10. 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.

IT continues to work closely with Pension staff to resolve pending issues. Currently pending is the periodic processing for the month of August for the PSB component. Another outstanding item is the completion of the scope of work for the new implementation manager; IT is finalizing that presentation for the City's CFO to review and present to the City Manager for approval.

IT also continues to work on the actuarial evaluation. Robert Ash, Pension Administrator, addressed the Board to explain the evaluation process. The Fund submitted a data file on Sept 1st to the actuary. The actuary compared that actuarial file to the last file submitted by the Fund. (The last actuarial file was submitted during the previous evaluation conducted over two years ago.) The actuary reviewed for data changes and submitted questions for review. Those questions have been resolved as vast majority were conversion issues. The Fund's actuary, Buck Consultants, is currently reviewing the latest data file and is expected to submit additional questions. The actuarial evaluation remains on schedule.

No action required on this item.

- Item 11. Discussion and action regarding the receipt of a death verification analysis.

Robert Ash, Pension Administrator, presented; report was distributed. At the Board's request, the death verification analysis is conducted every other month. The report returned a new name which was attributed to an identification error; no action is required.

No action required on this item.

- Item 12. Discussion and action regarding the Prudential Insurance Company annual administrative fee and possible drawdown on existing balance.

Robert Ash, Pension Administrator, presented; report was distributed.

Prudential Insurance Company submits an annual bill for administration of COLA payments for a group of annuitants. They charge a \$1,000 administrative fee that is customarily paid from the fund balance. As that pool of retirees is shrinking, it is recommended to reduce that balance by \$30,000 and to continue to pay the administrative fee as customary.

Discussion ensued.

Motion made by Mario Hernandez to pay the administrative fee from the fund balance, reduce the fund balance by \$30,000, and reduce the monthly amount paid to \$10,000; seconded by Presi Ortega. Motion required polling:

Presi Ortega	aye
Mario Hernandez	aye
Dr. Michiel Noe	aye
Christina Stokes	aye
Karl Rimkus	aye

Motion carried.

Item 13. Discussion and action regarding portfolio rebalancing.

Gordon Weightman of Callan Associates presented; the Board received and reviewed the rebalancing worksheet.

Rebalancing is necessary to raise \$14 million: \$9 million will be allocated to the underfunded MLP's and \$5 million for cash for beneficiary payments and to meet capital calls for private equity. Consistent with the investment policy statement, it is recommended that the Fund reduce overfunded assets in order to move closer to target allocation. MLP's are currently \$19 million under target, but given current underperformance of MLP's funding will be staggered.

Motion made by Presi Ortega to authorize staff and the Investment Consultant to transition the assets necessary and sign related documents; seconded by Karl Rimkus. Motion required polling:

Presi Ortega	aye
Mario Hernandez	aye
Dr. Michiel Noe	aye
Christina Stokes	aye
Karl Rimkus	aye

Motion carried.

Item 14. Discussion and action regarding the receipt of an investment manager report from Mellon Capital.

Rand Larsen, Relationship Manager of Mellon Capital, presented; the Board received and reviewed the Mellon Capital investment manager report.

Mr. Larsen provided an overview of the firm. The growth of \$15 billion in total AUM is primarily organic growth attributed to existing and new clients. Two main components of the firm have continued to grow: sovereign wealth funds and sub advisory. As a result Mellon Capital has devoted a portion of the company to sub advisory and retail investing; the transition has not affected management of the Fund's portfolio.

Mr. Larsen reviewed the performance of the assets under management. Mellon Capital has managed five assets for the Fund over the past 20 years; the IFA (identified on the report as the International Stock Index Fund) is the only fund year-to-date that is negative in terms of performance, which is an indication of a weak global economy. The portfolio positively tracks the index as a result of an "artificial advantage" to capture dividend income back through taxation. Mr. Larsen anticipates an unstable market for the IFA index due to a slowing global economy.

Since the different indexes charge for use of their names, Mellon Capital has adopted different identifiers for the each index as reflected in their report.

Even though there has not been a formal correction of 10% or more since September 2011 even with the latest drop in the national market, Mellon Capital remains overweight in stock asset allocation as they project that the spread between stocks and bonds will remain attractive.

The Board Members were able to ask questions of the presenting manager firm.

No action required on this item.

Item 15. Discussion and action regarding a report from Callan Associates.

Gordon Weightman of Callan Associates presented; the Board received and reviewed the monthly "flash" report for the period ending September 30, 2014. For the past quarter the portfolio is 64 basis points below the benchmark; the portfolio's underperformance can be attributed to domestic equity. Compared to the Russell 3000 Index, domestic equity is overweight in small/mid cap stocks, which are more volatile than large cap. Although large cap stocks have recently outperformed small/mid cap stocks, historically small/mid cap stocks outperform over a longer period of time. Callan did not report any issue with any of the investment managers.

No action required on this item.

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

Robert Ash, Pension Administrator, reported on the following:

- Cecilia Rios former Retiree Representative of the Pension Board will be recognized next month.
 - Mayor appointed former Deputy City Manager, Pat Aduato, as the new Retiree Representative to the Pension Board. Ms. Aduato will be sworn in.
- Newsletter has been updated as requested by Trustees. It has been printed and will be sent out today.
- Auditors will be in the Pension Office for two weeks beginning on October 27th.
 - In the interim, any Committee Meetings will have to be relocated.
 - Staff is currently working on PVC's for the auditors.

- Audit Committee to meet with the auditors.
- Actuary evaluation is on schedule.
- New rehire policy is being considered by the City.
 - Tax counsel to review policy and submit recommendations to the City's Attorney's office.
 - The city is considering reducing the waiting period for rehiring retirees (both uniform and non-uniform) from one year to three months. A waiting period is necessary to avoid a possible in-service distribution issue.

Trustees discussed a viable waiting period and possible impact on the Fund. If a contributing position is transitioned to a non-contributing position for a retiree that reduction in contributions, from both the employee and employer, would negatively impact the Fund. Ultimately, the Fund can only voice concerns and advise the City on tax compliance, as the proposed policy is a City Policy, the Fund cannot control the outcome.

No action required on this item.

Item 17. Discussion and action regarding the following Committee reports/assignments:

- A. Actuary Committee - Committee did not meet.
- B. Ad-Hoc Facilities Committee –Committee did meet.

Karl Rimkus, Facilities Committee Chair, addressed the Board. The Facilities Committee met on October 1st. The Committee reviewed potential properties. The Committee does not have any recommendations for the Board, but will be prepare a report to present during a future Board Meeting.

No action required on this item.

- 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 October 14, 2014. The Committee received the “flash” report for the month of September 2014 as prepared by Callan Associates. The Committee then received a semi annual investment performance report from Mellon Capital Management Company. The Committee had the opportunity and asked questions of Mellon Capital. There were no material discrepancies noted in their report.

The Committee discussed the allocation to private real estate. The approved revised asset allocation increases the amount of private real estate to 9 percent. Callan recommended that the private real estate allocation be split between two investment managers. Callan provided information and a discussion was held on the differences between different types of private real estate managers. The Committee will review possible investment managers at a future meeting.

The Committee also discussed rebalancing the portfolio in light of the need to fund the MLP allocation and the need to raise cash for operations. Callan recommended raising \$14 million dollars from Mellon Capital index funds. From the \$14 million dollars raised \$9 million will be used to partially fund the MLP mandate with the final funding occurring in December or January. The remaining \$5 million dollars will be used for cash needs over the next few months. The Committee also discussed the holdings of the Private Equity portfolio.

It was requested that the Administrator send a list of current holdings to the Board members.

Finally the Committee engaged in a follow up discussion related absolute strategies as a result of an educational session held by the Board in September. The Committee will revisit this possible investment strategy in a few months.

The next scheduled meeting of the Investment Committee will be held on November 18, 2014.

No action required on this item.

E. Personnel Committee - Committee did meet.

Mario Hernandez read the Personnel Committee Minutes: The Personnel Committee met on October 1, 2014. The Committee reviewed the annual performance evaluation of the Benefit Technician. The Committee reviewed the goals for the Benefit Technician. The Committee discussed the evaluation with the Fund's Benefit Budget Specialist, Fund Administrator and Benefit Technician. After discussion the Committee recommended approval of the evaluation.

The Committee also reviewed a draft of a proposed Fund personnel succession plan. The Committee provided input regarding the methodology used in the proposed succession plan. The Committee recommended that once some minor modifications were made that it be sent to the Fund's legal counsel for review and comments.

The next regularly scheduled meeting of the Personnel Committee will be held on November 12th.

No action required on this item.

F. Retiree Committee - Committee did not meet.

Item 18. For Notation:

A. Directed brokerage credit balance for month ended August 31, 2014: \$137,037.06

B. Qualified Domestic Relations Order:

1. Jose G. Escobar and Griselda Escobar
2. Christine Cobos and Matthew Boland

C. Refund of Contributions:

	NAME	DEPARTMENT	TOTAL REFUND	
1	Alvara, Michelle	Parks & Rec	\$16,938.08	
2	Arredondo, Francisco J.	EPWU	\$16,188.52	**
3	Banegas, Steven	Environmental Svces	\$5,970.59	
4	Beth, Benjamin	Zoo	\$2,685.65	
5	Carrillo II., Rodolfo	Dept. of Transportation	\$2,733.50	
6	Chavarria, Tomas	Parks & Rec	\$6,588.11	

7	Garcia, Julio C.	Information Technology	\$4,773.29	
8	Green, Kyle	Information Technology	\$2,412.07	
9	Griffith II., Daniel	Parks & Rec	\$4,358.79	
10	Guerra, Carlos	EPWU	\$3,710.66	
11	Licon Jr., Jesus	EPWU	\$3,596.33	
12	Lucero, Johnny	General Services	\$27,049.10	**
13	McGlynn, Sean	City Manager	\$ 77,688.67	
14	Muñoz, Angel E.	Mass Transit	\$58.49	
15	Palma, Alejandro	City Development	\$6,852.86	
16	Perry, Christopher	EPWU	\$21,848.51	
17	Quiroz, Delia	Health Department	\$7,114.76	
18	Reyes, Chuilid	EPWU	\$1,739.62	
19	Riley, Myrna	Health Department	\$13,381.22	
20	Rivera, Gabriella	International Bridges	\$84.64	
21	Smith, Jeremiah	Financial Services	\$2,811.05	
22	Sosa, Omar	Mass Transit	\$1,027.26	
23	White, Grace	Mass Transit	\$40,083.23	**
		TOTALS	\$269,695.00	

* 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 Section 551.074; seconded by Mario Hernandez. Motion carried @ 9:45 A.M. (unanimous.)

Motion made by Dr. Michiel Noe to reconvene from Executive Session; seconded by Karl Rimkus. Motion carried @ 10:13 A.M. (unanimous.)

Item 19. 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 Technician.

Motion made by Karl Rimkus to accept the performance evaluation of the Fund's Benefit Technician as presented to the Board; seconded by Mario Hernandez. Motion required polling:

Presi Ortega	aye
Mario Hernandez	aye
Dr. Michiel Noe	aye
Christina Stokes	aye
Karl Rimkus	aye

Motion carried.

B. Section 551.071 and 551.078 Discussion and action regarding non-job related disability application of Amador A. Villarreal.

Motion made by Presi Ortega to approve the non-job related disability application of Amador A. Villarreal; seconded by Dr. Michiel Noe. Motion carried (unanimous).

Item 20. Adjournment

Motion made by Presi Ortega to adjourn the El Paso City Employee's Pension Fund Board meeting on October 15, 2014; seconded by Dr. Michiel Noe. Motion carried @ 10:15 A.M. (unanimous).