

**THE EL PASO CITY EMPLOYEES' PENSION FUND
BOARD MINUTES FOR THE REGULAR MEETING
HELD WEDNESDAY, SEPTEMBER 20, 2017, AT 8:30 A.M.
CITY HALL, CITY COUNCIL CHAMBERS, 300 N. CAMPBELL**

Members in Attendance:

Karl C. Rimkus, Chairman
Presi Ortega
Rebecca L. Torres
Ed Archuleta
Robert C. Studer

Members Absent:

Rene Peña, Vice Chairman

Others in Attendance:

Eduardo Miranda, Attorney
Luis Mier, Treasury Services Coordinator for the City of El Paso
Charlie Lino, Assistant Comptroller 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
Bill Howard, Callan Associates
Enrique Martinez, City's DoIT Director
Richard Campos, City's DoIT Enterprise Applications Administrator
Jesus E. Garcia II, Office of Comptroller
Edward Ozogar, City's DoIT Project Manager

- Item 1. David Garcia, Payroll/Accounts Payable Specialist, called the meeting to order at 8:36 A.M. Garcia noted the Members in attendance.

David Garcia, Payroll/Accounts Payable Specialist, read the Notice to the Public.

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 August 16, 2017, and minutes of the Groundbreaking - Special Board Meeting of August 31, 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	Castañeda, Rodolfo	Zoo	25 years 04 months *
2	Ellithorp, Patricia Amaya	EPWU	29 years 05 months *
3	Flores, Jose	Environmental Svces	19 years 05 months
4	La Rue, Joel B.	EPWU	34 years 03 months
5	Licudine Jr., Phillip Frances	Planning & Inspections	07 years 03 months
6	Lopez, Debi Ann	Library	11 years 10 months
7	Martinez, Antonio	Mass Transit	18 years 05 months
8	Padilla Jr., Gerardo	Streets & Maint	30 years 06 months
9	Parker, Karol	EPWU	20 years 07 months
10	Sutter, Mark Delbert	City Mgr	07 years 00 months
11	Tellez, Enrique	Mass Transit	24 years 00 months
12	Zuniga, Natividad V.	Sun Metro	21 years 01 month *
B.	Early:		
1	Dominguez, Hector	EPWU	09 years 08 months
2	Hernandez, Jose Luis	Sun Metro	24 years 05 months *
3	Valdez, Sonia Olivia	Airport	09 years 08 months
C.	Deferred:		
1	Burrus, Judith Ann	Police	09 years 04 months
2	Hernandez, Humberto	EPWU	30 years 00 months *
3	Jasso, Enrique	EPWU	07 years 11 months
4	McElroy, Mathew	International Bridges	10 years 05 months
5	Salas, Irma Laura	Animal Services	20 years 07 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. Lonvelin, Graciela survivor of Ernesto Lonvelin, retiree.

B. Pena, Maria Irma survivor of Cruz T. Pena, retiree.

C. Schaffino, Cristina G. survivor of Ricardo Schaffino, 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	Mo. Ended 08/31/17	\$19,473.00	**
B.	AQR Style Premia Fund LP	Investment Fees	Mo. Ended 07/31/17	\$23,225.00	**
C.	AQR Style Premia Fund LP	Investment Fees	Mo. Ended 08/31/17	\$24,025.00	**
D.	BNY Mellon Asset Services	Custodial Fees	Qtr. Ended 06/30/17	\$38,795.39	
E.	Eduardo Miranda	Legal Fees	Mo. Ended 08/31/17	\$1,325.00	
F.	Gordon Davis Johnson & Shane	Legal Fees	Inv. 293394 07/31/17	\$41,417.60	
G.	Gordon Davis Johnson & Shane	Legal Fees	Inv. 293987 08/31/17	\$4,190.30	
H.	Gordon Davis Johnson & Shane	Legal Fees	Inv. 293384 07/31/17	\$15,581.80	
I.	Gordon Davis Johnson & Shane	Legal Fees	Inv. 293988 08/31/17	\$18,514.08	
J.	Mellon Capital Management	Investment Fees	Qtr. Ended 06/30/17	\$57,080.26	**

* 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. Administrative Services Committee
- C. Audit Committee
- D. Facilities and Maintenance Committee
- E. Investment Committee

Motion made by Ed Archuleta to approve the Consent Agenda; seconded by Robert C. Studer. The motion required polling:

Presi Ortega	aye
Rebecca L. Torres	aye
Ed Archuleta	aye
Robert C. Studer	aye

Motion carried.

David Garcia, Payroll/Accounts Payable Specialist, read each Item in the Regular Agenda prior to discussion.

REGULAR AGENDA

Item 7. Discussion and action regarding the appointment of a participant to fill the unexpired term of an Employee Representative on the Board of Trustees.

Robert Ash, Pension Administrator, reviewed the Board's policy to fill an Employee Trustee vacancy on the Board. During the regular August Board Meeting, the Board received and accepted the resignation of Employee Trustee, Christina Stokes. The vacancy was posted on the Pension website and actual notice was given to the candidates of the most recent election. The Administrative Services Committee (ASC) served as the ad-hoc subcommittee. The ASC evaluated those interested to serve in the unexpired term. The ASC interviewed some of the

candidates. Karl Rimkus, Board Chairman and Chair of the ASC, advised that after due diligence the ASC recommends to appoint Jesus E. Garcia II to fill the vacancy. Discussion ensued. Rimkus advised that four candidates were selected for interviews. The Board discussed the candidates and interview process.

Motion made by Rebecca Torres to accept the recommendation of the Fund's Administrative Services Committee to appoint Jesus E. Garcia II to fill the vacancy; seconded by Ed Archuleta. Motion carried.

Item 8. Discussion and action regarding the election of Board Officers.

Karl Rimkus, Chairman, advised that Vice Chairman, Rene Peña, requested that the election of Board Officers be postponed for one month. Discussion ensued. Trustee, Ed Archuleta, suggested that the elections be postponed until 2018 to allow for the pending Mayoral appointments to be finalized. Trustee, Presi Ortega, agreed with postponing but suggested to postpone the election for later in the calendar year. Rimkus reviewed the Board's policy for the election of Board Officers. Ortega discussed best practices by other pension plans.

Motion made by Rebecca L. Torres to delay the election of Board Officers for one month; seconded by Robert C. Studer. Motion carried.

Item 9. Discussion and action regarding the payment of the Prudential yearly administrative fee and drawing down on the available balance.

Robert Ash, Pension Administrator, presented; the Board received and reviewed the hand-out regarding the annual administrative fee to Prudential.

Ash advised that the action for the Board is to pay the COLA benefit for a group of retirees subject to an annuity that was purchased by Prudential in 1985. The Fund deposits approximately 10 thousand dollars per month with Prudential to pay the prior authorized COLA benefit. The minimum balance is 14,737 dollars. The administrative fee is one thousand dollars per year. The staff recommendation is that the Fund drawdown the balance by 25 thousand dollars and pay the administrative fee from the surplus balance.

Motion made by Ed Archuleta to approve the payment as recommended by staff; seconded by Rebecca L. Torres. The motion required polling:

Presi Ortega	aye
Rebecca L. Torres	aye
Ed Archuleta	aye
Robert C. Studer	aye

Motion carried.

Item 10. Discussion and action regarding the Treasurer's Report for the month ended August 31, 2017.

Luis Mier, Treasury Services Coordinator for the City of El Paso, presented on behalf of Pat Degman, Comptroller; the Board received and reviewed the Treasurer's Report for the month ended August 31, 2017.

Mier reviewed the statement of net assets available for benefits. The unaudited totals in the statement are for the fiscal year ended August 31, 2017. Mier reviewed assets. Cash and

investments have increased by about 52 million dollars. Unrestricted receivables increased by about one million. Mier reviewed the Fund's liabilities. The average monthly decrease in cash and investments of approximately 4.1 million dollars corresponds with the reduction in overall liabilities of about 4.5 million. The total net assets available for benefits increased by approximately 47 million dollars.

Mier reviewed the statement of changes in net assets available for benefits. The unaudited totals reflect the fiscal year ended August 31, 2017. The net change in fair value of investments decreased for the month of August by about 1.2 million dollars, with approximately two million dollars in realized gains and about 3.2 million dollars in unrealized losses. The net change in fair value of investments for the fiscal year was over 67 million dollars. Mier reviewed additions. Contributions were over 40 million dollars for the fiscal year. Interest and dividends totaled about 6.4 million dollars. Mier reviewed deductions. For the fiscal year, benefits paid to retirees totaled approximately 62.7 million dollars including the COLA payment in July. Board Chairman, Karl Rimkus, noted the increase in benefits paid to retirees from the previous fiscal year of approximately 11 million dollars. Robert Ash, Pension Administrator, noted the contributing factors included an increase in retirees and advised that the benefits paid will continue to increase with the maturing plan.

Mier reviewed the quarterly statement of changes in net assets available for benefits. Mier reviewed additions. Contributions averaged about 3.4 million dollars per month for the fiscal year.

Mier reviewed the investment income analysis. The year-to-date net investment return was about 10.2 percent. Mier noted that the target rate of return is 7.5 percent.

Motion made by Presi Ortega to accept the Treasurer's Report; seconded by Robert Studer. Motion carried.

- Item 11. 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. The PTG implementation is in progress. DoIT has fulfilled various requests for information. Campos provided several examples including payroll earnings for retiree contributions and retiree paycheck data for deduction codes.
2. DoIT is reviewing and updating, as requested, the import and export processes used to interface with PTG.
3. Issues with periodic processing for January and February have been resolved; processing for March is in progress.

Robert Ash, Pension Administrator, reviewed the progress of the implementation including improved workflow with ADP. Discussion ensued. Ash advised that PTG is defining the interface processes. Campos noted that there has not been any data transfer between ADP and PTG. Campos advised that ultimately ADP will establish an autopay system for retirees that will interface with the PTG system. Karl Rimkus, Board Chairman, expressed his concern with the expedited timeframe and requested that the steering committee develop a contingency plan. Ash noted the steering committee's overview of the implementation and advised that PTG is expected to become functional by the end of the year; additional programming will be completed early in the first quarter.

Ash thanked DoIT for their assistance in planning the network communications in the new facility. Enrique Martinez, City's DoIT Director, noted that Edward Ozogar is the project manager. Ozogar reviewed the current status of planning. DoIT will provide quotes for audiovisual and network equipment. Rimkus thanked DoIT and the City for their technical advice.

No action was taken on this item.

- Item 12. Discussion and action regarding the receipt of an award from GFOA for Excellence in Financial Reporting for the fiscal year ended August 31, 2016.

Robert Ash, Pension Administrator, presented the Board with an award from the Government Finance Officers' Association (GFOA) for Excellence in Financial Reporting. Ash explained that the award is not easily obtained. Ash advised the award-winning Comprehensive Annual Financial Report (CAFR) is an annual report produced by Pension staff. The report is given to the City and other interested parties. The GFOA reviews the CAFR and provides comments.

Karl Rimkus, Chairman, accepted the award. Rimkus thanked the Fund's professional consultants and Pension Administration for their work and effort to obtain the award. Rimkus read the inscription on the award:

"Certificate of Achievement for Excellence in Financial Reporting presented to the El Paso City Employees' Pension Fund for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended August 31, 2016."

Trustee, Robert Studer, congratulated the Pension staff for their hard work.

No action was taken on this item.

- Item 13. Discussion and action regarding the receipt of the death verification analysis.

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 analysis reported a death that had already been identified by Pension Administration.

No action was taken on this item.

- Item 14. 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 for the period ended August 31, 2017, and the table of investment returns.

Howard reviewed the table of investment returns. Howard noted that the table is new. The table displays various asset classes that are represented by market indexes and provides the annual returns from 2013 to 2016, the monthly returns for the calendar year and year-to-date returns. Howard reviewed the indexes noting that the real estate asset class in the table represents global REITs not private real estate. Howard reviewed returns and attributing factors. The Board discussed market volatility and diversification. Trustee, Presi Ortega, requested that Callan add asset class, absolute return, to the table. Howard confirmed the request.

Howard reviewed the monthly “flash” report for the period ended August 31, 2017. Howard advised that the report is preliminary pending receipt of market values from the Fund’s custodian for private equity, Franklin Templeton and Invesco; upon receipt, the report will be revised and forwarded to Pension Administration. Howard noted that the revision is not expected to be materially different.

Howard reviewed asset allocation and noted the expected rebalancing activity for October. Howard reviewed the performance of the active managers advising that all returns are net of management fees. Howard reviewed attributing factors. Growth stocks continued to outperform value stocks. The disparity in performance is driven by the technology sector; year-to-date the technology sector is up 54 percent. Howard reviewed the manager on “watch”, Lazard. Lazard continues to underperform the index. The total return of the Fund’s portfolio was about 10.3 percent for the fiscal year. Trustee, Ed Archuleta, requested additional information on the Fund’s assumed investment return. Howard advised that the Fund has an assumed investment return of 7.5 percent and reviewed the total fund returns for the last three and five years. The Board discussed diversification and cyclical market performance highlighting absolute return. In response to Trustee, Presi Ortega, Howard advised that he will review and report the holdings in the S&P 500 index in reference to Wells Fargo.

No action was taken on this item.

Item 15. Discussion and action regarding a report from the Pension Administrator.

Robert Ash, Pension Administrator, reported on the following:

- Ash thanked the Administrative Services Committee (ASC) for meeting and advised that the ASC will meet in October for an upcoming evaluation for Pat Hickman, Deputy Administrator.
- Ash thanked Pension staff for their work with PTG and for their work to obtain the award from the GFOA.
- An outside law firm will review the Fund’s Personnel Rules and Regulations; Eddie Miranda, Attorney, will review the firm’s work. The cost will be approximately 7500 dollars. That report will be presented to the ASC for review and recommendation to the Board.
- The Fund’s compliance counsel is directing additional compliance audits. The estimated cost is approximately 85 thousand dollars. The counsel is reviewing actuary data and compliance. The Fund will be billed as the work is completed. The compliance audits are expected to be completed in about six months. Ash noted that Board approval is not necessary as the Board has provided direction in the past.

No action was taken on this item.

Item 16. For Notation:

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

B. Property Development Cost:

- | | | |
|--------------------|-------------------------------------|-------------|
| 1. Jose Guadarrama | Inv. #6 Aug. Landscape Maint. Svc. | \$ 200.00 |
| 2. Jose Guadarrama | Inv. #7 Sept. Landscape Maint. Svc. | \$ 200.00 |
| 3. Stephan Schmitz | August Construction Consultant Svc. | \$ 2,083.33 |

C. Pension Software:

- | | | |
|--------|-----------------------------------|-------------|
| 1. PTG | PensionPro Project Fee–Inv. #1555 | \$75,000.00 |
|--------|-----------------------------------|-------------|

D. Refund of Contributions:

	NAME	DEPARTMENT	TOTAL REFUND
1	Alexander, Michael W.	EPWU	\$6,128.24
2	Almanzar, Virginia	Fire	\$629.55
3	Arzaga, Isaac	P & I	\$7,211.61
4	Boyer, Karen E.	Zoo	\$4,145.67
5	Carreon Jr., Alejandro	EPWU	\$326.50
6	Cassagnol, Glory	Parks	\$4,118.40
7	Chairez, Raul A.	SAM	\$57,668.37 *
8	Chavez, Monique	Health	\$3,438.22
9	Chavez, Raymond M.	ESD	\$2,198.04
10	Christensen, Marilyn	Animal Services	\$31,545.94
11	Crawford, Robert	ESD	\$24,846.85
12	Fernandez, Michael	EPWU	\$5,291.37
13	Gomez, Jerome I.	Mass Transit	\$181.00
14	Gonzalez, Rene	EPWU	\$10,359.17
15	Hales, Haley	Animal Services	\$1,472.25
16	Hernandez, Jose	Mass Transit	\$19,715.13
17	Jones, Vanessa	Parks	\$2,353.16
18	Kelley, Moctezuma Z.	EPWU	\$858.78
19	Lopez, Claudia	Fire	\$23,808.15
20	Martinez, Kathleen	Capital Improvement	\$537.63
21	McNeiece, Robert	EPWU	\$810.03
22	Mendez, Agustin	ESD	\$1,358.91
23	Mendez, Agustin	ESD	(\$1,358.91)
24	Morales, Itzel	MCAD	\$833.98
25	Muñoz, Alejandro	SAM	(\$1,840.80)
26	Muñoz, Alejandro	SAM	\$1,840.80
27	Nevarez, Sandra	Tax	\$4,324.12
28	Olivas, Eva	Health	\$10,260.37
29	Pino, Kenneth	Fire	\$15,404.73
30	Provencio, Monica Y.	Health	\$2,696.33
31	Ramirez Jr., Edmundo	Animal Services	\$1,726.53
32	Raybuck, Henry J.	Mass Transit	\$196.57
33	Robles, Cynthia	Health	\$10,374.48
34	Russel, Karlin	Parks	\$597.18
35	Shelton, Amy	Fire	\$551.63
36	Skinner, Andrea	Zoo	\$21,355.12
37	Tovar, Daniel	ESD	\$1,018.71

38	Trevizo, Valerie A.	Health	\$25,858.29
39	Ugarte, Alberto	EPWU	\$14,630.35
40	Vazquez, Francisco	Fire	\$1,479.26
41	Vela, Monica	Community Dev.	\$13,037.39
42	Vizcarra, Angel	EPWU	\$3,364.41
43	Walker, Edwin T.	Fire	\$14,163.45
44	Yruegas, Rosa M.	Fire	\$631.21
TOTAL			<u>\$350,148.17</u>

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

For notation, no action required on this item.

OPEN COMMENT PERIOD

The Board of Trustees will allow speakers from the audience to comment on any pension-related issue that is not on the agenda. During the Open Comment Period of the meeting, audience members who sign up to address the Board will be given an opportunity to address the Board. Unless modified by the Chair, speakers will be allowed three (3) minutes for their comments. For more information, please contact Karina Chavez at the Pension Office at (915) 212-0112.

Motion made by Presi Ortega to retire into Executive Session to discuss items under Sections 551.071-551.076 and Section 551.078; seconded by Robert Studer. Motion carried at 8:49 A.M.

Motion made by Robert Studer to reconvene from Executive Session; seconded by Presi Ortega. Motion carried at 9:07 A.M.

- Item 17. 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 551.072

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

No action was taken on this item.

Item 18. Adjournment

Motion made by Presi Ortega to adjourn the El Paso City Employee's Pension Fund Board Meeting on September 20, 2017; seconded by Rebecca L. Torres. Motion carried at 9:50 A.M.