



**BOARD MINUTES FOR THE REGULAR MEETING
HELD WEDNESDAY, JANUARY 15, 2025 AT 8:30 A.M.
RETIREMENT TRUST ADMINISTRATION BUILDING, 1039 CHELSEA**

Members in Attendance:

Robert Studer, Chairman
Karl C. Rimkus, Vice Chairman
Isaura Valdez
Karina Brasgalla
Matt Kerr
Deborah G. Hamlyn
Rene Peña
Rep. Art Fierro

Members Absent:

Others in Attendance:

Robert Ash, Executive Director
Adrian Sanchez, Deputy Executive Director
Karina Chavez, Administrative Assistant
David Garcia, Benefits Supervisor
Eduardo Miranda, Legal Counsel
Luis Mier, Office of the Comptroller
Alex Browning, Callan LLC
Alex Ford, Callan LLC
David Kershner, Gallagher
Aaron Montano, Alliance Bernstein
Erik Turenchalk, Alliance Bernstein
Scott White, Adams Street Partners
Jonathan Romo, Carr, Riggs & Ingram

- Item 1. Benefits Supervisor David Garcia called the meeting to order at 8:31 AM. Garcia noted that quorum was met.

PLEDGE OF ALLEGIANCE

The Retirement Trust Board recited the Pledge of Allegiance.

NOTICE TO THE PUBLIC

Benefits Supervisor David Garcia read the Notice to the Public.

All matters listed under the CONSENT AGENDA will be considered by the Retirement Trust 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 Retirement Trust 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 Retirement Trust Board votes on the motion to adopt the CONSENT AGENDA.

CONSENT AGENDA

Item 2. Approve the Minutes of the Regular Board Meeting of December 12, 2024.

Item 3. Consideration and action on the following retirements:

Name	Department	Service Time (estimated)
A. Age & Service Retirement:		
1 Baeza Hernandez, Reyes	Environmental Services	08 years 05 months
2 Blanco, Alonso	El Paso Water	18 years 01 months
3 Caballero Sosa, Victor Manuel	Parks and Recreation	17 years 09 months
4 Fernandez, Federico	El Paso Water	16 years 00 months
5 Franco, Sylvia Ann	Public Health	30 years 07 months
6 Garcia, David A.	El Paso Water	19 years 07 months
7 Grijalva, Hortensia	Environmental Services	16 years 01 months
8 Gutierrez, Armando	Airport	17 years 08 months
9 Guzman, Adela	Police	22 years 08 months
10 Lucero, Noel F	Airport	29 years 09 months
11 Malone II, Frank C.	Airport	19 years 00 months
12 Marcell, Chal R.	El Paso Water	15 years 00 months
13 Marquez, James S.	International Bridges	13 years 06 months
14 Vasquez, Pedro Santos	El Paso Water	18 years 06 months
15 Vega, Armando	Environmental Services	25 years 03 months
16 Worrell, Lilia A.	Municipal Court	32 years 00 months
B. Age & Service Retirement - PRP:		
1 Theroux, Richard W	Community and Human Development	02 years 10 months

Item 4. Consideration and action on survivor benefit applications for:

- A. Layton, Janice survivor of Jerome Layton, retiree.
- B. Morales, Emma A. survivor of Crispin Morales, retiree.

Item 5. Consideration and action on invoices as follows:

Company	Description of Service	Period	Fee Due
A. Alliance Bernstein	Investment Fees	Qtr. Ended 12/31/24	\$ 100,526.73
B. BlackRock	Investment Fees	Qtr. Ended 12/31/24	\$ 32,341.46
C. Buck Global, LLC	Actuarial Fees	Mo. Ended 12/31/24	\$ 4,783.33
D. Callan LLC	Consultant Fees	Qtr. Ended 12/31/24	\$ 82,500.00
E. Carr Riggs & Ingram CPAs	Audit Fees	Yr. Ended 12/31/24	\$ 20,940.00
F. Eduardo Miranda	Legal Fees	Mo. Ended 12/31/24	\$ 400.00
G. Gordon Davis Johnson & Shane PC	Legal Fees	Mo. Ended 12/31/24	\$ 10,742.52
H. Lazard Asset Management	Investment Fees	Qtr. Ended 12/31/24	\$ 75,923.13
I. Schlueter Group of Texas LLC	Consulting Fees	Mo. Ended 01/31/25	\$ 5,000.00
J. Xerox Financial Services	Copier Lease	Mo. Ended 01/31/25	\$ 348.00

Item 6. Consideration and action regarding the receipt of the death verification analysis.

- Item 7. Consideration and action on the following Committee reports/appointments:
- A. Administrative Services Committee
 - B. Executive Committee
 - C. Facility and Maintenance Committee
 - D. Financial Oversight Committee
 - E. Investment Committee

Motion made by Rene Peña to approve the Consent Agenda; seconded by Deborah Hamlyn. The motion required polling:

Karina Brasgalla	aye
Matt Kerr	aye
Deborah Hamlyn	aye
Rene Peña	aye
Rep. Art Fierro	aye

Motion carried.

REGULAR AGENDA

- Item 8. Discussion and action regarding the Treasurer's Report for the month ended December 31, 2024.

Luis Mier of the Office of the Comptroller ("OTC") presented on behalf of Deputy Chief Financial Officer/Comptroller Margarita Marin; the Board received and reviewed the Treasurer's Report for the month ended December 31, 2024.

The Treasurer's Report is prepared monthly by OTC based on information received from the Trust's custodian. Chairman Robert Studer thanked OTC for completing the report within a day of receiving the data.

The report consists of two statements ("Statement of Net Assets Available for Benefits" and the "Statement of Changes in Net Assets Available for Benefits"), three schedules ("Quarterly Statements of Changes in Net Assets Available for Benefits", "Investment Income Analysis", and "Pension Administration Actual/Budget Comparison"), and seven graphs ("Net YTD Investment Income", "Net Investment Income Rate of Return", "Refunds & Administrative Expenses", "Benefits Paid to Retirees", "Net Assets Available for Benefits Monthly", "FY25 Pension Retiree Population", and "FY25 Retiree Benefit Paid").

The information in the report includes (i) receivables, which include amounts due to the Trust for securities sold, outstanding interest, dividends earned, and contributions as of the date of the report; (ii) liabilities, which include amounts owed by the Trust for securities purchased and accrued expenses as of the date of the report; and (iii) unrealized/realized investment income, which is an estimate of the value of the portfolio as of the reporting dates.

Mier reviewed the statements, schedules, and graphs. The unaudited totals are for the periods ended December 31, 2024, including month, quarter, and fiscal year (four months). Net assets available for benefits were about 987 million dollars, a net decrease of about 9.3 million dollars for the fiscal year. Contributions were approximately 20.7 million dollars (about 12.6 million from the employer and 8.1 million from employees). Benefits paid to

retirees were about 27.2 million dollars. The rate of return, which is the fiscal net investment loss/gain over the average net assets available for benefits, was about 0.03 percent. Mier noted the target rate of return for the fiscal year of 7.25 percent, about 2.42 percent for the four months ended December 31, 2024.

No action was taken on this item.

- Item 9. Discussion and action regarding the receipt of the annual financial audit as prepared by Carr, Riggs & Ingram LLC "CRI".

Trustee and Financial Oversight Committee ("FOC") Chair Rene Peña presented; the Board received and reviewed the annual financial audit as prepared by CRI.

Peña reviewed the audit timeline, auditor's report, and financial statement highlights. The auditor's opinion on the financial statements was unmodified, which is the best opinion available. The financial statements are presented fairly in accordance with accounting principles generally accepted in the United States of America. There were no audit areas where an opinion could not be rendered. The fiduciary net position of total assets was about 992.1 million dollars, and the total net pension liability was about 1.245 billion dollars. Peña noted that the totals in the report may be preliminary as there are amount discrepancies with the actuarial valuation. Peña advised that the auditor's report indicates that the Trust's net position of the total pension liability is about 79.5 percent. However, the actuarial valuation indicates that the percentage is lower at about 76 percent.

The report provided 5-year trends. Assets had steady increases over time due to increases in fair market values, with decreases in 2022 due to a fall in the market and increases in 2021, 2023, and 2024 due to a rise in the market. The total pension liability had steady increases over time due to increases in members receiving benefits. The City's net pension liability which is the total pension liability less the Retirement Trust's fiduciary net position, changed over time due to the market conditions, growth of the total pension liability, additional retirees, and benefit increases. The total fiduciary net position as a percentage of total pension liability had an inverse correlation to the City's net pension liability.

Chairman Robert Studer and Trustee Matt Kerr thanked Peña for presenting in the absence of the CRI Partner. Kerr expressed concern about the CRI Partner failing to present their report in person to the Board. Executive Director Robert Ash advised that a representative from CRI, Jonathan Romo, was in attendance. Ash noted that Romo performed audit fieldwork. Ash advised that it was decided during the FOC that Peña would present in the absence of the CRI Partner.

Ash thanked the Office of the Comptroller for assisting in the audit. Ash noted that Deputy CFO/Comptroller Margarita Marin attended the FOC meeting.

Motion made by Karl Rimkus to accept the draft audit report and authorize the Executive Director or Chairman to sign related documents; seconded by Rene Peña. None opposed. Motion carried.

- Item 10. Discussion and action regarding the receipt of an actuarial valuation as prepared by Buck Global, LLC/Gallagher (David Kershner, Gallagher).

David Kershner of Gallagher/Buck Global, LLC presented; the Board received and reviewed the actuarial valuation as of 9/1/24. Kershner noted that Buck Global was acquired by Gallagher last year.

Kershner reviewed the purpose of actuarial valuations noting that “full” valuations (with updated participant data and assets) are performed in even-numbered years, and interim valuations (with updated assets only) are performed in odd-numbered years.

Kershner provided an overview of the actuarial valuation process. This is a full valuation. Valuations assess the current financial condition of the Trust; determine the funding adequacy of the City’s fixed contribution rate; and analyze changes in the financial condition of the Trust since the last valuation. Gallagher collected updated participant and asset data. Unaudited assets are used for the valuations. The valuation determines actuarial liabilities for current plan members (active and inactive); compares actual and expected plan experience since the last valuation; and calculates the Actuarially Determined Contribution (“ADC”) rate.

Kershner reviewed valuation highlights. FY24 asset returns exceeded the 7.25 percent expected return. Approximate FY24 returns were 13.1 percent (market value) and 7.4 percent (actuarial value). These FY24 returns resulted in asset gains of 52.5 million dollars (market value) and 1.1 million dollars (actuarial value). Based on the 5-year asset smoothing method, deferred asset losses as of 9/1/24 total 14.7 million dollars. These deferred asset losses will be recognized over the next 4 years. Liabilities are 78.1 million dollars higher than expected. Key sources for this 2-year liability loss: (i) Salary increases were more than expected: 55.1 million dollars (the average salary for active members increased from 43,700 dollars in 2022 to 50,200 dollars in 2024); (ii) Demographic experience different than expected: 12.1 million dollars; and, (iii) new entrants: 9.1 million dollars. City contributions in FY24 were 15.4 million dollars higher than the ADC. The unfunded actuarial accrued liability (“UAAL”) increased from 224.1 million dollars in 2022 to 313.5 million dollars in 2024. The funded ratio decreased from 80.9 percent in 2022 to 76.3 percent in 2024. The City’s ADC rate increased from 11.02 percent in 2022 to 12.12 percent in 2024. The excess margin of the City’s fixed contribution rate over the ADC rate decreased from 3.03 in 2022 to 1.93 percent in 2024. The UAAL funding period increased from 14 years in 2022 to 16 years in 2024.

Kershner reviewed historical membership counts, ratios, asset returns, and funding periods. Kershner compared the Trust’s data for fiscal year 2024 to other Texas Municipal Plans in the Texas Pension Review Board Database. Of 17 municipal plans, the Trust has the 6th lowest unfunded liability amortization period; the 7th highest actuarial funded ratio; and the 4th highest excess in margin of fixed contribution to ADC rate.

Kershner reviewed COLA/13th check considerations. The funding policy adopted by the Board in 2019 states two conditions must be met for granting a COLA or other benefit increase: (i) The funded ratio of the plan after the benefit increase is at least 80 percent; and (ii) the decrease in the funded ratio due to the benefit increase is not more than 1 percent. The funded ratio on 9/1/24 before increases: 76.3 percent; after 1.0 percent COLA: 75.9 percent; after the 13th check: 75.9 percent; and after 1.0 percent COLA and 13th check: 75.5 percent. Because the funded ratio after a 1 percent COLA and/or 13th check would be below 80 percent, the two conditions set by the Board are not met for either increase. Board Chairman and FOC Member Robert Studer confirmed that a COLA and/or 13th check will not be issued this calendar year.

Kershner reviewed new developments. The Texas Pension Review Board (“PRB”), which oversees all Texas public retirement systems (state and local), issued pension funding guidelines and guidance for developing a funding policy in July 2024. These guidelines were discussed with the Board in October 2024. The funding policy adopted by the Board in 2019 complies with these funding guidelines.

Financial Oversight Committee (“FOC”) Chair Rene Peña discussed the trends in member counts. Peña noted that over 10 years, active participants increased by about 11 percent, while retired members increased by about 72 percent. Kershner advised that although the ratio between active and retired members has decreased substantially, there is no cause for concern as the fixed contribution rate exceeds the ADC rate. However, counts should be monitored.

Studer discussed the Trust’s increased liability. Studer noted that although returns offset the UAAL increase of almost 90 million dollars, salary increases for City employees substantially impact the fund which correlates to the City’s bond rating. Studer noted that the funded ratio has not experienced a substantial drop, and the years-to-amortize has remained in the same range over the last decade. The salary increases for City employees were higher than expected by over 55 million dollars and the average salary for active members increased to 50,200 dollars in 2024 (from 43,700 dollars in 2022). Studer advised of an increase approved by the City, which is scheduled to be implemented early this year, and therefore was not included in the current valuation. Peña requested more information on salary projections. Kershner advised that the salary increase scale was developed in the last experience study based on the most recent 4-year period of experience at the time of the study. On average, salaries are expected to increase by about 3.5 percent per year. Kershner noted that salaries increased about 16 percent over the 2-year period of the valuation. Kershner advised that the loss experienced from salary increases is the key reason the funded ratio decreased from 80.9 percent to 76.3 percent. Trustee Deborah Hamlyn requested that Trust management communicate the valuation findings to the City. Executive Director Robert Ash confirmed that once the auditor’s report and actuarial valuation are finalized the Trust will request to meet with the Mayor and City Manager to review. Ash noted the Financial Oversight Committee (“FOC”) reviewed the valuation. Deputy CFO/Comptroller Margarita Marin attended that FOC meeting.

Ash advised that, as required by state law, the City is performing an actuarial audit. Gallagher is assisting the Trust in providing information to the City’s selected actuarial firm, Foster & Foster, that is performing the review. Ash expects that the report will be completed in the next few months and the Trust will receive the findings and recommendations.

Ash, Studer, and Deputy Executive Director Adrian Sanchez thanked Kershner, Trust Staff, OTC, and HR for their work in completing the valuation.

Motion made by Karl Rimkus to approve the actuarial valuation as prepared by Gallagher; seconded by Rene Peña. None opposed. Motion carried.

- Item 11. Discussion and action regarding the receipt of an investment manager report from Adams Street Partners (Scott White, Adams Street Partners).

Scott White of Adams Street Partners presented; the Board received and reviewed an investment management report from Adams Street Partners.

White provided an overview of the firm. The firm is 100 percent employee-owned and has over 61 billion dollars in assets under management. The Trust is invested in the 2022 Global Fund and the upcoming 2025 Global Fund. The Funds are private market portfolios spanning all of Adams Street’s investment strategies, including primaries, secondaries, co-investments, growth equity, and private credit, across North America, Europe, and Asia.

White noted the current state of the private equity market and reviewed performance. The 2022 Global Fund is about 37 percent drawn. Capital calls are expected to increase over the next few quarters. Total value/amount drawn is 1.21x. The Fund is about 23 percent net IRR

since inception. The Global Program has consistently outperformed the Public Market Equivalent - MSCI ACWI by about 200-400 basis points with few exceptions and has ranked in the 1st and 2nd quartiles. No capital has been called for the 2025 Global Fund; White discussed target allocations for the Fund.

No action was taken on this item.

- Item 12. Discussion and action regarding the receipt of an investment manager report from Alliance Bernstein (Aaron Montano, Alliance Bernstein).

Aaron Montano and Erik Turenchalk of Alliance Bernstein presented; the Board received and reviewed the investment manager report from Alliance Bernstein (“AB”).

Montano and Turenchalk provided an overview of the firm and the US Small and Mid-Cap (“SMID”) Core Portfolio. Turenchalk reviewed performance and attribution. During the year, stock and sector selection contributed to relative performance. The SMID portfolio outperformed its benchmark, the Russell 2500, in 2024 and 2023 by about 1.1 percent and 0.5, respectively, percent net of fees, but underperformed since inception, May 22, 2021, by about 0.9 percent.

Turenchalk provided a market overview and projection. AB remains encouraged by a stable economic backdrop and resilient US consumers heading into 2025 but are monitoring the move higher in rates given increased tariffs and other inflationary policies proposed by the incoming administration.

No action was taken on this item.

- Item 13. Discussion and action regarding the receipt of a monthly performance report for December 2024 regarding the Trust’s investments and related matters from Callan LLC. (Alex Browning and Alex Ford, Callan).

Alex Ford of Callan LLC presented; the Board received and reviewed the performance report for the month of December 2024. Ford noted that the totals are preliminary.

Ford reviewed actual versus target allocation. Although allocation remains close to target, Callan will develop a strategy over the next few months with the Trust’s Investment Committee (“IC”) to rebalance into Domestic Fixed Income as actual allocation approaches the lower end of the defined range. Ford noted that the Trust’s exposure to Domestic Fixed Income was further reduced with the final maturity of the laddered bond program in December. Ford advised that the laddered bond program was a short-lived, successful program that added value and helped with cash management. Ford advised that Real Estate has been a challenged asset class with devaluations, etc. and has been underweight for some time. Ford noted that there are two Real Estate managers. As one of the managers is on “watch” and will not receive additional capital, the IC with Callan recommends funding a new manager for diversification. In International Equity, Ford noted that Lazard International Equity was terminated and those assets were reallocated into the index fund in December.

Ford reviewed performance and noted that valuations for Private Equity and Real Estate are not available on a monthly basis. The total fund balance was an estimated 982.6 million dollars with about 25.2 million dollars in unrealized losses for the month. Ford reviewed performance by asset-class composite and respective benchmarks. In December, Domestic Equity underperformed; all other asset classes outperformed their benchmarks. The total fund underperformed the Strategic Blended Index for all reporting periods. Ford cited the public

market benchmark for Private Equity as the reason for the underperformance. For the last year, the total fund return exceeded the actuarial rate of return of 7.25 percent. Ford discussed market conditions and performance attribution.

No action was taken on this item.

Item 14. Discussion and action regarding the selection of an additional real estate investment manager.

Alex Browning of Callan LLC presented; the Board received and reviewed the real estate search summary.

The Trust invests in a diversified portfolio of public domestic and international equities, fixed income, private real estate, and private equity to fund administrative expenses and the retirement benefits of current and retired City employees. Within the total fund strategic asset allocation, the Trust maintains a private real estate composite with a strategic weight of 10 percent at the total fund level. The private real estate composite is equally weighted to two core open-end real estate funds, UBS Trumbull Property Fund (“TPF”) and Heitman American Real Estate Trust (“HART”). Due to persistent return challenges, the Investment Committee (“IC”) recommended to the Board that they approve a partial liquidation of the UBS Trumbull Property Fund and engage in a core open-end real estate fund replacement search. Callan engaged in a core open-end real estate search based on criteria covering desired firm and performance characteristics. The IC recently met with the finalist candidate firms. After discussion including a review of investment strategy, firm resources, and performance, the IC selected TA Realty as their top candidate pending successful contract negotiations. Browning noted key professionals and fund-level and portfolio characteristics of TA Realty.

Motion made by Rene Peña to authorize the Executive Director/Legal Advisor to enter into contract negotiations with TA Realty to manage a real estate portfolio, as recommended by the Trust’s Investment Committee, and authorize the Chairman or Executive Director to sign related documents; and to approve, upon successful contract negotiations, the transition of assets to TA Realty as recommended by Callan LLC, and authorize the Executive Director or Chairman to sign related documents; seconded by Deborah Hamlyn. The motion required polling:

Isaura Valdez	aye
Karina Brasgalla	aye
Matt Kerr	aye
Deborah Hamlyn	aye
Rene Peña	aye
Rep. Art Fierro	aye

Motion carried.

Item 15. Discussion and action regarding a report from the Executive Director.

Executive Director Robert Ash reported on the following:

- Ash reviewed ongoing/completed project(s):
 - 1099R Forms will be sent to retirees by the end of the month.
 - The ACFR will be provided to the State Pension Review Board by the end of February.
- Ash reviewed upcoming conferences/training:

- TEXPERS will hold their annual conference in Austin at the end of March through early April.
 - Attendees are expected to have the opportunity to meet with state legislators.
- NCPERS will hold their annual conference in Denver in May.
- Trustees should contact Benefits Supervisor David Garcia if they plan to attend the conferences.
- Ash reviewed Trust meetings:
 - Ash thanked the committee members for their due diligence and attendance.
 - Ash noted that a new City Representative will be appointed to the Board and is expected to attend the February meeting.

No action was taken on this item.

Item 16. For Notation:

A. Refund of Contributions:

	Name	Department	Total Refund
1	Acevedo, Sarah	El Paso Water	\$ 379.73
2	Amaya Cazares, Omar	Fire	\$ 1,600.08
3	Barrio, Antonio	Information Technology	\$ 81,664.99
4	Butcher, Devon	El Paso Water	\$ 6,068.48
5	Campos, Araceli	Municipal Court	\$ 1,165.59
6	Castillo, Michael	Environmental Services	\$ 1,279.47
7	Danamraj, Evangeline	Animal Services	\$ 452.31
8	Garcia, Erika	Libraries	\$ 6,069.47
9	Garcia, Jose	El Paso Water	\$ 806.34
10	Garcia, Jesus	Fire	\$ 127,149.00
11	Gonzalez, Guillermo	City Attorney	\$ 1,753.12
12	Guevara, Lorena	International Bridges	\$ 3,429.58
13	Hernandez, Marco	Sun Metro	\$ 1,298.94
14	Ibarra, Juan	Animal Services	\$ 14,976.21
15	Liera, Maria	Libraries	\$ 15,885.03
16	Lopez, Juan	Capital Improvement	\$ 32,039.48
17	Loya Jr, Jose	El Paso Water	\$ 29,502.46
18	Montelongo, Guadalupe, Benef of Angel R.	Sun Metro	\$ 2,304.44
19	Norman, Natasha	Museums and Cultural Affairs	\$ 20,695.24
20	Portillo, Rebecca	El Paso Water	\$ 2,697.38
21	Rey, Rene	Environmental Services	\$ 18,252.72
22	Rojas, Vivian	Public Health	\$ 4,010.66
23	Silva, Janette	Fire	\$ 13,649.19
TOTAL:			<u>387,129.91</u>

Item for notation only. No action was required on this item.

OPEN COMMENT PERIOD

The Board of Trustees allowed speakers from the public to comment on any pension-related issue that was not on the agenda. During the Open Comment Period of the meeting, the public was given an opportunity to address the Board.

There were no speakers to comment on any pension-related issue that was not on the agenda.

- 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

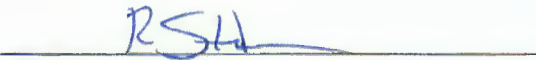
No action was taken on this item.

- Item 18. Adjournment.

Motion made by Matt Kerr to adjourn the City of El Paso Employees Retirement Trust Board Meeting on January 15, 2025; seconded by Karina Braggalla. None opposed. The motion was carried at 10:30 AM.



Secretary



Chairman