



CITY of EL PASO
EMPLOYEES RETIREMENT TRUST

**BOARD MINUTES FOR THE REGULAR MEETING
HELD WEDNESDAY, JULY 19, 2023 AT 8:30 A.M.
RETIREMENT TRUST ADMINISTRATION BUILDING, 1039 CHELSEA**

Members in Attendance:

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

Members Absent:

Rene Peña

Others in Attendance:

Robert Ash, Executive Director
Adrian Sanchez, Deputy Executive Director
Karina Chavez, Administrative Assistant
David Garcia, Benefits Supervisor
Alma Dueñas, Benefits Manager
Eduardo Miranda, Legal Counsel
Luis Mier, Office of the Comptroller
Alex Browning, Callan LLC
Craig Chaikin, Callan LLC
Edwardo Sanchez Jr.
Todd A. Hughes, Portfolio Advisors
Brian Murphy, Portfolio Advisors/FS Investments
Mario R. Hernandez, Public Health
Christian Sabbagh, BlackRock

- Item 1. Benefits Supervisor David Garcia called the meeting to order at 8:33 AM. Garcia noted that the 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 June 21, 2023.

Item 3. Consideration and action on the following retirements:

	Name	Department	Service Time (estimated)
A.	Age & Service Retirement:		
1	Castillo, Luis	El Paso Water	30 years 07 months
2	Navarrete, Marcela Yvonne	El Paso Water	31 years 07 months
3	Rincon Jr., Ruben	Airport	18 years 03 months
4	Villa, Rafael	El Paso Water	10 years 08 months
5	Watley, Wayne	El Paso Water	24 years 07 months
B.	Early		
1	Ovalle, Maria de los Angeles	Zoo	12 years 05 months
C.	Deferred:		
1	Antuna, Roberto	Environmental Services	19 years 10 months
2	Douglas, Michael F.	Information Technology	22 years 03 months
3	Estrada, Cesar A.	Airport	07 years 04 months
4	Reyes, Elizabeth B.	Capital Improvement	07 years 04 months

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

A. Dominguez, Aida survivor of George R. Dominguez, retiree.

Item 5. Consideration and action on invoices as follows:

Company	Description of Service	Period	Fee Due
A. Asset Consulting Group	Consulting Fees	Invoice #11653	\$ 25,000.00
B. AllianceBernstein	Investment Fees	Qtr. Ended 06/30/23	\$ 83,088.29
C. Black Rock	Investment Fees	Qtr. Ended 06/30/23	\$ 24,992.49
D. BNY Mellon	Custodial Fees	Qtr. Ended 03/31/23	\$ 39,069.68
E. Buck Global LLC	Actuarial Fees	Mo. Ended 06/30/23	\$ 7,782.43
F. Callan LLC	Consulting Fees	Qtr. Ended 06/30/23	\$ 82,500.00
G. Eduardo Miranda	Legal Fees	Mo. Ended 06/30/23	\$ 550.00
H. Gordon Davis Johnson & Shane PC	Legal Fees - Matter 063	Mo. Ended 06/30/23	\$ 3,787.50
I. Gordon Davis Johnson & Shane PC	Legal Fees - Matter 064	Mo. Ended 06/30/23	\$ 4,863.56
J. Lazard Asset Management	Investment Fees	Qtr. Ended 06/30/23	\$ 102,754.49

K. Wellington Management Trust Co	Investment Fees	Qtr. Ended 06/30/23	\$	119,966.65
L. Xerox Financial Services	Copier Lease	Mo. Ended 07/31/23	\$	306.24

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 Karl Rimkus to approve the Consent Agenda; seconded by Deborah Hamlyn. The motion required polling:

Isaura Valdez	aye
Karina Brasgalla	aye
Robert Studer	aye
Deborah G. Hamlyn	aye
Karl Rimkus	aye
Rep. Joe Molinar	aye

Motion carried.

REGULAR AGENDA

Item 8. Discussion and action regarding the presentation of a staff service award to Ms. Alma Dueñas.

Benefits Manager Alma Dueñas received a certificate and pin in recognition of her 20 years of service with the Retirement Trust. Executive Director Robert Ash advised that the award acknowledged the employee's contribution to providing quality information concerning retirement benefits and prompt, professional, and courteous service that meets the highest standards of excellence. Ms. Dueñas accepted the service award and expressed her gratitude.

No action was taken on this item.

Chairman Matt Kerr requested that, out of consideration for the petitioner's time, Executive Session Item 17A be considered following Item 8.

Motion made by Karl Rimkus to move up Executive Session Item 17A; seconded by Deborah Hamlyn. None opposed. Motion carried.

Motion made by Karl Rimkus to retire into Executive Session; seconded by Rep. Art Fierro. None opposed. Motion carried.

Motion made by Karl Rimkus to reconvene from Executive Session; seconded by Deborah Hamlyn. None opposed. Motion carried.

Item 17. The Board retired 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. Sections 551.071 and 551.078

Discussion and action regarding the survivor benefit application for an incapacitated adult child.

Motion made by Karl Rimkus to approve the survivor benefit application; seconded by Robert Studer. The motion required polling:

Isaura Valdez	aye
Karina Brasgalla	aye
Robert Studer	aye
Deborah G. Hamlyn	aye
Karl Rimkus	aye
Rep. Joe Molinar	aye
Rep. Art Fierro	aye

Motion carried.

Item 9. Discussion and action regarding the Treasurer's Report for the month ended June 30, 2023.

Luis Mier of the Office of the Comptroller presented on behalf of City Comptroller Margarita Munoz; the Board received and reviewed the Treasurer's Report for the month ended June 30, 2023.

The Treasurer's Report is prepared monthly by the Office of the Comptroller based on information received from the Trust's custodian.

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 four graphs ("Net YTD Investment Income", "Net Investment Income Rate of Return", "Refunds & Administrative Expenses", and "Benefits Paid to Retirees").

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 June 30, 2023 including month and fiscal year (10 months). Net assets available for benefits were about 915 million dollars. Contributions were about 41.2 million dollars (about 26.7 million from the employer and 14.5 million from employees). Benefits paid to retirees were about 64 million dollars. The rate of return, which is the fiscal net investment loss/gain over the average net assets available for benefits, was 3.88 percent. Mier noted the target rate of

return for the fiscal year is 7.25 percent, about 6.04 percent for the 10 months.

Executive Director Robert Ash discussed market volatility throughout the fiscal year.

No action was taken on this item.

- Item 10. Discussion and action regarding the receipt of an investment manager report from BlackRock (Christian Sabbagh of BlackRock).

Christian Sabbagh of BlackRock presented; the Board received and reviewed the investment manager report from BlackRock.

Sabbagh provided a market overview/forecast. The firm does not believe there will be a recession in the US as the US economy has been fairly resilient primarily driven by the domestic consumer. BlackRock anticipates one more Fed rate increase and expects inflation to slow down but remain above the Fed target of 2.0 percent. Sabbagh reviewed the active key rate yield curve positioning over the last 15 years noting the inverted curve. Sabbagh advised that the curve will steepen only when the Federal Reserve pauses policy rates and/or indicates an easing of policy rates over the next 12 months.

Sabbagh reviewed performance. The Trust has a commitment in the BlackRock Total Return Bond Fund. The fund outperformed the Bloomberg US Aggregate gross of fees by about 100 basis points year-to-date as of 6/30/2023. Sabbagh noted return attribution. Quarter-to-date performance detractors included US Investment Grade ("IG") Credit positioning, Asia Credit, and Absolute Return. Year-to-date performance detractors included Absolute Return, Macro Strategies, and Asia Credit; contributors included structured products, duration positioning, and US IG Credit.

No action was taken on this item.

- Item 11. Discussion and action regarding the receipt of an investment manager report from Portfolio Advisors LLC (Brian Murphy and Todd Hughes of Portfolio Advisors).

Todd Hughes and Brian Murphy of Portfolio Advisors ("PA") presented; the Board received and reviewed the investment manager report from PA.

Hughes and Murphy provided an overview of the firm. PA was founded in 1994 and currently has approximately 40.8 billion dollars of assets under management. On June 30, 2023, Portfolio Advisors merged with FS Investments and became the wholly-owned institutional investment subsidiary of the holding company. PA continues to be independently managed, and its investment teams remain intact. Hughes and Murphy confirmed that they will continue to present to the Board. A senior PA member will transition into the role preceding Murphy's retirement.

Hughes and Murphy reviewed performance. The Trust's original commitments, which total 190 million dollars across seven PA-Sponsored funds, continue to exhibit solid performance as evidenced by an aggregate net IRR since inception of 18.3 percent and a return multiple of 1.88x. From a risk mitigation perspective, the Trust's exposure to PA-Sponsored funds is well diversified. Primary fund exposure is approximately 41 percent, secondary fund exposure is approximately 49 percent, and co-investment exposure is approximately 10 percent. Collectively, the Trust has broad exposure to a multitude of industries and thousands of underlying companies. From a geographic standpoint, the Trust has approximately 75 percent

exposure to the U.S., about 17 percent exposure to Europe, approximately 5.0 percent exposure to Asia, and about 3.0 percent exposure to the rest of the world. PA believes that this level of diversification significantly enhances the risk-return profile of the Trust's collective exposure to PA-Sponsored funds. The Trust's investments with PA are over 85 percent de-risked (Capital Returned/Capital Drawn) as of March 31, 2023.

No action was taken on this item.

- Item 12. Discussion and action regarding a report from Callan LLC regarding the Trust's investments and related matters (Alex Browning and Craig Chaikin of Callan).

Craig Chaikin of Callan LLC presented; the Board received and reviewed the monthly "flash" report for the period ended June 30, 2023.

Chaikin reviewed asset allocation. The overweight in Private Equity is attributed to the "denominator effect". The underweight in Domestic Equity (negative 3.2 percent) is outside the policy range by 0.2 percent. No rebalancing is recommended as the weightings are expected to self-correct through regular market cycles. Chaikin noted that current allocation is adhering to the Investment Policy Statement. Executive Director Robert Ash and Deputy Executive Director Adrian Sanchez discussed the liquidated MLP portfolio. Sanchez confirmed that the portfolio was liquidated about three years ago; the cash balance reflected in the report is an anticipated settlement.

Chaikin reviewed performance. In June, assets increased to 924.8 million dollars with 2.7 net cash outflows and about 36 million dollars in investment earnings. Total fund return for the month was 4.09 percent outperforming the Strategic Blended Index by 37 basis points. Chaikin reviewed asset class composite performance. All composites outperformed their benchmarks for the month; Chaikin advised that private market returns for the month are proxied to the benchmark. Chaikin noted performance attribution.

No action was taken on this item.

- Item 13. Discussion and action regarding approval of a resolution authorizing the use of temporary employees.

Executive Director Robert Ash presented; the Board received and reviewed the proposed resolution authorizing the use of temporary employees.

Ash advised that, if approved, the resolution would authorize the Executive Director of the Trust to hire temporary staff, for a term not to exceed 12 months and a total salary cap not to exceed 80 thousand dollars, as the Executive Director may determine at his sole discretion, as reasonably necessary for the proper and efficient operation of the Trust.

Ash advised that it is anticipated that about 25 percent of Trust Staff will be out for a significant portion of the next fiscal year. Those staff members are expected to return. Ash is requesting the authority to hire temporary staff, up to two people for up to a year in duration.

Board Vice Chairman and Administrative Services Committee ("ASC") Chair Karl Rimkus advised that the ASC discussed the Executive Director's request to hire temporary staff. Given the Director's executive authority over administration, Rimkus recommended drafting the resolution to allow the Executive Director to hire temporary staff when needed within the limits of the proposed resolution in order to maintain continuity of operations. Rimkus noted that the

salary for temporary staff would be added to the budget. However, since the positions are temporary, there are no changes to staffing tables. Ash advised that the salary cap includes only required payroll loadings, which do not include pension, sick leave, or vacation pay. Ash advised that health insurance may be offered. Trustee Robert Studer inquired if the cap amount includes taxes. Ash confirmed that taxes can be included within the salary cap.

Motion made by Robert Studer to approve; seconded by Deborah Hamlyn. The motion required polling:

Isaura Valdez	aye
Karina Brasgalla	aye
Robert Studer	aye
Deborah G. Hamlyn	aye
Karl Rimkus	aye
Rep. Joe Molinar	aye
Rep. Art Fierro	aye

Motion carried.

Item 14. Discussion and action regarding the proposed budget for fiscal year 2023-2024.

Deputy Executive Director Adrian Sanchez presented; the Board received and reviewed the proposed budget for fiscal year 2023-2024; Sanchez noted that the final draft of the budget will be presented to the Board in August.

Sanchez reviewed the total budget for the Trust. The total budget consists of salaries/benefits, operations, capital expenditures, payments to retirees/alternate payees, and refunds/interest. The overall proposed increase to the budget is about 2.2 percent. Sanchez reviewed percent change by category. Sanchez noted that a significant portion of the budget (about 98 percent) is allocated for payments to retirees, alternate payees, and refunds/interest, which are estimated amounts that will be revised based on actual usage through the fiscal year. Trustee Robert Studer noted that in the previous fiscal year refunds totaled about 5.4 million dollars. Sanchez advised that refunds do not follow a trend and can fluctuate year over year noting that for the current fiscal year (10 months) refunds have dropped to about 2.9 million dollars. Studer recommended increasing the budgeted amount for refunds/interest from 4.8 million dollars to 5.5 million dollars to avoid an administrative slowdown. Vice-Chairman Karl Rimkus concurred. Executive Director Robert Ash and Sanchez confirmed the directive.

Sanchez reviewed changes by category. For salaries/benefits, Sanchez advised that the proposed amount includes the 80 thousand dollars approved by the Board for temporary staffing needs. Sanchez noted that the CPI adjustment included in the budget may be removed by the Board. Sanchez reviewed operations expenses and notable changes by subcategory including outside contracts, inter-fund services, facilities maintenance/repairs, communications, utilities, travel, and insurance. Sanchez noted that there are no capital expenditures. For the fiduciary and investment education budget, the proposed increases to Trustee/staff education and related expenses, including an increase of 500 dollars to the individual Trustee limit, allow for more involvement in education opportunities. Sanchez advised that the entire, proposed amount for travel/education is not budgeted given past, low utilization. Ash noted that Trustees may choose to use their allocation toward business or market-related publications and subscriptions.

Sanchez requested that Trustees contact him or the Executive Director with any questions or requested adjustments.

No action was taken on this item.

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

Executive Director Robert Ash reported on the following:

- Ash reviewed upcoming conference(s).
 - A TEXPERS conference will be held in Houston from August 13th through the 15th.
 - Trustees are encouraged to make hotel reservations soon as space is limited.
- Ash reviewed ongoing/completed staff project(s).
 - An annual financial report for the Mayor and City Manager is in progress.
- A Special Board Meeting will be held in October. The date is to be determined. The meeting will be a half-day training/review session; lunch will be provided.
 - Vice-Chairman Karl Rimkus requested that the Executive Committee discuss tentative meeting dates to recommend to the Board. Ash confirmed.

No action taken on this item.

Item 16. For Notation:

A. Directed brokerage credit balance for the month ended May 31, 2023: \$1,869.28.

B. Refund of Contributions:

	Name	Department	Total Refund
1	Acevedo-Garcia, Jaime	Parks and Recreation	\$ 2,205.12
2	Aguilera, Kathryn	Fire	\$ 14,635.41
3	Armendariz, Jasmin	Parks and Recreation	\$ 5,875.65
4	Gomez, Amanda	Libraries	\$ 31,112.21
5	Hernandez, Isaac	Parks and Recreation	\$ 5,805.64
6	Herrera, Carlos	Sun Metro	\$ 14,392.32
7	Holguin, Annaelisa	Economic Development	\$ 43,598.35
8	Lopez, Marcelo	Airport	\$ 11,480.83
9	Manriquez, Desiree	Police	\$ 10,547.38
10	Martinez, Oscar	Environmental Services	\$ 2,540.31
11	Medina, Juan	Environmental Services	\$ 3,776.63
12	Orozco, Jesus	Streets and Maintenance	\$ 7,301.72
13	Padilla, Joseph	Sun Metro	\$ 411.22
14	Rash, Craig	Sun Metro	\$ 5,737.68
15	Salgado, Javier	Office of the Comptroller	\$ 22,326.70
16	Tonkinson, Harry	Sun Metro	\$ 9,334.05
17	Zamarripa, Virginia	Public Health	\$ 6,801.37
18	Zaragoza, Mayra	International Bridges	\$ 6,154.72
Total			<u>\$ 204,037.31</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.

Benefits Supervisor David Garcia noted that there were no speakers to comment on any pension-related issue that was not on the agenda.

Motion made by Karl Rimkus to retire into Executive Session; seconded by Karina Brasgalla. None opposed. Motion carried.

Motion made by Karl Rimkus to reconvene from Executive Session; seconded by Rep. Joe Molinar. None opposed. Motion carried.

- 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

B. Sections 551.071 and 551.074

Discussion and action regarding authorizing the payment of ad-hoc pay increases for employees.

Motion made by Karina Brasgalla to approve an ad-hoc increase for Alma Dueñas and Esmeralda Aguirre in the amount of 2500 dollars each as recommended by the Administrative Services Committee and authorize the Chairman and Executive Director to sign related documents; seconded by Robert Studer. The motion required polling:

Isaura Valdez	nay
Karina Brasgalla	aye
Robert Studer	aye
Rep. Joe Molinar	nay
Rep. Art Fierro	aye

Motion carried.

C. Section 551.074

Discussion and action regarding an annual report of the Deputy Executive Director's performance evaluation.

No action was taken on this item.

D. Sections 551.071 and 551.074

Discussion and action approving an amendment to the employment contract of the Retiree Benefits Clerk.

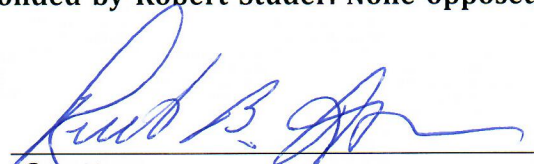
Motion made by Karina Brasgalla to approve the proposed contract amendment and authorize the Board Chairman or Executive Director to sign related documents as needed; seconded by Rep. Art Fierro. The motion required polling:

Isaura Valdez	aye
Karina Brasgalla	aye
Robert Studer	aye
Rep. Joe Molinar	aye
Rep. Art Fierro	aye

Motion carried.

Item 18. Adjournment.

Motion made by Rep. Joe Molinar to adjourn the City of El Paso Employees Retirement Trust Board Meeting on July 19, 2023; seconded by Robert Studer. None opposed. The motion was carried at 11:41 AM.


Secretary


Chairman