



CITY of EL PASO
EMPLOYEES RETIREMENT TRUST

**BOARD MINUTES FOR THE REGULAR MEETING
HELD WEDNESDAY, JUNE 15, 2022 AT 8:30 A.M.
RETIREMENT TRUST ADMINISTRATION BUILDING, 1039 CHELSEA**

Members in Attendance:

Matt Kerr, Chairman
Karl C. Rimkus, Vice Chairman
Jerry Romero
Diana Nuñez
Mario R. Hernandez
Deborah G. Hamlyn
Isaura Valdez
Rep. Joe Molinar
Rep. Isabel Salcido

Members Absent:

Others in Attendance:

Robert Ash, Executive Director
Adrian Sanchez, Deputy Executive Director
Karina Chavez, Administrative Assistant
David Garcia, Benefits Supervisor
Luis Mier, Office of the Comptroller
Alex Browning, Callan LLC
Alex Ford, Callan LLC
Frank Sposato, Lazard Asset Management
Mike Powers, Lazard Asset Management
Leslie Baccini, Arrowstreet

- Item 1. Benefits Supervisor David Garcia called the meeting to order at 8:32 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 May 18, 2022.

Item 3. Consideration and action on the following retirements:

Name	Department	Service Time (estimated)
A. Age & Service Retirement:		
1 Acosta, Eduardo M	Sun Metro	19 years 06 months
2 Avila, Jorge Luis	El Paso Water	14 years 03 months
3 Baeza, Jose Luis	El Paso Water	14 years 07 months
4 Becerra, Jorge	El Paso Water	08 years 08 months
5 Bryant, Angelica	Sun Metro	14 years 06 months
6 Carrillo, Pedro	Environmental Services	13 years 09 months
7 Flores, Gerardo	El Paso Water	30 years 03 months
8 Hills, Diane Green	Libraries	08 years 01 month
9 Hinojosa, Alfredo	Streets and Maintenance	12 years 01 month
10 Jones, Mary Lou	Parks and Recreation	12 years 10 months
11 Martinez, Irene	Public Health	31 years 06 months
12 Mora, Angela	Public Health	15 years 05 months
13 Ortega, Veronica	Sun Metro	28 years 08 months
14 Paz, Francisco	Sun Metro	28 years 05 months
15 Regalado, Francisco	El Paso Water	30 years 09 months
16 Rodriguez, Jose I.	Parks and Recreation	34 years 11 months
17 Vargas, Eduardo	El Paso Water	19 years 08 months
B. Deferred:		
1 Alvarez, Mary Rachel	Zoo	22 years 10 months
2 Elias Jr., Ruben	Streets and Maintenance	21 years 01 month

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

A. Anita Talavera survivor of Jose Talavera, retiree.

Item 5. Consideration and action on invoices as follows:

Company	Description of Service	Period	Fee Due
A. BNY Mellon	Custodial Fees	Qtr. Ended 03/31/22	\$ 40,183.61
B. Buck Global, LLC	Actuarial Fees	Mo. Ended 05/31/22	\$ 1,983.34
C. Gordon Davis Johnson & Shane PC	Legal Fees - 0063	Mo. Ended 04/30/22	\$ 3,655.00
D. Gordon Davis Johnson & Shane PC	Legal Fees - 0064	Mo. Ended 04/30/22	\$ 145.60
E. Gordon Davis Johnson & Shane PC	Legal Fees - 0063	Mo. Ended 05/31/22	\$ 4,047.00
F. Gordon Davis Johnson & Shane PC	Legal Fees - 0064	Mo. Ended 05/31/22	\$ 9,000.00
G. Xerox Financial Services	Copier Lease	Mo. Ended 06/30/22	\$ 306.24

Item 6. 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:

Jerry Romero	aye
Diana Nuñez	aye
Deborah G. Hamlyn	aye
Karl Rimkus	aye
Isaura Valdez	aye
Rep. Joe Molinar	aye
Rep. Isabel Salcido	aye

Motion carried.

Chairman Matt Kerr noted the revised committee appointments. Kerr requested that Trustees contact him with any questions/comments regarding their appointments.

REGULAR AGENDA

Item 7. Discussion and action regarding the Treasurer's Report for the month ended May 31, 2022.

Luis Mier of the Office of the Comptroller presented on behalf of Comptroller and Board Treasurer Margarita Munoz; the Board received and reviewed the Treasurer's Report for the month ended May 31, 2022.

Mier reviewed the "Statement of Net Assets Available for Benefits". The unaudited totals in the statement are for the period ended May 31, 2022. Cash and investments totaled about 951 million dollars. The balance of about 1.4 million dollars for total receivables consists of amounts due to the Trust for securities sold, outstanding interest, dividends earned, and contributions. Mier reviewed liabilities, which consist of amounts due by the Trust for securities purchased and accrued expenses. Liabilities totaled about 603 thousand dollars. The net assets available for benefits were about 954 million dollars for the fiscal year.

Mier reviewed the "Statement of Changes in Net Assets Available for Benefits". The unaudited totals reflect the nine months ended May 31, 2022. Mier noted contributions and deductions. Contributions received were about 31.4 million dollars. Benefits paid to retirees were about 59.1 million dollars, and refunds paid were about 4.0 million dollars. The net fund decrease was about 84.5 million dollars.

Mier reviewed the "Quarterly Statement of Changes in Net Assets Available for Benefits". The unaudited totals are for the quarter ended May 31, 2022. Mier noted additions. Contributions received were about 10.8 million dollars. The net investment loss was about 38.5 million dollars. Mier noted deductions. Benefits paid to retirees were about 23.7 million dollars. Total deductions were about 25.3 million dollars. The net decrease for the quarter was about 53.0 million dollars.

Mier reviewed the "Investment Income Analysis". The change in net assets was approximately negative 49.2 million dollars for the fiscal year. The net investment income for the fiscal year was negative 4.94 percent. Mier noted that the target rate of return is 7.25 percent. For the fiscal year, the cumulative target rate of return is 5.44 percent.

Mier noted the investment return/loss as illustrated in the charts for net investment income and rate of return. Mier reviewed the graphs for deductions including benefits paid to retirees (noting past COLA payments footnoted at the bottom of the deductions graph), refunds, and administrative expenses beginning with fiscal year 2014 through the current fiscal year.

No action was taken on this item.

- Item 8. Discussion and action regarding the receipt of an investment manager report from Lazard Asset Management (Michael Powers and Frank Sposato of Lazard Asset Management).

Michael Powers and Frank Sposato of Lazard Asset Management presented; the Board received and reviewed the investment manager report from Lazard.

Sposato provided an update on the firm. Effective February 1, 2022, Jimmie Bork joined the International Strategic Equity team as a Portfolio Manager/Analyst. Additionally, on April 6, 2022, the firm announced that Ashish Bhutani, CEO of Lazard's Asset Management business, has decided to retire from the firm at the end of the year. Evan Russo, Lazard's CFO, assumed responsibility as CEO of the Asset Management business on June 1st. Sposato noted that the portfolio team and analysts have complete independence to determine portfolio composition.

Sposato and Powers provided a portfolio review. Lazard International Strategic Equity ACW ex-US underperformed the index sharply in January and at the beginning of February, reflecting the historic scale of the rotation from higher-quality to lower-quality stocks. The strategy underperformed the MSCI ACW ex US Index for the year ending March 31, 2022 by over 800 basis points. Since inception of the Trust's account, the strategy has outperformed the index by 53 basis points. Portfolio drivers that helped performance were stock selection in information technology and zero exposure to Russian listed securities. Portfolio drivers that hurt performance were stock selection in consumer discretionary, consumer staples, and health care as well as low exposure to oil and mining stocks.

Powers provided a market and portfolio outlook. While commodity prices may revert to normal levels in the event of a resolution to the hostilities in Ukraine, the structural move in Europe away from dependence on Russian oil and gas is likely to have long-lasting consequences. It also seems increasingly likely that general inflation is now here to stay, creating a very different investment environment from what was witnessed in the 13 years since the financial crisis of 2008/2009. The firm believes that greater volatility brings with it greater opportunity. Overall, the investment team remains confident that, by continuing to focus on stock selection and seeking to find stocks with sustainably high or improving returns trading at attractive valuations, the strong long-term track record of the strategy has the potential to continue.

No action was taken on this item.

- Item 9. Discussion and action regarding the receipt of an investment manager report from Arrowstreet Capital (Leslie Baccini of Arrowstreet Capital).

Leslie Baccini of Arrowstreet Capital presented; the Board received and reviewed the investment manager report from Arrowstreet.

Baccini provided an overview of the firm. Arrowstreet is a privately-owned specialist global equities manager founded in 1999. Baccini discussed the firm's investment fundamentals and quantitative tools. Baccini reviewed portfolio construction and noted the impact of the firm's ongoing research innovations.

Baccini reviewed fund performance. From December 1, 2021 to April 30, 2022, the Arrowstreet International Equity ACWI ex US CIT returned negative 3.33 percent on a net-of-fees basis, while the benchmark MSCI ACWI ex US IMI (net) returned negative 7.88 percent. Slightly negative country/sector basket allocation decisions were offset by positive contributions from stock selection.

No action was taken on this item.

- Item 10. Discussion and action regarding a report from Callan LLC regarding the Trust's investments and related matters (Alex Browning and Alex Ford, Callan).

Alex Browning and Alex Ford of Callan presented; the Board received and reviewed the "flash" report for the period ended May 31, 2022.

Browning noted actual asset allocation versus target allocation and reviewed distribution across investment managers. Browning advised that the difference between actual and target allocation is relatively minimal.

Browning reviewed performance by composite return. The Domestic Equity composite underperformed the Russell 3000 Index over all reporting periods. Fiscal year to date Fixed Income had negative 10 percent return. Real Estate returned about 8.0 percent over the last 5-years exceeding the forecast of 6.5 percent. Although fiscal year to date the fund had negative return, the total fund outperformed the Strategic Blended Index over all reporting periods.

Browning and Ford discussed market forecast. Inflation is one of the biggest risks in the market as price instability dampens demand. The expected interest rate hikes through next year are correlated to higher volatility. If the Russia/Ukraine conflict begins to resolve, it is expected that (i) oil prices would fall and (ii) prices of commodities exported from Ukraine would begin to fall.

Given expected market volatility, it is Callan's recommendation to raise Cash from 3.5 million dollars per quarter to 4.5 million dollars in part to fund benefit payments and potential Private Equity capital calls and to mitigate the risk of having to sell assets at an inopportune time. Executive Director Robert Ash noted the total of 18 million dollars. Trustee and Interim Investment Committee Chair Jerry Romero noted that the Committee reviewed the proposed rebalancing.

Motion made by Jerry Romero to authorize rebalancing to raise Cash up to 18 million dollars at the end of the month as recommended by the consultant and authorize the Chairman or Executive Director to sign related documents; seconded by Diana Nuñez. The motion required polling:

Jerry Romero	aye
Mario R. Hernandez	aye
Diana Nuñez	aye
Deborah G. Hamlyn	aye
Isaura Valdez	aye
Rep. Joe Molinar	aye
Rep. Isabel Salcido	aye

Motion carried.

Ash noted that the approved rebalancing is a tactical move based on market conditions. The rebalancing does not change the strategic allocation to Cash of 1.0 percent.

Item 11. Discussion and action regarding the approval of a budget amendment for fiscal year ending August 2022.

Executive Director Robert Ash reviewed the proposed budget amendment for the current fiscal year. An increase of 2.5 million dollars is necessary to meet expected benefit payments in part due to the COLA payment made to retirees. Ash noted that, outside of a COLA payment, the amount budgeted for benefit payments is an estimate based on the number of retirements.

Motion made by Diana Nuñez to approve the budget amendment; seconded by Rep. Joe Molinar. The motion required polling:

Jerry Romero	aye
Mario R. Hernandez	aye
Diana Nuñez	aye
Deborah G. Hamlyn	aye
Isaura Valdez	aye
Rep. Joe Molinar	aye
Rep. Isabel Salcido	aye

Motion carried.

Item 12. Discussion and action regarding rescheduling the date of the December 2022 Board Meeting.

Executive Director Robert Ash discussed the proposed rescheduling of the December 2022 Board Meeting. Regular Board Meetings are typically held every third Wednesday of each month. However, due to holiday closures, the November and December Board meetings have typically been held one week earlier. After review by the Executive Committee and staff, the recommendation is to hold the November meeting as scheduled and hold the December meeting one week earlier on December 14, 2022 (with the Investment Committee to be held the day before on December 13, 2022).

Motion made by Rep. Joe Molinar to approve; seconded by Diana Nuñez. None opposed. Motion carried.

Item 13. Discussion and action regarding a report from the Executive Director including a synopsis of the committee meetings.

Robert Ash, Executive Director, reported on the following:

- Ash provided a synopsis of recent committee meetings including the Executive Committee and Investment Committee meetings.
 - Ash noted the revised committee assignments.
- The Executive Committee recommended holding the Special Board Meeting on August 4, 2022 at the Trust's Administration Building. The meeting is tentatively scheduled to be held in the morning (pending quorum) and is expected to be about 4-hours long. Ash noted that during the Special Board Meeting, the Board will discuss the Strategic Plan, and Callan will provide training. Ash noted that Callan's training is pending approval for education credits from the State Pension Review Board.

- TEXPERS' summer conference will be held beginning August 21st in El Paso. Benefits Supervisor David Garcia will assist Trustees with registration. Ash noted that all Trust Staff will attend the conference.
- The COLA was paid to retirees on May 20th. Retirees have contacted the Administration Office to express their gratitude. Ash thanked staff and City personnel.
- Regarding the Organizational Review, the Trust contacted the City's Internal Auditor's Office and CRI (the Trust's independent, external auditor). The Internal Auditor's Office declined the project once again. However, CRI indicated that their firm can perform the review and will submit a fee quote. Ash advised that the Trust's Administrative Services Committee will meet to review the quote and further discuss the necessity for a request for proposals.
- Ash discussed market outlook and volatility regarding expected interest rate hikes.

No action was taken on this item.

Item 14. For Notation:

A. Directed brokerage credit balance for the month ended April 30, 2022: \$7,882.82.

B. Refund of Contributions:

	Name	Department	Total Refund
1	Aguayo, Ruby	Human Resources	\$ 9,532.25
2	Amaya, Ruben	El Paso Water	\$ 655.19
3	Apodaca, Alejandro	Streets and Maintenance	\$ 12,879.51
4	Arellano, Andres	El Paso Water	\$ 3,276.11
5	Armendariz, Edward	Public Health	\$ 19,306.56
6	Carrillo, Israel	Environmental Services	\$ 609.50
7	Contreras, Juan	Sun Metro	\$ 434.66
8	Cortes, Paula	Office of the Comptroller	\$ 1,571.90
9	Delgado, Miguel	El Paso Water	\$ 28,515.64
10	Diaz Zepeda, Felipe	Municipal Court	\$ 6,755.85
11	Esparza, Alex	Planning and Inspections	\$ 20,901.32
12	Garnett, Kurt	El Paso Water	\$ 159.89
13	Gonzalez, Jorge	El Paso Water	\$ 98,087.06
14	Gonzalez, Oswaldo	Sun Metro	\$ 8,758.84
15	Guerrero, Luciano	Capital Improvement	\$ 6,071.44
16	Hibbert, Christopher	Parks and Recreation	\$ 1,719.52
17	Holden, David	El Paso Water	\$ 30,287.08
18	Ibarra, Angel	Streets and Maintenance	\$ 10,167.69
19	Juarez, Ana	Fire	\$ 1,723.67
20	Lopez, Joshua	Sun Metro	\$ 8,693.69
21	Maldonado, Ulises	Sun Metro	\$ 10,658.64
22	Marquez, Elizabeth	Public Health	\$ 1,380.91
23	Martinez, Gloria	Public Health	\$ 2,947.66
24	Martinez, Juan	Environmental Services	\$ 9,802.46
25	Martinez, Vanessa	Public Health	\$ 328.43
26	Mendoza, Miguel	El Paso Water	\$ 29,103.76

27	Munoz, Albert	Streets and Maintenance	\$	14,911.55
28	Navarro, Eric	Public Health	\$	3,561.91
29	Quintana, Lucero	Police	\$	7,373.73
30	Quintero, Maria	Airport	\$	8,892.75
31	Rivera, Christopher	Sun Metro	\$	13,512.04
32	Rivera, Novisha	Zoo	\$	8,760.96
33	Rocha, Edwin	Fire	\$	13,230.55
34	Rodriguez, Julio	El Paso Water	\$	323.94
35	Saldivar, Veronica	El Paso Water	\$	10,877.95
36	Saucedo, Patricia	Public Health	\$	1,998.56
37	Sias, Adrian	Sun Metro	\$	8,539.41
38	Silva, Jamie	Public Health	\$	5,653.34
39	Valtierra, Giselle	Fire	\$	16,162.85
40	Villela, Arlene	Public Health	\$	19,505.58
			TOTAL	\$ 457,634.35

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 were 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.

Item 15. The Board will retire into EXECUTIVE SESSION pursuant to the Texas Government Code, Sections 551.071-551.076 and Section 551.078 to discuss any of the following:

- Section 551.071 CONSULTATION WITH ATTORNEY
- Section 551.072 DELIBERATION REGARDING REAL PROPERTY
- Section 551.074 PERSONNEL MATTERS
- Section 551.075 CONFERENCE WITH EMPLOYEES
- Section 551.076 DELIBERATION REGARDING SECURITY DEVICES
- Section 551.078 DELIBERATION REGARDING DISABILITY APPLICANT'S MEDICAL RECORDS

No action was taken on this item.

Item 16. Adjournment.

Motion made by Diana Nuñez to adjourn the City of El Paso Employees Retirement Trust Board Meeting on June 15, 2022; seconded by Jerry Romero. None opposed. The motion was carried at 9:55 AM.



 Secretary



 Chairman