



**BOARD MINUTES FOR THE REGULAR MEETING
HELD THURSDAY, NOVEMBER 12, 2020 AT 8:30 A.M.
RETIREMENT TRUST ADMINISTRATION BUILDING, 1039 CHELSEA**

TEMPORARY SUSPENSION OF OPEN MEETINGS LAWS DUE TO EMERGENCY

The Texas Governor temporarily suspended specified provisions of the Texas Open Meetings Act to allow telephonic or videoconference meetings and to avoid congregate settings in physical locations.

The Board Meeting was held via videoconference. Two-way communication by members of the public was available via teleconferencing.

Members in Attendance:

- Robert Studer, Chairman
- Karl C. Rimkus, Vice Chairman
- Nick Costanzo
- Tamara Gladkowski
- Mario R. Hernandez
- Diana Nuñez
- Matt Kerr
- Dr. Sam Morgan
- Rep. Isabel Salcido

Members Absent:

Others in Attendance:

- Eduardo Miranda, Attorney
- Luis Mier, Office of the City Comptroller
- Robert Ash, Executive Director
- Adrian Sanchez, Deputy Executive Director
- Karina Chavez, Administrative Assistant
- David Garcia, Payroll/Accounts Payable Specialist
- Alex Browning, Callan LLC
- Alex Ford, Callan LLC
- Conner Foy, Callan LLC
- Joshua Snider, Gordon Davis Johnson & Shane, P. C.
- Todd Hughes, Portfolio Advisors

Item 1. David Garcia, Payroll/Accounts Payable Specialist, called the meeting to order at 8:34 AM. A roll call was taken:

- Robert Studer, Chairman present
- Karl C. Rimkus, Vice Chairman present

Tamara Gladkowski	present
Mario R. Hernandez	present
Diana Nuñez	present
Dr. Sam Morgan	present
Nick Costanzo	present
Matt Kerr	present
Rep. Isabel Salcido	present

Garcia noted that quorum was met.

Garcia read the Notice to the Public.

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 October 21, 2020.

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	Cantu Gutierrez, Hector Hervey	Parks	12 years 03 months
2	Galindo, Eddie	Mass Transit	18 years 00 months
3	Garcia, Raul	EPWU	30 years 04 months
4	Gardea, Velia	Bridges	09 years 00 months *
5	Lares, Victor	Mass Transit	23 years 09 months *
6	Martinez, Emilio	Airport	35 years 01 month
7	Miller, Mark Anthony	Mass Transit	26 years 07 months *
8	Muniz, Irene Campuzano	Health	11 years 10 months
9	Perez, Enrique M.	Mass Transit	09 years 10 months *
10	Stoltz, Nancy R.	City Attorney	18 years 07 months

B. Early:

1	Smith, Stephen Michael	Mass Transit	12 years 04 months *
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* 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 invoices as follows:

	<u>COMPANY</u>	<u>DESCRIPTION OF SERVICE</u>	<u>PERIOD</u>	<u>FEE DUE \$\$</u>
A.	BNY Mellon	Custodial Fees	Qtr. Ended 09/30/20	\$45,599.38
B.	Eduardo Miranda	Legal Fees	Mo. Ended 10/31/20	\$500.00

C.	Gordon Davis Johnson & Shane PC	Legal Fees – 063	Mo. Ended 10/31/20	\$18,437.38
D.	Gordon Davis Johnson & Shane PC	Legal Fees - 064	Mo. Ended 10/31/20	\$312.00
E.	Heitman America RE Trust	Investment Fees	Qtr. Ended 09/30/20	\$90,590.00 *
F.	LAGARDE LLC	Consulting Fees	Invoice #1132	\$12,500.00
G.	Mellon Capital Management	Investment Fees	Qtr. Ended 09/30/20	\$83,467.80 *
H.	Pension Technology Group	Admin. Software	Invoice #2279	\$32,500.00
I.	Riverbridge Partners	Investment Fees	Qtr. Ended 09/30/20	\$114,236.52
J.	Xerox Financial Services	Copier Lease	Mo. Ended 11/30/20	\$310.20

* To be paid by Directed Brokerage credits.

** For Notation Only – to be withdrawn from the commingled account.

*** Performance-based fee.

Item 5. Consideration and action regarding the receipt of the death verification analysis.

Item 6. Consideration and action on the following Committee reports/appointments:

- A. Actuary Committee
- B. Administrative Services Committee
- C. Audit Committee
- D. Executive Committee
- E. Facility and Maintenance Committee
- F. Investment Committee

Motion made by Karl Rimkus to approve the Consent Agenda with a floor amendment to indicate that “Item 4E. Heitman America RE Trust” and “Item 4G. Mellon Capital Management” are “For Notation Only – to be withdrawn from the commingled account”; seconded by Diana Nuñez. The motion required polling:

Nick Costanzo	aye
Diana Nuñez	aye
Matt Kerr	aye
Tamara Gladkowski	aye
Dr. Sam Morgan	aye
Rep. Isabel Salcido	aye
Mario R. Hernandez	aye
Karl Rimkus	aye

Motion carried.

REGULAR AGENDA

Item 7. Discussion and action regarding the Treasurer’s Report for the month ended October 31, 2020.

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 October 31, 2020. Mier advised that the report is prepared from information provided by the custodian. The custodian had not finalized the information at the time of the report. Mier noted the numbers are preliminary.

Mier reviewed the “Statement of Net Assets Available for Benefits”. The unaudited totals in the statement are for the month ended October 31, 2020. Cash and investments totaled about 833 million dollars, a decrease of about 32 million dollars for the fiscal year. The balance of about 2.6 million dollars for total receivables consists of amounts due to the Trust for securities sold,

outstanding interest, dividends earned and contributions. Mier noted liabilities. The net assets available for benefits was about 837 million dollars for the fiscal year.

Mier reviewed the "Statement of Changes in Net Assets Available for Benefits". The unaudited totals reflect the two months ended October 31, 2020. Mier noted contributions and deductions. Contributions received were about 6.7 million dollars. Benefits paid to retirees were about 11.7 million dollars. Mier noted the "Quarterly Statement of Changes in Net Assets Available for Benefits". The unaudited totals reflect the two months ended October 31, 2020.

Mier reviewed the "Investment Income Analysis". The change in net assets was approximately negative 25 million dollars for the fiscal year. The net investment loss for the fiscal year was almost 3.0 percent. Mier noted that the target rate of return is 7.25 percent. Mier reviewed investment return/loss as illustrated in the charts for net investment income and rate of return.

Mier noted the graphs for deductions including benefits paid to retirees, 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 Portfolio Advisors (Todd Hughes and Brian Murphy, Portfolio Advisors).

Todd Hughes of Portfolio Advisors presented; the Board received and reviewed the investment manager report from Portfolio Advisors hereafter referred to as "PA".

Hughes provided an overview of the firm. PA is a private markets specialist with expertise in primaries, secondaries and co-investments (both debt and equity) across private equity, private credit, and private real estate. Founded in 1994 PA is an independent, employee-owned firm with more than 100 professionals. The firm is headquartered in Darien, CT with offices in Zurich, Switzerland and Hong Kong. As of December 31, 2019, PA had approximately 26.9 billion of assets under management. Trustee and Investment Committee Chair Nick Costanzo discussed organizational changes including the retirement of Hughes and Brian Murphy. Hughes advised that by design the firm is prepared for such transitions as the total investment team has 57 senior investment professionals who average 16 years of relevant experience and 8 years with the firm.

Hughes discussed the Trust's portfolio and performance. The Trust's commitments, which total 130 dollars million across five PA-Sponsored funds (PAPEF VII, PAPEF VIII, PAPEF IX, PASF II, PASF III), continue to exhibit solid performance with an aggregate net IRR since inception of 16.0 percent and return multiple of 1.63x. From a risk mitigation perspective, the Trust's exposure to PA-Sponsored funds is well diversified. Primary fund exposure is approximately 48 percent and secondaries exposure is approximately 52 percent. The Trust's primary fund exposure includes funds with vintage years ranging from 2011 to 2019, whereas its secondaries exposure provides exposure to older funds with vintage years as old as 1988. The bulk of the secondaries exposure, however, is to funds with vintage years ranging from 2008 to 2014. Collectively, the Trust has broad exposure to a multitude of industries and thousands of underlying companies. From a geographic standpoint, the Trust has approximately 77 percent exposure to the U.S., about 15 percent exposure to Western Europe, about 5 percent exposure to Asia and about 3 percent exposure to the rest of the world. PA believes that this high level of diversification significantly enhances the risk-return profile of the Trust's collective exposure to PA-Sponsored funds. Additionally, the Trust's investments with PA are over 60 percent de-risked (Capital Returned / Capital Drawn) as of October 31, 2020.

Hughes provided a brief description of the PAPEF VII. The Trust committed 35 million dollars to PAPEF VII, a 2011 vintage year mature fund that is in its harvest period. It is currently exhibiting solid performance of about 16.7 percent net IRR and 2.29x net multiple. The Trust's PAPEF VII exposure is approximately 80 percent primaries and 20 percent secondaries, and the underlying primary fund exposure includes funds with vintage years ranging from 2011 to 2015.

Hughes provided a brief description of the PASF II, a 2012 vintage year mature secondary fund that has distributed over 100 percent of the Trust's contributions. PASF II is exhibiting strong performance with a net IRR of 14.4 percent and net multiple of 1.48x. Through its commitment to PASF II, the Trust has exposure to over 250 funds that in turn have exposure to almost 3,000 underlying companies.

Hughes discussed PA's response to COVID-19. PA continues to assess the risk and exposure to directly impacted industries and the broader impacts. The firm maintains ongoing active communication with general partners. Hughes provided a market overview. The buyout market has incurred a COVID-19-induced slowdown, which is expected to lead to a reduction in activity levels in 2020 (coming off of record levels in the preceding years).

Chairman Robert Studer discussed market trends. Hughes advised that as market capital has grown so has market opportunity noting that the secondaries market has grown to about 95 billion dollars (from under 10 billion dollars in early 2000).

Executive Director Robert Ash noted that Callan will provide training on Private Equity.

No action was taken on this item.

- Item 9. Discussion and action regarding the manager structure of the domestic equity asset allocation presented by Callan LLC tabled from the September 2020 Board meeting (Paul Erlendson and Alex Browning, Callan).

Alex Browning of Callan addressed the Board. Browning advised that manager structure is reviewed by asset class to establish a structure that represents the risk tolerance of the Trust. Browning noted that the risk parameters include company size, style (growth vs. value) and type (active vs. passive). Callan continues to review the Trust's Domestic Equity structure. Browning noted that the review of the US large-cap structure was completed, and the Investment Committee is comfortable with the risk profile and structure. Review of US small and mid-cap companies is ongoing. Callan expects to make a recommendation including proposed IPS amendments to the Board in January.

No action was taken on this item.

- Item 10. Discussion and action regarding the report(s) from Callan LLC (Paul Erlendson and Alex Browning, Callan).

Alex Ford of Callan presented; the Board received and reviewed the monthly "flash" report for the period ended October 31, 2020 and the 2020 third-quarter report.

Ford provided an overview of the US economy. In the second quarter, the GDP fell to negative 31.4 percent annualized, the largest decline on record; the initial estimate for the third quarter reports growth of 33.1 percent. Retail sales, durable goods, and personal spending rebounded

in the second and third quarters, but growth slowed in August and September. Unemployment dropped to 7.9 percent in September from the 14.7 percent April peak. While the recovery continues, the employment landscape remains depressed. There are currently 10.7 million fewer jobs in the economy than there were in February of this year.

Ford reviewed investment annual and monthly returns by asset class. Year-to-date U.S. Fixed Income was the best performing class. Dev ex-U.S. Equity and Small Cap Equity underperformed. Ford discussed the dispersion among size and style of stocks noting that small-cap and value continue to underperform large-cap and growth. Ford advised that the performance dispersion is being addressed in Callan's manager structure review.

Ford reviewed the Trust's portfolio. Ford reviewed allocation by asset class. Domestic Equity will continue to be overweight to target as it is holding money for future Private Equity calls. The balance will be slowly drawn down. Callan recommends maintaining the actual Domestic Equity allocation at 34 percent (presently at about 35 percent). Ford discussed performance. As of September 30, 2020, the ending fund balance was almost 850 million dollars. The cumulative growth of the fund has exceeded the actuarial rate of return; however, the portfolio underperformed the benchmark for both the quarter and the year. Ford discussed performance attribution. The underperformance is largely attributed to small and mid-cap managers in Domestic Equity. Ford discussed the Trust's performance compared to the Callan Public Fund Sponsor Database. Over the long-term, the Trust ranks at or better than median. Ford noted that Trust's portfolio is well diversified and geared to fair changing economic environments.

No action was taken on this item.

- Item 11. 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 discussed the December meeting dates. Ash noted that the Investment Committee will meet on Wednesday, December 9th and the Board will meet on Thursday, December 10th.
- The Compass Points Newsletter was well received. The Trust has received many written compliments.
- Auditors will be completing fieldwork in the week of November 16th. Ash expects that the actuarial report will be delivered in January.
- Retirement Trust Staff continue to test contributions on the new PTG platform regarding 1099R's.
- Ash noted the Trust received a capital call from Portfolio Advisors for about one million dollars which will be funded from the S&P 500.

No action was taken on this item.

- Item 12. For Notation:

A. Directed brokerage credit balance for the month ended September 30, 2020: \$6,109.32

B. Qualified Domestic Relations:

1. Stuart and Beverly Ed

C. Refund of Contributions:

	NAME	DEPARTMENT	TOTAL REFUND	
1	Bolivar, Kristina	Parks & Rec	14,331.27	
2	Camarillo, Angel	Mass Transit	21,995.48	
3	Cardenas, Eva	Health	3,462.27	
4	Carrasco, Joseph	SAM	9,718.98	
5	Castro, Oiram	Police	5,211.59	
6	Cortez, Elias	EPWU	7,156.56	
7	Gonzales, Ricky	Police	2,490.18	
8	Gonzalez, Irving	Mass Transit	1,003.93	
9	Graham, Nicholas	SWM	39,267.60	
10	Guevara, Jose	SWM	9,856.67	
11	Landeros, Jorge	EPWU	6,653.02	
12	Lichter, Elaine	Health	69,191.39	
13	Lozano, Gerardo	Mass Transit	1,647.59	
14	Martinez, Carolyn	Zoo	13,185.71	
15	Montes Deoca, Christina	Zoo	32,845.69	
16	Mora, Edgar	Mass Transit	4,709.49	
17	Morales, Angel	EPWU	2,411.50	
18	Nail, Jacob	EPWU	8,538.70	
19	Olvera, Carmen Beneficiary of Octavio Arteaga	SWM	16,330.64	*
20	Ortega, Benjamin	HR	24,100.98	
21	Perez, Alexis	Mass Transit	1,977.07	
22	Puentes, Raul	Mass Transit	13,094.83	
23	Rahman, Noor Said Mesbah	Fire	5,250.17	
24	Ramos, Ricardo	Engineering	8,440.72	
25	Reitzell, Mykle	Grants	3,190.85	
26	Rivera, Laura	Int'l Bridges	22,391.84	*
27	Rojano Jr., Juan	EPWU	7,278.20	
28	Vela, Laura	EPWU	6,436.58	
29	Velasquez-Shipp, Jillian	EPWU	17,820.10	
30	Vick, Michael	Police	76,274.65	*
		Total	456,264.25	

* Eligible for Early Retirement

** Additional interest/contributions due

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 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 would be allowed three (3) minutes for their comments.

Communication by members of the public was available via teleconferencing. Payroll/Accounts Payable Specialist David Garcia announced the Open Comment Period. There were no members of the public to comment on any pension-related issue that was not on the agenda.

Motion made by Karl Rimkus to retire into Executive Session pursuant to the Texas Government Code, Sections 551.071-551.076 and Section 551.078; seconded by Rep. Isabel Salcido and Diana Nuñez. Motion carried at 9:44 A.M.

Motion made by Karl Rimkus to reconvene from Executive Session; seconded by Dr. Sam Morgan. A roll call was taken:

Robert Studer, Chairman	present
Karl C. Rimkus, Vice Chairman	present
Diana Nuñez	present
Matt Kerr	present
Tamara Gladkowski	present
Dr. Sam Morgan	present
Rep. Isabel Salcido	present
Mario R. Hernandez	present
Nick Costanzo	present

Garcia noted quorum was met. Motion carried unanimously.

Item 13. 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

Discussion and action regarding Claim# 002-2020: Benefit calculation project.

No action was taken on this item.

Item 14. Adjournment.

Motion made by Tamara Gladkowski to adjourn the City of El Paso Employees Retirement Trust Board Meeting on November 12, 2020; seconded by Dr. Sam Morgan. The motion carried at 10:06 A.M.



Secretary



Chairman