

**CITY OF EL PASO EMPLOYEES RETIREMENT TRUST
BOARD MINUTES FOR THE REGULAR MEETING
HELD WEDNESDAY, OCTOBER 17, 2018, AT 8:30 A.M.
CITY HALL, CITY COUNCIL CHAMBERS, 300 N. CAMPBELL**

Members in Attendance:

Karl C. Rimkus, Chairman
Rene Peña, Vice Chairman
Mario R. Hernandez
Robert C. Studer
Rep. Sam Morgan
Nick Costanzo

Members Absent:

Presi Ortega
Rep. Cassandra Hernandez

Others in Attendance:

Eduardo Miranda, Attorney
Luis Mier, Treasury Service Coordinator, City's Comptroller's Office
Robert Ash, Executive Director
Pete Delgado, Deputy Executive Director
David Garcia, Payroll/Accounts Payable Specialist
Karina Chavez, Retiree Coordinator/ Data Entry Clerk
Paul Erlendson, Callan LLC
Stephan Schmitz, Construction Consultant
David Hicks, Salient
Greg Reid, Salient
Mike Baran, Invesco
Danielle Singer, Invesco
Diana Nuñez, CoEP ESD
Adrian Rivera, CoEP Library

- Item 1. David Garcia, Payroll/Accounts Payable Specialist, called the meeting to order at 8:39 A.M. Garcia noted that the quorum was met.

PLEDGE OF ALLEGIANCE

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 September 19, 2018.

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 | Campos, Irma | EPWU | 17 years 1 month |
| 2 | Duarte, Ana L. | ESD | 40 years 1 month |
| 3 | Flores, Celso | Zoo | 20 years 9 months |
| 4 | Garza, Maria L. | Health | 26 years 1 month |
| 5 | Gutierrez, Rebecca | Library | 17 years 8 months |
| 6 | Hernandez, Jose S. | Parks & Rec. | 11 years 7 months |
| 7 | Holmes, Gary | Sun Metro | 23 years 9 months |
| 8 | Klaes III, James G. | Police | 12 years 5 months |
| 9 | Osborn, Cynthia S. | EPWU | 10 years 3 months |
| 10 | Quijano, Arturo | EPWU | 33 years 8 months |
| 11 | Rios, Jose F. | SAM | 28 years 1 month |
| 12 | Rodriguez, Martin | SAM | 31 years 10 months |
| 13 | Tillman, Rhoda | Community & Human Dev. | 20 years 9 months |
| B. | Early: | | |
| 1 | Guzman, Steve | Fire | 6 years 9 months |
| C. | Deferred: | | |
| 1 | Bertolli, Cecilia | Capital Improvement | 17 years 4 months |
| 2 | Silva Jr., Gilbert | Parks & Rec. | 11 years 5 months |
| 3 | Torres, Rebecca | Purchasing | 21 years 4 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. Amaya, Elvia R. survivor of Edmundo Amaya, retiree.
- B. Hazel, Pilar N. survivor of Ralph J. Hazel, retiree.
- C. Nickey, Janis J. survivor of Laurance N. Nickey, 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 L.P. | Investment Fees | Mo. Ended 09/30/18 | \$18,724.00 | ** |
| B. AQR Style Premia Fund L.P. | Investment Fees | Mo. Ended 09/30/18 | \$22,612.00 | ** |
| C. Callan LLC | Consulting Fees | Qtr. Ended 09/30/18 | \$72,752.82 | |
| D. Eduardo Miranda | Legal Fees | Mo. Ended 09/30/18 | \$675.00 | |
| E. Franklin Templeton – CT432-327 | Investment Fees | Qtr. Ended 07/31/18 | \$57,371.55 | ** |
| F. Franklin Templeton – CT910-75 | Investment Fees | Qtr. Ended 07/31/18 | \$44,018.04 | ** |
| G. Invesco | Investment Fees | Qtr. Ended 09/30/18 | \$62,157.90 | ** |
| H. Lazard Asset Management | Investment Fees | Qtr. Ended 09/30/18 | \$49,734.43 | |
| I. Vulcan Value Partners | Investment Fees | Qtr. Ended 09/30/18 | \$71,810.49 | |

* 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 regarding the purchase of flood insurance for the property located at 1039 Chelsea.

Item 7. Consideration and action authorizing the Chairman to sign a Consulting Services Agreement between the City of El Paso Employees Retirement Trust and Stephan Schmitz for post-construction consulting services.

Item 8. Consideration and action Employment contract between Karina Chavez and the Board of Trustees of the City of El Paso Employees Retirement Trust.

Item 9. Consideration and action on the following Committee reports/appointments:

- A. Actuary Committee
- B. Administrative Services Committee
- C. Audit Committee
- D. Facilities and Maintenance Committee
- E. Investment Committee

**Motion made by Rep. Sam Morgan to approve the Consent Agenda; seconded Rene Peña.
The motion required polling:**

| | |
|---------------------------|------------|
| Mario R. Hernandez | aye |
| Robert Studer | aye |
| Rep. Sam Morgan | aye |
| Rene Peña | aye |
| Nick Costanzo | aye |

Motion carried.

REGULAR AGENDA

- Item 10. Discussion and action regarding the Treasurer's Report for the month ended September 30, 2018.

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 September 30, 2018.

Mier reviewed the statement of net assets available for benefits. The unaudited totals in the statement are for the month ended September 30, 2018. Mier reviewed assets. Cash and investments declined by about 2.0 million dollars. Unrestricted receivables increased by approximately 1.8 million dollars. Mier reviewed the liabilities for the fund. Total liabilities increased by approximately 2.6 million dollars. Mier noted that the amount due for securities purchased was about 2.4 million dollars. The total net assets available for benefits increased by approximately 2.4 million dollars.

Mier reviewed the statement of changes in net assets available for benefits. The unaudited totals reflect the month ended September 30, 2018. The net change in fair value of investments increased by about 492 thousand dollars. Mier reviewed additions to the fund. Interest and dividends were about 680 thousand dollars. Mier reviewed deductions. Benefits paid to retirees totaled approximately 5.1 million dollars. Mier noted that the contributions and investment advisor fees are based on preliminary information provided by BNY Mellon and advised that those amounts are inconsistent with prior periods and are under further review. Mier's noted that the Treasurer's Report will likely include a restatement of those amounts in October. Trustee, Mario R. Hernandez, requested additional information. Mier advised that the contributions are overstated for a typical period and the investment advisor fees are showing as an income instead of an expense.

Mier noted the quarterly statement of changes in net assets available for benefits.

Mier reviewed the investment income analysis. The investment income consisted primarily of about 4.5 million dollars in unrealized gain and about 4.0 million dollars in unrealized losses. The net investment return for the month is flat at about 0.14 percent.

Mier reviewed the graphs for net investment income and rate of return through the current fiscal year. Mier reviewed the graphs for deductions including refunds, administrative expenses and benefits paid to retirees beginning with fiscal year 2013 through the current fiscal year. For fiscal year 2018, Mier advised that the unadjusted total for administrative expenses includes approximately 1.5 million dollars in costs that will be capitalized (about one million dollars in construction costs and about 450 thousand dollars in software costs). Mier noted that once those costs are capitalized the administrative expenses for fiscal year 2018 will be in line with the previous fiscal years. When prompted by Trustee, Robert Studer, Robert Ash, Executive Director, advised that the reclassification of the expenses should occur following the completion of the audit.

No action was taken on this item.

Item 11. Discussion and action regarding the receipt of a report from the Trust's construction consultant (Stephan Schmitz).

The Fund's Construction Consultant, Stephan Schmitz, presented. Schmitz reviewed the construction progress and the status of pending items:

1. On September 28, 2018, the contractor received the City of El Paso building final.
2. On October 1, 2018, the certificate of occupancy was issued.
3. On October 2, 2018, the Retirement Trust received the architect's and engineer's punch lists. The engineer issued a letter of substantial completion, giving the contractor 14 days to complete the punch list.
4. On October 4, 2018, the Retirement Trust submitted an additional amended five-page punch list.
5. On October 12, 2018, the Retirement Trust Staff began to move into the new facility.
6. On October 16, 2018, the final inspection, the state ADA inspection, was completed. There were a few items to correct.
7. Schmitz noted that there are outstanding punch list items. Schmitz advised that he meet with Deputy Executive Director, Pete Delgado, to review the pending/completed items. When prompted by Vice Chairman, Rene Peña, Schmitz advised that there are four leaks that he will address with the superintendent during the review of the punch list.

Robert Ash, Executive Director, expressed his gratitude to Schmitz for his due diligence. Ash noted that, with the motion to approve the Consent Agenda, the Board approved the Consulting Services Agreement between the City of El Paso Employees Retirement Trust and Stephan Schmitz for post-construction consulting services. Ash advised that Schmitz will no longer present to the Board unless requested. When prompted by Trustee, Robert Studer, Rimkus advised that the Agreement includes management of covered parking, once the Board approves funding. Ash confirmed.

No action was taken on this item.

Item 12. Discussion and action regarding approving an amendment to the Trust's Board Officer Election Policy.

Robert Ash, Executive Director, presented; the Board received and reviewed the amendment to the Trust's Board Officer Election Policy.

Ash reviewed the current policy. The policy states that elections for Chair and Vice Chair will be held annually in September. As directed by the Board, the Trust's Administrative Services Committee (ASC) met to discuss the policy. The ASC made the following recommendations: the Chair will serve a two-year term (elections for both Chair and Vice Chair would be held every two years), a four-year lifetime limit (nonconsecutive) will be set to serve as Chair and interim terms as Chair will not be applied to the lifetime limit. Ash noted the ASC did not recommend any restrictions to the position of Vice Chair. A Trustee may serve as Vice Chair without time limitation. If approved, the amendment will be applied prospectively. ASC Chair, Nick Costanzo, confirmed the recommendations.

Motion made by Nick Costanzo to accept the recommendation of the Retirement Trust's Administrative Services Committee for the amendment to the Trust's Board Officer Election Policy; seconded by Rep. Sam Morgan. None opposed; motion carried.

Item 13. Discussion and action regarding the election of Board Officers.

Robert Ash, Executive Director, advised that the policy states the Board will elect a Chair and Vice Chair. Ash noted the Secretary and Treasurer to the Retirement Trust serve as ex officio, non-voting members. Ash opened nominations for Board Chair.

Vice Chairman, Rene Peña, recommended tabling the election of Board Officers for one month, noting the absent Board Members. Trustee, Robert Studer, questioned if the subsequent elections would be held in November given the two-year term limit. Ash advised that only the current election would be postponed. The following election is expected to be held in September of 2020.

Motion made by Rene Peña to table the election of Board Officers for one month; seconded by Mario R. Hernandez. Robert Studer opposed. Motion carried.

- Item 14. Discussion and action regarding the appointment of a participant to fill an unexpired term on the Board of Trustees.

Robert Ash, Executive Director, presented. Ash noted that the Board recently approved a revised policy to fill an unexpired Employee Trustee vacancy on the Board of Trustees. Ash advised that as indicated in the policy, only the candidates listed on the vote count document were contacted to determine interest in filling the Employee Trustee vacancy. The Retirement Trust received five resumes; all the candidates were interviewed by the Administrative Services Committee (ASC). ASC Chair, Nick Costanzo, expressed his gratitude to all the candidates. Costanzo advised that after extensive discussion, the ASC recommends appointing participant, Diana Nuñez, to the Board. ASC Member, Mario R. Hernandez, thanked the candidates noting their qualifications. He noted that all excelled during their interview. Trustee, Robert Studer, thanked the committee for their diligent work.

Diana Nuñez expressed her gratitude to the Board. Adrian Rivera thanked the ASC for their consideration.

Motion made by Rep. Sam Morgan to accept the recommendation of the Retirement Trust's Administrative Services Committee to appoint participant, Diana Nuñez, to fill the unexpired term on the Board of Trustees; seconded by Nick Costanzo. None opposed. Motion carried.

- Item 15. Discussion and action regarding committee appointments.

Karl Rimkus, Chairman, reviewed the committee appointments. Rimkus removed himself from all committees. Rimkus appointed Mario R. Hernandez as Chair of the Facility and Maintenance Committee (FMC) and Diana Nuñez as a Member of the FMC. Hernandez suggested postponing the appointments until after the election of Board Officers. Rimkus noted that a new Chairman can make changes to the appointments, as necessary. Robert Studer noted that the FMC only has two members. Rimkus advised that any Trustee who expresses interest in joining the FMC will be appointed next month.

Rimkus advised that the item does not require Board action.

No action required on this item.

- Item 16. Discussion and action regarding the receipt of an investment manager report from Invesco (Mike Baran and Danielle Singer, Invesco).

Mike Baran and Danielle Singer of Invesco presented; the Board received and reviewed the investment manager report from Invesco.

Baran noted that he is the contact for the Retirement Trust. Baran encouraged the Trustees to contact him with any questions noting that his contact information is listed in the presentation. Baran expressed his gratitude to the Board for their investment. Baran advised that there have been no changes to the management of the firm over the past year. Baran noted the firm's recent acquisitions, Source ETF and Guggenheim's ETF, to the firm's passive investment suite.

Singer provided an overview of the team including the founding members. The portfolio has a team of macro specialist solely focused on targeted return strategies. Singer reviewed the firm's investment strategy. The target return is three-month Treasury bills plus five percent on a rolling three-year annualized basis with a target volatility of less than half global equity volatility over a rolling, three-year period. Singer noted that the strategy was developed to meet the liability needs of pension clients.

Singer reviewed the portfolio. The portfolio typically has 20-30 individual investment ideas across asset classes with a time horizon of two to three years. Currently, there are 26 ideas in the portfolio. Robert Studer, Trustee, questioned the allocation in currency noting that of the 26 ideas, 11 are in currency; of the 11, only three outperformed in the year. Singer reviewed the firm's macroeconomic outlook. Although the firm believes that equity markets and other risk assets should have positive returns over the next two to three years, currency can provide good return long term. Singer noted that over the past five years, currency has been one of the firm's top performing asset classes. The Board discussed allocation. Trustee, Nick Costanzo, requested information on allocation in correlation to the risk factors from Brexit. Singer responded that the portfolio's mandate does not require the firm to invest in uncertain markets. The firm "stress tests" the portfolio in several outcomes. Singer noted the firm's limited exposure to UK equities. When prompted by Studer, Singer reviewed the firm's risk management process in reference to rebalancing the portfolio.

Singer reviewed performance. Singer advised of the firm's recent underperformance noting historical behavior. Singer reviewed the quarterly "hit rate", which is the percentage of ideas that have contributed positively. The firm expects the hit rate to remain at 60 percent or higher. In the past four quarters, the hit rate has remained at 50 percent or lower. Singer attributed the underperformance to the portfolio's conservative outlook. Singer noted the performance through September. The one-year total was positive about 108 bps gross of fees; year-to-date through September the total was approximately 70 bps gross of fees. Paul Erlendson of Callan requested information on expected performance. Singer reviewed capital protection through the portfolio's diversification. Singer reviewed the basis point contribution of the ideas noting the top/bottom contributors.

No action was taken on this item.

- Item 17. Discussion and action regarding the receipt of an investment manager report from Salient (Greg Reid and David Hicks, Salient).

Greg Reid and David Hicks of Salient presented; the Board received and reviewed the investment manager report from Invesco.

Hicks provided an asset management overview. Salient has about 8.4 billion dollars of assets under management. The firm's midstream energy complex is one of the firm's core businesses with about 5.2 billion dollars. Hicks noted changes in management. In the third quarter of 2018,

Salient closed on the sale of its wealth management business and restructured the firm with a focus on its MLP and midstream strategies. In 2018, Salient promoted Edward Rowe to Director of Research and hired a quantitative risk analyst to support the research effort. Ryan Grosskreuz was promoted to Research Analyst to replace an analyst that departed earlier in the year. Additionally, Justin Taylor promoted from operations to the support team. There is a total of 13 members on the Midstream & MLP team, eight on investment and five on support.

Reid reviewed the Executive Summary. In 2014, the price of oil declined from 100 dollars to about 26 dollars. Reid reviewed the energy market cycle. Reid advised that the portfolio has been in recovery for about two and a half years noting that the portfolio has not experienced a complete energy market cycle, which is typically 7-10 years. Monetarily, the portfolio has lost about 15 percent (about 7.5 million dollars). Reid reviewed attributing factors highlighting the collapse of energy in 2014. Heavy tax loss selling in the fourth quarter of 2017 abated by December as tax reform provided a catalyst for positive performance through year-end and into January 2018. Reid reviewed the market influence and forecast. Oil markets have become tight as OPEC is running low on spare capacity, Iran sanctions have muted exports, and hurricanes have threatened US production. On the gas side, the US plays an increasingly important role in the global LNG trade, spurring additional midstream buildout. Reid noted that the threshold for oil price, in correlation to profitability in the midstream market, is above 50 dollars.

Reid reviewed the Portfolio Summary. The inception date for the Trust's portfolio is August 2014. The total return is negative about 7.5 million dollars. The firm believes that the portfolio is in position for a full recovery in the market. Salient recommends that the Retirement Trust continue with MLPs, as MLPs and midstream corporations are currently 15-25 percent below their average five and 10-year valuations. Reid reviewed Style Allocation and Summary Stats. Nick Costanzo, Trustee, requested a review of the portfolio's bottom five contributors. Reid noted the contributors and reviewed the firm's "stop/loss rule." Reid advised that the firm applied the rule to Noble Midstream Partners by cutting exposure.

When prompted by Vice Chairman, Rene Peña, Reid reviewed the low valuation of MLPs relative to other asset classes. While MLPs are trading below historical averages using EV/EBITDA, competing asset classes such as utilities, REITs, and the S&P 500 are trading well above historical norms. Generally, institutions are investing in the midstream market expecting a recovery. Paul Erlendson of Callan discussed a "value trap" where the value of the stock remains stagnant. Erlendson requested that the firm explain why MLPs would not be considered a value trap. Reid described MLPs and the midstream market as a necessary asset with the recent spur in additional buildout. Earnings in 2018 have come in above consensus expectations, as companies with quality assets and operating leverage continue to benefit from a positive macroeconomic backdrop and strong crude oil and NGL volume growth in the US. When prompted by Robert Ash, Executive Director, Reid reviewed the New Midstream Model.

Karl Rimkus, Chairman, noted the underperformance of the asset class and discussed volatility. Rimkus requested information on the seemingly high correlation with the price of oil as opposed to volume as initially presented to the Trust. Reid responded that prior to the collapse of the market, the firm expected a 30-60 percent correlation to oil and natural gas liquid commodity prices. The drop in oil price by about 80 percent resulted in over 140 bankruptcies, which negatively impacted volume. During that time, the correlation ballooned to 60-90 percent. Following the collapse, the sector shifted away from retail investors. The firm believes that the trend in increased institutional investors will improve valuation. Rimkus noted that Salient is on "watch" and requested that Callan comment on the value of continuing with the asset class. Paul Erlendson of Callan responded. Erlendson commended the Board for their due diligence prior to investing in MLPs. Erlendson noted that the Retirement Trust has an

overweight to MLPs relative to the broad equity but recommended that the Trust continue with MLPs. Erlendson noted that he would recommend revisiting the allocation if the negative performance continues. Reid advised that the firm expects the energy volatility to stabilize. Trustee, Robert Studer, requested additional information. Reid reviewed the contributing factors to the recent collapse of the market. Reid reviewed the potential risks in 2018 including rising rates and commodity prices. When prompted by Studer, Reid reviewed the investor base for MLPs. In a recent analysis, retail is shown to still have a predominant share of midstream ownership. Rather than a steady decline, the new data illustrates that retail ownership may merely ebb and flow, suggesting the potential for retail to put money back to work as performance improves. Reid noted that about 60 percent of investors are institutional. Reid advised that the Retirement Trust's portfolio is the largest of the institutional investors at about 40 million dollars. When prompted by Studer, Reid advised that he personally would not continue with MLPs if the energy market experienced another crash.

Studer expressed his gratitude to Salient for their detailed presentation.

No action was taken on this item.

Item 18. Discussion and action regarding a report from Callan LLC (Paul Erlendson, Callan).

Paul Erlendson of Callan presented; the Board received and reviewed the monthly "flash" report for the period ended September 30, 2018. Erlendson noted that the returns are preliminary and net-of-fees. Erlendson advised that there is an error on the report in reference to cash flow; for that reason, he will not review the asset distribution table.

Erlendson commended the Retirement Trust's Investment Committee (IC) for their thorough review of the fund. Erlendson advised that the IC is reviewing the benchmarks for each investment manager highlighting absolute return, private real estate and private equity. Erlendson explained that the current benchmark for private equity is to outperform the domestic equity market which has had record returns. Erlendson advised that after review with the Trust's IC, the benchmark is appropriate; there isn't an alternate benchmark that is better suited for private equity.

When prompted by Trustee, Robert Studer, Erlendson reviewed the impact of the delayed valuation (completed quarterly) for real estate and private equity on the performance review. Erlendson reviewed the valuation processes. One-quarter of the real estate portfolio is valued every three months over a rolling one-year period. Each asset is valued annually, in contrast to the benchmark which is priced daily. Erlendson noted that the private equity market is priced multiple times per day. When prompted by Trustees, Studer and Nick Costanzo, Erlendson compared the liquidity of public and private equities noting the risk to fund in reference to the Retirement Trust's negative monthly cash flow.

Erlendson reviewed the training offered by Callan, Callan College. Callan submitted the course curriculum to the Texas Pension Review Board (PRB) earlier in the year for accreditation. The PRB has tentatively approved the curriculum for the Minimum Education Training and Continuing Education Training required for public pension board members. Callan continues to work with the PRB in developing individual courses. Erlendson expects to have additional information for the November Board Meeting.

Erlendson reviewed the flash report. In domestic equity, the top performing manager was the Mellon Dynamic US Equity. International equity has performed similarly to the index. Erlendson advised that active management is intended to add significant value over time. Erlendson

advised that Mellon has recently launched a strategy in the ACWI ex US, similar to the strategy employed in domestic equity. The first client, a Texas public fund, invested 50 million dollars in a collective vehicle earlier this year. Callan has reviewed the data for that strategy as provided by the manager. Erlendson is in discussions with Mellon regarding risk management correlated to currency. Erlendson suggested that the strategy may enhance non-US equity return for the fund. Costanzo suggested that allocation in international equities is too high and requested a long-term projection. Erlendson provided a comparison of valuation of domestic and international equities. Erlendson advised that in November, Callan will provide to the Trust's IC (and to the Board, if requested) a geographical comparison of the ACWI in terms of geography and revenue. Costanzo requested that Callan provide the performance for international equity over the last 10, 20 and 30-years. Erlendson confirmed Costanzo's request. Erlendson advised that Callan remains positive on international equities.

Nick Costanzo, Trustee, discussed the target rate of return (7.5 percent) and requested a forecast for the next three years. Callan believes that although the target rate is achievable, it is highly unlikely. In an asset allocation study, the target rate is determined based on the midpoint of likely returns. Erlendson estimated that the current 7.5 percent target rate is closer to 40 percent probability or less, rather than 50 percent. Erlendson advised that the IC is reviewing manager fees in an effort to improve returns. Robert Ash, Executive Director, reviewed the fund's diversification. Ash advised that he believes the Board, based on the advice of the consultant and through extensive deliberations, has reduced volatility and increased protection in a down market. Costanzo discussed the necessity for an asset allocation study. Peña suggested that Callan perform an asset allocation study in reference to current market conditions. Chairman, Karl Rimkus, requested information on industry standards. Erlendson advised that absent of any significant capital market or liability change, Callan recommends a study every five years. Ash noted that under contract Callan reviews the Trust's asset allocation annually and conducts an asset-liability study as needed. Erlendson noted that every January Callan presents a 10-year projection by asset class and expected range of return to the Retirement Trust's IC. Erlendson advised that the asset-liability study performed about two years ago assessed several market conditions; he does not believe the current market conditions would result in a material change to the target allocation. Rimkus requested that Callan present to the Trust's IC and Board a tactical approach to capitalize on the current environment including highlighting current allocation or providing additional options. Erlendson noted the adjustments to allocation authorized by Board based on Callan's annual projections including allocation in absolute return and MLPs. Erlendson advised that Callan is reviewing MLPs, domestic equity and international equity allocation.

Peña noted the return for 2016 (about 22 million), 2017 (about 62 million) and 2018 (about 41 million).

No action was taken on this item.

Item 19. Discussion and action regarding a report from the Executive Director.

Robert Ash, Executive Director, reported on the following:

- Ash expressed his gratitude to the City for allowing the Retirement Trust to hold the monthly meeting in Council Chambers.
- As the PTG conversion is almost complete, Ash advised that DoITS will no longer present to the Board monthly, unless requested. Ash noted that DoITS did not present today.

- As requested, a license agreement was drafted regarding the antennae requested by DoITS. The agreement is under review by the City.
- Actuary Committee will need to meet. Ash noted that the actuary's report is expected to be completed in November.
- Ash noted the two audits that are ongoing. The Internal Auditor is attempting to complete their audit by the end of the month. BKD will be at the Retirement Trust Administrative Office on October 22.
- Benefit statements are in process and should be distributed shortly.

No action was taken on this item.

Item 20. For Notation:

A. Directed brokerage credit balance for the month ended August 31, 2018: \$105,041.83

B. Refund of Contributions:

| | NAME | DEPARTMENT | TOTAL REFUND |
|----|-----------------------|-------------------|---------------------|
| 1 | Andino, Wilmarie | Police | \$8,712.53 |
| 2 | Argumedo, Orlando | EPWU | \$39,804.01 * |
| 3 | Avila, Demetrio | EPWU | \$7,395.08 |
| 4 | Bravo, Moises | Museums | \$1,543.24 |
| 5 | Carrasco, Mark A. | Animal Services | \$23,172.98 |
| 6 | Cazares, Pearl | MCAD | \$15,988.52 |
| 7 | De la Rosa, Jose | Mass Transit | \$922.86 |
| 8 | Deucher, Tamatha | Fire | \$3,687.11 |
| 9 | Diaz De Leon, Melissa | Mayor & Council | \$669.34 |
| 10 | Garcia, Ernest | Airport | \$583.38 |
| 11 | Guzman, Erika | Health | \$6,541.24 |
| 12 | Hernandez, William R. | Parks & Rec. | \$531.23 |
| 13 | Herrera, Graciela | Museums | \$2,280.93 |
| 14 | Holguin Jr., Roberto | SAM | \$21,037.08 |
| 15 | Lopez, Melissa | ESD | \$2,009.50 |
| 16 | Lozano, Juliet | City Managers | \$120,887.37 * |
| 17 | Martinez, Julian | Airport | \$16,428.46 |
| 18 | Martinez, Roger | EPWU | \$12,723.43 |
| 19 | Matta, Daniel | Zoo | \$1,212.45 |
| 20 | McFarland, Paul | ESD | \$7,867.17 |
| 21 | Medina, Rosalinda | Health | \$57,949.65 |
| 22 | Ortega, Gina | Fire | \$1,396.56 |
| 23 | Paz, Yoshico Sergio | IT | \$1,325.87 |
| 24 | Ponce, Aaron | EPWU | \$4,466.49 |
| 25 | Ramirez, Monica Ann | Zoo | \$5,443.16 |
| 26 | Rivas, Martha Isabel | Parks & Rec. | \$958.41 |
| 27 | Rodriguez, Jesus | Mass Transit | \$9,858.33 |
| 28 | Rodriguez, Michael | Fire | \$2,133.04 |

| | | | |
|----|-------------------------|---------------------|----------------------------|
| 29 | Rodriguez, Olga | Planning & Insp. | \$332.90 |
| 30 | Ruvalcaba, George | EPWU | \$36,258.56 * |
| 31 | Salayandia, Brenda | Police | \$7,210.44 |
| 32 | Saxton, Chris D. | Health | \$18,816.21 |
| 33 | Sensanbaugher, R. Scott | Capital Improvement | \$11,679.75 |
| 34 | Shields, Christopher | EPWU | \$8,981.93 |
| 35 | Sosa, Ruben | Airport | \$9,838.72 |
| 36 | Stanton IV, Wright | Parks & Rec. | \$19,701.55 |
| 37 | Torres Martinez, Adrian | Mass Transit | \$455.62 |
| 38 | Valdez, Jasmine S. | Zoo | \$1,075.41 |
| | TOTALS | | <u>\$491,880.51</u> |

* Eligible for Early Retirement

** Additional interest/contributions due

For notation, no action required on this item.

David Garcia, Payroll/Accounts Payable Specialist, advised that there are no speakers from the audience to comment on any pension-related issue that is not on the agenda.

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 Retirement Trust Office at (915) 212-0112.

Motion made by Rene Peña 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 11:04 A.M.

Motion made by Rene Peña to reconvene from Executive Session; seconded by Robert Studer. Motion carried at 11:22 A.M.

Item 21. 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**
Claim# 001-2018 - F.T. James Construction, Inc.

Motion made by Mario R. Hernandez to authorize the Chairman or Executive Director to negotiate with F.T. James Construction, Inc. on settlement of all claims; seconded by Rene Peña. The motion required polling:

| | |
|---------------------------|------------|
| Mario R. Hernandez | aye |
| Robert Studer | aye |
| Rene Peña | aye |
| Nick Costanzo | aye |

Motion carried.

- B. **Section 551.071 and 551.072**
Discussion and action regarding disposition of real property located at 1039 Chelsea.

Motion made by Robert Studer to delete Item 21B; seconded by Nick Costanzo. Motion carried.

- C. **Section 551.071**
Claim# 002-2018 - Desiree Campos

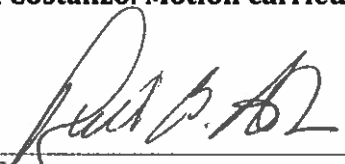
Motion made by Rene Peña to authorize the Executive Director and Retirement Trust Staff to address Claim# 002-2018 - Desiree Campos; seconded by Mario R. Hernandez. The motion required polling:

| | |
|---------------------------|------------|
| Mario R. Hernandez | aye |
| Robert Studer | aye |
| Rene Peña | aye |
| Nick Costanzo | aye |

Motion carried.

- Item 22. Adjournment.

Motion made by Rene Peña to adjourn the City of El Paso Employees Retirement Trust Board Meeting on October 17, 2018; seconded by Nick Costanzo. Motion carried at 11:24 A.M.



Secretary



Chairman