

**CITY OF EL PASO EMPLOYEES RETIREMENT TRUST
BOARD MINUTES FOR THE REGULAR MEETING
HELD WEDNESDAY, SEPTEMBER 19, 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
Presi Ortega
Mario R. Hernandez
Robert C. Studer
Rep. Sam Morgan
Rep. Cassandra Hernandez
Nick Costanzo

Members Absent:

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
Alex Browning, Callan LLC
Enrique Martinez, City's DoITS Director
Richard Campos, City's DoITS Enterprise Applications Administrator
Stephan Schmitz, Construction Consultant
Jimmy Rogers, USI
Fred McCrea, Mellon Capital

- Item 1. David Garcia, Payroll/Accounts Payable Specialist, called the meeting to order at 8:37 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 August 15, 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	Aguilar, Fernando A.	Sun Metro	23 years 7 months
2	Alvarado, Daniel	Library	27 years 7 months
3	Barton, Thomas M.	SAM	14 years 10 months
4	Chavez, Sergio	Airport	20 years 3 months
5	Fernandez, Jose R.	Library	12 years 3 months
6	Hernandez, Barbarita	Health	28 years 10 months
7	Hernandez, Dora	ESD	33 years 1 month
8	Marquez, Gilbert	Sun Metro	26 years 4 months
9	McDorman, Randolph D.	Police	14 years 6 months
10	Oaxaca, Patricia	ESD	27 years 6 months
11	Ramirez, Hermelinda G.	EPWU	18 years 10 months
12	Renteria, Armando R.	EPWU	45 years 4 months
13	Riley, Robert T.	EPWU	29 years 1 month
14	Salas, Lorenzo S.	Zoo	22 years 11 months
B.	Early:		
1	Venegas, Ricardo M.	Engineering	29 years 3 months
C.	Deferred:		
1	Corbisier, Dennis Gene	Health	10 years 11 months
2	Medina, Michael	MPO	11 years 9 months
3	Rosales, Christine J.	Police	10 years 9 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. Cardenas, Bertha Yolanda survivor of Alfonso Cardenas Jr., retiree.
- B. Dominguez, Julieta survivor of Alberto R. Dominguez, retiree.
- C. Hernandez, Marta N. survivor of Hector M. Hernandez, retiree.
- D. Sida, Josefina A. survivor of Ramon Sida Jr., 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.	Allianz Global Investors	Investment Fees	Qtr. Ended 06/30/18	\$348,720.21	**
B.	AQR Emerging Equities Fund, LP	Investment Fees	Mo. Ended 08/31/18	\$19,794.00	**
C.	AQR Style Premia Fund, LP	Investment Fees	Mo. Ended 07/31/18	\$23,612.00	**
D.	AQR Style Premia Fund, LP	Investment Fees	Mo. Ended 08/31/18	\$23,648.00	**
E.	BNY Mellon	Custodial Fees	Qtr. Ended 06/30/18	\$47,477.15	
F.	Buck Global, LLC	Actuarial Fees	Mo. Ended 07/31/18	\$4,381.00	

G. Eduardo Miranda	Legal Fees	Mo. Ended 08/31/18	\$1,212.50	
H. Gordon Davis Johnson & Shane PC	Legal Fees #2727	Mo. Ended 08/31/18	\$327.60	
I. Gordon Davis Johnson & Shane PC	Legal Fees #2728	Mo. Ended 08/31/18	\$2,175.16	
J. Mellon Capital Management	Investment Fees	Qtr. Ended 06/30/18	\$57,587.15	**

- * To be paid by Directed Brokerage credits.
- ** For Notation Only - to be withdrawn from the commingled account.
- *** Performance based fee.

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

Item 7. Consideration and action on the following Committee reports/assignments:

- A. Actuary Committee
- B. Administrative Services Committee (ASC)
 - i. Nick Costanzo appointed as ASC Chair.
 - ii. Mario R. Hernandez appointed as an ASC Member.
- C. Audit Committee
- D. Facilities and Maintenance Committee
- E. Investment Committee

Motion made by Mario R. Hernandez to move Item 7B to the Regular Agenda; seconded by Presi Ortega. Motion carried.

Motion made by Presi Ortega to approve the remainder of Consent Agenda; seconded by Robert Studer. The motion required polling:

Presi Ortega	aye
Mario R. Hernandez	aye
Robert Studer	aye
Rep. Sam Morgan	aye
Rene Peña	aye
Nick Costanzo	aye

Motion carried.

REGULAR AGENDA

Item 7. Consideration and action on the following Committee reports/assignments:

- B. Administrative Services Committee (ASC)
 - i. Nick Costanzo appointed as ASC Chair.
 - ii. Mario R. Hernandez appointed as an ASC Member.

Item 7B was presented immediately following Item 12.

Chairman, Karl Rimkus, noted the appointments to the Administrative Services Committee (ASC). Mario R. Hernandez is appointed from Alternate to Member and Nick Costanzo is appointed as ASC Chair. Rimkus noted that Costanzo agreed to be Chair.

Trustee, Mario R. Hernandez, suggested that any new appointments be delayed until after the election of Board Officers. Rimkus stated that he believes new appointments for the ASC are necessary, as the ASC will meet to provide a recommendation to the Board to fill the current Employee Trustee vacancy. Hernandez disagreed with the urgency to update the appointments.

Rimkus advised that the new appointments are in effect and noted that Board action is not required to change committee appointments. Rimkus suggested that if a new Chairman is elected, the new Chairman can update the committee appointments at that time.

No action was taken on this item.

- Item 8. Discussion and action regarding the receipt of an award from GFOA for Excellence in Financial Reporting for the fiscal year ended August 31, 2017.

Robert Ash, Executive Director, presented the Board with an award from the Government Finance Officers' Association (GFOA) for Excellence in Financial Reporting. The Retirement Trust has received the award for five consecutive years. Ash expressed his gratitude to staff, Financial Services and the Trust's investment consultants. The Trustees thanked Ash for his management and effort to obtain the award.

No action was taken on this item.

- Item 9. Discussion and action regarding the Treasurer's Report for the month ended August 31, 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 August 31, 2018.

Mier reviewed the statement of net assets available for benefits. The unaudited totals in the statement are for the fiscal year ended August 31, 2018. Mier reviewed assets. Cash and investments have increased by about 40.6 million dollars. Unrestricted receivables increased by approximately 2.8 million dollars. Mier reviewed the liabilities for the fund. Total liabilities increased by approximately 1.9 million dollars. Mier noted that the amount due for securities purchased increased by about 3.1 million dollars. The total net assets available for benefits increased by approximately 41.5 million dollars.

Mier reviewed the statement of changes in net assets available for benefits. The unaudited totals reflect the fiscal year ended August 31, 2018. The net change in fair value of investments increased by about 59.9 million dollars. Mier reviewed additions to the fund. Contributions were about 41.2 million dollars for the fiscal year. Interest and dividends were about 7.1 million dollars. Mier reviewed deductions. Benefits paid to retirees totaled approximately 58.2 million dollars.

Mier reviewed the quarterly statement of changes in net assets available for benefits. The unaudited totals reflect the fourth quarter ended August 31, 2018. Mier reviewed additions to the fund. Contributions averaged about 3.4 million dollars per month for the fiscal year. The net appreciation in fair value of investments increased by about 19.5 million dollars for the quarter.

Mier reviewed the investment income analysis. The year-to-date net investment return is about 8.63 percent which exceeds the target rate of 7.5 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. Trustee, Robert Studer, noted the negative cash outflow of the fund.

No action was taken on this item.

- Item 10. Discussion and action regarding the receipt of a report from the City of El Paso Dept. of Information Technology.

Richard Campos, City's DoITS Enterprise Applications Administrator, reviewed the current IT issues. Campos listed the status of pending items:

1. Periodic processing for August is in progress. Campos noted that the periodic processing will continue to be processed through PeopleSoft for the next several months.

Robert Ash, Executive Director, advised that user acceptance testing on the new pension system is ongoing. When prompted by Ash, Campos advised that the data transfer issues have been resolved. Ash noted that ongoing testing has delayed the distribution of benefit statements.

Ash advised that DoITS has requested to install an antenna on the new building. Ash noted that the Trust's legal counsel advised that the installation may require Board action. The Board requested additional information. Enrique Martinez, City's DoITS Director, advised that the requested antenna would service the nearby fire station that has inadequate connectivity. Martinez advised that there will be no interference as the link will be strictly between the transmitter site (Retirement Trust Office) and the receiver site (the City's fire station). The antenna would improve connectivity and reduce costs for the City. When prompted by Chairman, Karl Rimkus, Martinez clarified that the transmission would be a radio frequency from antenna to antenna. Rimkus commented on DoITS' assistance with the technological infrastructure for the new facility. Ash advised that the item will be presented to the Board next month for action. Martinez confirmed that DoITS provide the details of the antenna. Vice Chairman, Rene Peña, requested information on cost and maintenance. Martinez advised that the Retirement Trust would only host the independent, non-penetrating structure as DoITS will wholly be responsible for maintenance and support.

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. The contractor has received an electrical, plumbing and mechanical City final. The engineering, landscaping, fire and building finals are pending. Schmitz noted that the Retirement Trust can obtain the certificate of occupancy after receipt of the building final.
2. As of September 19, 2018, the project was 136 days late.

Trustees, Mario R. Hernandez and Robert C. Studer, requested the status of the covered parking structure. Robert Ash, Executive Director, advised that the Board had approved the architectural design fee for the structure. The request for structure design was postponed until the completion of the building to prevent any delay. Ash commented that the postponing the structure is prudent given the current delay for completion of the new facility. Chairman, Karl Rimkus, advised that the Retirement Trust's Facility and Maintenance Committee will meet

after the completion of the building to discuss the covered parking structure and ultimately provide a recommendation to the Board.

The Board discussed the monument sign including location and necessity. Ash noted that the monument feature was included in the contractual bid. Schmitz complemented the monument sign and advised that the sign assists drivers in locating the facility.

When prompted by Rimkus, Schmitz advised that he will provide the weekly report to administration on September 20, 2018. Ash expressed his gratitude to Schmitz for his diligent weekly reports.

No action was taken on this item.

- Item 12. Discussion and action regarding the purchase of property and casualty insurance for 1039 Chelsea as recommended by USI (Jimmy Rogers, USI).

Jimmy Rogers of USI presented; the Board received and reviewed the property and casualty insurance proposal for 1039 Chelsea and adjoining property at 1061 Chelsea.

Rogers reviewed the proposal. Rogers advised that the named insured is the City of El Paso Employees Retirement Trust and the location is 1039 and 1061 Chelsea. USI sent the insurance submission to three carriers (Harford, CAN and Hanover) that have a specialty in the requested risk. Rogers noted that all three carriers are A.M. Best "A" rated or above. USI recommends Hanover. Rogers provided a comparison of premiums for the three carriers; Hanover, with comparative coverage, has the lowest rate. Rogers defined the proposed coverage as a "business owner's policy" which captures lots of coverage in a small package. The proposed coverage includes fire, physical hazard, premises and general liability. Rogers noted that the entire premises (both 1039 and 1061 Chelsea) would be covered under general liability. When prompted by Trustee, Robert Studer, Rogers recommended that the Retirement Trust obtain 100 percent coverage; Rogers noted that reducing the coverage would provide savings on the premiums. When prompted by Trustee, Presi Ortega, Rogers advised that there is a three or four percent inflation guard endorsement attached to the policy, which automatically increases the limit by three or four percent. Rogers furthered that as long as USI valued the property correctly, the Retirement Trust will not fall under the 80 percent coverage threshold. Ortega questioned if the premium would increase unexpectedly. Rogers stated that the competitive rates should remain.

Trustee, Mario R. Hernandez, requested additional information on the terrorism option. The terrorism option includes domestic and foreign terrorism risk; it is limited to physical damage to the building and bodily injury to the inhabitants. Rogers noted that cybersecurity for the Trust is covered under a separate policy. Rogers advised that the additional premium for the terrorism option would be 85 dollars. The additional premium is not included in the estimated annual premium quote.

Rogers reviewed the proposed property coverage noting that water damage is covered however flood damage is not. Rogers defined water damage as the breakage of a system inside the building such as a sprinkler system or hot water heater. The Board discussed the necessity of flood insurance. Rogers defined flood damage as rising ground water from any source coming from the outside such as a water main break, flash flood, or storm. Rogers noted that the new facility is not in a high-risk flood zone. Vice Chairman, Rene Peña, highly recommended that the Retirement Trust obtain flood insurance. Robert Ash, Executive Director, recommended that the Retirement Trust proceed with the proposed coverage given that the Trust may soon receive

the certificate of occupancy, which will transfer liability from the contractor to the Retirement Trust. Ash suggested that the Trust request quotes for flood insurance and that the Board authorizes a maximum amount in order to timely obtain the flood coverage. Rogers advised that flood insurance must be obtained through the National Flood Insurance Program noting that the three carriers in the proposal do not offer flood insurance. When prompted by the Board, Rogers recommended that the Board authorize up to 2500 dollars for flood insurance.

Motion made by Nick Costanzo to approve the insurance with Hanover as presented with the terrorism option and authorize an amount not to exceed 2500 dollars for the purchase of flood insurance based on the recommendation of USI after surveying the market; seconded by 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.

Ash advised that based on the Board's direction, Retirement Trust Administration will authorize the flood insurance, as long as the quote that is recommended by USI does not exceed 2500 dollars, and the Board authorizes the Chairman or Executive Director to sign related documents.

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

Robert Ash, Executive Director, presented; the Board received and reviewed the Board Officer Election Policy.

Ash reviewed the policy. The Board Officer Election Policy is based on Sec. 2.64.070 of the El Paso City Code which authorizes two positions defined as Chairperson and Vice Chairperson. The Retirement Trust's policy indicates that the officer elections will be held annually in September. Should a vacancy occur for either of the positions, than an election will be held as the Board deems appropriate. Ash opened nominations for Board Chair.

Vice Chairman, Rene Peña, requested that the election of Board Officers be delayed by one month. Ash confirmed that the elections may be postponed as a regular action of the Board.

Motion made by Rene Peña to postpone the election of Board Officers by one month; seconded by Mario R. Hernandez. No vote was taken.

Robert Ash, Executive Director, discussed previous officer elections. Previously, elections were held after new Members were appointed/elected to the Board. The current Board Officer Election Policy was adopted in 2015. Trustee, Presi Ortega, requested that a rotating officer policy be discussed in committee prior to the election. Chairman, Karl Rimkus, suggested placing an item on the Board agenda for discussion and action instead of sending the policy to committee. Trustees requested clarification on the proposed policy. Trustee, Nick Costanzo, advised that other boards, which he has served on, have a succession plan for officers from Vice Chair to Chair. The position of Vice Chair is rotated to allow any member that is interested to serve. Costanzo stated that the succession plan allows the Vice Chair to prepare to become Chair. Costanzo recommended that the Board consider such a policy. Ortega noted that during

his time on City Council the position of Mayor Pro Tem was rotated annually. Trustee, Robert Studer, agreed with a succession plan from Vice Chair to Chair but suggested term limits, a 2-year limit for both Chair and Vice Chair. Rimkus agreed with the 2-year term limit and not allowing consecutive terms. Trustee, Rep. Sam Morgan, concurred with setting term limits but did not agree with the suggested 2-year limit and non-consecutive terms. Morgan did not agree with rotating the position. Eduardo Miranda, Attorney, recommended that the policy be referred to a standing or ad-hoc committee to make a recommendation to the Board. Miranda advised that an ad-hoc committee could not be created as there is not an item for the proposed policy on the current agenda. Rimkus suggested discussing the item during the Board Meeting in October and holding the elections tentatively in November. Studer and Peña recommended the policy be directed to committee. Studer suggested that the item be referred to the Trust's Administrative Services Committee. Peña concurred. Studer noted the members of the ASC: Nick Costanzo - Chair, Mario R. Hernandez, Rep. Sam Morgan and Karl Rimkus. Ortega and Hernandez expressed that as there are four members on the committee, Rimkus should remove himself from the ASC. Miranda advised that as the ASC assignments are listed on the agenda, Rimkus cannot remove himself from the committee. Rimkus suggested that he remove himself from the ASC in October. Rimkus confirmed that the policy will be discussed by the ASC for recommendation to the Board.

Motion made by Rene Peña to postpone the election of Board Officers until such time that the Board adopts a revised policy; seconded by Rep. Sam Morgan. One opposed, Mario R. Hernandez. Motion carried.

Item 14. Discussion and action regarding the payment of the Prudential yearly administrative fee and drawing down on the available balance.

Robert Ash, Executive Director, presented; the Board received and reviewed the annual service agreement fee notice. The staff recommendation is that the Trust pay the 1000 dollar administrative fee from the fund balance, reduce the fund balance by 40 thousand dollars (leaving approximately 15 thousand dollars in the fund), and reduce the monthly payment from 10 thousand dollars to seven thousand dollars.

When prompted by Trustee, Mario R. Hernandez, Ash advised that the group of annuitants are employees who retired from the City prior to 1985. In 1985, the Board sold that liability to Prudential Insurance Company. The Board is funding COLA payments for those annuitants. Trustee, Presi Ortega, requested additional information on the purpose of the sale. Ash advised that although the sale was performed prior to his position with the Trust, he believes that inflation was a component in the sale.

Motion made by Rene Peña to accept the staff recommendation to pay the 1000 dollar administrative fee from the fund balance at Prudential, reduce the fund balance by 40 thousand dollars to approximately 15 thousand dollars, and reduce the monthly payment from 10 thousand dollars to seven thousand dollars going forward; seconded by Nick Costanzo. The motion required polling:

Presi Ortega	abstain
Mario R. Hernandez	aye
Rep. Sam Morgan	aye
Rene Peña	aye
Nick Costanzo	aye

Motion carried.

Item 15. Discussion and action regarding a revised Board vacancy policy.

Robert Ash, Executive Director, presented; the Board received and reviewed the revised Board vacancy policy. Ash noted that there is currently an Employee Trustee vacancy on the Board.

Ash reviewed the proposed policy. The Retirement Trust's Administrative Services Committee (ASC) met to review the current Board vacancy policy. The ASC believed that the proposed amendment should be made to better administer how/when elected Employee Trustee vacancies are filled. The proposed policy indicates that if the vacancy occurs within two years from the date of the most recent employee election certified vote count document provided by the City Clerk, only the candidates listed on the vote count document will be contacted to determine interest in filling the Employee Trustee vacancy, which is a change from the current policy which allows for an ad-hoc committee to interview or pose written questions to any qualified candidate. If the vacancy occurs more than two years from the date of the last employee election vote count document, a notice will be placed on the Trust's/City's website asking qualified employees who are interested in serving on the Board to contact the Retirement Trust. The Administrative Services Committee of the Board will evaluate the qualified employee applicants seeking to fill the unexpired term of the employee vacancy.

Motion made by Mario R. Hernandez to accept the policy; seconded by Rene Peña. Motion carried.

Ash expressed his gratitude to the ASC Members.

Item 16. Discussion and action regarding the receipt of an investment manager report from Mellon Capital (Fred McCrea, Mellon Capital).

Fred McCrea of Mellon Capital presented; the Board received and reviewed the investment manager report from Mellon Capital. (In this item, the firm will be referred to as "Mellon".)

McCrea provided an overview of the firm. Standish, Mellon Capital and The Boston Company are brands of BNY Mellon Asset Management North America Corporation. BNY Mellon merged the three subsidiaries. The merger was formalized in February 2018. McCrea noted that the firm notified Callan and the Retirement Trust of the merger. McCrea advised that employees of affiliated entities are acting as dual officers and/or associated persons of BNY Mellon. McCrea advised that there will be no change to the investment team. McCrea noted that the rationalizations will allow for additional as there are no overlapping businesses between the affiliated entities. McCrea advised that one of the first actions after the integration was a migration of the securities lending split for the customers and fund sponsor from 50/50 to 70/30 in favor of the customer. McCrea noted that the rebranding will be complete by the end of the month.

McCrea advised that Robert Ash, Executive Director, had requested a reexamination of the firm's fee schedule. The firm provided a fee reduction schedule across the three index mandates, which will be a 23 thousand dollar annual cost savings.

McCrea provided an overview of Retirement Trust's portfolio. The Trust has invested about 217 million dollars, distributed over four strategies: three index funds and one actively managed strategy.

McCrea reviewed the performance of the three index funds, the EB DV Stock Index Fund, the EB DV International Stock Index Fund and the EB Aggregate Bond Index Fund. McCrea noted that the returns are net of fees. McCrea advised that the firm intends to capture what the index provides noting that the returns should closely mirror or exceed the index. McCrea noted that the deviation from the MSCI EAFE Index is attributed to the foreign tax withholding assumption.

McCrea reviewed the BNY Mellon MCM Dynamic U.S. Equity Fund. The Retirement Trust invested in the strategy in December 2013; at that time, there was only one other investor. In the past five years, the assets under management for the strategy have grown to about 5 billion dollars. McCrea reviewed performance. Since inception, the strategy has outperformed the index by about 334 basis points net of fees. McCrea reviewed the firm's investment philosophy. The firm believes that consensus-driven, bottom-up valuation discipline augmented with top-down macro inputs positions the firm to deliver excess returns across multiple market environments. McCrea noted that excess returns should be cost-effective, offer strong downside protection and low correlation to other equity managers. McCrea noted the firm launched an international version of this strategy.

Vice Chairman, Rene Peña, requested a projection for the year. The firm's growth estimate for 2019 is about 2.2 percent. McCrea noted the geopolitical factors that may negatively impact the market.

When prompted by Ash, McCrea advised that the firm's expected excess return over a full market cycle is between 200 and 400 basis points. Since inception, the actual excess return is about 330 basis points annualized. Ash expressed his gratitude to McCrea for his prompt response to requests from the Retirement Trust. McCrea thanked Andrew Minc from his team.

No action was taken on this item.

Item 17. Discussion and action regarding a report from Callan LLC (Alex Browning, Callan).

Alex Browning of Callan presented; the Board received and reviewed the monthly "flash" report for the period ended August 31, 2018.

Browning reviewed the effective/strategic-target asset allocation. Browning commended the diversification of the fund. Browning advised that allocation in all asset classes is within the strategic range as outlined in the Retirement Trust's Investment Policy Statement. Browning noted the proposed rebalancing activity. In addition to regular benefit payments, the Trust received about 3.5 million dollars in capital calls. In consultation with Retirement Trust Administration, Callan recommended that funds be taken from the Mellon equity index fund in the amount of nine million dollars as the domestic equity composite is over its target allocation by about 13.6 million dollars.

Browning reviewed investment manager asset allocation and excess returns. The total fund was about 811 million dollars for the month of August, including investment returns of about 6.2 million dollars and outflows of approximately two million dollars. The total fund underperformed the strategic blended index by about 50 basis points for the month. Browning noted the positive return of about 0.73 percent in August. Browning reviewed composite return. Domestic equity was the best performing asset class; the return was about 4.02 percent, outperforming the Russell 3000 Index (3.51 percent). Although return in international equities was negative, the composite return outperformed the MSCI ACWI ex-US IMI index. Browning noted that private equity and private real estate only report on a quarterly basis. The fixed income composite underperformed the Bloomberg Aggregate Index by about 133 basis points;

majority of the underperformance was attributed to Franklin Templeton Global Plus. Browning noted that the portfolio was negatively impacted by its currency and credit exposure. Browning noted that the composite for MLPs underperformed the index and that absolute return was slightly positive. Browning noted that in the last year Allianz had a return of about 9.28 percent. Browning advised that Cash returned about 2.23 percent for the last year highlighting rising short-term rates.

Browning reviewed an organizational update in Franklin Templeton. The CIO of the broader fixed income group is retiring after 30 years. A research director on the global macro team will be promoted to CIO. The Retirement Trust's portfolio manager and CIO, Dr. Hasenstab, will remain. Callan does not believe Dr. Hasenstab will move. However, in consultation with Franklin Templeton, Callan has requested that Franklin Templeton develop a strong team behind Dr. Hasenstab as a precaution.

No action was taken on this item.

Item 18. Discussion and action regarding a report from the Executive Director.

Robert Ash, Executive Director, reported on the following:

- Ash noted that David Garcia, Payroll/Accounts Payable Specialist, provided a continuing education brochure and the Minimum Education Training (MET) balances to the Trustees. Ash noted that some Trustees have not completed the MET core training required by the state.
 - TEXPERS is co-hosting a trustee education conference in Austin, which will cover the core training (seven hours), on October 18, 2018; registration is open. Trustees can register online. Ash noted the training will also satisfy the continuing education requirement (four hours), for those that have completed the MET requirement.
- The City's Internal Auditors will be visiting the Retirement Trust Administrative Office. The auditors will be performing a review on calculations. The review is timely based on the new pension administration system. The Audit Committee will be notified of the exit conference. Ash expects the exit conference to take place at the end of October.
- External auditors, BKD, will be in office in October. Ash noted that BKD is also the City's independent auditor. BKD will begin their fieldwork the week of October 22nd. BKD has already submitted a data request to Retirement Trust Administration. Trust Staff is working to complete the request in collaboration with the City's Financial Services department.
- The PTG conversion is ongoing with minor data issues. Staff is running parallel retiree payroll through the PeopleSoft and PTG systems. One retiree payroll has been completed in PTG. Parallel testing will continue for several months.
- Retirement Trust Staff will be using the PTG system to issue benefit statements. Processing is ongoing. The statement will be improved with additional information for participants. Ash expects the statements to be issued in a month.
- As the new facility is almost complete, Ash expects a certificate of occupancy within the next month. Ash requested direction from the Board regarding the open house. Discussion ensued. Trustee, Mario R. Hernandez, suggested that the Trust's Facility and Maintenance Committee (FMC) coordinate the open house after staff has moved in. Vice Chairman, concurred with Hernandez and suggested that the Trust have a "strong" open house in order to ensure that the public, participants and retirees are aware of the relocation. When prompted by Trustee, Presi Ortega, Ash acknowledged the necessity to provide notice to participants and retirees and did not anticipate any

interruptions/issues for administration during an open house. Ortega advised that as notice of the relocation will be posted on the Retirement Trust's website and newsletter, he did see a need for an open house. Ortega further stated that, if necessary, Trust Staff can coordinate an open house without the FMC. Peña reiterated his support for a large event in order to host the press. Chairman, Karl Rimkus, expressed that a large event was not necessary and recommended allowing an open house and inviting the press to attend a dedication ceremony. The Board discussed employee attendance at a recent City event. Rimkus directed the FMC to work directly with staff to coordinate the open house. Ash confirmed. Rimkus suggested that the FMC consider inviting the HR representatives from each City department, as that personnel direct employees to the Retirement Trust Administrative Office. Hernandez suggested inviting retirees and former Trustees. As the new facility is located in District 2, Ash suggested inviting the District 2 Representative Alexandra Annello. Ash expects that the City Representatives for Districts 2, 3 and 4 will use the new facility for meetings/events.

- In order to clean and vacate the facility, Retirement Trust Administration has extended the lease in the current location for one month. Ash noted that the date for the certificate of occupancy is still outstanding.
- An offer for the Administrative Assistant position will be made by early October. Ash noted there were about 125 applications.
- Two items for the website are in process, the benefits counter and videos. Retirement Trust staff continues to work with DoITS and the PIO office to develop the items. The Board discussed the videos. Ash advised that the initial video will be a training/educational video for the New Employee Orientation. When prompted by the Board, Karina Chavez, Retiree Coordinator/Data Entry Clerk, confirmed that the Trust's website has video hosting capability and the PIO office is developing a user-friendly video for all platforms.

No action was taken on this item.

Item 19. For Notation:

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

B. Building Construction Cost:

1. Decision Tree Technologies	Inv #96878119	\$ 1,934.00
2. FT Construction Inc.	Pay Req #10R	\$101,649.00
3. HPS	Inv #5062	\$ 54,400.65
4. HPS	Inv #5063	\$ 3,634.00
5. HPS	Inv #5064	\$ 1,405.00
6. JAG Electric	Inv #5172	\$ 7,909.68
7. Jose Guardarrama	Inv #18	\$ 150.00
8. New IPS	Inv #18-0031	\$ 3,612.35

C. Refund of Contributions:

	NAME	DEPARTMENT	TOTAL REFUND
1	Aguon Jr., Roque A.	Mayor & Council	\$10,608.91
2	Arreola, Angelica	Animal Services	\$109.11
3	Atkins, Rick	ESD	\$1,147.95
4	Avalos, Ruben M.	EPWU	\$30,453.68 *
5	Barraza, Jannet	Fire	\$2,565.60

6	Bonilla Jr., Rene	ESD	\$10,847.00
7	Cain, Deanna M.	Mass Transit	\$25,623.82
8	Carrillo Jr., Ricardo	EPWU	\$7,191.46
9	Chacon, Martin	Airport	\$1,699.80
10	Escapita, Marilyn	Animal Services	\$2,440.55
11	Gonzalez, Roberto L.	Mass Transit	\$4,696.24
12	Guerra, Jennifer R.	Fire	\$526.74
13	Hatheway, Veronica	Mass Transit	\$361.14
14	Ibarra, Cynthia	Zoo	\$2,538.00
15	Lara Contreras, Carlos A.	EPWU	\$3,999.96
16	Lopez, Griselda	Animal Services	\$6,633.98
17	Macias, Natanael	EPWU	\$10,502.13
18	Mares, Diana	Health	\$772.16
19	Martinez, Javier	ESD	\$5,412.65
20	Martinez Jr., Jorge A.	EPWU	\$35,899.43
21	Martinez Verduzco, Uriel	EPWU	\$3,953.96
22	Medina, Jorge	EPWU	\$2,206.58
23	Melendez, Jose	SAM	\$34,595.00 *
24	Melendez, Leila K.	Fire	\$63,959.03
25	Moncada, Joseph	ESD	\$24,006.02
26	Montanez, Esteban	SAM	\$8,985.91
27	Mottley, Lynne K.	Mayor & Council	\$10,705.82
28	Ontiveros, Antonio	EPWU	\$2,402.37
29	Pierce, Sonia	Police	\$1,510.76
30	Poblano, Cruz	EPWU	\$21,423.31
31	Robles, Laura	International Bridges	\$4,492.20
32	Rodriguez, Ana I.	Health	\$17,347.54
33	Rodriguez, Steven	EPWU	\$3,946.29
34	Roldan, Kevin	ESD	\$321.24
35	Schnur, Noah	Zoo	\$4,518.02
36	Suarez, Maria Yvonne	Police	\$3,456.97
37	Valadez, Ricardo	SAM	\$3,948.54
38	Valtierra, Rebecca A.	Fire	\$478.80
39	Vasquez, Robert	Fire	\$9,713.13
40	Yanez Jr., Jose L.	IT	\$13,794.78
TOTALS			\$399,796.58

* 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

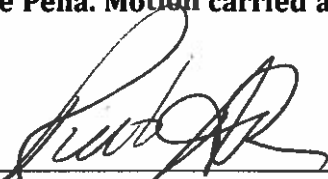
The Board of Trustees will allow speakers from the audience to comment on any pension related issue that is not on the agenda. During the Open Comment Period of the meeting, audience members who sign up to address the Board will be given an opportunity to address the Board. Unless modified by the Chair, 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.

Item 20. 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

Item 21. Adjournment.

Motion made by Presi Ortega to adjourn the City of El Paso Employees Retirement Trust Board Meeting on September 19, 2018; seconded by Rene Peña. Motion carried at 10:40 A.M.



Secretary



Chairman