

**THE EL PASO CITY EMPLOYEES' PENSION FUND
BOARD MINUTES FOR THE REGULAR MEETING
HELD TUESDAY, FEBRUARY 16, 2016
AT 1:30 P.M. OR IMMEDIATELY FOLLOWING THE INVESTMENT COMMITTEE MEETING
CITY HALL, CITY COUNCIL CHAMBERS, 300 N. CAMPBELL**

Members in Attendance:

Rene Peña, Chairman
Karl C. Rimkus, Vice Chair
Presi Ortega
Rebecca L. Torres
Pat Aauto
Christina Stokes

Members Absent:

Peter Svarzbein, City Representative

Others in Attendance:

Eduardo Miranda, Attorney
Patricia Degman, Comptroller and Board Treasurer
Robert Ash, Pension Administrator
Patricia Hickman, Deputy Pension Administrator
David Garcia, Payroll/Accounts Payable Specialist
Karina Chavez, Retiree Coordinator/ Data Entry Clerk
Bill Howard, Callan Associates
Richard Campos, City's IT Enterprise Applications Administrator
Geri Carroll, AGF Investments
Rose Delgado, City Employee of the Planning & Inspections Dept.
Isaura Valdez, City Employee of the Police Dept.
John Forelli, Boston Partners

- Item 1. Rene Peña, Chairman, called the meeting to order at 3:00 P.M.

NOTICE TO THE PUBLIC

All matters listed under the CONSENT AGENDA will be considered by the Pension 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 Pension 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 Pension Board votes on the motion to adopt the CONSENT AGENDA.

CONSENT AGENDA

Item 2. Approve the Minutes of the Regular Board meeting of January 20, 2016.

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. | Alvarado, Jose Luis | Streets & Maint. | 25 years 09 months* |
| 2. | Eisert, Debra Ann | Env Svces | 16 years 04 months |
| 3. | Escajeda, Ann F. | Police | 15 years 08 months |
| 4. | Escobedo, Oscar A. | Env Svces | 27 years 10 months* |
| 5. | Estala, Juan | Bldg & Dev. | 15 years 05 months |
| 6. | Linares, Abner | Mass Transit | 18 years 01 month * |
| 7. | Montes, Arturo Raul | Planning | 14 years 02 months* |
| 8. | Ramirez, Martha | Health | 13 years 03 months |
| 9. | Ramos, Sergio | Parks | 30 years 08 months* |
| 10. | Rivera, Robert | Streets & Maint. | 24 years 01 month * |
| 11. | Rodriguez, Elizabeth | Mass Transit | 20 years 05 months |
| 12. | Saenz, Alfred | Mass Transit | 12 years 02 months* |
| 13. | Silva, Rosa E. | Airport | 08 years 06 months |
| 14. | Villarreal, George | Health | 07 years 04 months |
| B. Early: | | | |
| 1. | Barroso, Jesus M. | Streets & Maint. | 21 years 01 month |
| C. Deferred: | | | |
| 1 | Enriquez, Norma | Human Resources | 19 years 02 months |
| 2. | Ramirez, Victor | Env Svces | 16 years 04 months |
| 3. | Valdez, Martha (Vislar) | Airport | 19 years 02 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 invoices as follows:

| | <u>COMPANY</u> | <u>DESCRIPTION OF SERVICE</u> | <u>PERIOD</u> | <u>FEE DUE \$\$</u> | |
|----|------------------------------|-----------------------------------|----------------------|---------------------|-----|
| A. | AQR Emerging Equities Fund | Investment Fees | January 31, 2016 | \$9,213.00 | ** |
| B. | Boston Partners | Investment Fees | Qtr. Ending 12/31/15 | \$39,312.50 | |
| C. | Buck Consultants, LLC | Actuarial Fees | December 31, 2015 | \$8,501.00 | |
| D. | Denver Investment Advisors | Investment Fees | January 31, 2016 | \$7,704.00 | ** |
| E. | Eduardo Miranda | Legal | January 31, 2016 | \$1,000.00 | |
| F. | Janus Capital Group | Investment Fees | Qtr. Ending 12/31/15 | \$60,527.84 | |
| G. | Principal Global Investors | Investment Fees | January 31, 2016 | \$4,500.94 | ** |
| H. | Riverbridge Partners | Investment Fees | Qtr. Ending 12/31/15 | \$42,690.10 | |
| I. | UBS Realty Investors LLC | Investment Fees | Qtr. Ending 12/31/15 | \$128,140.03 | ** |
| J. | Wedge Capital Management | Investment Fees | Qtr. Ending 12/31/15 | \$42,130.45 | |
| K. | Allianz Global Investors | Performance Fees | December 31, 2015 | \$41,331.66 | *** |
| L. | Gordon Davis Johnson & Shane | Legal Fees | January 31, 2016 | \$2,661.52 | |

| | | | |
|---------------------------|-----------------|---------------------|-------------|
| M. Invesco National Trust | Investment Fees | Qtr Ending 12/31/15 | \$19,596.45 |
| N. Buck Consultants, LLC | Actuarial Fees | January 31, 2016 | \$10,562.00 |

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

Motion made by Pat Aauto to approve the Consent Agenda; seconded by Christina Stokes. Motion required polling:

Presi Ortega aye
Pat Aauto aye
Christina Stokes aye
Karl Rimkus aye

Motion carried.

REGULAR AGENDA

Item 5. Presentation of a Board Service Award.

Rene Pena, Chairman, presented the Board Service Award Certificate and pin to Presi Ortega in recognition of serving more than six terms as Trustee. Ortega expressed his gratitude to the Board and pension staff.

No action required on this item.

Item 6. Discussion and action regarding the appointment of a participant to fill the unexpired term of an Employee Representative on the Board of Trustees.

Robert Ash, Pension Administrator, spoke; the Board received and reviewed the candidate bios and the Fund’s policy to fill a board vacancy of an employee Trustee. Ash advised that the Ad-Hoc Board Vacancy Committee as appointed by Board Chairman, Rene Peña, has reviewed the candidate bios and is prepared to make a recommendation to the Board.

Christina Stokes, Trustee and Chair of the Ad-Hoc Board Vacancy Committee, addressed the Board. Stokes advised that Ad-Hoc Committee met on February 9th to review the candidate bios. Stokes complemented the resumes of all the candidates. Stokes advised that candidate, Mario R. Hernandez, has a great deal of experience serving on the Pension Board. Consequently, the Ad-Hoc Committee recommended that Mario R. Hernandez be appointed to fill the unexpired term of Employee Representative, America E. Luna. The appointment would be for the duration of her unexpired term.

Motion made by Christina Stokes to appoint Mario R. Hernandez to fill the unexpired term of Employee Representative, America E. Luna; seconded by Presi Ortega. Motion carried.

Item 7. Discussion and action regarding the Treasurer's Reports for the month ended January 31, 2016.

Patricia Degman, Comptroller for the City of El Paso and Board Treasurer, presented; the Board received and reviewed the Treasurer's Report for the month ended January 31, 2016.

Degman reviewed the statement of net assets available for benefits. At the end of January, the net assets available for benefits were approximately 693 million dollars. Degman reviewed receivables. Total receivables were approximately 31 million dollars which includes an unrestricted amount of about 28 million dollars. Degman noted that a reclassification of some of the receivables will be reflected in the February Treasurer's Report. Degman reviewed liabilities. Total liabilities were about 2.7 million dollars which includes the amount due to brokers for securities purchased of approximately 1.7 million dollars.

Degman reviewed the statement of changes in net assets available for benefits. Degman reviewed additions. For the five months ended January 31, 2016, contributions totaled approximately 16.4 million dollars; the net depreciation was about 22.3 million dollars; and the net investment income was a loss of approximately 4.2 million dollars. Degman reviewed deductions. Total deductions for the five months ended January 31, 2016 were approximately 18.3 million dollars. The largest deduction of approximately 16.9 million dollars was for benefits paid to retirees. The beginning fund balance was approximately 699 million dollars; the ending fund balance was approximately 693 million dollars, which is a net decrease of about 6 million.

Degman noted the slight change in the reconciliation to Mellon statements from a cash to an accrual basis. The cash basis of approximately 692 million dollars was adjusted for additional accrued contributions and various expenses that were not recorded by the end of the reporting period. The accrual basis was approximately 693 million dollars.

Degman reviewed the quarterly statement of changes in net assets available for benefits. Degman noted that January is the second month in the second quarter of the fiscal year. Degman reviewed additions. For the second quarter, contributions were approximately 6.9 million dollars; the net depreciation in fair value of investments was approximately 33 million dollars; the net investment income was a loss of approximately 17 million dollars; and the total reduction was approximately 10 million dollars. Degman reviewed deductions. For the second quarter, total deductions were approximately 4.7 million dollars. The largest deduction of approximately 4.2 million dollars was for benefits paid to retirees. The net decrease for the quarter was about 14.8 million dollars.

Degman reviewed the investment income analysis. Degman noted that the target rate for the fiscal year is 7.5 percent; at the end of January the return rate was a negative 2.64 percent. Rene Peña, Chairman, commented on the market volatility as reflected in the unrealized gains/loss from October 2015 through January 2016.

Degman reviewed the administration actual/budget comparison. The budget for the year is about 772 thousand dollars. Including the expenses paid directly by Mellon Trust, total administrative expenses were approximately 560 thousand dollars bringing total utilization to approximately 72.6 percent of the annual budget.

Degman reviewed the ten-year graph of net assets available for benefits and the ten-year graph for investment income.

No action required on this item.

- Item 8. Discussion and action regarding the monthly report from the City's Department of Information Technology.

Richard Campos, Enterprise Applications Administrator of the City's Information Technology (IT) Department, spoke. Campos advised on the pending issues with the Pension Module.

Campos advised that the December periodic processing should be completed by next week.

Campos provided an update on pension statements. Participation for pension statements is currently under review for original hire dates, buy-backs, and service history. Subject to the completion of the December periodic processing, IT will provide a comparison report to Patricia Hickman, Deputy Pension Administrator, for the purpose of creating benefit statements. Additionally, IT will run a rehire query; Campos noted that Hickman will use that query to compare the employee data. Robert Ash, Pension Administrator, requested a timeframe for completion. Campos responded that the report has been created but is contingent on the data from the periodic processing.

Campos provided an update on benefit calculations. IT is running benefit calculations in the testing environment. Campos noted that benefit calculations program appears to be working properly. IT will continue to review that process and move the benefit calculations program into the production system once Hickman provides authorization.

No action required on this item.

- Item 9. Discussion and action regarding consideration and possible approval of amended Terms and Conditions related to participation in Franklin Templeton's Global Mutlisector Investment Trust.

Robert Ash, Pension Administrator, spoke; the Board received and reviewed the amended Terms and Conditions related to participation in Franklin Templeton's Global Mutlisector Investment Trust.

Ash noted that Franklin Templeton has a dual mandate and manages two portfolios for the Fund. Pension staff previously presented a similar amendment last year to the Board for one of the portfolios. Franklin Templeton has changed their fee calculations which resulted in a lower fee for the Fund. Pension staff recommends that the Board approve the amendment and authorize changes to the document as necessary.

Motion made by Karl Rimkus to approve; seconded by Pat Aauto. Motion required polling:

| | |
|-------------------------|------------|
| Presi Ortega | aye |
| Pat Aauto | aye |
| Christina Stokes | aye |
| Karl Rimkus | aye |

Motion carried.

- Item 10. Discussion and action regarding the Texas Open Carry Law as it may pertain to the pension office premises.

Robert Ash, Pension Administrator, advised that he requested Eduardo Miranda, Attorney, to provide a briefing of the last legislative session regarding the Texas Open Carry Law. The Board received and reviewed an excerpt of the new legislation for open carry; the Board also received the Fund's Personnel Rules & Regulations regarding weapons.

Miranda reviewed Section 2 of the legislation. The law allows that a member of the public to enter a governmental building with or without a concealed or open weapon. Miranda advised that the only exception to that prohibition is in a meeting held by governmental entities. The governing body can prohibit open or concealed weapons during the meeting and at the meeting place as long as a notice is provided. The notice must be posted at the entrance of the meeting place in English and Spanish. Miranda noted that there are additional requirements for the signage. Failure to post a notice can result in a fine imposed by the Attorney General.

Trustee, Pat Aduato, questioned if the City has signage that prohibits open carry. Miranda responded that he is not aware of any sign regarding open carry that prohibits the public from entering Council Chambers during a meeting. Miranda explained that the City cannot prohibit the public with open carry from entering the City buildings but City employees can be prohibited. Trustees compared the City policy and the Fund's current Personnel Rules & Regulations regarding weapons. The Trustees discussed amending the restrictions. Rene Peña, Chairman, polled the Trustees. The consensus of the Board is that there is no issue with new open carry legislation. Peña advised that if Pension staff does not produce a request, no action will be taken.

No action required on this item.

- Item 11. Discussion and action regarding amending the Certification page of the Investment Policy Statement/Rules and Regulations.

Robert Ash, Pension Administrator, presented. The Board received and reviewed the proposed amendment to the Certification page of the Investment Policy Statement/Rules and Regulations.

Ash explained that the Certification is to confirm that the Fund's investment managers will comply with the Fund's Investment Rules and Regulations. However, comingled managers have attempted to amend the Certification page or have refused to sign. The Investment Committee and Callan have met to discuss this issue. They have recommended to amend the Certification page to require only separate account managers to sign. Bill Howard of Callan explained that comingled funds already have existing guidelines.

Motion made by Karl Rimkus to approve; seconded by Presi Ortega. Motion carried.

- Item 12. Discussion and action regarding hiring an additional absolute return investment manager and authorizing the Chairman or Administrator to sign related documents. ***Tabled January 2016.***

Robert Ash, Pension Administrator, spoke; the Board received and reviewed the absolute return manager net of fee report prepared by Callan Associates. Ash noted that this item had been tabled for a couple months, pending additional information from Callan.

Ash advised that the Fund has one absolute return manager, Allianz. The absolute return target allocation is 10 percent; Allianz has five percent. Callan performed a search for a second manager at the time that Allianz was funded.

Bill Howard of Callan presented. Howard advised that the Investment Committee interviewed three firms: AQR, Standard Life, and Putnam. Howard reviewed the risk and return objectives for each of the potential managers and reviewed their returns over the last three years. The best performing manager based on the sharp ratio (return per unit of risk) is AQR. Callan along with the Investment Committee recommend that AQR be hired as the second absolute return

manager. The exact allocation will be based on AQR's investment minimums; Callan has contacted AQR for that information.

Motion made by Presi Ortega to accept AQR and authorize the Chairman or Administrator to transition assets as recommended by Callan Associates and sign related documents; seconded by Pat Aauto. Motion carried.

- Item 13. Discussion and action regarding Minimum Educational Training for Trustees and the System Administrator.

Robert Ash, Pension Administrator spoke. Ash advised that he requested an update from David Garcia, Payroll/Accounts Payable Specialist, regarding the Minimum Education Training. Ash noted that Garcia maintains the continuing education records for the Fund.

Garcia presented; the Board received and reviewed Form PRB 2000 and the Trustee credit hours worksheet. Garcia reviewed the minimum educational training requirements. Trustees must complete a minimum of seven credit hours of training in core content areas, with a minimum of half a credit hour in each content area. Garcia reviewed training opportunities. The PRB has launched online training. The Benefits Administration course is now available; the Risk Management course will be available in March. The online training offered by the PRB will cover all core content areas before the end of the calendar year. Garcia requested that Trustees provide him with a copy of the certificate that is awarded at the end of each training session. Garcia noted that Trustees will have two years to complete four hours of training on non-core content.

Trustees discussed the training options. Ash noted that Eddie Miranda, Attorney, will be providing in-house training to the Board in March.

No action required on this item.

- Item 14. Discussion and action regarding the receipt of an investment manager report from AGF Investments/Touchstone.

Geri Carroll, AGF Investments, presented; the Board received and reviewed the investment manager report from AGF Investments/Touchstone. (In this Item, the firm will be referred to as AGF.)

Carroll reviewed Assets Under Management (AUM). AGF has approximately 24 billion dollars AUM. The global equity team manages about 6 billion dollars in assets, of which, the emerging markets fund manages about 1.5 billion dollars. Carroll reviewed the global equity team including the three new additions. Carroll provided an overview of the performance of the emerging markets portfolio. The strategy underperformed the index in 2015 due to country and stock selection. The portfolio has outperformed the index in 2016. Carroll provided a summary of the country and sector attribution. Carroll reviewed the top five contributors and top five detractors.

Carroll provided an emerging markets outlook. Carroll discussed the impact of the developed markets on emerging markets. The Fed rate increase negatively impacts emerging markets; AGF expects that there will be one additional Fed rate increase. Carroll reviewed the opportunities and potential risks in emerging markets providing examples of country and sector selection. Carroll provided an outlook for China. AGF believes that the devaluation of the Yuan will not be significant. Rene Peña, Chairman, requested additional information on the outlook for emerging

markets. Carroll responded that AGF believes that in 2016 emerging markets will outperform developed markets giving valuation levels and reforms over the years in emerging markets. Carroll provided a couple of examples including Mexico for their educational reform, energy reform, and most recently their telecommunication reform.

No action required on this item.

- Item 15. Discussion and action regarding the receipt of an investment manager report from Boston Partners.

John Forelli, Boston Partners, presented; the Board received and reviewed the investment manager report from Boston Partners.

Forelli provided an overview of the firm. Boston Partners manages about 76 billion dollars in assets, of which the large cap strategy manages approximately 31 billion dollars. Boston Partners continues to be in compliance with the Funds Investment Rules and Regulations. Forelli provided an overview of the equity investment team. Over the last twelve months, Boston partners has hired three new analyst. There are no changes to the management of the large cap portfolio. Forelli reviewed performance and performance traits throughout market cycles. Since inception, all the strategies have outperformed their respective benchmarks over the three, five, and 10 year periods. The large cap value strategy, which the Fund is invested in, outperformed the benchmark by about 150 basis points since inception.

Forelli reviewed the firm's portfolio characteristics including the top 10 holdings and stock selection criteria. The turnover in the portfolio is about 40 percent per year. The portfolio has an overweight in finance relative to the benchmark. Rene Pena, Chairman, requested additional information on recent market concerns on finance. Forelli responded that there are four major concerns in the market: China, currency, commodity prices, and credit. The fear is that an emerging market debt crisis may ensue because commodity prices have decreased and the value of the dollar has increased. The commodity and emerging market exposure of banks is about 20 percent of the historic exposure of late 2007 to 2008. Forelli advised that the firm believes there is buying opportunity in emerging markets and finance. As an example, Forelli reviewed the historic lows of the price-to-book ratio of the ten largest financial stocks.

Forelli reviewed the Fund's portfolio. In 2004, the Fund invested approximately 30 million dollars with Boston Partners. The Fund has withdrawn net of investment approximately 24.5 million dollars; the remaining balance as of December 31, 2015 is approximately 23 million dollars. Net of fees since inception the portfolio has outperformed the benchmark by about 125 basis points, which is equivalent to an additional 10 million dollars. Forelli reviewed the portfolio's recent underperformance. The firm's value style has been out of favor relative to growth over the last 18 months. Over the last twelve months, growth has outperformed value by about nine percent. Forelli reviewed the current valuation disparity and the historic cyclical nature of the market. Forelli provided a peer review from the Callan Large Cap Value Database. The performance of the portfolio has been about median. Historically, since inception the portfolio has been in the top five percentile. Forelli reviewed the 10 year performance.

No action required on this item.

- Item 16. Discussion and action regarding a report from Callan Associates.

Bill Howard of Callan Associates presented; the Board received and reviewed the monthly "flash" report for the period ended January 31, 2015 and the quarterly report.

Howard reviewed the performance of the major asset classes for the period ended December 31, 2015. For the quarter, the Russell 3000 and domestic equities were up over six percent. Domestic equities were flat for the year. International stocks were up about five percent for the quarter and flat for the year. Emerging markets were slightly positive for the quarter but down 15 percent for the year. Oil sold off about 18 percent in the quarter and about 30 percent in the year; consequently, MLPs declined in the quarter and were down over 35 percent for the year. Bonds were slightly negative for the quarter. Howard reviewed the five year performance of the major asset classes. US equities had double digit returns; international equities were positive; emerging markets were negative; MLPs were slightly positive; and bonds had good returns. Year to date through February 12th, oil has fallen 22 percent; the Russell 3000 is down 9.5 percent; EAFE is down 13 percent; emerging markets are down 10.4 percent; MLPs down 15.4 percent; bonds are positive 1.8 percent; and China's currency appreciated in value. There is a flight to quality in the current market. The safest stocks, large cap, outperformed the small cap stocks.

Howard reviewed the quarterly report. For the quarter the total fund was positive 2.8 percent which is slightly behind the target rate of 2.9 percent. For the year the fund was negative 1.2 percent, which is behind the target by 100 basis points. For the quarter, the underperformance stemmed from a negative manager effect; domestic equity underperformed by about 54 basis points. For the year, domestic equity, fixed income, and real estate detracted versus their respective benchmarks. The asset allocation effect was positive for the quarter and the year. The portfolio was underweight in the underperforming MLPs. Howard reviewed the investment manager asset allocation and rebalancing. The Invesco US REIT portfolio was liquidated. Heitman made a capital call of 4.2 million dollars. Heitman is a private core real estate manager that complements UBS in the portfolio. Allianz, an absolute return manager, was funded in the quarter. Howard reviewed the managers on watch: AGF, Denver, and Janus. Denver is one of two international small cap managers. It is a concentrated portfolio focused on growth with about 35 stocks. The Fund has been invested with Denver for two and half years. Denver underperformed in 2014. However, Denver was up about 12 percent for the quarter, which was more than double the index return. They have outperformed the index for the last year, but remain behind the index since inception.

Howard reviewed the total fund peer analysis. For the year, the fund ranked in the 88th percentile. Howard reviewed the factors for the underperformance. Active management and the MLP exposure had a negative effect. In the peer group, only five percent of the funds have exposure to MLPs. The exposure cost the Fund about 140 basis points. For the last three, seven, ten, and 15 years the rankings have been above median and top quartile for the seven, ten, and fifteen years. Howard reviewed the calendar year returns and rankings from 2001 to 2015. Howard reviewed the returns and rankings during rising and declining equity periods. Historically, the fund has performed better in rising periods. However, with recent additions the fund should begin to perform well in declining periods. Howard reviewed the volatility of rankings per quarter for the year. Overall, the performance of the fund has been very competitive versus peers. Trustees discussed allocation and exposure. Howard advised that the Fund's portfolio has about a neutral weighting in emerging markets to the index. Howard noted that the emerging markets are growing and valuation are very attractive. Howard believes that over a long and medium term, emerging markets continue to be attractive.

Howard reviewed the monthly "flash" report for the period ended January 31, 2015. Howard noted that all the returns shown are net of investment manager fees.

Howard reviewed the performance of the Fund's domestic equity active managers. The US stock market was down about 5.5 percent in January. The Mellon Dynamic US Equity Strategy outperformed the S&P 500 Index by over 100 basis points for the month. For the last year, Mellon is behind the index. Mellon does not have a three year history, but they are ahead of their benchmark since inception by 150 basis points. Vulcan is an all cap manager with a value orientation. Vulcan was behind their benchmark for the month and the year. Vulcan does not have a three year record. Wedge, a small cap value manager, protected in January outperforming the index by about 400 basis points. Wedge outperformed for the last year and three years. Riverbridge, a small cap growth manager, outperformed the index for January and outperformed by about 250 basis points for the year.

Howard reviewed the performance of the Fund's international equity active managers. Both developed and emerging international stocks were down about seven percent. Denver outperformed the index for the year, ahead by about 37 basis points. Denver does not have a three year history. Franklin Templeton is the other international small cap manager with a value approach. They outperformed for January and for the last year. Lazard outperformed for the month and the year. Howard noted that all the international equity managers outperformed for the month and the year. AGF/Touchstone is currently on watch for performance; they outperformed for the month but remain behind for the last year and three years. AGF presented to the Board today. Since inception through December 31, 2015, they were behind by about 174 basis points after fees. Howard noted that the Fund is invested in the institutional mutual fund. In the fourth quarter, the assets in that fund dropped from 259 million to 32 million dollars with large clients withdrawing their investment. The Fund has about 13 million dollars currently invested. Callan recommends that the Fund liquidate that position and temporarily move those funds to a Mellon MSCI Emerging Markets Index Fund to avoid paying the majority of the transaction costs.

Howard reviewed the performance of the Fund's private equity and fixed income managers. Private equity has performed well. Callan will perform an asset liability study later in the year and will review increasing the target allocation in private equity from seven to 10 percent. In fixed income, Janus is on watch for organizational issues because the head of fixed income team is stepping down. Callan conducted an onsite meeting on February 10th. Janus will remain on watch. Franklin Templeton underperformed for the month, but outperformed their index over three years. Principal Global, a global REIT manager, underperformed for the month and fiscal year to date. Principal was funded in May of last year.

Howard reviewed the performance of the Fund's MLP active manager, Salient, and the absolute return manager, Allianz. Salient underperformed for the month and outperformed the index for the year. Allianz outperformed the benchmark for the year.

The total fund outperformed the benchmark but was down approximately three percent. The Fund has positive returns for the last three and five years.

Howard reviewed asset allocation. The new asset allocation went into effect at the end of the calendar year. There is a ten percent target to absolute return, which will be met when the new manager, AQR, is funded. Howard reviewed the activity in the real estate portfolio for January. Principal received 900 thousand additional capital; the Fund made a partial withdrawal of 15 million dollars from UBS to fund Heitman. Heitman called the remaining capital of almost 26 million dollars.

No action required on this item.

- Item 17. Discussion and action regarding a report from the Pension Administrator. Robert Ash, Pension Administrator, reported on the following:
- Ash thanked the Board Members for accommodating the change in schedule due to the closures.
 - The Office of Pension Administration will be closed Wednesday but will be open on Friday. The Administrator can be reached by phone or email.
 - The Actuary Committee will meet on February 22nd at 4:00 PM at the Office of Pension Administration, to review the possibility of granting a COLA.
 - Ash reminded the Board Members to submit their ideas regarding ordinance revision to be considered by the Ad-Hoc Committee.
 - Ash advised that the newsletter will be released in April and requested that the Board submit their ideas for newsletter articles to Karina Chavez, Retiree Coordinator/Data Entry Clerk, or David Garcia, Payroll/Accounts Payable Specialist. Audit and actuary information will be included in this issue.
 - Next month, Eduardo Miranda will provide training to the Board on ethics and fiduciary issues.
 - 1099R forms were distributed.
 - TEXPERS has their annual conference on April 3rd – 6th in Dallas. Trustees should contact the pension office for additional information.
 - The Trustees received a list of training. Ash noted that majority of the training on the list will not meet the minimum education requirement.

Trustees discussed training avenues and accredited sponsors for training.

No action required on this item.

- Item 18. Discussion and action regarding the following Committee reports/assignments:
- A. Actuary Committee – Committee did not meet.
 - B. Ad-Hoc Board Vacancy Committee – Committee did meet and provided its recommendation to the Board during Item 6.
 - C. Ad-Hoc Facilities Committee – Committee meeting conducted in executive session.
 - D. Audit Committee – Committee did not meet.
 - E. Investment Committee – Committee did meet.

Presi Ortega read the Investment Committee minutes:

The Committee had discussion and action on hiring the investment firm to manage the absolute return portfolio. The Committee recommended AQR. The Committee decided not to pursue possible hiring of an investment firm to manage a currency investment portfolio at this time. The Committee discussed the US equity structure and will continue discussion in March. The Committee recommends that the Fund liquidate the account with AGF and move the funds into an index due to the outflows and other information provided by Callan. The Committee will continue to monitor Janus, a manager that is on watch, closely.

The Board discussed absolute return allocation. Callan recommended to invest 25 million dollars and to continue discussion with the Investment Committee.

Robert Ash, Pension Administrator, explained the rebalancing. The Fund will liquidate Touchstone and those funds will be deposited into an index fund. The Fund will invest with new absolute return manager, AQR.

Motion made by Presi Ortega to authorize 25 million dollars to be invested with AQR from a source to be determined by Callan in rebalancing and to authorize the Chairman or Administrator to sign any related documents to effectuate those transfers and to authorize the investment in Mellon Emerging Markets Index from Touchstone; seconded by Presi Ortega. Motion required polling:

Presi Ortega aye
Rebecca L. Torres aye
Pat Adauto aye
Christina Stokes aye
Karl Rimkus aye

Motion carried.

F. Personnel Committee – Committee did meet.

Christina Stokes read the Personnel Committee Minutes:

A joint meeting of the Personnel Committee and Ad Hoc Board Vacancy Committee met on February 9, 2016.

The Committees discussed the policy/procedure which the Board passed regarding filling an employee representative vacancy on the Board. Staff went over the notice process used to provide notice to prospective Board members and provided the Committee with the resumes of those interested in serving on the Board. The Committee members reviewed the resumes provided by the staff. After review and discussion the Committee recommends that Mario Hernandez be appointed to fill the Board vacancy. The Committee based its recommendation on Mr. Hernandez strong showing in the last employee election and his prior tenure on the Board. The Committee expressed appreciation for all the participants who expressed an interest to serve on the Board.

The Committees also discussed possible revisions to the pension ordinance. The Committee reviewed a list of possible ordinance revisions provided by a fellow Board member. The Committee requested that other Board members be invited to provide ideas for possible ordinance revisions. The Committee requested that the Administrator send an email to all the Board Members requesting ideas on possible ordinance revisions. The Committee thanks the Board in advance for their input into this process. Once the Administrator receives the Board's input the Committee will reconvene to continue discussions on the proposed ordinance revisions.

No action required on this item.

G. Retiree Committee – Committee did not meet.

Item 19. For Notation:

A. Directed brokerage credit balance for month ended December 31, 2015: \$131,036.46

B. Refund of Contributions:

| | NAME | DEPARTMENT | TOTAL REFUND | |
|---|-------------------|-------------------|---------------------|---|
| 1 | Bray, Ivonne M. | Health | \$907.41 | |
| 2 | Casillas, Jose S. | Airport | \$431.03 | * |

| | | | | |
|---------------|-------------------------|--------------------|---------------------|----|
| 3 | Chavira, Ricardo F. | Mass Transit | \$457.90 | |
| 4 | Foster, Debra | Museums | \$780.28 | |
| 5 | Gamez, Jose G. | EPWU | \$17,823.07 | |
| 6 | Gongora, Alfredo | Intl. Bridges | \$16,960.31 | |
| 7 | Gonzalez, Estela | Fire | \$2,587.12 | |
| 8 | Gutierrez, Olga | Health | \$19,911.92 | ** |
| 9 | Gutierrez, Yvette | Mass Transit | \$5,678.04 | |
| 10 | Hernandez, Veronica | Health | \$14,118.92 | |
| 11 | Loney, Kara | Zoo | \$4,720.05 | |
| 12 | Lujan, Evangelia | Library | \$13,486.40 | |
| 13 | May, Susan | Police | \$18,812.20 | |
| 14 | Muro, Esteban | Environmental Svcs | \$3,742.21 | |
| 15 | Perez Jr., Jesus | Environmental Svcs | \$9,743.58 | |
| 16 | Pritchett II., James E. | Mass Transit | \$5,205.53 | |
| 17 | Ramirez, Blanca | Municipal Clerk | \$4,139.44 | |
| 18 | Ruiz, Gene | Airport | \$5,469.60 | |
| 19 | Schaer, Emily | Zoo | \$902.73 | |
| 20 | Sias-Peuod, Nicolas | Parks & Recreation | \$4,091.42 | |
| 21 | Silva, Michael | OMB/City Manager | \$3,025.10 | |
| 22 | Vasquez, Jesus | EPWU | \$814.52 | |
| TOTALS | | | \$153,808.78 | |

* Additional interest/contributions due

** Eligible for Early Retirement

For notation, no action required on this item.

Motion made by Karl Rimkus to go into Executive Session to discuss items under Section 551.071 and 551.072; seconded by Christina Stokes. Motion carried @ 4:52 P.M.

Motion made by Karl Rimkus to reconvene from Executive Session; seconded by Rebecca L. Torres. Motion carried @ 5:23 P.M.

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

A. Section 551.071 and 551.072 - Discussion and action regarding real property.

Motion made by Karl Rimkus to authorize the Pension Administrator to create a budget item for capital investment cost in our real estate property and to initially fund that with 50 thousand dollars and allow the Ad-Hoc Facilities Committee to expend up to five thousand dollars without Board approval and any expenditure over five thousand will have approval by the Chairman and Pension Administrator; seconded by Presi Ortega. Motion required polling:

| | |
|--------------------------|------------|
| Presi Ortega | aye |
| Rebecca L. Torres | aye |
| Christina Stokes | aye |
| Karl Rimkus | aye |

Motion carried.

B. Section 551.071 - Discussion and action regarding IRC Notice 2015 – 86.

No action taken on this item.

Item 21. Adjournment

Motion made by Presi Ortega to adjourn the El Paso City Employee’s Pension Fund Board Meeting on February 16, 2016; seconded by Rebecca L. Torres. Motion carried @ 5:24 P.M.