

**THE EL PASO CITY EMPLOYEES' PENSION FUND  
BOARD MINUTES FOR THE REGULAR MEETING  
HELD WEDNESDAY JUNE 15, 2016 AT 8:30 A.M.  
CITY HALL, CITY COUNCIL CHAMBERS, 300 N. CAMPBELL**

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**Members in Attendance:**

Karl C. Rimkus, Vice Chairman  
Presi Ortega  
Mario R. Hernandez  
Pat Aauto  
Christina Stokes  
Peter Svarzbein, City Representative

**Members Absent:**

Rene Peña, Chairman  
Rebecca L. Torres

**Others in Attendance:**

Robert Ash, Pension Administrator  
Patricia Hickman, Deputy Pension Administrator  
David Garcia, Payroll/Accounts Payable Specialist  
Karina Chavez, Retiree Coordinator/ Data Entry Clerk  
Patricia Degman, Comptroller and Board Treasurer  
Bill Howard, Callan Associates  
John Fenley, Denver Investments  
John Brandt, Janus Capital  
Bob Griffin, Janus Capital  
Enrique Martinez, Director, City's IT Department  
Richard Campos, City's IT Enterprise Applications Administrator  
Araceli Guerra, City's IT Department

Item 1. Karl Rimkus, Vice Chairman, called the meeting to order at 8:34 A.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 May 18, 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.	Esparza, Alejandro	Streets & Maint.	29 years 02 months *
2.	Galaviz, Jose F.	Mass Transit	15 years 00 months *
3.	Lara, Antonio	Airport	32 years 06 months *
4.	Lopez, Norman G.	Airport	28 years 09 months
5.	Morales, Jorge	EPWU	28 years 08 months
6.	Pickett, Thomas E.	Mass Transit	08 years 10 months
7.	Pilz, Cecilia Acevedo	Airport	15 years 03 months *
8.	Pineda, Manuel	EPWU	22 years 02 months *
B.	Early:		
1.	Portillo, Carlos	Env Svces	24 years 06 months *
C.	Deferred:		
1.	Chairez, Raul A.	Streets & Maint.	17 years 03 months *
2.	Navedo, Veronica	Health	22 years 09 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. De La Rosa, Hilda survivor of Raymundo De La Rosa, retiree.
- B. Hermosillo, Sylvia survivor of Isidro Hermosillo, retiree.
- C. Morales, Maria Minerva survivor of Jorge Morales, employee.

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 Masters	Investment Fees	Qtr. Ending 03/31/16	\$331,810.04	**
B.	AQR Style Premia Fund, LP	Investment Fees	April 30, 2016	\$9,221.00	**
C.	AQR Style Premia Fund, LP	Investment Fees	May 31, 2016	\$18,996.00	**
D.	AQR Emerging Equities LP	Investment Fees	May 31, 2016	\$9,615.00	**
E.	Denver Investments	Investment Fees	May 31, 2016	\$8,622.00	**
F.	Eduardo Miranda	Legal Fees	May 31, 2016	\$537.50	
G.	Franklin Templeton-CT910-75	Investment Fees	3 Mos. Ended 04/30/16	\$54,607.04	
H.	Franklin Templeton-CT432-327	Investment Fees	3 Mos. Ended 04/30/16	\$20,682.94	
I.	Principal Global Investors Trust	Investment Fees	May 31, 2016	\$5,118.05	**
J.	UBS Realty Investors LLC	Investment Fees	Qtr. Ending 03/31/16	\$89,379.37	**

\* To be paid by Directed Brokerage credits.

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

\*\*\* Performance based fee.

**Motion made by Presi Ortega to accept the Consent Agenda; seconded by Pat Aauto.  
Motion required polling:**

<b>Presi Ortega</b>	<b>aye</b>
<b>Mario R. Hernandez</b>	<b>aye</b>
<b>Pat Aauto</b>	<b>aye</b>
<b>Christina Stokes</b>	<b>aye</b>

**Motion carried.**

Karl Rimkus, Vice Chairman, noted that items in the agenda will be addressed non-sequentially.

### **REGULAR AGENDA**

Item 6. Discussion and action regarding the presentation of a Service Award.

Karl Rimkus, Vice Chairman, presented the Service Award Certificate and pin to Robert Ash, Pension Administrator, in recognition of his more than 20 years of dedicated services as an employee of the Board of Trustees of the El Paso City Employees' Pension Fund. Ash expressed his gratitude to the Board.

**No action taken on this item.**

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

Degman reviewed the statement of net assets available for benefits. The unaudited totals in the statement are for the month ended May 31, 2016. Degman reviewed cash and investments (at fair value.) Total cash and investments were about 666 million dollars with approximately 9 million dollars in cash and cash equivalents; the remaining portions were in bonds, stocks, and other investments. Degman reviewed receivables. Total receivables were approximately 66.6 million dollars which includes an unrestricted amount of about 32 million dollars related to BNY Mellon and securities that were in transit; the restricted amount of about 34 million is related to the transition activity regarding Boston Partners. Degman noted that the prepaid expenses were approximately 38 thousand dollars. Total assets were approximately 732.9 million dollars. Degman reviewed liabilities. Total liabilities were approximately 25 million dollars including about 23.5 million dollars due to brokers for securities related to the transition activity. Degman noted the subtotals in liabilities. Total net assets available for benefits were about 708 million dollars.

Degman reviewed the statement of changes in net assets available for benefits. The unaudited totals in the statement are for the nine month period ended May 31, 2016. Degman reviewed additions. Contributions were approximately 28.5 million dollars. The net investment income was about 21.6 million dollars. Total additions were about 50.2 million dollars. Degman reviewed deductions. Benefits paid to retirees were about 38.3 million dollars. Total deductions were about 41.3 million dollars. The total net increase was approximately 8.9 million dollars. The total fund balance was approximately 708 million dollars.

Degman noted the reconciliation from the Mellon Bank Statements (cash basis) to the general ledger (an accrual basis.) The cash basis was adjusted for additional accrued contributions and various expenses that were not recorded by the end of the reporting period. The net increase was approximately 582 thousand dollars.

Degman reviewed the quarterly statement of changes in net assets available for benefits. The unaudited totals in the statement are for the third quarter. Degman reviewed additions. Contributions were about 9.6 million dollars. The fair value of investments increased by about 39.4 million dollars. Degman noted that there has been recovery in the third quarter from the end of the second quarter which experienced a net decrease in fair value of investments of approximately 33 million dollars. The net investment income was over 40 million dollars. Total additions were approximately 49.7 million dollars. Degman reviewed deductions. Total deductions were approximately 18.5 million dollars. Benefits paid to retirees were approximately 17.2 million dollars. The net increase for the quarter was about 31.2 million dollars. The ending fund balance was approximately 708 million dollars.

Degman reviewed the investment income analysis. Degman reviewed the net investment income actual and target return. The target net investment income is approximately 52.4 million dollars; year to date the net investment income is approximately 23.5 million dollars. The net investment income ratio is 3.37 percent on a target return rate of 7.5 percent for the fiscal year.

Degman reviewed the administration actual/budget comparison. The budget for the year is about 772 thousand dollars. At the end of May, total in-house administrative expenses were about 503 thousand dollars. Including the expenses paid directly by Mellon Trust, total administrative expenses were approximately 1.165 million dollars.

Degman reviewed the ten-year graph of net assets available for benefits and the ten-year graph for investment income. Degman noted the recovery in the third quarter.

**No action taken on this item.**

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

Enrique Martinez, City's IT Director, and Richard Campos, City's IT Enterprise Applications Administrator, reviewed the pending issues with the Pension Module.

Martinez advised that DoIT recommends engaging a consultant with experienced Pension Resources and established Pension Module experience. Through analysis and preliminary discussions with the potential consultant, DoIT has determined that the potential consultant has approximately seven resources with the necessary experience.

Martinez provided a budgetary estimate for engaging a third party consultant. Martinez noted that the DoIT developed the budgetary estimate in discussions with the potential consultant. Based on an estimate provided by the potential consultant, the DoIT developed a range in hours for engagement of a subject matter expert (622 to 908 hours) and engagement of technical resources (814 to 1254 hours). The billing rate is 165 dollars an hour; the total estimate ranges from 237 thousand dollars to 357 thousand dollars. The timeline for delivery is nine to 12 months. Martinez advised that all pending issues with the pension module would be resolved within that timeframe. When prompted by Vice Chairman, Karl Rimkus, Martinez confirmed that there would be DoIT staff dedicated to assist the consultant; however, there would not be a charge for DoIT staff hours. Martinez recommended a partnership between the DoIT and the El

Paso City Employees' Pension Fund to pay for the potential consultant. Martinez noted that the estimate has not been provided to the DoIT leadership team. Martinez advised that the DoIT's budget for FY2017 has already been approved; however, Martinez stated that he would engage the budget office to find other funding mechanisms for the purpose of cost sharing, as necessary. Rimkus, requested that Pension Staff quantify the cost to the Fund regarding the unresolved issues with the PeopleSoft Software. Robert Ash, Pension Administrator, responded that although staff hours can be estimated, productivity will be difficult to quantify. Ash confirmed that an estimate will be presented to the Board. Ash expressed his concern over the indeterminate, future expenses with a third party consultant regarding potential, unforeseen issues. When prompted by Trustee, Pat Adatao, Martinez advised that the DoIT is confident that all potential issues have been identified.

Rimkus requested information on the City's commitment to the PeopleSoft System, given the Fund's potential investment in a third party consultant intended to assist with that system. Martinez noted that the DoIT is reviewing other options and confirmed that the DoIT would not recommend investing in a third party consultant if the City elected to transition to new software. Martinez estimated the timeframe to transition to a new system would take about 24 to 36 months. Martinez advised that prior to investing in a third party consultant, DoIT will present the City's long term plan regarding the PeopleSoft System to the Board.

Trustee, Presi Ortega, requested information on the implementation of the PeopleSoft Software. Martinez advised that the initial investment in the PeopleSoft System was made in 2001 and was implemented with the assistance of the consultant, Oracle. Ash advised that issues occurred with the installation of an update in 2012 that was intended to streamline the system. The update resulted in removal of customizations for the Pension Module.

Martinez provided an overview of options other than engaging a consultant. Martinez advised that the DoIT has discussed software issues with the Public Safety Pension Group. Due to issues with their current system, the Public Safety Pension Group is currently in the process of transitioning to new software. Martinez advised that the DoIT did not discuss details on issues or inquire about the new software. Martinez noted that upon the Board's request, the DoIT would pursue further conversations and request feedback from the Public Safety Pension Group.

Ortega requested a peer comparison. Ash responded that systems employ varying services. Ash provided several examples, including plans that have engaged a third party consultant. Ash noted that the current issues with the Pension Module are data issues.

When prompted by Rimkus, Martinez advised that for the following Board Meeting DoIT will provide technical recommendations, possible alternative options, and a decision on cost sharing with a preliminary estimate, as necessary.

**No action taken on this item.**

- Item 9. Discussion and action regarding the receipt of Board training on Ethics Issues from the Board's legal counsel.

Karl Rimkus noted that Eduardo Miranda, the presenter of this training, is not in attendance.

**Motion made by Mario R. Hernandez to table Item 9; seconded by Christina Stokes.  
Motion carried.**

- Item 10. Discussion and action regarding a private equity pricing analysis performed by Callan Associates.

Bill Howard of Callan Associates presented; the Board received and reviewed the private equity pacing analysis. Howard noted that he has reviewed the pacing analysis with the Fund's Investment Committee. (In this item the El Paso City Employees' Pension Fund will be referred to as the El Paso Fund.)

Howard discussed primary and secondary funds. The El Paso Fund is invested in diversified, primary funds and secondary funds. Secondary funds mitigate the J-Curve effect as those funds become invested and begin distributions faster than primary funds. The El Paso Fund's private equity manager, Portfolio Advisors, is raising capital for another secondary fund. Callan recommends a new commitment to Portfolio Advisors' next secondary fund.

Howard reviewed asset allocation in private equity. The target allocation in private equity is seven percent; the El Paso Fund's current allocation is approximately 6.5 percent. Howard provided a background of the El Paso Fund's private equity asset class. Following an asset liability study, the El Paso Fund hired Portfolio Advisors in 2012. The initial 60 million dollar commitment was allocated approximately 60 percent to the primary fund, the PAPEF VII, and 40 percent to the secondary fund, the PASF II. Howard noted allocation by strategy in the PAPEF VII fund. In mid-2015, the Fund committed an additional 25 million dollars to Portfolio Advisors' subsequent primary fund the PAPEF VIII. Howard reviewed the commitment pacing and seven percent funded level projection through 2025. Howard advised that Callan will perform an asset liability study beginning in July. Callan will review the possibility of increasing allocation in private equity from seven percent to 10 percent of the total fund. Howard noted that the commitment pacing and 10 percent funded level projection table and graph is included in the Appendix. Presi Ortega, Board Trustee and Chairman of the Investment Committee, advised that the Investment Committee discussed searching for an additional private equity manager if allocation in private equity is increased to 10 percent.

Howard reviewed the current holdings and interim performance of all three strategies. The El Paso Fund has invested 85 million dollars into the three funds: two primary funds, the PAPEF VII and PAPEF VIII, and a secondary fund, the PASF II. Howard noted that the year displayed in the El Paso Fund Detail Chart corresponds with the year that each fund was launched. Portfolio Advisors has called approximately 41 million dollars; uncalled capital totals more than 43 million dollars. The El Paso Fund has received distributions of almost seven million dollars from the secondary fund since inception. The net asset value of all of the partnerships at the end of December was almost 45 million dollars, which is nearly seven percent of the market value. Howard noted that Callan measures performance using the Total Value as a ratio of Paid-In Capital (TVPI). Howard reviewed the internal rate of return and the TVPI for each fund highlighting the secondary fund. The TVPI for the secondary fund is \$1.30 and the internal rate of return is about 27 percent. Howard noted that Portfolio Advisor's private equity program has only been in existence for about four years therefore it is too early to benchmark. Howard reviewed Portfolio Advisors Secondary Track Record. Howard reviewed the quartile rankings for secondary funds. Regarding TVPI and the gross internal rate of return, Portfolio Advisors is generally in the first or second quartile versus their peers.

Howard reviewed Portfolio Advisors subsequent secondary fund the PASF III. Portfolio Advisors is raising their management fee from one percent to 1.25 percent. Howard noted that Portfolio Advisors only charges a fee on called capital. Additionally, if the subscription documents are submitted by June 30, 2016, the first close, the El Paso Fund will receive a discount of 0.125 percent on the management fee; the total fee would be 1.125 percent.

*Motion for Item 10 made in conjunction with motion for Item 11. See Item 11.*

Item 11. Discussion and action regarding possible rebalancing of the investment portfolio.

Bill Howard of Callan Associates presented; the Board received and reviewed the rebalancing sheet for June 2016.

Howard reviewed the rebalancing sheet for June 2016. The table reflects the latest market values as of June 10<sup>th</sup> for the portfolio. The total market value was over 708 million dollars. Howard reviewed actual to target allocation noting that all holdings are within the policy range. The largest overweight is in domestic equity in particular within the Mellon S&P 500 account. Howard advised that the dislocation in the market has provided an opportunity to bring allocation in MLPs to target. MLPs through the end of May were down by about 24 percent; MLPs have rebounded but remain down by over 20 percent for the last year. In order to bring allocation in MLPs to target, Callan is proposing to take seven million dollars from the Mellon S&P 500 with four million dollars to be invested in MLPs and a balance of three million dollars to be transferred to cash for future cash needs. Howard advised that one caveat is that Callan is requesting that the Board give Pension Staff discretion as to the timing of the rebalancing. Howard advised the impending vote on the Brexit, which will take place on June 23<sup>rd</sup>, could create buying opportunity if the UK voted to leave the EU. Trustee, Representative Peter Svarzbein, requested additional information on the impact of the Brexit vote. Howard advised that if the UK voted to leave the EU there would likely be a sell-off in global markets and in risk assets, which encompasses MLPs; commodities and oil would also be expected to fall.

**Motion made by Presi Ortega to accept the pacing analysis as recommended by Callan with the additional commitment of 15 million dollars to the PASF III and to approve the rebalancing as recommended by Callan and authorize staff the discretion in timing of the additional amount of the rebalancing of the Fund's MLP and that the Administrator be authorized to sign subscription documents for the PASF III; seconded by Pat Adauto.**

**Motion required polling:**

<b>Presi Ortega</b>	<b>aye</b>
<b>Pat Adauto</b>	<b>aye</b>
<b>Christina Stokes</b>	<b>aye</b>
<b>Rep. Peter Svarzbein</b>	<b>aye</b>

**Motion carried.**

Item 12. Discussion and action regarding the receipt of an investment manager report from Janus Capital Management.

John Brandt and Bob Griffin of Janus Capital Management presented; the Board received and reviewed an investment manager report from Janus Capital Management. (In this Item, the firm will be referred to as Janus.)

Brandt provided an overview of the team. Janus made an announcement in December 2015 that the Chief Investment Officer (CIO) for the Fundamental Fixed Income Team would be stepping away from the business; the CIO left Janus on March 31, 2016, which allowed for four months of transition. There have been two promotions to fill that role, Darrell Watters and Chris Diaz. Watters is the lead portfolio manager and has been with the firm since 1993; he will assume the role of head of domestic fixed income. Diaz will assume global responsibilities. Brandt noted that he will focus on domestic matters in his presentation. Brandt advised that there is a leadership team in place: head of risk, head of credit, head of securitized research, and head of training.

Brandt reviewed the impact that the change in management had on the firm's assets and investment philosophy. At the time of the CIO's announcement of his departure from the firm, Janus managed approximately 36 billion dollars in the fixed income strategies. Presently, the firm manages about 35.8 billion dollars. Although the Janus Core Plus Portfolio Managers (Darrell Watters, Mayur Saigal, and Michael Keough) have changed, Janus' investment approach remains unchanged: bottom-up, fundamentally driven investment process.

Brandt and Griffin reviewed performance. Brandt noted the summary of objectives and guidelines in the presentation. The firm has outperformed the benchmark by 29 basis points, net return since inception; however, over the year and year-to-date the net return versus the index is negative. Griffin advised that as of June 14, 2016, the strategy was up by about 4.03 percent. Griffin attributed the return to the performance of the US Treasury and the investment grade credit. The US Treasury is up about 5.4 percent year to date and the investment grade credit is up 5.68 percent.

Griffin reviewed the factors for the portfolio's underperformance. Year to date the strategy is trailing the benchmark by about 49 basis points. Griffin provided a comparison of duration and yield in the portfolio versus the benchmark. Griffin attributed the underperformance of the portfolio to two sectors, treasuries and credit. Griffin reviewed the credit weighting in the portfolio versus the benchmark; the portfolio is overweight versus the benchmark but historically underweight in comparison to typical credit allocation. Although the portfolio has an overweight in credit, the portfolio's duration is approximately 2.5 years shorter than the benchmark. Griffin noted that the benchmark benefited from the strong rally in risk. Griffin reviewed the treasury weighting and duration in the portfolio versus the benchmark; the portfolio has a longer duration in treasuries however is underweight versus the benchmark. Griffin reviewed allocation by sector.

**No action taken on this item.**

- Item 13. Discussion and action regarding the receipt of an investment manager report from Denver Investment Advisors.

John Fenley of Denver Investment Advisors presented; the Board received and reviewed the investment manager report from Denver Investment Advisors. (In this Item, the firm will be referred to as Denver.)

Fenley provided an overview of the team. Fenley reviewed the turnover in the leadership of the company. The President of the firm, who was appointed three years ago, has recently resigned. The President was a non-partner whose responsibility was in distribution, sales, marketing, and operations; he did not have oversight of the firm's investment process from a performance or a process standpoint. The Fund and international small cap investors/clients should not be affected by his departure. The second senior departure that occurred in the last month was the firm's Director of Fixed Income Research. Although the Director was a partner of the firm, the international small cap portfolio should not be affected by his departure. Additionally, Fenley advised of the departure of the client portfolio manager and noted that, that position will not be filled; instead the firm will hire a fourth analyst.

Fenley provided an overview of the firm. Denver is a private, employee-owned investment management firm with 21 partners. Assets under management remain at roughly eight billion dollars with over 300 million dollars in the international small cap mandate.

Fenley reviewed the investment philosophy and process. Denver has stayed true to the market capitalization at 1.6 billion in weighted average market cap, below the weighted market cap of



the index which is roughly 2.3 billion. Fenley noted that risk management remains an integral part of the investment process. Fenley reviewed the investment tenets driving the investment process, reviewed the firm's sell discipline, and defined quality stock through the firm's screening criteria. Fenley provided several examples of the companies in the portfolio as products of the screening process. Additionally, Fenley provided an overview of the portfolio guidelines and characteristics.

Fenley reviewed performance and the impact of the global markets. Fenley noted that Denver was put on "watch" by the Fund because of poor performance since the inception of the mandate in 2013. After the firm was placed on "watch", the portfolio has performed well. For the 12 months ending May 31, 2016, the portfolio (up about 2.32 percent) outperformed the index which was down approximately 4.75 percent. Fenley reviewed the portfolio adjustments and positioning. Fenley provided a country attribution analysis to identify detractors from performance. Consequently, Denver made several adjustments including additional investments in Japan. Additionally, some of the largest detractors have been removed from the portfolio. Fenley reviewed the geographic weightings and noted the improved profit growth profile and the attractive valuation relative to the benchmark. The largest overweight in the portfolio is in Australia.

Karl Rimkus, Vice Chairman, requested additional information on the impact of the portfolio's past underperformance on current weightings. Fenley responded that the underperformance in 2014 was primarily attributed to Denver's underrepresentation in Japanese equities and in Europe. Consequently, Denver has increased allocation in those markets. Fenley noted the historical cyclical performance of the portfolio.

Fenley noted that the following presentation will include net of fee numbers as requested by Presi Ortega, Board Trustee and Chairman of the Investment Committee.

**No action taken on this item.**

Item 14. Discussion and action regarding a report from Callan Associates.

Karl Rimkus, Vice Chairman, noted that the "flash" report from Callan has not been received.

**Motion made by Pat Aduato to table Item 14; seconded by Christina Stokes. Motion carried.**

Item 15. Discussion and action regarding a report from the Pension Administrator.

Robert Ash, Pension Administrator, reported on the following:

- Pension Staff recently met with the City's IT and Financial Services Departments to review current issues. One of the topics discussed was closing periodic processing in order to complete the actuarial extract. During the meeting, Pension Staff emphasized that if the actuarial extract is not completed in a timely manner than there is a chance that the City's audit could be delayed. Ash noted that he has not received an update on the status of the periodic processing. Additionally, Pension Staff assisted IT in developing the action plans that were presented to the Board today.
- Pension Staff is expecting to receive an actuary request mid-July, as the actuary utilizes June census data. Pension Staff will work with the City's Financial Services Department to complete the actuarial extract.
- TEXPERS is having their summer meeting August 14<sup>th</sup> and 15<sup>th</sup>. Ash noted that Alma R. Duenas, Benefits/Budget Specialist, will attend.

- Pre-Retirement Class is taking place on June 16, 2016. Duenas will be providing the class. Ash noted that the classes are well attended and requested that the Board forward feedback that they may receive.
- Pension Staff will begin preliminary work on the budget. Ash requested that the Board advise of any additional items to be included in the budget.
- Ash provided an update on the fund. The ending fund balance in May was less than one percent down from April; performance in June has been similar. The fund is up about 600 thousand dollars for the month.
- Ash provided a market update for June. From a macro standpoint, the market is subject to change with the impending Brexit vote, job reports, etc. Ash noted that the Fed is meeting today and will release their minutes soon.

**No action taken on this item.**

- Item 16. Discussion and action regarding the following Committee reports/assignments:
- A. Actuary Committee – Committee not mentioned.
  - B. Ad-Hoc Facilities Committee – Committee did meet.

Karl Rimkus, Chairman of the Ad-Hoc Facilities Committee, read the Ad-Hoc Facilities Committee Minutes:

The Ad hoc Facilities Committee met on June 14, 2016. The fund administrator and legal counsel were also present. The Committee received a report from the Committee Chairman and discussed the progress being made regarding the Fund's application for zoning condition amendment for the property located at 1039 Chelsea. The Committee considered proposed amendments to the current zoning ordinance for the property and requested that an item be placed on the next Board agenda to discuss the proposed amendments. The Committee also generally discussed parameters for the possible future sale of "Lot 1" of the property.

The Committee also discussed the process for initiating design/build proposals for the property. The Committee reviewed a list of firms to send invitations for design/build proposals. The Committee authorized the Chairman to develop some general guidelines for prospective design/build firms. The invitations will be sent to the firms who will present to the Committee at a future meeting.

The Committee then discussed the possibility of hiring a consultant to assist with the review and evaluation of the building designs that may be proposed and the construction. The Committee reviewed the draft agreement which may be used to employ the consultant. The Committee will interview candidates for the consulting contract. Final contract will be subject to Board approval.

The Committee will meet again at a date and time to be determined.

**No action taken on this item.**

- C. Ad-Hoc Ordinance Committee – Committee did meet.

Christina Stokes, Chairman of the Ad-Hoc Ordinance Committee, read the Ad-Hoc Ordinance Committee Minutes:

The Ad Hoc Ordinance Review Committee met on June 13, 2016. The Committee was joined by Karl Rimkus. The Committee discussed several suggestions for amending the pension

ordinance sections related to employee elections. In addition the Committee discussed suggestions related to terms, attendance and vacancies by Board Members. Finally, the Committee discussed possible amendments related to the enforcement of State required minimum education or training.

The Committee requests that the Board Chair meet again with the Mayor with respect to a process to fill Board vacancies for City/Mayor appointees.

The Committee requested that draft ordinance amendments be prepared for the Committee's review.

The Committee will meet again to continue their review once draft ordinance amendments have been prepared for consideration by the Board.

**No action taken on this item.**

D. Audit Committee – Committee not mentioned.

E. Investment Committee – Committee did meet.

Presi Ortega, Chairman of the Investment Committee, read the Investment Committee Minutes:

The Investment Committee met on June 14, 2016. The Committee postponed the receipt of a monthly investment performance report from Callan Associates for the month of May 2016. Next the Committee received an annual investment performance reports from Janus Investment Management L.L.C. and a semiannual investment performance report from Denver Investment Advisors. Both of these managers are on "watch". There were no material discrepancies noted in their reports.

The Committee then entered into a discussion with Callan Associates regarding the role of index funds in the Fund's asset allocation. Callan described how index funds operate and why they are included in the current asset allocation. Callan presented comparative active manager and index performance data over rolling periods of time. Callan then described how they use the data to help determine when index funds are appropriate investments. The Committee members asked questions regarding the weighting of the index funds in the asset allocation. Callan also discussed the emerging market allocation and the timing for a possible search for an additional emerging markets investment manager. The Committee recommended keeping the funds in the emerging market index fund at this time.

Next, the Committee received an update on the recent transition activity of the Fund. Callan reviewed a post trade analysis provided by Northern Trust. Callan indicated that Northern Trust executed the transition within the pre-trade estimate. The Administrator discussed the timing of the transition activity. The transition is now complete.

Callan Associates then discussed the Fund's allocation to private equity. Callan has recently performed a pacing analysis and recommends an additional commitment of \$15 million dollars to Portfolio Advisors Secondary Opportunity Fund III. The Committee discussed the possibility of increasing the private equity allocation but Callan indicated that could be discussed after the next asset liability study is completed. The Committee recommends that the additional allocation be approved and that an item be placed on the Board agenda to consider Board approval.

Callan presented a rebalancing worksheet. The rebalancing would decrease the S&P 500 allocation by \$7 million dollars and increase the MLP allocation by \$4 million dollars and cash

by \$3 million dollars. The Committee recommends approval of the rebalancing and recommends that the timing of the addition of the MLP assets be within one month as agreed upon by the Administrator and Callan.

The next regularly scheduled meeting of the Fund's Investment Committee will be held on July 19, 2016 at 1:00 P.M.

**No action taken on this item.**

- F. Personnel Committee
- G. Retiree Committee

Item 17. For Notation:

A. Directed brokerage credit balance for month ended April 30, 2016: \$130,140.05

- B. Qualified Domestic Relations Orders:
  - 1. Susan Marie and Miguel A. Bustos
  - 2. Victoria and Carlos O. Acosta

C. Refund of Contributions:

	NAME	DEPARTMENT	TOTAL REFUND	
1	Arellano, Jessica	Fire	\$51,783.39	**
2	Calderon, Laura Selene	Fire	\$3,632.86	
3	Cervantes, Ruben	QDRO	\$21,144.91	
4	Davila, Fidel A.	EPWU	\$36,414.05	
5	Diaz, Christine P.	MPO	\$15,840.21	
6	Diaz, Jorge O.	Parks & Recreation	\$4,073.59	
7	Garcia, Joshua	Streets	\$6,334.00	
8	Gomez, Roberto	Airport	\$6,484.10	
9	Gonzalez, Marco A.	Mass Transit	\$3,502.67	
10	Hernandez, Carlos E.	Streets	\$9,413.96	
11	Hernandez, Leonardo	Environmental Svces	\$7,478.73	
12	Herrera Jr., Justino	EPWU	\$9,880.80	
13	Holguin, Jason	Fire	\$29,522.61	
14	Light, Alisa	Zoo	\$9,256.55	
15	Lopez, Ruben	Mass Transit	\$1,840.56	
16	Martinez Jr., Arturo	Environmental Svces	\$49,363.21	**
17	Martinez, Jesus A.	Environmental Svces	\$20,986.02	
18	Martinez, Joshua	Parks & Recreation	\$1,773.84	
19	Ortega, Jesus	Mass Transit	\$7,880.20	
20	Palomino, Robert A.	Fire	\$1,058.92	
21	Ramos, Jennifer	Municipal Clerk	\$17,907.95	
22	Recoder, Jose	Environmental Svces	\$8,134.40	
23	Reynolds, Duane	Health	\$14,080.85	
24	Rios, Jose L.	Mass Transit	\$3,016.47	
25	Rojero, Rebecca H.	Police	\$18,779.70	

26	Ruiz, Richard	Environmental Svces	\$1,421.76	
27	Salaiz, Randy	Mass Transit	\$23,899.46	**
28	Saldaña, Erica	MCAD	\$7,917.19	
29	Sotelo, Cruz A.	Streets	\$13,435.54	
30	Trillo, Eileen	Fire	\$1,205.17	
<b>TOTALS</b>			<b>\$407,463.67</b>	

\* Additional interest/contributions due

\*\* Eligible for Early Retirement

**For notation, no action taken on this item.**

**Motion made by Mario R. Hernandez to go into Executive Session to discuss items under Section 551.071, 551.072 and 551.078; seconded by Presi Ortega. Motion carried at 8:37 A.M.**

**Motion made by Mario R. Hernandez to reconvene from Executive Session; seconded by Pat Aauto. Motion carried at 8:52 A.M.**

Item 18. 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. **Sections 551.071 and 551.072** Discussion and action regarding real property on 1039 Chelsea Street.

**Motion made by Presi Ortega to approve the draft ordinance as proposed, for presentation to City Council; seconded by Pat Aauto. Motion carried.**

**Motion made by Pat Aauto to accept the solicitation and process to select design build firm for the Fund's real property; seconded by Mario R. Hernandez. Motion carried**

B. **Section 551.071 and 551.078** Discussion and action regarding the disability retirement application of Frank Tonche.

**Motion made by Pat Aauto to delete Item 18B from the Board Agenda; seconded by Presi Ortega. Motion carried.**

Item 19. Adjournment

**Motion made by Presi Ortega to adjourn the El Paso City Employee's Pension Fund Board Meeting on June 15, 2016; seconded by Pat Aauto. Motion carried.**