

**THE EL PASO CITY EMPLOYEES' PENSION FUND
BOARD MINUTES FOR THE REGULAR MEETING
HELD WEDNESDAY SEPTEMBER 21, 2016 AT 8:30 A.M.
CITY HALL, CITY COUNCIL CHAMBERS, 300 N. CAMPBELL**

Members in Attendance:

Rene Peña, Chairman
Karl C. Rimkus, Vice Chairman
Presi Ortega
Rep. Lily Limón
Rebecca L. Torres
Christina Stokes
Rep. Jim Tolbert
Mario R. Hernandez

Members Absent:

Pat Aauto

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
John Pirone, Callan Associates
Richard Campos, City's DoIT Enterprise Applications Administrator
Norberto Pelayo, City's DoIT
David Kent, Buck Consultants
David Lawson, UBS Realty
Frank Muela
Edmundo S. Calderon, Chief Internal Auditor, Internal Audit Office CoEP
Daryl Olsen, Internal Audit Office CoEP
Luz Parra, Internal Audit Office CoEP
Paul Stover, Principal Global Investors
Todd Kellenberger, Principal Global Investors

Item 1. Rene Peña, Chairman, called the meeting to order at 8:37 A.M.

Peña welcomed new Trustees, Rep. Lily Limón and Rep. Jim Tolbert. Peña noted that almost all Trustees were in attendance.

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

Rep. Lily Limón **aye**
Rebecca L. Torres **aye**
Christina Stokes **aye**
Karl Rimkus **aye**
Rep. Jim Tolbert **aye**
Mario R. Hernandez **aye**

Motion carried.

REGULAR AGENDA

Item 5. Discussion and action regarding the Treasurer's Report for the month ended August 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 August 31, 2016.

Degman noted that the report is preliminary and is subject to change once the numbers are finalized.

Degman reviewed the statement of net assets available for benefits. The unaudited totals in the statement are for the month ended August 31, 2016. Degman reviewed cash and investments (at fair value.) Total cash and investments were about 725 million dollars with approximately 4.2 million dollars in cash and cash equivalents; the remaining portions were in stocks, bonds, and other investments. Degman reviewed receivables. Total receivables were approximately 1.7 million dollars. Degman noted that the prepaid expenses have decreased as the Fund continues to amortize that expense. Degman reviewed liabilities. Total liabilities were approximately 1.9 million dollars including amounts due to brokers for securities related to the transition activity, other accrued expenses and deferred revenue related to commission credits. Total net assets available for benefits were about 724.9 million dollars.

Degman reviewed the statement of changes in net assets available for benefits. The unaudited totals in the statement are for the twelve months ended August 31, 2016. Degman reviewed additions. Contributions were approximately 37.8 million dollars. The net investment income was about 43.8 million dollars. Total additions were about 81.6 million dollars. Degman reviewed deductions. Benefits paid to retirees were about 51.6 million dollars. Total deductions were about 55.8 million dollars. The total net increase was approximately 25.7 million dollars. The total fund balance was approximately 724.9 million dollars. Rene Peña, Chairman, noted the significant recovery in net changes in asset value from the previous fiscal year. Peña reviewed the volatility of the current fiscal year.

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.

Degman reviewed the quarterly statement of changes in net assets available for benefits. The unaudited totals in the statement are for the fourth quarter. Degman noted the volatility experienced during the fiscal year. Degman reviewed additions. Contributions were in line with the three previous quarters at about 9.2 million dollars. The net investment income was about 22.2 million dollars. Total additions were approximately 31.4 million dollars. Degman reviewed deductions. Total deductions were approximately 14.5 million dollars. Benefits paid to retirees were approximately 13.2 million dollars. The net increase for the quarter was about 16.9

million dollars. The ending fund balance was approximately 724.9 million dollars. Degman noted the growth in the last half of the fiscal year.

Degman reviewed the investment income analysis. Degman reviewed the net investment income actual and target return. The net investment income ratio is 6.6 percent on a target return rate of 7.5 percent for the fiscal year. Degman noted the net investment income of about 46 million dollars.

Degman reviewed the administration actual/budget comparison. The budget for the year is about 772 thousand dollars. At the end of August, total in-house administrative expenses were about 712 thousand dollars, which is approximately 92.3 percent of the budget. Including the expenses paid directly by Mellon Trust, total administrative expenses were approximately 1.4 million dollars. Trustee, Mario Hernandez, requested additional information on utilization for Outside Contracts. Robert Ash, Pension Administrator, advised of an unexpected cost and noted that administration has performed an internal transfer of funds as authorized by the Board.

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

No action was taken on this item.

- Item 6. Discussion and action regarding the receipt of an award from GFOA for Excellence in Financial Reporting for the fiscal year ended August 31, 2015.

Robert Ash, Pension Administrator, presented the Board with an award from the Government Finance Officers' Association (GFOA) for Excellence in Financial Reporting. Ash explained that the award is not easily obtained and thanked the Board, Pension Staff, the City's Financial Services Department, and the Fund's auditors and actuaries.

Ash explained the award-winning CAFR is an annual report produced by Pension Staff. The report is given to the City and other interested parties. The GFOA reviews the CAFR and provides comments. Pension Staff then works with the Fund's actuaries and auditors to take the GFOA's comments into consideration.

Rene Peña, Chairman, accepted the award. Peña thanked Robert Ash and management for their work and effort to obtain the award. Peña added that the award represents the Fund's financial transparency.

No action was taken on this item.

- Item 7. Discussion and action regarding the monthly report from the City's Department of Information Technology (DoIT.)

Richard Campos, City's DoIT Enterprise Applications Administrator, reviewed the pending issues with the Pension Module.

Campos listed the status for pending items that were previously presented to the Board:

1. DoIT will schedule a meeting with other City departments to discuss IRS limits used in calculating pension deductions regarding changes to the configuration of contributions for Tommy Gonzalez as he will be reaching his limit this year.
2. DoIT will continue to review the City department transfers to PSB to identify contribution gaps.

3. City employer contribution clean-up scripts have been created but have not been tested. Campos noted that DoIT will continue to work with Deputy Pension Administrator, Patricia Hickman, on this issue.
4. Campos noted that Pension Administration submitted the actuarial valuation reports to the actuary for review.
5. Campos advised that there is no status change regarding review of other applications and options for pension processing.

No action was taken on this item.

Item 8. Discussion and action regarding receipt of a report from the Internal Audit Office.

Edmundo Calderon, Chief Internal Auditor for the City's Internal Audit Office, presented; the Board received and reviewed the report from the Internal Audit Office.

Calderon advised that the Internal Audit Office recently performed a peer review of the internal audit function for the City of San Diego's pension fund. Calderon advised that the internal auditor for the City of San Diego performs an annual review of contributions participant and employer contributions to verify the accuracy and completeness of those contributions. Calderon discussed the peer review with Robert Ash, Pension Administrator for the El Paso City Employees' Pension Fund ("the Fund") and committed to perform a review of contributions to the Fund.

Calderon reviewed the methodology for the audit. Calderon noted that only the City's non-uniform pension fund participants were included in the audit. No review was conducted of the El Paso Firemen & Policemen's Pension participants. Additionally, no review was conducted of the Public Service Board (PSB) participants. Calderon advised that the Internal Audit Office does not have access to PSB payroll data. The Internal Audit Office reviewed a test sample for pay period ended March 5, 2016, of 200 participants chosen at random from both Tiers; 129 out of 200 (64.5 percent) were Tier I Pension Plan participants, and 71 out of 200 (35.5 percent) were Tier II Pension Plan participants.

Calderon reviewed the results of the internal audit. In the test sample, the Internal Audit Office found 100 percent accuracy; Calderon advised that 100 percent of employee and employer contributions were contributed to the Fund. The Internal Audit Office made two observations in their report for the Human Resources (HR) Department and the Office of the Comptroller. Calderon noted that the observations had been discussed with the department directors for the respective departments. Calderon reviewed the observations and recommendations. Within the HR Department, there was an earnings code error regarding an EMS employee. Calderon noted that the issue was resolved and advised that the Internal Audit Office recommended that HR continue to monitor coding. Within the Office of Comptroller, the Internal Audit Office made two observations regarding the lack of Policies and Procedures. The Internal Office recommended that Office of Comptroller establish a formal set of procedures. Pat Degman, Comptroller, reviewed the factors that attributed to the lag in reconciliation and reviewed the corrective action. Degman confirmed the commitment to complete reconciliation within ten days.

Calderon recommended that a review of the contribution process be performed for the coming fiscal year. Ash thanked the Financial Services Department, HR, and the Internal Audit Office for their cooperation.

No action was taken on this item.

Item 9. Discussion and action regarding the receipt of an experience study prepared by the Fund's actuary, Buck Consultants.

David Kent of Buck Consultants presented; the Board received and reviewed an experience study prepared by Buck Consultants. (In this Item, the firm will be referred to as Buck.)

Buck performs valuations annually for GASB 67/68 and biennially regarding funding. Consequently, Buck has to make assumptions regarding future events. Kent reviewed the assumptions regarding active and retired participants. Periodically, Buck will perform an experience study. An experience study provides a comparison of experience with assumptions. As a result, assumptions are adjusted accordingly. Due to new legislation and limited receipt of data feeds, an experience study will be performed every four years.

Kent reviewed demographic assumptions including post-retirement and active mortality, retirement, termination, disability and over time, providing a cost impact of proposed assumptions and method changes. Kent noted that the system tables are not substantial and reviewed the recommended tables including the RP series. The Board discussed the proposed tables. Rene Peña, Chairman, advised not using the most recent mortality assumptions may be considered a violation of compliance. Kent reviewed the trends attributed to increased and decreased liability. An increase in life expectancy with the proposed mortality tables and the trend in declining termination rates will result in increased liability for the Fund. The trend of postponing retirement for both males and females will result in decreased liability for the Fund. Kent noted that there was no retirement experience data available for Tier II participants. Kent recommended removing the disability rate assumption as the actual number of disabilities has been immaterial and any assumption that attempted to project experience would have a negligible impact on total liability.

Kent reviewed economic assumptions including inflation, investment return, and salary increases, providing a cost impact of proposed assumptions and method changes. Buck advised that the 7.5 percent investment return assumption can be maintained. However, they recommended the rate reflect a real return of 4.5 percent and an inflation component of 3.0 percent. The current assumption includes an inflation component of 3.5 percent and a real rate of return of 4.0 percent. When reviewing the annual rate of salary increase, Kent noted the trend in lower base pay and increased overtime.

Kent reviewed the cost impact providing a comparison of the current valuation and proposed assumptions. The proposed assumptions result in an increase in accrued liability and a decrease in normal cost rate. Kent provided data from the interim valuation performed in 2015. Kent estimated that the funding period to amortize will increase to approximately 18 years.

Rene Peña, Board Chairman and Member of the Actuary Committee, read the Actuary Committee Minutes:

The Actuary Committee met on September 8, 2016. The Committee discussed the draft Experience Study prepared by Buck Consultants via telephone with the Fund's actuary. The Committee discussed the entire report and suggestions made therein. The Committee reviewed the recommendations made in the report. The Committee after discussion recommends that the changes indicated in the report be adopted subject to discussion with the Fund's Investment Consultant. Peña noted that the experience study was discussed with Callan during the Investment Committee Meeting.

Robert Ash, Pension Administrator, advised that the Actuary Committee discussed decreasing the investment return assumption from 7.5 percent to 7.25 percent but were not ready to move forward with that recommendation. The Committee recommended to decrease the inflation component to 3.0 percent and increase the real return to 4.5 percent. Peña confirmed that the Actuary Committee is recommending the acceptance of the recommendations by the Fund's Investment Consultant. The Board discussed the impact of reducing inflation. The Board discussed the preliminary results of the asset liability study with Bill Howard of Callan.

Motion made by Presi Ortega to accept the recommendations as proposed; seconded by Christina Stokes. Motion required polling:

Presi Ortega	aye
Rep. Lily Limón	aye
Rebecca L. Torres	aye
Christina Stokes	aye
Karl Rimkus	aye
Rep. Jim Tolbert	aye

Motion carried.

Ash noted that because the Board approved the revised mortality table which affects the factors regarding retirement calculations, the Pension Ordinance will need to be amended to reflect these new factors.

Item 10. Discussion and action regarding the election of Board Officers.

Robert Ash, Pension Administrator, advised that by ordinance there are two elected officers of the Board, Chairman and Vice Chairman. Ash noted that there are two other officers, Treasurer and Secretary. The Treasurer is the Comptroller for the City, and the Board Secretary is the Pension Administrator.

Pursuant to the established policy the Board accepted nominations for Chairman and Vice Chairman to serve for a one-year period.

Rene Peña nominated Karl C. Rimkus for Chairman; seconded by Presi Ortega. Motion carried (unanimous.)

The Board discussed the change in Board Officers.

Mario Hernandez nominated Presi Ortega for Vice Chairman; Presi Ortega declined.

Karl C. Rimkus nominated Rene Peña for Vice Chairman; seconded by Presi Ortega. Motion carried (unanimous.)

Peña advised that the move would be effective for the October Board Meeting.

Item 11. Discussion and action regarding the receipt of Minimum Educational Training on Governance.

Robert Ash, Pension Administrator, presented. The Board received and reviewed the Minimum Education Training on Governance. Ash noted that the State Pension Review Board requires minimum training.

Ash defined governance as related to the Pension Fund outlining the organizational structure. The citizens of El Paso and plan participants exert influence over Council and the Board. A charter provision that called for a pension plan for non-uniformed employees was passed by voters. Council implements charter provisions as permitted by state law. The powers of the Board are delegated by City Council; the Plan document, Section 2.64 of the Municipal Code, was passed by Council. The Board of Trustees govern the Plan within the limitations set by the ordinance; the Board can establish rules non-conflicting with the ordinance.

Ash reviewed governing structure for the Plan including state, federal, and local law. Ash noted the Fund is a trust; therefore the Plan is governed by Title 8 Texas Trust Code. Chapter 802 of the Texas Government Code outlines reporting, funding guidelines, fiduciary responsibility and sets limitations on correction of errors which is monitored by the State Pension Review Board ("PRB"). When prompted by the Board, Ash advised that the PRB is a governing agency of the State Legislature that reviews public pension plans and makes periodic reports to the State Legislature. The Board is subject to the Open Meetings Act & Public Information Act – Texas Gov't Code Chapters 551 & 552, City Charter, Municipal Code and City Ethics Ordinance which has been translated voluntary to Pension Staff by the Board. Ash reviewed governing federal law including 401(a) of the federal tax code and reviewed the process for obtaining a determination letter from the IRS.

Ash reviewed the structure of the Board of Trustees and term limits. Ash advised that by ordinance the City Clerk manages the election for City Employee Trustees. When prompted by the Board, Ash confirmed that the term for a City Representative Trustee does not mirror the current Council term for a City Representative, which was changed from a two year term to a four year term. Ash reviewed the Fund's standing and ad-hoc committees, Pension Administration Staff, and key service providers highlighting the roles of the actuary and auditors at the end of the fiscal year.

Ash reviewed the roles and responsibilities of the Board as outlined in Section 2.64 of the Municipal Code:

- Hold regular monthly meetings and special meetings as may be needed
- Direct the safekeeping and investment of the Pension Fund
- Approve Pension Applications
- Approve payments from the Pension Fund in accordance with the Pension Ordinance
- Make rules not inconsistent with the Pension Ordinance or other laws
- Hire consultants to include Actuaries, Auditors, Investment Consultants, Legal Counsel and other services reasonably necessary for the sound and efficient operation of the fund
- Expend funds for the purchase of Fiduciary Liability Insurance

Ash reviewed Pension Plan policies and procedures. The Board has created policies and procedures that are not inconsistent with the ordinance including Personnel Rules and Regulations, an Accounts Payable/Purchasing Policy, a Travel Policy, Records Retention Rules, PRB Minimum Education Rules, Payroll Processing Procedures, and Pension Benefit Processing Procedures. Ash reviewed strategic planning including terms for budget, facilities, actuary, investments and discussions with Plan Sponsor.

Ash noted that the Trustees must complete the survey and return to Pension Staff.

No action was taken on this item.

Item 12. Discussion and action regarding death verification audit.

Robert Ash, Pension Administrator, presented; the Board received and reviewed the death verification audit. Ash advised that the report is completed every other month in order to find unreported deaths. There were no new names that appeared. Ash noted that Pension Staff received a solicitation from a competing firm; staff tested the data from the competing firm against the Berwyn Group and determined the data was identical. When prompted by the Board, Ash advised the service from the Berwyn Group cost 660 dollars per year. The new service provider would be more expensive; however, the new service provider offers additional services. Ash noted that Pension Staff may recommend changing to the new service provider in the future.

No action was taken on this item.

Item 13. Discussion and action regarding recommendations from the Ad-Hoc Ordinance Committee.

Robert Ash, Pension Administrator, presented; the Board received and reviewed the proposed ordinance revisions report. Ash noted the proposed revisions report was previously presented to the Board during the August Board Meeting; the Item was sent to committee for additional review. The Ad-Hoc Ordinance Committee reviewed the report and noted the objections that were taken during August Board Meeting.

Rene Peña, Board Chairman, noted that the Board tentatively accepted the proposed ordinance revisions with the exception of the items outlined in this report. Ash reviewed those items. Regarding Optional Retirement Benefits, the following proposed revision was added to clarify inconsistent language in two subsections of the Code: "Amend/clarify in subsection (A) to that an applicant must make an optional settlement election at the time the application is made. [...]" Regarding attendance, the proposed revision would allow for automatic removal of a Trustee for missing four Board Meetings [in a calendar year, per a floor amendment]. Additionally, the language regarding committee attendance was removed.

Peña noted that if approved, the proposed ordinance revisions would initially be presented to the Mayor, but ultimately need Council approval. Ash and Karl Rimkus, Vice Chairman, noted that the proposed revisions regarding elections will be submitted to the City Clerk's Office as recommendations as the City Clerk manages elections. The Board discussed an implementation schedule for the proposed revisions.

Motion made by Karl C. Rimkus to accept the proposal as presented; seconded by Mario R. Hernandez. Motion carried.

Item 14. Discussion and action regarding the POA Fortis settlement.

Robert Ash, Pension Administrator, presented; the Board received and reviewed information regarding the POA Fortis settlement. Ash noted that Eduardo Miranda, Attorney, recommended the item be placed on the agenda for Board consideration.

Ash advised that the Fund had a security, Fortis, through a prior investment manager, LSV, which the Fund does not have anymore. There is a class action lawsuit brought against Fortis, which the Fund is a member of; the Fund was notified by a group called Deminor Recovery Services that they could potentially increase the amount of recovery if the Fund grants them Power of Attorney to act on the Fund's behalf on this class action. The Board must provide approval to enter into this agreement. Ash noted that the Fund typically has not acted as leads in class action lawsuits; however, Deminor is claiming the Fund will receive £8,954. Miranda advised that if approved the Board is authorizing the expenditure of Fund assets to the extent that a fee be paid to the "collection agency" to be taken from the recovered assets. When prompted by the Board, Miranda advised that he did not see any reason why the Fund should not enter into this agreement. The Board discussed the history of this class action lawsuit.

Motion made by Presi Ortega to approve; seconded by Rep. Lily Limón. Motion required polling:

Presi Ortega	aye
Rep. Lily Limón	aye
Rebecca L. Torres	aye
Christina Stokes	aye
Rep. Jim Tolbert	aye
Mario R. Hernandez	aye

Motion carried.

Item 15. Discussion and action regarding the receipt of an investment manager report from UBS.

William David Lawson, Executive Director UBS Realty, presented; the Board received and reviewed the investment manager report from UBS Realty. (In this item, the firm will be referred to as UBS.)

Lawson provided an overview of the firm. UBS has been a real estate investment manager for the Fund for the past five years. The firm is one of the largest US real estate investment managers, a top five manager. Their headquarters is in Connecticut with regional offices in Dallas and San Francisco. Lawson noted the tenure of the firm's senior investment professionals. Lawson reviewed the firm's Assets Under Management (AUM). UBS currently has 31.2 billion dollars in AUM. The largest part of the fund, 22.8 billion dollars, is the Trumbull Property Fund (TPF.) The Fund invested in the TPF in 2012 with an initial investment of 30 million dollars and an additional 3 million dollars in 2014. The Fund took a 15 million dollar redemption in 2016. The market value today is approximately 33.2 million dollars. Lawson reviewed the investment results for the Fund's portfolio over 12 months, 3 years and since inception. The return for those time periods has been approximately 10 percent.

Lawson reviewed the TPF mission, strategy, and portfolio distribution. TPF seeks to provide risk-adjusted returns across real estate cycles. TPF is a lower risk cycle within the NFI-ODCE. Lawson defined the ODCE index and reviewed the cyclical value market. Lawson reviewed transaction activity for the TPF highlighting the investment focus for 2016 and investment activities in 2016 year-to-date.

Lawson reviewed assets by property type and by geographic region highlighting the ten largest assets and markets. Lawson reviewed the TPF portfolio positioning and leasing noting that the top ten assets are 95 percent leased. Lawson reviewed the top performing assets and the asset with the least return providing attributing factors. Lawson reviewed the appraisal process. When prompted by the Board, Lawson committed to provide data regarding the distribution of property type by region. Trustee, Presi Ortega, requested information regarding UBS global fund options. Lawson responded that a division in the UBS Global Real Estate Fund invests in third party funds globally. Additionally, UBS has regional funds around the world. The Board discussed the Fund's global exposure with the Fund's investment consultant.

No action was taken on this item.

- Item 16. Discussion and action regarding the receipt of an investment manager report from Principal Global Investors.

Paul Stover and Todd Kellenberger of Principal Global Investors presented; the Board received and reviewed an investment manager report from Principal Global Investors. (In this Item, the firm will be referred to as Principal.)

Stover provided an overview of the firm and investment strategy. Stover noted that this is the first report to the Board since inception. Stover provided an overview of the team and locations, noting that there have been no changes to the organization or the team. The Fund invested in the Global Real Estate Strategy on August 11, 2015. The strategy continues to receive industry recognition for consistency across long time periods for consistent returns and risk-adjusted return.

Kellenberger reviewed the investment philosophy and process. The strategy offers daily liquidity and exposure to commercial real estate assets in global markets. Rene Peña, Chairman, requested a comparison to domestic markets. In response, Kellenberger reviewed the global composite performance summary. Kellenberger advised that Global REIT performance will be on par or higher than private real estate security strategies. Additionally, global strategy provides diversification benefits.

Kellenberger reviewed asset class performance and rates. The environment has been marked by falling bond yields and recent decelerating fundamentals for real estate. Returns across most countries have done quite well. Kellenberger noted the market reaction to Brexit. Kellenberger reviewed rates. The prevailing view is that rates will remain at very low levels for a very long period of time. In this environment, real estate has remained in favor as an above average yield asset class with resilient cash flows.

Kellenberger reviewed performance for the CIT portfolio. The Fund is invested in the CIT. The CIT underperformed for the year; Kellenberger reviewed the attributing factors including an overweight in the U.K. and an underweight in Japanese REITs. Kellenberger noted that post-Brexit the portfolio is underweight in the U.K. and post quarter end of June the firm has increased their weight in Japan. Kellenberger reviewed the CIT portfolio characteristics. Kellenberger reviewed allocation by stock selection and sector, highlighting the effect of market outlook on allocation. The firm anticipates the current low rate environment will persist into the foreseeable future. The firm has added additional yield-oriented names given the stylistic shift that they anticipate will persist.

No action was taken on this item.

Item 17. Discussion and action regarding a report from Callan Associates.

Bill Howard of Callan Associates presented; the Board received the monthly “flash” report for the period ended August 31, 2016, and the rebalancing sheet.

Howard noted that the Federal Reserve Bank is meeting today but had not released a statement. Although the market is not expecting a rate hike, Callan anticipates a 25 basis point rate hike in December.

Howard reviewed the monthly “flash” report for the period ended August 31, 2016. Howard noted that all the returns shown are net of investment manager fees and advised that the fiscal year-to-date column in the report represents one year ended August 31, 2016.

Howard reviewed market performance. Emerging markets outperformed domestic and developed markets in August. For the fiscal year, the US equity market outperformed; the Fund’s portfolio underperformed the index due to a negative manager affect. Howard provided a market projection.

Howard reviewed the performance of the Fund’s domestic equity active managers. The Mellon Dynamic trailed the index by about 65 basis point in August. Mellon Dynamic was up about 19 percent for the year, over 650 basis points ahead of the index. Vulcan is an all-cap manager with a value orientation; they are currently on “watch” for performance. Vulcan outperformed the index in August but continue to trail the index for the fiscal year. Wedge, a SMID cap value manager, outperformed the index for the month and outperformed by about 600 basis points for the fiscal year. Riverbridge, a SMID cap growth manager, underperformed the index for the fiscal year. Howard noted that the portfolios for Wedge and Riverbridge are intended to complement each other as one is growth and the other is value.

Howard reviewed the performance of the Fund’s international equity active managers. Denver is currently on “watch” for performance. Denver underperformed the index for the month; outperformed the index for the fiscal year. Franklin Templeton International Equity, a small cap manager, was placed on “watch” in August. They experienced significant underperformance for the fiscal year and three years. Lazard had recent underperformance and outperformed the index over the last three years by about 80 basis points. AQR Emerging Markets had underperformed the index for all available reporting periods.

Howard reviewed the performance of the Fund’s private equity active manager, Portfolio Advisors. For the fiscal year, the portfolio was up almost 17 percent outperforming the index. Howard reviewed target allocation in private equity and reviewed exposure to secondary funds.

Howard reviewed the performance of the Fund’s fixed income and real estate active managers. The Janus Core Plus Portfolio is currently on “watch” for team changes. Janus has performed similar to the index, but trail the index for the fiscal year by about one percent. Franklin Templeton Global manages 25 percent in fixed income; outperformed in August but had significant underperformance in the fiscal year. The Fund’s real estate portfolio had about 11.1 percent return for the fiscal year, slightly trailing the benchmark. Howard reviewed the performance in real estate.

Howard reviewed the performance of the Fund’s MLP active manager, Salient. Salient had outperformed the index in August and for the fiscal year. Howard reviewed market conditions that affected MLPs. Howard reviewed the performance of the Fund’s absolute return managers.

Allianz outperformed the benchmark in August. AQR underperformed the index in August by about two percent.

The total fund was up in August about 26 basis points. Fiscal year-to-date the fund is up about 6.3 percent which trailed the index which can be attributed to a negative active manager effect.

Howard reviewed the rebalancing sheet to raise cash and recommended that Pension Administration begin the paperwork to withdraw two million from UBS, bringing allocation closer to target.

Motion made by Presi Ortega to accept the rebalancing as proposed; seconded Rebecca L. Torres. Motion required polling:

Presi Ortega	aye
Rep. Lily Limón	aye
Rebecca L. Torres	aye
Christina Stokes	aye
Karl Rimkus	aye
Rep. Jim Tolbert	aye
Mario R. Hernandez	aye

Motion carried.

Rep. Lily Limón and Rep. Jim Tolbert excused themselves from the meeting.

Item 18. Discussion and action regarding a report from the Pension Administrator.

Robert Ash, Pension Administrator, reported on the following:

- Ash thanked the Members for their attendance.
- Auditors will be in the Pension Office in October.
- Pension Staff is working with the actuary.
- Ash requested feedback from the Board regarding the newsletter, which will be released in October.

No action was taken on this item

Item 19. Discussion and action regarding the following Committee reports/assignments:

- A. Actuary Committee – Actuary Committee report was already provided during Item 9. The Committee is planning to meet and will report to the Board.
- B. Ad-Hoc Facilities Committee – Committee did not meet.
- C. Ad-Hoc Ordinance Committee – Committee report was already heard by the Board during Item 13.
- D. Audit Committee – Committee did not meet.
- E. Investment Committee – Committee did meet.

Presi Ortega, Chairman of the Investment Facilities Committee, read the Investment Committee minutes:

The Investment Committee met on September 20, 2016. The Committee received a monthly investment performance report for the month of August 2016 from Callan Associates. The Committee also received yearly investment manager investment

performance reports from UBS and Principal Global Investors. The Committee asked questions of the presenting firms. No material exceptions were noted in their reports. Finally, the Committee received the preliminary results of an asset liability study being performed by Callan Associates. The Committee asked questions and inquired about expected returns given different asset allocations. The Committee also discussed the draft asset-liability study in light of the recently completed experience study and related recommendations.

The next meeting of the Investment Committee is scheduled to be held on October 18, 2016, at 1:00 P.M.

No action was taken on this item.

F. Personnel Committee – Committee not meet.

Christina Stokes, Chairman of the Personnel Committee Meeting, read the Personnel Committee Minutes:

The Personnel Committee met on September 8, 2016. The Committee discussed the annual performance evaluation of the Deputy Administrator with the Pension Administrator. The Committee also discussed additional compensation for the Deputy Administrator. The Committee will discuss any additional compensation with the Board.

The Committee also received an update regarding filling the vacant Benefit Technician position. And finally, the Committee discussed the attendance requirements for Board members. The Committee discussed the number of meetings a Trustee can be absent before a vacancy would occur. After discussion, the Committee recommends that the proposal be that a Trustee can miss up to four (4) board meetings in each calendar year before a vacancy would be created. The Committee did not believe that a provision regarding minimum attendance for Committee meetings was necessary and recommends removing any proposed ordinance amendments to that effect.

No action was taken on this item.

G. Retiree Committee – Committee did not meet.

Item 20. For Notation:

A. Directed brokerage credit balance for month ended July 31, 2016: \$129,070.65

B. Property Development Cost:

Company	Description	Amount
Warach, Soto & Associates	Legal Fees	\$580.00

C. Refund of Contributions:

	NAME	DEPARTMENT	TOTAL REFUND	
1.	Bradley, Phillip	Mass Transit	\$19,860.37	
2.	Cardoza, Kevin	Planning & Inspections	\$2,404.64	
3.	Carrillo, Rudy	Municipal Clerk	\$14,372.87	
4.	Chavez Jr., Miguel A.	Mass Transit	\$393.34	
5.	Cook, Thomas	International Bridges	\$24,699.43	**

6.	Cuellar, Joshua A.	Mass Transit	\$8,906.41	
7.	Enriquez, Johnny	Fire	\$3,574.54	
8.	Galvan, Patricia	Planning & Inspections	\$2,308.48	
9.	Garay, Kevin	Mass Transit	\$12,042.85	
10.	Garza, Delta Beneficiary of Eduardo A. Sanchez	Zoo	\$18,279.88	**
11.	Granados, Rosa	EPWU	\$546.26	
12.	Guerra, Edwin	Airport	\$900.81	
13.	Hernandez, Adrian	EPWU	\$6,765.11	
14.	Hernandez, Francisco	EPWU	\$1,521.02	
15.	Holguin, Edmund	Zoo	\$18,255.15	
16.	Lopez, Pamela Nicole	Parks & Recreation	\$3,986.12	
17.	Lopez, Sarah A.	Library	\$2,058.20	
18.	Najera, Thelma	Health	\$7,418.81	
19.	Orozco, Crystal	Parks & Recreation	\$1,430.58	
20.	Paz, Jacqueline A.	Municipal Clerk	\$15,438.93	
21.	Perez, Ricardo	Parks & Recreation	\$2,266.03	
22.	Phu, Andy	Health	\$979.75	
23.	Rascon, Alex	Streets & Maintenance	\$3,286.52	
24.	Velazquez, Luis A.	Airport	\$3,267.96	
25.	Zamora, Michael	EPWU	\$7,980.62	
			\$182,944.68	

* Additional interest/contributions due

** Eligible for Early Retirement

For notation, no action required on this item.

Motion made by Karl C. Rimkus to go into Executive Session to discuss items under Sections 551.071-551.076 and Section 551.078; seconded by Mario R. Hernandez. Motion carried at 11:40 A.M.

The Board reconvened from Executive Session at 12:03 P.M.

Item 21. The Board will retire into EXECUTIVE SESSION pursuant to the Texas Government Code, Sections 551.071-551.076 and Section 551.078 to discuss any of the following:

- Section 551.071 CONSULTATION WITH ATTORNEY
- Section 551.072 DELIBERATION REGARDING REAL PROPERTY
- Section 551.074 PERSONNEL MATTERS
- Section 551.075 CONFERENCE WITH EMPLOYEES
- Section 551.076 DELIBERATION REGARDING SECURITY DEVICES
- Section 551.078 DELIBERATION REGARDING DISABILITY APPLICANT'S MEDICAL RECORDS

A. **Section 551.074** Discussion and action regarding the annual performance evaluation of the Deputy Administrator.

Motion made by Christina Stokes accept the evaluation of the Deputy Pension Administrator and approve a one-time merit increase of 1000 dollars; seconded by Mario R. Hernandez. Motion required polling:

Presi Ortega	aye
Rebecca L. Torres	aye
Christina Stokes	aye
Karl Rimkus	aye
Mario R. Hernandez	aye

Motion carried.

B. **Section 551.071** – Claim #001-2016 – Frank Muela

Frank Muela addressed the Board. He petitioned that his PRP retirement application be changed to a deferred retirement application so that he can begin collecting his benefit.

Motion made by Presi Ortega to defer any action and send the Item to the Actuary Committee to explore the possibilities of the request that Mr. Muela is asking for in order to view the group as whole and review the effect on the Fund; seconded by Rebecca L. Torres. Motion carried.

Item 22. Adjournment

Motion made by Presi Ortega to adjourn the El Paso City Employee's Pension Fund Board Meeting on September 21, 2016; seconded by Mario R. Hernandez. Motion carried at 12:09 P.M.