

JACKSONVILLE POLICE AND FIRE PENSION FUND  
BOARD OF TRUSTEES MEETING

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DATE: December 16, 2016  
TIME: 9:06 to 10:32 a.m.  
PLACE: Jacksonville Police and Fire Pension Fund  
One West Adams Street  
Suite 100  
Jacksonville, Florida 32202

BOARD MEMBERS PRESENT:

Richard Tuten, III, Board Chair  
Richard Patsy, Board Secretary  
William Scheu, Trustee  
Willard Payne, Trustee  
Chris Brown, Trustee

STAFF PRESENT:

Timothy Johnson, Executive Director,  
Plan Administrator  
Debbie Manning, Executive Assistant  
Paul Daragjati, Board Counsel  
Dan Holmes, Summit Strategies Group  
(Via telephone)

CITY REPRESENTATIVE PRESENT:

Steve Durden, Office of General Counsel

GUESTS:

Beth McCague, Former Interim  
Executive Director  
David McCall, FIAC  
Jeneen Sanders, Assistant to City Council  
Liaison

Stenographically reported by:

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## BOARD MEETING

December 16, 2016

9:06 a.m.

- - -

CHAIRMAN TUTEN: Let's start the meeting.  
Let's call to order. Let's just stand for the  
pledge of allegiance, everybody.

I pledge allegiance to the flag of the  
United States of America, and to the Republic for  
which it stands, one nation, under God,  
indivisible, with liberty and justice for all.

CHAIRMAN TUTEN: All righty. Mr. Director,  
do you want to take it from here?

DIRECTOR JOHNSON: Yes, I will.

If you'll open your Board books to page 2,  
we're at the top of page 2. Item Number III is a  
moment of silence in observance of the following  
deceased member: Police Officer Ripley J.  
Miller.

(Pause)

DIRECTOR JOHNSON: Thank you.

The next item on the agenda is the public  
speaking period. Is there anyone who would like  
to speak to the Board?

CHAIRMAN TUTEN: We have one, Mr. Bill  
Gassett. Bill is new here and would like

1 everyone to listen to what he has to say.

2 (Laughter)

3 MR. GASSETT: Thank you very much.

4 Let me begin by saying that I'm just  
5 continuing my discussion from last month. And so  
6 if you would, turn to page 5 of what is being  
7 handed out to you.

8 In the first four pages last month, I showed  
9 what's caused the required investment strategy  
10 has been a great cause for what some of us has  
11 termed the period of the damnation, which you've  
12 enjoyed for the last three years with all the  
13 back and forth in getting the pension, stuff like  
14 that.

15 But what we did here on page 5 is we said,  
16 said, okay, fine. And this is for the current  
17 retirees' accounts only. We call it Infrared  
18 Report, that on average for the last 21 years,  
19 the current requirement investment strategy has  
20 suffered an average 5.8 percent loss per year  
21 versus just a side-by-side alternative of making  
22 a gain of 3.8 percent a year.

23 And so what this all has kind of been  
24 leading up to, pages 1 through 5 here, is quite  
25 simply, I would like to suggest on behalf of the

1 citizens of this city that somebody take the  
2 leadership here and send a letter to the mayor --  
3 and I think you guys have the shoulders broad  
4 enough to do it -- to the mayor and the present  
5 City Council saying, because of the current  
6 investment requirement strategy, we will be  
7 unable to meet the financial obligations of the  
8 fund and its members, that there will be a  
9 continuing need for fresh cash in addition to  
10 what is normally allowed each year, and that it  
11 is in great part responsible for what is an  
12 (inaudible) and total responsible for the  
13 unfunded liability.

14 It will take -- it's a sense of courage, I  
15 guess you might say, but it's simply something  
16 that's got to be done. This, in great part,  
17 there's been no doubt, the last three years have  
18 been no fun for anybody here in this room. And  
19 it's been brickbat, name calling, you know, and  
20 who-struck-Johns, and we citizens are tired of  
21 it.

22 But if you could just send this letter. I  
23 know it's going to require perhaps a thought on  
24 yours, if you have a special staff study or  
25 something like that. I'm not trying to put words

1 in your mouth before you put together such a  
2 letter. I think it would be very worthwhile for  
3 the community, for the membership, and for the  
4 taxpayers. I would be glad to offer my help, if  
5 you'd like, as a volunteer citizen. Much beyond  
6 that, that's about all I can tell you.

7 Oh, the last couple of pages, just to let  
8 you know, I have a part 3 and part 4. This is  
9 what you've been getting the last two periods  
10 here. It's been an abstract from a much larger  
11 report.

12 Part 3 is concerning cash management, and  
13 that's cost you about 15 million bucks a year  
14 extra. Indeed, for 2015, it cost the city an  
15 extra 70 million bucks.

16 And in terms of governance, we addressed  
17 that. It's not much to talk about because there  
18 hasn't been the kind of overview management  
19 governments need to detect.

20 But the bottom line, I don't see an  
21 alternative, to be honest with you, to get  
22 yourself out of this mess.

23 Any questions I can answer at this time?

24 Merry Christmas to all --

25 CHAIRMAN TUTEN: Bill, as you know, you

1 know, with our investment choices, for the  
2 longest time, the state limited what we could do.  
3 And the city, up until the most recent reform  
4 agreement, limited what we could do.

5 We essentially had to threaten to sue the  
6 state for them to let us change our investment  
7 policy. And over time -- we did a study a long  
8 time ago when we had a previous consultant, and  
9 he did the various scenarios on what -- if we had  
10 invested just this little bit versus what we  
11 had -- we couldn't -- what we had to vest in, it  
12 was staggering.

13 It was like a billion dollars difference  
14 over 25, 30 years, of what we'd already missed  
15 not going forward simply because this Board was  
16 held down in what we could invest in. And  
17 there's nothing we can do about it now, but going  
18 forward, I understand what you're saying.

19 MR. GASSETT: Yeah, let me just, if I may,  
20 we're not trying to place blame here. I mean,  
21 there's nobody like a past City Council and  
22 mayors to fault for this requirement strategy.

23 But I think until you guys publicly -- and  
24 in a sense of theater, it's quite all right now,  
25 say, look, we're locked and we can't make it.

1 I'm agreeing with what you observed yourself.

2 MR. SCHEU: Well, I was just going to say, I  
3 don't know about a letter to the mayor, but I  
4 would refer back to the retirement pension reform  
5 task force, and what our recommendation was on  
6 the funding was Pew had said that a 7 percent  
7 assumed annual rate of return had a 50/50 chance  
8 of being made, if you'll remember.

9 CHAIRMAN TUTEN: Right.

10 MR. SCHEU: And if we changed that to a 5.4  
11 percent return, that made it 50/50, which was  
12 much better. So the retirement reform  
13 recommendation was not that we change the legal  
14 obligation for 7 percent of the city fund as if  
15 it were 5.4 percent, which that's where our  
16 additional \$40 million a year came from.

17 And we recommended that the city fund an  
18 additional \$40 million over the total you owe,  
19 which would have paid it off, as I recall,  
20 roughly 80 percent funded in 14 years.

21 Mr. Bauerlein and I probably could remember  
22 that. I think that's about right, but that put  
23 the cash in in front. And for whatever reason,  
24 the City Council and Mayor Brown and now Mayor  
25 Curry didn't want to do that. And we would be in

1 a much better position to put the money in as we  
2 went along rather than waiting for the longer  
3 period of time.

4 So, you know, we've already acted. So  
5 anyway . . .

6 MR. GASSETT: Well, kind of yes and no. The  
7 problem is for the current retirees, you need 9  
8 percent a year. I don't care how you lower it  
9 up. From this day forward, a guy retires, you  
10 need to earn 9 percent a year.

11 And to some extent, a little bit of the  
12 weakness in that report -- it's a very fine  
13 report, don't misunderstand me, but it covered --  
14 it assumed that current retirees and future  
15 retirees are in the same class. Future retirees,  
16 you've got 30 years to make the numbers, and  
17 actually, 7 percent, as I showed last month --

18 MR. SCHEU: Right.

19 MR. GASSETT: -- was doable for 22 years.  
20 So I didn't mean to interrupt, but I'm just  
21 telling you.

22 MR. SCHEU: No, no. But that's why we  
23 really felt that 5.4 was -- but we knew that that  
24 was not going to be financially feasible legally,  
25 so we recommended that it be done voluntarily.

1           MR. GASSETT: That's correct. All I'm  
2 saying and my suggestion is, send out the  
3 announcement, raise the flag, and then let them  
4 take the responsibility for getting the law  
5 changed.

6           CHAIRMAN TUTEN: Well, you see the conundrum  
7 with the mayor's latest outburst about the Board  
8 recently with the \$42 million surprise.  
9 Everybody agrees with you, Bill. Pay it up front  
10 now. Let's get it over with, you know. It  
11 doesn't matter how you want to calculate it.

12           The problem has always been the politicians,  
13 not this Board, not the director. The  
14 politicians don't want to bite the bullet and pay  
15 what they need to pay.

16           And if we were to do something like you  
17 said, go to 5.4 -- just like we did when we went  
18 to 7, we told them that this is going to hurt if  
19 you don't leave it at 7.4 or 7 3/4ths. You know,  
20 we need to go to 7, and they turned it right  
21 around and said, we've got a pension crisis.  
22 Well, that's what they'll do again. If we do  
23 anything --

24           MR. GASSETT: Getting on the ship will cost  
25 you nothing. Dropping down to 5 percent picks up

1 the tax.

2 CHAIRMAN TUTEN: Oh, there's no way. As a  
3 Board, there's no way I would even touch that  
4 simply because I know what the financial  
5 ramifications are going to be, and there's no way  
6 we're going through the mayor, this one or the  
7 next one, talking about how fiscally  
8 irresponsible we've been when, in fact, we're the  
9 ones that are responsible, not this mayor, not  
10 the Council, not anyone else.

11 MR. GASSETT: All I'm saying is, when the  
12 public -- if you get the ball running possibly,  
13 just put out this letter saying, quite simply,  
14 because of this restraint, we ain't going to make  
15 it.

16 CHAIRMAN TUTEN: I understand what you're  
17 saying, Bill, and I'm not against that. But  
18 here's the problem. It doesn't matter how many  
19 letters you send out. It doesn't matter how many  
20 dinners you have with them.

21 As you can see today by the absence of  
22 Mr. Greive, who I believe works about 300 yards  
23 from here, the city is not -- they're not going  
24 to work with us on this. It doesn't fit their  
25 agenda.

1 MR. GASSETT: You're quite right.

2 CHAIRMAN TUTEN: And I appreciate you  
3 trying. I understand what you're saying. I'm  
4 not mad at you, but --

5 MR. GASSETT: See, no place have you put  
6 that stake in the sand.

7 MR. SCHEU: Oh, yes, we have. I was  
8 gratified that the news side of the paper, David  
9 and Nate and that group, very responsibly  
10 reported on this employer contribution.

11 And they reported fairly the -- on the news  
12 side that the meeting last January where all that  
13 came up, and Mr. Greive was there, and I would  
14 hope that the newspaper on the news side would  
15 ask Mr. Greive, when he left that meeting after  
16 having participated in all of the discussion, and  
17 I read all the transcripts again last night, who  
18 did he talk to when he left that meeting?

19 And I'm sure he talked to his colleagues  
20 over there.

21 CHAIRMAN TUTEN: Of course.

22 MR. SCHEU: And I would appreciate it if the  
23 news side -- because the editorial side got it  
24 all wrong. They didn't even read their own news  
25 section.

1 MR. GASSETT: Well, I've overstayed my  
2 extension. I would make it a public  
3 announcement. Let the people know of the city  
4 because they never heard this. They don't get  
5 caught up in this thing.

6 Thank you for your time, and Merry Christmas  
7 to you-all and hope to see --

8 CHAIRMAN TUTEN: Thank you, Bill.

9 MR. BROWN: Thanks, Bill.

10 MR. PATSY: Thanks, Bill.

11 CHAIRMAN TUTEN: Any other speakers? There  
12 are none filled out.

13 Director, take it away.

14 DIRECTOR JOHNSON: All right. Item Number V  
15 on your agenda is the Consent Agenda. I'm  
16 recommending through the Chair that you accept  
17 the Consent Agenda items under Number V.

18 CHAIRMAN TUTEN: Do we have a motion to  
19 accept the Consent Agenda?

20 MR. BROWN: I'll motion.

21 MR. PATSY: Second.

22 CHAIRMAN TUTEN: Who motioned, Chris, the  
23 first?

24 MR. BROWN: Yes.

25 CHAIRMAN TUTEN: Rick?

1 MR. PATSY: Second.

2 CHAIRMAN TUTEN: All righty. Any questions,  
3 discussion?

4 MR. SCHEU: Is 11-CA part of the Consent  
5 Agenda?

6 MR. BROWN: Yes. 11-C or 12-C?

7 MR. SCHEU: I'm sorry. It's 12-11CA, DROP  
8 Distributions.

9 MS. MANNING: Yes.

10 MR. BROWN: Yes, it is.

11 MR. SCHEU: I just had a question.

12 Does this relate to what Steve's memo -- for  
13 example, Johnnie Chapman is paid over the next  
14 37.9 years. Darrell Edmonds is paid over the  
15 next 38 years. Is that with the guaranteed 8  
16 percent?

17 MR. BROWN: 8.4 percent. Yes.

18 MR. SCHEU: That's 8.4 percent?

19 MR. BROWN: Yes.

20 MR. SCHEU: So that extends that over that  
21 period of time at 8.4 percent?

22 MR. BROWN: Yes.

23 MR. SCHEU: That's what we're locked into  
24 with the collective bargaining agreement.

25 MR. BROWN: That's correct.

1 MR. SCHEU: And so the reformed changed  
2 that, right?

3 CHAIRMAN TUTEN: Well, that's -- yeah. If  
4 anybody -- like myself, I was on the job. If  
5 anybody had dropped before the reform agreement  
6 went into effect, they got 8.4.

7 If you dropped after, like me, I dropped  
8 about a year after --

9 MR. SCHEU: That was my recommendation. I  
10 just wanted to make sure that --

11 MR. BROWN: If your DROP started after the  
12 agreement and you didn't have 20 years on when  
13 the agreement hit.

14 CHAIRMAN TUTEN: Right.

15 MR. BROWN: That's the stipulation.

16 MR. SCHEU: Okay. So that -- even though  
17 interest rates are so low, we're still locked in.

18 MR. BROWN: We're locked in. And so the  
19 question was raised by a speaker at the last  
20 meeting about how he felt it was possibly  
21 illegal, that we were allowing members to take  
22 their DROP over, you know, this amount of time,  
23 which would extend the payments back, the  
24 expected rate of return, or life expectancy, this  
25 is all negotiated.

1 I mean, it's not, you know -- and, Director,  
2 I don't believe that there's any tax code  
3 violation that we're aware of that prohibits us  
4 from doing that, correct?

5 CHAIRMAN TUTEN: I should point out, those  
6 are life expectancy tables that we use according  
7 to the law.

8 MR. BROWN: Right.

9 CHAIRMAN TUTEN: We're not just grabbing.  
10 How long would you like to have, you know --

11 MR. BROWN: But the argument was that, you  
12 know, several members -- theory, if they took  
13 their entire -- if they lived as long as they're  
14 getting this payout, they would be well into  
15 their 90s, if not over 100. But I don't --

16 DIRECTOR JOHNSON: We're seeking a legal  
17 opinion about that now, and it could be available  
18 as early as January's meeting. I think we should  
19 have it by February's Board meeting.

20 MR. SCHEU: Just to further enunciate, the  
21 Board didn't approve that reform agreement. That  
22 was the mayor's office, wasn't it, and City  
23 Council?

24 MR. BROWN: Last year. Yes, sir.

25 MR. SCHEU: Thank you.

1 MR. PATSY: So educate me here.

2 So if we go back to 11-CA, for example,  
3 Mr. Darrell Edmonds is going to take his payment  
4 over the next 52.5 years?

5 MR. BROWN: So that's correct, yes.  
6 Assuming he can live out that long, that's --  
7 he'll receive that payment out at the guaranteed  
8 rate of return that he is -- if he's locked into  
9 8.4. He may actually have not hit 20 years --

10 MR. SCHEU: Right.

11 MR. BROWN: -- so he may be based on the  
12 range model, which would be the next five years'  
13 average. So that could be as low as 2 percent.

14 MR. SCHEU: It couldn't go any lower than  
15 that, as I recall.

16 MR. BROWN: Yeah, it couldn't go any lower  
17 than 2 percent. So we're out of the 8.4 percent  
18 business at the moment because of the new  
19 agreement has the range.

20 MR. PATSY: 2 percent compounded over 52  
21 years turns into a big number.

22 MR. BROWN: Sure. Assuming he can live that  
23 long.

24 MR. SCHEU: Right.

25 MR. PATSY: How do we allow -- that's

1 allowed by law?

2 MR. BROWN: That's the question we're going  
3 to get an answer to.

4 MR. PATSY: Okay, okay. That just -- I  
5 mean --

6 MR. BROWN: So that's the question we'll get  
7 an answer to hopefully by February's Board  
8 meeting.

9 MR. SCHEU: So our approval is subject to  
10 the receipt of that opinion, is it not?

11 DIRECTOR JOHNSON: No. We have no reason  
12 now to believe that it's not being properly  
13 administered.

14 MR. SCHEU: And I think there was some sort  
15 of opinion that we got when Beth was here, as I  
16 remember discussing with her, that this was what  
17 we had to do. That's a lot of money.

18 MR. BROWN: Yeah, it is.

19 But I think what was brought up is that this  
20 is what was negotiated, and so long as it's not  
21 violating any law, that's what it has to be.

22 MR. SCHEU: It came out of the 30-year  
23 agreement.

24 MR. BROWN: Yeah, from 2000 or whatever.

25 MR. SCHEU: That the Times-Union, as I

1 recall from the committee, had zero coverage  
2 about that. Until good reporters like  
3 Mr. Bauerlein got here.

4 (Laughter)

5 CHAIRMAN TUTEN: All righty. We have a  
6 first and a second. We've discussed. Any  
7 further discussion?

8 (No responses.)

9 CHAIRMAN TUTEN: Okay. All in favor of the  
10 Consent Agenda?

11 (Responses of "aye.")

12 CHAIRMAN TUTEN: Any opposed?

13 (No responses.)

14 CHAIRMAN TUTEN: No.

15 DIRECTOR JOHNSON: Very good.

16 Mr. Chairman, item Number VI in your Board  
17 book is the Executive Director's Report. If  
18 you'll turn to the center of your Board book,  
19 you'll see a tab titled "Executive Director's  
20 Report."

21 I'm going to go directly to my motions -- or  
22 recommendations, I should say, that I hope that  
23 through the Chair the Board will approve. They  
24 relate to our administration of this year's draft  
25 actuarial valuation. A copy of that draft

1 actuarial valuation is part of my report. It's  
2 right directly behind my report. It's dated  
3 October 1, 2016, and it's been the source of  
4 controversy these last couple of weeks.

5 So there's two recommendations I'd like to  
6 make to the Board. The first recommendation  
7 gives me authorization to schedule a workshop for  
8 the Board to discuss this report. Our current  
9 actuary, Jarmon Welch, will be in attendance at  
10 that meeting, and I would include in that  
11 invitation the Director of Finance for the city  
12 along with the fund treasurer and the chairman of  
13 the Finance Committee of council.

14 So I'm recommending that the Board give me  
15 the authority to schedule that workshop for early  
16 January based on the availability of the majority  
17 of the Board members.

18 CHAIRMAN TUTEN: Okay. Now, Bill, did you  
19 want to say something?

20 MR. SCHEU: Is there any chance of doing  
21 that the third week in January, the meeting of  
22 the Board? I could do it by phone, but I know  
23 I'll be in town that week. That may push you in  
24 terms of getting it --

25 DIRECTOR JOHNSON: It may push, yes.

1 MR. SCHEU: Yeah.

2 DIRECTOR JOHNSON: So currently the Board  
3 meeting is scheduled for the 20th of January.

4 MR. SCHEU: Right.

5 DIRECTOR JOHNSON: I was recommending that  
6 we have the workshop in advance of that.

7 MR. SCHEU: Sure.

8 DIRECTOR JOHNSON: So that you could ratify  
9 your decision at the Board meeting, and we would,  
10 therefore, have the report done in time for  
11 submission to City Council.

12 MR. SCHEU: That's fine.

13 CHAIRMAN TUTEN: Well, when is it due for  
14 the City Council?

15 DIRECTOR JOHNSON: The 31st of January.

16 CHAIRMAN TUTEN: I would prefer to have the  
17 trustees here. I know what it's like to be on  
18 the phone and it's hard.

19 DIRECTOR JOHNSON: Yes.

20 CHAIRMAN TUTEN: Is there a possibility that  
21 we could maybe reach out to the Council and say,  
22 look, this is what we're trying to do; in order  
23 to get the most available people in the room that  
24 have a say in this, it is okay if we delay this?  
25 Because we're only talking about, what, two

1 weeks? I mean, surely --

2 DIRECTOR JOHNSON: Well, it depends. I've  
3 got the calendar in front of me, Bill. So you're  
4 talking about the week of the 16th of January.  
5 Monday, the 16th, is a holiday. Friday, the  
6 20th, is the regularly scheduled Board meeting.

7 MR. SCHEU: If we authorized you to make the  
8 inquiries a part of your other recommendation so  
9 that that was done ahead of time, that we would  
10 then have it -- if we had the meeting on the  
11 17th, we could then -- that gives you enough time  
12 to get it ratified and finalized so that it could  
13 still be submitted by the 31st. If we authorize  
14 you to go ahead and do what you want to do and  
15 make the inquiries --

16 DIRECTOR JOHNSON: Right.

17 MR. SCHEU: -- is that a possibility?

18 CHAIRMAN TUTEN: That's fine with me, you  
19 know. It works.

20 MR. PATSY: I can do the 17th.

21 DIRECTOR JOHNSON: So that assumes the  
22 availability of the other trustees.

23 MR. BROWN: On the 17th?

24 DIRECTOR JOHNSON: That would be Tuesday,  
25 January 17th.

1 MR. PATSY: What time of day are we shooting  
2 for?

3 MS. MANNING: Do you prefer mornings or  
4 afternoon?

5 DIRECTOR JOHNSON: It's up to the trustees.

6 CHAIRMAN TUTEN: Yeah. If everybody wants  
7 to do it then, is that okay with you, Willard?

8 MR. PATSY: The 17th works for me. I know  
9 after 4:00 that day I'm busy.

10 MS. MANNING: So morning is better?

11 MR. BROWN: I cannot.

12 MS. MANNING: On the 17th?

13 MR. BROWN: I cannot.

14 CHAIRMAN TUTEN: What time do you want to do  
15 it, Bill? The earlier, the better.

16 MR. SCHEU: Chris is saying he can't do it  
17 then.

18 MR. BROWN: I'm over the Response to  
19 Resistance Board now at our agency, and those --  
20 we schedule those and there's a lot of  
21 preparation that goes into them and so a lot of  
22 prep has started. So getting that moved would be  
23 very difficult, and that is slated to last from 9  
24 in the morning until at least 1, 2 in the  
25 afternoon.

1           Now, if you did it later in the day, that  
2 would be fine. I can make it in the after -- you  
3 know, 3:00, but if it's the morning, I can't.

4           MR. SCHEU: How about 2:30?

5           MR. BROWN: Yeah.

6           MR. SCHEU: Rick, is that okay with you?

7           MS. SANDERS: And if I may say, Mr. Chair,  
8 Finance Committee Chair Brosche will not be  
9 available in the afternoon, although she's open  
10 all morning.

11          MR. SCHEU: Is the 18th fine? Is that okay?

12          DIRECTOR JOHNSON: It's fine with me.

13          MR. BROWN: The 18th is fine.

14          MS. SANDERS: And the 18th, she has Public  
15 Health and Safety Meeting, but it normally ends  
16 around 11 or 11:30, although I could chat with  
17 her and see if we can do an excuse and that would  
18 open it up.

19          MR. SCHEU: 2:00 on the 18th?

20          CHAIRMAN TUTEN: Which one are we talking  
21 about now, the 18th?

22          DIRECTOR JOHNSON: We're talking about  
23 Wednesday, the 18th.

24          CHAIRMAN TUTEN: Okay. Yeah, that should be  
25 fine. What time?

1 MR. PATSY: Wait a minute. Let's clarify  
2 this a minute. The 18th. What time?

3 DIRECTOR JOHNSON: It doesn't matter to me.

4 MR. SCHEU: For Anna, 2:00.

5 MS. SANDERS: 2:00 would be perfect.

6 MR. PATSY: That works for me.

7 MR. SCHEU: Works for me.

8 CHAIRMAN TUTEN: Okay. We're doing the 18th  
9 at 2:00 so far. Going once. Twice.

10 MR. WILLARD: Done.

11 MR. SCHEU: Could I make another suggestion?

12 CHAIRMAN TUTEN: Sure.

13 MR. SCHEU: This is not totally facetious,  
14 but Joey's not here. You know, that sends a  
15 signal they're really not going to cooperate.  
16 But we really need to have them present there.

17 So I've asked Steve Durden if he will advise  
18 us on whether we have the power to subpoena  
19 people. So I don't have a recommendation, but I  
20 would like to know the procedures on that, if we  
21 do have that power.

22 CHAIRMAN TUTEN: I would prefer to ask  
23 people to voluntarily show up.

24 MR. SCHEU: Absolutely.

25 CHAIRMAN TUTEN: Yes. But I understand what

1           you're saying, Bill. If this turns into a  
2           constant today, next meeting, the next meeting,  
3           if the city is now going into hiding, as they  
4           like to say in the federal marshal's program, we  
5           need something to compel them to come back and  
6           talk to us, because there's some explaining that  
7           needs to be done to this Board, I think --

8           MR. BROWN: Yes.

9           CHAIRMAN TUTEN: -- which has been unfairly  
10          characterized in the paper and according to the  
11          mayor, that possibly we could mend these bridges  
12          and find a solution without possibly going so  
13          bombastic in the media the next time.

14          MR. SCHEU: And Joey is an officer of this  
15          Board. He's the treasurer.

16          CHAIRMAN TUTEN: Correct.

17          MR. SCHEU: And he has a duty.

18          DIRECTOR JOHNSON: Paul, where is Joey?

19          UNIDENTIFIED MALE: I'm not sure where he's  
20          at. I know he had an emergency, something he had  
21          to work on this morning. He wasn't able to  
22          attend.

23          MR. SCHEU: Avoid service of process.

24          DIRECTOR JOHNSON: Through the Chair, I'll  
25          send a written invitation to the fund treasurer

1 along with the chairman of the Finance Committee  
2 of council and the Director of Finance.

3 And if there's another option --

4 MR. SCHEU: I'm not saying we do that now.  
5 I'm just saying that I would like to know whether  
6 we would have the power to do that if they don't  
7 want to come.

8 CHAIRMAN TUTEN: And, Director Johnson, if  
9 you would so humor me, make one out to the mayor  
10 as well just so -- well, this all stems from a  
11 surprise the mayor alleged happened that he  
12 didn't know about.

13 Anything we discuss at this meeting, whether  
14 it's on a transcript or not, does not matter. I  
15 want everyone to be here to understand what we  
16 say, how we say it, what we said about it, and  
17 there'll be no confusion from going here  
18 forward -- here going forward, I think that's the  
19 way I should say it. But, anyway, I would love  
20 the mayor to come.

21 MR. PATSY: If everybody is not here, we  
22 can't come up with a constructive solution to the  
23 problem.

24 MR. SCHEU: Correct.

25 MR. PATSY: That's a good way to do it. And

1           that's what we want.

2           MR. BROWN:   Yes.

3           CHAIRMAN TUTEN:   Thank you.

4           DIRECTOR JOHNSON:   All right.

5           The second motion is that the Board  
6 authorize me to contact the state Division of  
7 Retirement in order to ask if the state would  
8 consider allowing this Board to utilize a  
9 three-step reduction in the proposed payroll  
10 growth rate.

11           My desire is to get a response back in  
12 writing so that the Board might know its options  
13 before it deliberates over this decision to  
14 accept the actuarial report.

15           So, again, it's not a request to use the  
16 rate.  It's a request to consider, if the Board  
17 chooses, a state staggered reduction in the  
18 payroll growth rate.

19           CHAIRMAN TUTEN:   Okay.  Well, we'll need a  
20 motion for Director Johnson to send that to  
21 Tallahassee.

22           MR. PATSY:   I have a question first.

23           DIRECTOR JOHNSON:   Yes, sir.

24           MR. PATSY:   Has this solution that you're  
25 proposing been vetted through the Mike

1           Weinsteins, Joey, and they're comfortable with  
2           it?

3                     DIRECTOR JOHNSON:   Yes.  Mike Weinstein and  
4           I appeared before the Finance Committee of  
5           council a week ago, and we discussed this  
6           staggered reduction in the payroll growth rate at  
7           that time.  I've also discussed it with our  
8           actuary, and I've discussed it informally with  
9           the fund treasurer.

10                    So, again, this is not intended to put the  
11           Board in a position where it has to accept this  
12           reduction of the payroll growth rate.  It's just  
13           so you know ahead of time what your options are.

14                    CHAIRMAN TUTEN:  Well, I agree and I think  
15           it's a good idea.  And I understand what you're  
16           saying with this, Rick.

17                    Once we have Jarmon here, I would hope the  
18           state would get back to us in time before we have  
19           that meeting and then once we get to that  
20           meeting, because I have some concerns about this  
21           and some other things that will be brought up  
22           then.

23                    Right now I think we're just giving Tim the  
24           option of seeing if we have the option.  If the  
25           state says, no way, Jose, after this little

1 outburst from the mayor, then that will be that,  
2 you know, problem solved.

3 Go ahead.

4 MR. SCHEU: Could we add to that? Tim and I  
5 discussed this yesterday.

6 In reading the statute, 112.64(4), it says,  
7 "The net increase, if any, in unfunded liability  
8 under the plan arising from" -- several things,  
9 one of which is, "changes in actuarial  
10 assumptions" -- which we have here -- "shall be  
11 amortized within 30 plan years."

12 That's what the statute says. So Tim told  
13 me that the actuary is amortizing this change in  
14 20 years. So we have the power to do it over 30  
15 years.

16 CHAIRMAN TUTEN: Correct.

17 MR. SCHEU: Which is also in the --

18 DIRECTOR JOHNSON: It's in the House Bill  
19 1297.

20 MR. SCHEU: -- in the legislation that the  
21 mayor got through the legislature. So I think we  
22 ought to enlarge that to see if we are reading  
23 that correctly, that one option would be to  
24 amortize it over 30 years rather than 20.

25 CHAIRMAN TUTEN: Well, that's part -- if you

1 look at the transcript from -- you know, which  
2 you've read from last -- not last year, this past  
3 January, that was -- part of that was brought up  
4 as to how we -- are we going to do 20, are we  
5 going to do it over 30, because the current plan  
6 is 20 --

7 MR. SCHEU: Right.

8 CHAIRMAN TUTEN: But it makes more sense  
9 because it's 30 now because of the new deal.  
10 That could all be part of that.

11 MR. SCHEU: That's what I mean. But Jarmon  
12 said that he preferred 20 --

13 CHAIRMAN TUTEN: Right.

14 MR. SCHEU: -- which the nation was sort of  
15 moving toward, but there wasn't any resolution.  
16 I just want to know if we could do it over 30.

17 CHAIRMAN TUTEN: Yeah. Well, I like the 20  
18 better simply because it makes the city pay it  
19 down faster.

20 MR. SCHEU: Well, I understand that, but if  
21 that's part of negotiating something not in the  
22 press but in a room where we're all together,  
23 then they might be helpful.

24 CHAIRMAN TUTEN: Are you assuming something  
25 like that would be negotiated with the union

1 contract as far as changing it or . . .

2 MR. SCHEU: No. It's just the actuarial  
3 contract. It's not that.

4 MR. BROWN: Right.

5 MR. SCHEU: It's just another tool --

6 MR. BROWN: That wouldn't be a part of the  
7 bargaining.

8 MR. DARAGJATI: It's within your realm to  
9 make that decision. And there's plans that  
10 amortize these things over 30 years.

11 The current trend within actuarial standards  
12 is to move the amortization schedules to the  
13 working life of the average participant of the  
14 plan. That's why Jarmon was saying 20 years.

15 But you're right. You can amortize it over  
16 30 years.

17 MR. SCHEU: All I'm saying is one thing for  
18 us to consider if the state doesn't want us to  
19 stagger, then one option we have instead of  
20 staggering is to amortize it over 30 years rather  
21 than 20.

22 MR. BROWN: And keeping in mind, now, with  
23 the average life of the employee -- not life, but  
24 the career span of the employee now increasing  
25 due to the minimum-years-of-service requirement

1           that changed last year, that could be, you know,  
2           justification for that.

3           But I hate the idea of moving it to 20 years  
4           because I think all you're going to do now is  
5           kick the can down the road. It just continues  
6           on, you know.

7           MR. SCHEU: Sure.

8           MR. BROWN: Like financing your house. If  
9           you've got a plan to pay it off in 15 years and  
10          you can possibly make it, you need to work on  
11          that rather than lowering your payment a little  
12          bit and take twice as much time.

13          MR. PATSY: I don't disagree with that at  
14          all, but I would like to see what the numbers  
15          look like.

16          MR. SCHEU: That's all I'm saying.

17          MR. BROWN: Yeah.

18          DIRECTOR JOHNSON: All right. I've got my  
19          direction. Do you need a --

20          CHAIRMAN TUTEN: We need a motion and a  
21          second to approve Director Johnson sending a  
22          letter.

23          MR. PATSY: Motion.

24          CHAIRMAN TUTEN: We have a motion.

25          MR. PAYNE: Second.

1           CHAIRMAN TUTEN:  And a second.  Any more  
2 discussion?

3           (No responses.)

4           CHAIRMAN TUTEN:  All in favor?

5           (Responses of "aye.")

6           CHAIRMAN TUTEN:  Any opposed?

7           (No responses.)

8           DIRECTOR JOHNSON:  Thank you, Mr. Chair.

9           That moves us on to item VII in your Board  
10 book.  We have reports from our counsel, Paul  
11 Daragjati, as well as from Steve Durden.

12           MR. SCHEU:  Director, could I just ask a  
13 question I should have asked in the Consent  
14 Agenda --

15           DIRECTOR JOHNSON:  Yes.

16           MR. SCHEU:  -- before we move to that  
17 subject.

18           I thought this wasn't on the Consent Agenda,  
19 but there's a -- as part of the documents that  
20 were in the agenda, there was a schedule analysis  
21 of DROP enrollment statistics, which I have  
22 trouble understanding because it says -- and it  
23 carries it through several years.  And the column  
24 is entitled, "New DROP Enrollments, Average Whole  
25 Years of Service, DROP Enrollment, and DROP End."

1 I think I know what New DROP Enrollments  
2 mean and what DROP endings are, but I was having  
3 a hard time correlating the schedules.

4 CHAIRMAN TUTEN: That's how old they are  
5 when they get in the DROP, they start the DROP --

6 MR. SCHEU: Oh, that's the age.

7 CHAIRMAN TUTEN: Right.

8 MR. SCHEU: Okay. Thank you.

9 DIRECTOR JOHNSON: Did you get your question  
10 answered?

11 MR. SCHEU: Yes, sir. Thank you.

12 DIRECTOR JOHNSON: All right.

13 So we're at the Counsel Reports tab in your  
14 Board book. The first report is from the  
15 Klausner firm, and Paul Daragjati is here to  
16 answer any questions the Board members might  
17 have.

18 MR. DARAGJATI: Just a quick update as far  
19 as the update on existing matters.

20 I put in there at the time I submitted this  
21 report that Loomis Sayles agreement was still in  
22 negotiations. That is done. I believe they are  
23 sending it to Devin, if he hasn't already gotten  
24 it. So we're completed as far as both Loomis  
25 Sayles and Neuberger. So that is done.

1           In regards to the new matter, the issue of  
2           ConvergEx, I'm not going to beat a dead horse.  
3           I'm sure you've already read what's in the  
4           report.

5           Our recommendation is based upon the fact  
6           that it's always best to do as much due diligence  
7           as possible before you act on a decision like  
8           this.

9           Right now you have four total -- four  
10          total --

11          DIRECTOR JOHNSON: Commission recapture  
12          firms.

13          MR. DARAGJATI: Commission recapture firms.  
14          Yes. The word escaped me. I apologize.

15          So if you fired ConvergEx, you would still  
16          have three other actively working for you. But  
17          it's the Board's decision what the Board wants to  
18          do at that point. I'd leave it to the Board to  
19          make that decision.

20          CHAIRMAN TUTEN: Paul, has the SEC completed  
21          their investigation into them? I mean, I read  
22          the report, you know, and I read how -- what they  
23          were doing and how they were doing it, this, that  
24          and the other. I mean, is the SEC or whoever is  
25          investigating, are they done with them or are

1           they still investigating?

2           MR. DARAGJATI: The investigation --  
3           correct. The investigation is done. The only  
4           thing the SEC is doing right now is civilly  
5           prosecuting one of the players involved to  
6           recover money that they assert he has.

7           CHAIRMAN TUTEN: Is there a way we can find  
8           out just how much -- how many trades they made  
9           with our stocks? Do they keep records of that or  
10          did they shred them all? How do we . . .

11          MR. DARAGJATI: Well, the best way to  
12          probably figure that one out is by looking at the  
13          refund that the Board got from the settlement,  
14          which I believe was 610. How much was it?

15          MR. CARTER: About 300,000.

16          MR. SCHEU: How much?

17          MR. CARTER: 300,000.

18          MR. DARAGJATI: 300,000. Okay.

19          And obviously that's a portion of it. I  
20          don't think that the entire settlement recovered  
21          everything that they may have illegally gotten.  
22          That's just how these things work.

23          CHAIRMAN TUTEN: Right. Well, I listened to  
24          the other -- so essentially we have two choices.  
25          Either we keep them or we could fire them, if

1 that's what we so choose to do today.

2 I'll let -- I have some opinion obviously on  
3 the matter. But anybody else want to speak up  
4 first and give their input on the matter?

5 MR. PATSY: My take on commission recapture  
6 is it is legal obviously, but it's an illegal  
7 kickback.

8 And the practice -- you know, the industry  
9 is moving to what they refer to as best  
10 execution. Commissions are being squeezed. The  
11 value of the commission recapture is dwindling,  
12 okay? Or the value to us is dwindling.

13 So rather than say let's get rid of  
14 ConvergEx based on just today, I would propose  
15 that we get -- in a subsequent meeting, get Tim  
16 to bring in the commission recapture people.  
17 Let's do a full analysis of the program.

18 If we're going to fire one, we ought to fine  
19 them all because the practice is fraught with  
20 this kind of stuff.

21 CHAIRMAN TUTEN: Right.

22 MR. BROWN: I think more analysis has to be  
23 done, especially as a junior member of this  
24 Board, just in understanding, you know, before we  
25 make a decision like that.

1 MR. PATSY: That would be helpful.

2 MR. SCHEU: I agree.

3 Paul, as you get this information together,  
4 I would be interested if there still is a  
5 possibility -- if you can't get the best -- what  
6 do you call it, the best --

7 MR. PATSY: Best execution.

8 MR. DARAGJATI: Best execution.

9 MR. SCHEU: If there's a fiduciary  
10 responsibility to take advantage of these  
11 recapture agreements so you do get to that.

12 But I understand it's sort of like this  
13 plaintiffs' strike suits that we do too. But I  
14 do think I would like to cover that base, that we  
15 don't have a duty to take advantage of whatever  
16 it is.

17 MR. DARAGJATI: I can write you a short  
18 legal opinion on it, but I can tell the Board  
19 right now, the standard that Florida Statutes  
20 hold you to is the prudent investor standard.  
21 And under that standard, a person of like skills  
22 and knowledge like yourself would have an  
23 interest in getting best execution on these  
24 trades.

25 Therefore, it's -- I think it's incumbent

1           upon the Board to take a look at this -- as we  
2           said in the opinion, to take a look at this  
3           issue.

4           I mean, it's a rational, relevant argument  
5           that the entire concept of commission recapture  
6           is somehow flawed, and there's arguments that  
7           support both sides. And it's the Board's  
8           decisions to do so. But I can prepare a short  
9           legal memorandum for the Board, if the Board  
10          wishes.

11          CHAIRMAN TUTEN: Well, are you guys  
12          interested in setting up a meeting with one of  
13          the actual companies that works for us? Is that  
14          what we're looking at doing? Is that what you  
15          want to do?

16          MR. BROWN: I think that would be a good  
17          idea.

18          CHAIRMAN TUTEN: Okay.

19          Director, do you want to set that up for us?

20          DIRECTOR JOHNSON: I will take care of it.

21          CHAIRMAN TUTEN: Okay. So today we're just  
22          pretty much going to table the decision whether  
23          or not we want to keep them or kick them to the  
24          curb, so to speak. So that's fine.

25          MR. SCHEU: With regard to that, though, his

1 recommendation was that we seek an opinion from  
2 our investment consultant regarding the value,  
3 and I think we ought to ask Dan about that too,  
4 what does he think the value of --

5 CHAIRMAN TUTEN: That's fine.

6 MR. SCHEU: -- as part of this due  
7 diligence.

8 DIRECTOR JOHNSON: Do we want any action on  
9 the part of the attorney? He offered to put  
10 together a brief opinion. Has the Board  
11 authorized that?

12 MR. SCHEU: I think as part of our  
13 consideration, we would need to know what our  
14 potential liability was going either way. So I  
15 think that would be helpful.

16 MR. DARAGJATI: And just to clarify for my  
17 purposes, do you want the opinion to reflect this  
18 particular case or commission recapture as a  
19 whole? Or both?

20 MR. BROWN: For me, I think as a whole this  
21 concept needs to be addressed. But I would ask  
22 this, because of the turnover here with  
23 representation, issuing an opinion this month, if  
24 we have questions on that, are you going to be in  
25 attendance --

1 MR. DARAGJATI: I will always be available  
2 to you guys.

3 MR. BROWN: Available for questions. Yeah.  
4 Okay.

5 MR. DARAGJATI: You don't have to worry  
6 about that.

7 MR. BROWN: Yeah. I think the concept as a  
8 whole.

9 MR. DARAGJATI: Sure. Okay.

10 MR. BROWN: Thanks, Paul.

11 DIRECTOR JOHNSON: I'll take care of it.

12 CHAIRMAN TUTEN: All right. Thank you, sir.

13 DIRECTOR JOHNSON: All right. Any more  
14 questions for Paul Daragjati?

15 Paul, do you have anything else?

16 MR. DARAGJATI: The only thing that I did  
17 want to mention that I didn't mention in the  
18 report was FRS -- as you know, FRS has -- excuse  
19 me. The legislature has mandated that all local  
20 plans use the FRS Mortality table.

21 In October, their assumption committee met  
22 and they actually tweaked their mortality table,  
23 very slightly, but it is a tweak, to say -- and  
24 it actually -- it took into account -- previously  
25 what FRS did was they based their mortality table

1 on employee life spans. But now they've  
2 graduated it to the public as a whole.

3 So what they have done with that is changed  
4 the mortality assumption within their plans, and  
5 they've given the option to all local plans in  
6 the state to use either the previous one they  
7 used or the new one for the upcoming valuation.  
8 In the valuation for next year, you'll have to  
9 use the second one.

10 Am I making sense?

11 MR. BROWN: Yes.

12 MR. DARAGJATI: Okay. So what that means  
13 for the Board is, when you meet with your actuary  
14 on valuations, it might behoove you just to ask  
15 him which table he used and how -- what type of  
16 difference it would make to the valuation.

17 MR. BROWN: Do you know the -- could you sum  
18 up the difference in this new table? Is it  
19 expanding?

20 MR. DARAGJATI: I think it actually shortens  
21 life spans slightly. Yeah.

22 MR. BROWN: Shortens. Okay.

23 MR. DARAGJATI: I made a morbid joke in the  
24 firm that the presence of fast food is helping  
25 out the actuarial problems.

1 (Laughter)

2 CHAIRMAN TUTEN: That just reminded me of  
3 something.

4 Going back to the party invitation for the  
5 mayor and everyone next month, have we talked to  
6 our new actuaries about attending, possibly  
7 having them come down with Jarmon? You know,  
8 they don't have to participate if they don't want  
9 to, but I would like for them to kind of get the  
10 gist of what we're doing here --

11 MR. BROWN: Where we're at.

12 CHAIRMAN TUTEN: -- hopefully, and if they  
13 have something to contribute, they're more than  
14 welcome, as always.

15 DIRECTOR JOHNSON: I'll take care of that.

16 MR. BROWN: Thanks, Tim.

17 MR. DARAGJATI: And that's all I have.

18 MR. SCHEU: Tim and I also talked about one  
19 other piece of litigation that Mr. Lee has sued  
20 against all of us.

21 So I asked if Steve could give an update on  
22 that as far as -- the city has filed motions on  
23 our behalf, but I don't believe a hearing has  
24 been scheduled.

25 DIRECTOR JOHNSON: For the record, this is

1 attorney Steve Durden. Come on up, Steve.

2 MR. DURDEN: Good morning.

3 So there is a little report that I should  
4 have had this in writing. The lawyer working on  
5 this case is Jacob Payne.

6 We're moving all of our furniture to repaint  
7 and put in new carpet that's probably relatively  
8 old. So Jacob took this week off, and I didn't  
9 get a chance to talk to him, but he did send me a  
10 note. So I don't have anything more to tell you.

11 As a reminder, I think we've let you know  
12 this, but there's been a motion to dismiss filed  
13 of all the individual defendants that are seated  
14 in their official capacity. A motion for more  
15 definite statement, though. The way the  
16 complaint's written, we've said, look, you've got  
17 to tell us a little bit more what you think we've  
18 done or not done in a more specific way.

19 And then a motion to dismiss the fund as a  
20 separate entity. The Board is an entity, but the  
21 fund itself is not really an entity. There's no  
22 such thing as a fund as an entity.

23 I mean, we use that term loosely, but the  
24 actual title is Jacksonville Police and Fire  
25 Pension Board of Trustees. So there is no such



1 Judge Norton was out of town, but on Monday Judge  
2 Norton scheduled a -- as Jacob described it, a  
3 brief telephone conference for the 21st, which I  
4 guess is next Wednesday at 9:30. No notice of  
5 exactly what it's about, but it may be to find  
6 out the different parties' views of statutory  
7 requirement of expedited hearing; if necessary,  
8 each one's view, et cetera.

9 So that expedited hearing is in the  
10 complaint but has not been requested at this  
11 point officially by motion, by the lawyer for  
12 Mr. Lee. So that's where we're at in the  
13 litigation. Trying to get it moved forward.

14 It does sometimes take time. As you know,  
15 sometimes litigation does last a while, but we  
16 will let you know if there's more specific  
17 scheduled hearings, et cetera, that kind of  
18 stuff.

19 So that's the report on the litigation. I  
20 have -- if you're interested -- any questions on  
21 that? I have one other. Does that make sense  
22 what's going on?

23 CHAIRMAN TUTEN: Yeah, that's fine, Steve.  
24 Thanks, buddy. That's fine.

25 MR. DURDEN: All right. Yes, sir.

1           And I do have at least what I think is an  
2 answer for your subpoena question if you'd like  
3 me to give you that.

4           MR. SCHEU: Yes.

5           MR. DURDEN: I've looked it up in the  
6 charter, and I'll quote it for you. I actually  
7 sent an email to all of you while we were sitting  
8 here.

9           Section 22.04 of the charter gives us --  
10 discusses the powers of the Board. And one of  
11 the powers in paragraph (p) is, "to issue  
12 subpoenas to compel attendance of witnesses,  
13 production of papers and books and records."

14           However it adds, "pertinent to any  
15 investigation or hearing concerning an  
16 application for membership or benefits."

17           So I'm not sure you have full subpoena  
18 power. It tends to be the courts will interpret  
19 a power -- if you're granted a specific power,  
20 then the courts will not see that you're granted  
21 a broader power.

22           Devin suggested there may be another  
23 subpoena power somewhere in the charter, so it's  
24 certainly possible. I looked. I used what best  
25 search tools I could on the computer to look for

1 other subpoena power, but at this moment it looks  
2 like your subpoena power exists for the standard  
3 application-for-benefits kinds of thing, but not  
4 necessarily for all other things.

5 That's at this point what I would say, but I  
6 will continue to look just to make sure that I'm  
7 not mistaken.

8 CHAIRMAN TUTEN: Thanks, Steve.

9 Director, are we going to get Dan on the  
10 phone for this?

11 DIRECTOR JOHNSON: Yes, we are. Dan is on  
12 cue. His consultant report is the next tab in  
13 your Board book.

14 (Pause)

15 DIRECTOR JOHNSON: Hey, Dan, good morning.  
16 It's Tim. Can you hear me?

17 MR. HOLMES: Yes, sir. Can you hear me?

18 DIRECTOR JOHNSON: Yeah, you're coming  
19 through great.

20 Listen, we're taking a brief break, so if  
21 you'll just be on hold for a few minutes, we'll  
22 be right back at you. Okay?

23 MR. HOLMES: That's fine. Take as long as  
24 you need.

25 (Pause)

1           DIRECTOR JOHNSON: Mr. Chairman, our guests  
2 have some prior engagements they've got to get  
3 to.

4           CHAIRMAN TUTEN: Okay.

5           DIRECTOR JOHNSON: Under New Business, we're  
6 going to recognize the Klausner firm; my  
7 predecessor, our Interim Executive Director, Beth  
8 McCague; and also David McCall, who's been a  
9 member of the Advisory Committee.

10           I'm wondering if you wouldn't mind  
11 recognizing their service to the fund first and  
12 then we can come back to Dan.

13           CHAIRMAN TUTEN: Well, sure. Is Dan on  
14 hold?

15           DIRECTOR JOHNSON: He's on hold.

16           CHAIRMAN TUTEN: That's fine. Who's going  
17 first? Put McCall up here. Where's Dave? Come  
18 on up, Dave.

19           Where do you want to do it, this end or this  
20 end?

21           DIRECTOR JOHNSON: Where would you like to  
22 do it?

23           MS. MANNING: It doesn't matter. Up here.

24           We already gave him his award at the  
25 Advisory Committee meeting, but we're just

1 recognizing him for his service.

2 MR. BROWN: Gave it to him yesterday.

3 CHAIRMAN TUTEN: Oh, gave it to him  
4 yesterday. We've got to take pictures.

5 THE REPORTER: This is on the record?

6 MS. MANNING: Yes.

7 CHAIRMAN TUTEN: How long have you been on  
8 the Board, Dave?

9 MR. McCALL: 11 years.

10 CHAIRMAN TUTEN: Dave has been on the  
11 Advisory Committee 11 years. Dave actually used  
12 to drive me at Engine 51 a long time ago. One of  
13 the happiest days of my life was when I  
14 transferred to another fire station because I  
15 simply knew that I was not going to die a  
16 horrific death with Dave's driving.

17 (Laughter)

18 CHAIRMAN TUTEN: But, no, I actually got him  
19 interested. He asked me about it one time at the  
20 fire station. What does the Advisory Committee  
21 do? I said, truthfully, I have no idea, but come  
22 down once a month and you'll probably like it.  
23 And he's been here ever since.

24 But we do -- anybody knows, it's me. I  
25 appreciate what you put up with, and I wish you

1 the best of luck. Are you officially retired  
2 yet?

3 MR. McCALL: The 28th.

4 CHAIRMAN TUTEN: Well, good luck.

5 MR. SCHEU: Thank you.

6 MR. PAYNE: Thank you.

7 (Pictures taken.)

8 CHAIRMAN TUTEN: Who is next? Beth, come  
9 up.

10 MS. McCAGUE: Thank you.

11 CHAIRMAN TUTEN: Beth, we already had sort  
12 of a semi-emotional good-bye before so I'm not  
13 going to roll it again.

14 MS. McCAGUE: Okay.

15 CHAIRMAN TUTEN: But we appreciate  
16 everything you did. It was quite satisfactory.

17 MS. McCAGUE: Thank you.

18 CHAIRMAN TUTEN: Now, they've got you a  
19 plaque.

20 MS. McCAGUE: This is wonderful. Thank you  
21 so much.

22 CHAIRMAN TUTEN: Here it is to Beth.

23 MS. McCAGUE: Thank you so much.

24 CHAIRMAN TUTEN: You're welcome, Beth.

25 MS. McCAGUE: It was quite a year. Thank

1           you.

2           (Laughter)

3           MS. McCAGUE: Thank you for all your  
4 support. Oh, thank you, Chris. Thank you so  
5 much.

6           (Pictures taken.)

7           MS. McCAGUE: Thank you very much.

8           DIRECTOR JOHNSON: We have, Mr. Daragjati.

9           CHAIRMAN TUTEN: Oh, Paul. Come on, Paul.  
10 Now we've got another one.

11           Thank you for your work, sir. We appreciate  
12 it.

13           MR. DARAGJATI: Thank you.

14           CHAIRMAN TUTEN: Paul, how long have you  
15 been with Klausner now?

16           MR. DARAGJATI: A little over three years.

17           CHAIRMAN TUTEN: Paul, in case no one knew,  
18 actually was a JSO police officer before he  
19 became a lawyer. He escaped well in time.

20           (Laughter)

21           MR. DARAGJATI: Yes.

22           CHAIRMAN TUTEN: Very smart. We appreciate  
23 everything you've done, guy.

24           MR. DARAGJATI: Thank you. Thank you.

25           (Pictures taken.)

1 (Applause)

2 MS. MANNING: Dan, are you still with us?

3 MR. BROWN: Sorry, Dan. We've had our  
4 good-byes we needed to do.

5 MR. HOLMES: Oh, I understand. Don't worry.  
6 Please tell my congratulations and special thanks  
7 to everyone, especially Beth. I enjoyed working  
8 with her and she was a big help.

9 MS. MANNING: Did you hear that, Beth?

10 MS. McCAGUE: I did. Thank you, Dan.

11 MR. BROWN: She says thank you.

12 MR. HOLMES: My pleasure.

13 MR. DARAGJATI: Just a little factoid that I  
14 was thinking about earlier. Just to let you know  
15 my age, my older daughter is in her final year at  
16 FSU.

17 Bob started representing this fund when I  
18 was a junior in high school. That's how long he  
19 was here.

20 MR. BROWN: Oh, wow.

21 CHAIRMAN TUTEN: Nice.

22 DIRECTOR JOHNSON: All right. We're ready.

23 Dan, you're the next up on the agenda.

24 We're all back at the Board table and we have our  
25 Board books in front of us. I think you're going

1 to start with the November Flash Report.

2 MR. HOLMES: That is correct. So if you  
3 turn to the November Flash Report, I'll start by  
4 giving you a quick background for the month's  
5 performance by which to measure.

6 So the background was the month was fairly a  
7 volatile month in terms of asset prices as we saw  
8 the results of the election. And so kind of as  
9 background, the election and the results in the  
10 capital markets reflected basically the winners  
11 of perceived economic policies. And we'll go  
12 more into that in a second.

13 But the bottom line was that domestic  
14 equities rallied because of the election results.  
15 We saw the S&P up 3.7 percent. We saw small-cap  
16 stocks represented by the Russell 2000 up over 11  
17 percent.

18 MLPs were up 2.3 percent, and bank loans at  
19 least remain positive. They're up 30 basis  
20 points. But that was the good news and that's  
21 kind of what got played up in the press.

22 On the flip side, the perceived economic  
23 policies going forward are portending higher  
24 inflation, higher interest rates, renegotiated  
25 trade policies, and as a result, we saw other

1 asset classes sell off.

2 So as an example, the EAFE Index  
3 representing developed international countries  
4 was off 2 percent. The Emerging Markets Index  
5 was off 4.6 percent. Bonds were all negative  
6 across the board. The Aggregate Index was off  
7 2.4 percent. And the Global Aggregate SUX Index  
8 was off over 5 percent.

9 So it was kind of a mixed bag as a result of  
10 the market's reaction to the election.

11 Turning to the first page, we see the Asset  
12 Allocation and the Market Value. Market Value  
13 finished at approximately 1.6 billion, just a  
14 little bit under that.

15 The investment -- or the Asset Allocation  
16 remains in line with the investment policy.  
17 Actually, the Asset Allocation was helpful with a  
18 slight overweight by about 2 percent in US  
19 Equity, a slight underweight in Fixed Income, and  
20 a little bit underweight in Real Estate and  
21 overweight in MLPs. But the bottom line is Asset  
22 Allocation remains in line with policy.

23 Because of some of those overweights and  
24 just because of asset allocation in general, the  
25 total fund was up 1 percent, 1.03 percent, for

1 the month, which outperformed the policy index.

2 So far this fiscal year-to-date, the total  
3 fund return is slightly negative. It is down 11  
4 basis points. And, again, that's above the  
5 policy. And that's because, you'll recall, that  
6 there were negative returns across the board in  
7 asset classes during the month of October.

8 So the bottom line is, on a net-of-fees  
9 basis so far this fiscal year, the plan is down  
10 16 basis points.

11 So breaking down performance, the US Equity  
12 portfolio was up a little over 4 percent for the  
13 month. That was led by two of the growth  
14 managers in the portfolio.

15 For the fiscal year-to-date, it remains  
16 above the benchmark by 62 basis points, up 2.8  
17 percent.

18 The International portfolio was negative, as  
19 expected, for the month because of what I had  
20 cited before. The Emerging Markets exposure in  
21 two of the managers was a little bit of a drag on  
22 relative performance. So it was down 3 percent,  
23 about 70 basis points below the benchmark for the  
24 month. For the fiscal year, it's down about 4  
25 percent.

1           On the Fixed Income side, the Fixed Income  
2 portfolio was -- as expected, was down 1.8  
3 percent, almost 1.9 percent. It remained above  
4 the benchmark. It's above the benchmark because,  
5 first, bank debt exposure in the portfolio  
6 remained positive. That helped offset some of  
7 the negative losses from the passive portfolio.

8           And then, again, in addition to that, the  
9 credit exposure and duration position of Thompson  
10 Siegel also helped out in terms of relative  
11 performance. They were still negative, but it  
12 was less negative, if you will.

13           And then, finally, in the Real Estate  
14 portfolio, the real assets in general remain  
15 positive. So Real Estate was up about 86 basis  
16 points for the month. Fiscal year it's up about  
17 1 1/2 percent.

18           You will note that the index is not priced  
19 as of yet. As a matter of fact, it doesn't price  
20 on a monthly basis, just on a quarterly basis.  
21 So no benchmark update is given there for the  
22 month.

23           And, finally, MLPs in the portfolio, up over  
24 3 percent for the month.

25           And so, again, the quality bias in the

1 portfolio, which has led to a little bit of  
2 underperformance so far this year on a relative  
3 basis, but the bottom line is that's what adds  
4 value over time. So all in all, the bottom line  
5 is it was a positive month.

6 Let me stop and see if there are any  
7 questions.

8 MR. PATSY: Hey, Dan, this is Rick.

9 On Brown, I mean, they're showing up all red  
10 this time, and I know that this is a snapshot.  
11 You know, Baillie Gifford's turned the corner.  
12 Pinnacle has turned the corner.

13 What's the story on Brown?

14 MR. HOLMES: Brown continues to  
15 underperform. It's primarily two things.

16 First, industry, and then sector selection,  
17 if you will, has been a drag on performance  
18 relative to other large-cap growth managers.  
19 They also run a very concentrated portfolio  
20 relative to others, and that has just exacerbated  
21 it.

22 Internally we are preparing searches for  
23 various clients to replace Brown. We're working  
24 through some of these issues with the Financial  
25 Investment Advisory Committee to come up with a

1 consensus recommendation for action on Brown and  
2 also possibly some other restructuring of the  
3 Domestic Equity portfolio, but that remains in  
4 work.

5 We've had a couple conversations delayed and  
6 one conversation where no consensus was reached.  
7 So my hope is that we put this to bed at the  
8 January meeting.

9 MR. PATSY: Okay. Your next quarterly is  
10 February, though?

11 MR. HOLMES: Yeah.

12 MR. PATSY: Okay.

13 MR. HOLMES: Yeah, but I want to -- you  
14 know, we've been working on it, but I want to  
15 call the question and accelerate the pace of  
16 decision as quickly as I can.

17 MR. PATSY: Okay. When you said industry  
18 allocation with Brown was a problem, can you be  
19 more specific?

20 MR. HOLMES: It's been more or less some  
21 section weighting, especially -- you know, I  
22 don't have the -- give me a minute. I have to  
23 pull up the quarterly report.

24 (Pause)

25 MR. HOLMES: Okay. So, for instance,

1 looking at the last quarter, healthcare was a big  
2 problem for them, especially with regard to some  
3 of the biotech names in the healthcare sector.

4 Information Technology was another area  
5 where not only do they have poor stock selection,  
6 they also had a fairly sizable overweight.

7 So those are two areas that have plagued  
8 them this year. To a lesser extent in --  
9 actually, financials has kind of turned around  
10 and helped them here recently on a relative  
11 basis.

12 But the bottom line is the healthcare sector  
13 has been an area that hurt them again in 2014,  
14 and it's come back to hurt them again this year.

15 MR. PATSY: Okay.

16 CHAIRMAN TUTEN: Anybody got any questions?

17 MR. HOLMES: Rick, does that answer your  
18 question?

19 MR. PATSY: Yeah, I think so. I think so.

20 So if I can --

21 MR. HOLMES: And the bottom line is this.  
22 We're starting to see other large-cap growth  
23 managers recover. All large-cap growth managers  
24 have had a tough three years, and then depending  
25 on the magnitude of underperformance, that may

1 extend out to five years. They're all kind of in  
2 the same bucket.

3 However, a number of them have seemed to  
4 have turned the corner so far this year,  
5 especially with energy recovering, especially  
6 with emerging markets recovering. And so  
7 exposure to industries that are affected by  
8 China, for example, or by energy prices, may have  
9 helped out in their portfolio.

10 So we've seen some recovery of some other  
11 large-cap growth managers. We haven't seen it  
12 with Brown.

13 And as a result, we're starting to look at  
14 replacement work and also look at -- looking at  
15 methodology of rebuilding domestic equity to  
16 avoid some of those problems in the future.

17 MR. PATSY: All right. That's good.

18 MR. HOLMES: Okay?

19 MR. PATSY: Yeah.

20 MR. HOLMES: Was there another question?

21 CHAIRMAN TUTEN: No, Dan.

22 Hey, buddy, in the interest of time here,  
23 unless some other trustees want to go throughout  
24 the reports all the way to the end, could you get  
25 to -- could we just go ahead and shortcut to the

1 funding of Neuberger and Loomis Sayles?

2 MR. HOLMES: Certainly. Certainly.

3 So if we turn to that, is there -- there  
4 should be a pass-out, if you will.

5 CHAIRMAN TUTEN: Yeah, it's a separate  
6 printout.

7 MR. HOLMES: I believe there's a three-page  
8 pass-out. And the bottom line is this.

9 As a quick background, earlier the year the  
10 Board conducted a search to hire a Core Plus  
11 Fixed Income manager. The manager that was hired  
12 for that mandate was Neuberger Berman.

13 During the course of that search we also --  
14 the Board also made a decision to consolidate an  
15 unfunded emerging market debt mandate and the  
16 senior bank loan mandate to create a second Core  
17 Plus Fixed Income mandate.

18 Loomis Sayles was selected for that  
19 assignment. In addition to that right now, the  
20 city has made its contribution to the pension  
21 plan in the amount of \$144,745,000.

22 And so what we're proposing to do is use  
23 some of that cash to rebalance and some of that  
24 cash to fund one of the new bond managers.

25 So the recommendations as are follows:

1           First, with regard to the city's  
2           contribution, \$84,745,000 of that, or roughly 59  
3           percent, should be invested in the Northern Trust  
4           S&P 500 Index Fund. That was basically to  
5           maintain the equity fixed income balance  
6           according to the asset allocation target.

7           The second recommendation is to take 2  
8           million of the new cash and put it -- add it to  
9           cash or keep it in cash to meet liquidity needs  
10          for the month.

11          And then a third recommendation is, of that  
12          new cash coming in, 58 million should be used to  
13          fund Neuberger Berman.

14          Further to fund Neuberger Berman, what we're  
15          proposing to do is redeem 60 million from the  
16          Bond Index fund.

17          We've also made the decision, prior  
18          decision, to close the Eaton Vance Senior Bank  
19          Loan Fund. And so to take the money out of that  
20          account at the end of November, that was \$41.6  
21          million.

22          And so the idea is the 58 million in cash,  
23          rebalancing 60 million from Northern, and then  
24          taking the almost 42 million from Eaton Vance,  
25          all goes to Neuberger Berman, and they can

1 build -- they'll build the portfolio and be fully  
2 funded by the end of the month.

3 CHAIRMAN TUTEN: Dan, what's the total we're  
4 giving to Neuberger?

5 MR. HOLMES: It is on the second page. If  
6 you look at it, Neuberger Berman is -- call it  
7 approximately \$160 million.

8 CHAIRMAN TUTEN: Wow.

9 MR. HOLMES: As of the end of March, the  
10 actual figure is \$159,639,490.

11 CHAIRMAN TUTEN: And they're strictly Core  
12 Plus?

13 MR. HOLMES: It's Core Plus.

14 Now, remember what Core Plus means. Core  
15 Plus means the plus sectors are permissible. So  
16 that would include high-yield bank loans,  
17 emerging market debt, nondollar debt. Those are  
18 the principal areas.

19 CHAIRMAN TUTEN: Yeah. The only -- and I  
20 know we've talked about this or whatever, but  
21 looking at the total now, and I'm looking at our  
22 portfolio, the only other portfolios we have are  
23 fairly conservative, you know, that amount of  
24 cash in the one account. You know, most of them  
25 are in the 70-, 80- range.

1           Even the Bond Index, Thompson Siegel Fixed.  
2           JP Morgan, which is Core Real Estate, is only at  
3           146 million, and now we're going to give a brand  
4           new manager 169- with no track record?

5           I mean, are the other Board -- are you guys  
6           comfortable with that?

7           MR. PATSY:   (Shakes head.)

8           CHAIRMAN TUTEN:   Okay.

9           Well, Dan, everybody here seems comfortable,  
10          so I'm going to roll with it.  But just so -- you  
11          know, Janice (sic) has it on the record in case  
12          we get yelled at again down that road.

13          MR. HOLMES:   And just so you know, it does  
14          have a track record, and so the -- this is just  
15          simply the funding that has been previously  
16          approved by the Board.

17          CHAIRMAN TUTEN:   I understand, but  
18          sometimes, you know, you get buyer's remorse.  
19          You just want to make sure.  You kick the tires  
20          one more time before you drive off the lot.

21          MR. HOLMES:   No, I understand.

22          And then the second recommendation is we  
23          need to fund Loomis Sayles.

24          Loomis Sayles will take longer to build the  
25          portfolio.  So to avoid some of the illiquidity

1 at year-end, the proposal is to move the money in  
2 January for them. They expressed that  
3 preference.

4 And so to fund Northern, we're recommending  
5 redeeming 35 million from the Northern Bond Index  
6 Fund and 74 million from Thompson Siegel. Again,  
7 there's \$2 million for cash liquidity needs  
8 included in those redemptions.

9 So at the end of the day in January, Loomis  
10 will be funded with \$107 million.

11 And, again, the vote by the Board, the prior  
12 approval by the Board, was to basically fund  
13 Neuberger Berman with about 60 percent and Loomis  
14 by about 40 percent. And that's kind of why  
15 there's -- the split is the way it is.

16 So that's the recommendation. Again, the  
17 action has been approved. All it is, is a  
18 recommendation to get both those managers to  
19 target.

20 MR. PATSY: Dan, clarify something for me on  
21 page 3.

22 You're going to fund Loomis with 35 million  
23 from the Bond Index fund and 74 million from  
24 Thompson Siegel. The current target you're  
25 showing on Thompson is 43.7, but the ending

1 dollars is 91.6.

2 MR. HOLMES: Yeah. Why the difference?

3 MR. PATSY: Yeah.

4 MR. HOLMES: Because, quite frankly, there's  
5 a 1 percent target for cash. And so in talking  
6 with Devin, we've made the decision that we don't  
7 have to fully fund that cash target, to keep  
8 basically 17 million in cash. And what we're  
9 doing is basically funding the needs for  
10 liquidity on either a monthly or a quarterly  
11 basis as is needed.

12 And so we -- you know, we've got some cash  
13 now. We've got some cash now. We're using that  
14 to take care of some of the near-term liquidity  
15 needs, but the bottom line is that's the  
16 difference.

17 MR. PATSY: Okay. So if you look at the  
18 aggregate target for Fixed Income, it's 20.5  
19 percent, and we're going to end up at 23.3  
20 percent. Where is that extra --

21 MR. HOLMES: Well, you remember we had the  
22 new -- we've got 144 million coming in. So  
23 that's where some of the difference comes in.

24 MR. PATSY: Okay.

25 MR. HOLMES: So if you look at the far

1 right-hand side, you can see where Fixed Income  
2 comes in a little bit above its target and about  
3 by 1.8 percent.

4 MR. PATSY: Yeah. And Real Estate --

5 MR. HOLMES: And the difference is coming  
6 from Real Estate and -- basically coming from  
7 Real Estate.

8 MR. PATSY: Got it. Okay. I got it. I'm  
9 sorry.

10 MR. HOLMES: No, no, no. All good  
11 questions.

12 MR. PATSY: Okay.

13 CHAIRMAN TUTEN: All righty. Continue on.

14 Dan, do you have anything else to say or do  
15 you need a couple motions?

16 MR. HOLMES: No. I need a motion to approve  
17 the rebalancing. And by the way, all the  
18 documents are ready to go. We've negotiated and  
19 finished with the contracts.

20 And, Paul, if you mentioned that already, I  
21 apologize.

22 MR. DARAGJATI: I did, but that's okay.

23 CHAIRMAN TUTEN: All righty.

24 We have a motion to approve the rebalancing  
25 according to Dan Holmes's plan from Summit. We

1 have a motion by Rick Patsy. Do we have a second  
2 by anyone?

3 MR. BROWN: I'll second.

4 CHAIRMAN TUTEN: Second by Police Trustee  
5 Chris Brown.

6 MR. BROWN: Police Trustee.

7 CHAIRMAN TUTEN: I was trying to see if you  
8 were a detective or something.

9 Anyway, we have a motion and a second. Any  
10 discussion? Questions?

11 (No responses.)

12 CHAIRMAN TUTEN: Seeing none, all in favor?

13 (Responses of "aye.")

14 CHAIRMAN TUTEN: Any opposed?

15 (No responses.)

16 CHAIRMAN TUTEN: There you go, Dan.

17 MR. HOLMES: Okay. Great. Thank you.

18 I won't prolong it, but I will point out  
19 that in the packet of material, there is a  
20 summary, and if you just look at the second page  
21 of the summary, it gives you our views on what  
22 President-Elect Trump's economic policies -- at  
23 least as expressed in his platform -- mean to the  
24 economy and the stocks, bonds, the currency, you  
25 know, the US dollar and also to commodities.

1           And so if you look at that, it will give  
2 kind of what's being expected by the marketplace  
3 right now, either positive, negative or neutral.

4           CHAIRMAN TUTEN: I read it last night at the  
5 fire station, Dan. It was well put together. I  
6 enjoyed it.

7           MR. HOLMES: Well, thank you.

8           Other than that, the last order of business  
9 for me is to simply wish you-all a Merry  
10 Christmas and Best Wishes for a happy, healthy  
11 and prosperous New Year.

12          MR. BROWN: You too, Dan.

13          CHAIRMAN TUTEN: You too, Dan. Be safe out  
14 there, buddy.

15          MR. PATSY: You too.

16          MR. HOLMES: Thank you. You guys take care.

17          CHAIRMAN TUTEN: All right. See you next  
18 year.

19          MR. HOLMES: Thanks.

20          (Phone disconnected.)

21          DIRECTOR JOHNSON: All right.

22          Mr. Chairman, we have one last item. This  
23 is now under New Business.

24          It involves a Resolution requesting the  
25 approval of the Board to appoint Tracey Devine to

1 the FIAC. She's been vetted by the Financial  
2 Investment Advisory Committee. A copy of her  
3 résumé is attached to your Board book.

4 You'll see that she is currently Senior  
5 Vice-President, Research Analyst in the  
6 Investment Advisory Group of SunTrust.

7 She's attended the last two FIAC meetings.  
8 She's done an excellent job, and she was  
9 unanimously supported by that committee.

10 And so with your approval, I'll be taking  
11 her around to the members of the Rules Committee  
12 of council and working to get her introduced and  
13 hopefully approved by council too.

14 CHAIRMAN TUTEN: Do we have a motion?

15 MR. SCHEU: So moved.

16 MR. PAYNE: Second.

17 CHAIRMAN TUTEN: We have a first and second.

18 Any discussion, questions, concerns, comments?

19 (No responses.)

20 MR. PATSY: I'll make a second.

21 CHAIRMAN TUTEN: Willard did.

22 MR. PATSY: Oh, sorry.

23 CHAIRMAN TUTEN: All right. We have a first  
24 and second. Any questions, discussion?

25 (No responses.)

1 CHAIRMAN TUTEN: All in favor?

2 (Responses of "aye.")

3 CHAIRMAN TUTEN: Any opposed?

4 (No responses.)

5 CHAIRMAN TUTEN: None.

6 Congratulations, Tracey.

7 DIRECTOR JOHNSON: Sir?

8 MR. SCHEU: We may have answered this. I  
9 just forget.

10 But as it relates to that committee, there  
11 was an issue on the quorum last month, and they  
12 couldn't act so we couldn't act.

13 Did we get an answer on what they need for a  
14 quorum?

15 DIRECTOR JOHNSON: We did. So there's four  
16 members of that committee now. There's five  
17 members when it's full. Tracey will make the  
18 fifth.

19 The Chair of that committee, Brian Smith,  
20 did not know whether he, as Chair, was included  
21 in the quorum.

22 Now, on the day we had that meeting, there  
23 were only two members there anyway.

24 MR. SCHEU: Didn't matter. Right.

25 DIRECTOR JOHNSON: So there wasn't -- there

1 weren't enough members to do business. But he  
2 needed clarification on whether as the Chair he  
3 was included in the quorum. Clarification is  
4 that as Chair, he is included in the quorum.

5 So now we will need three of five to conduct  
6 business going forward, and the Chair can be part  
7 of the three.

8 CHAIRMAN TUTEN: Now, do they operate under  
9 the same rules of the state like our Advisory  
10 Committee does or the trustees? In other words,  
11 you have to have, I mean, the majority there to  
12 vote on something for it to pass? Is that how it  
13 works?

14 MR. DARAGJATI: Yeah. It all operates the  
15 same way.

16 MR. BROWN: And speaking of committees, it  
17 was brought to my attention about the Advisory  
18 Committee that because of just the way the  
19 elections have happened over the years, that  
20 they're all coming -- the terms are coming to  
21 expire at one point, which means all of the  
22 members would have to be reelected and several of  
23 them are going to be retiring and such.

24 And I think the concept of staggered terms  
25 was being vetted. Is that --

1           DIRECTOR JOHNSON: We vetted it, but we've  
2 confirmed that the statute, as written, that all  
3 seven of them expire at the same time. So  
4 currently we're talking now about the Advisory  
5 Committee. This is the committee that reviews  
6 our benefit questions.

7           So the benefit items that this Board  
8 approves under the Consent Agenda have been  
9 vetted previously by the Advisory Committee.

10          So right now Dave McCall is retiring.

11          MR. BROWN: Right.

12          DIRECTOR JOHNSON: And he is one member of  
13 that committee. We're going to hold a special  
14 election to fill his unexpired term that will  
15 take the new member of that committee from date  
16 of that election to the end of 2017.

17          We also have Brady Rigdon who was scheduled  
18 to retire in April of 2017. There will be a  
19 special election, if that committee approves it.  
20 The committee did approve an election to replace  
21 David, to also fill the unexpired term of Brady.

22          And then at the end of 2017 will be a fresh  
23 election to elect all new members.

24          MR. BROWN: And so the only concern I would  
25 have, having previously served on that committee,

1 is the possibility of losing all of the  
2 institutional knowledge if new members get  
3 elected. And I know it's written into ordinance,  
4 but certainly that could be changed.

5 I just bring up to you guys that could be a  
6 really significant point of concern considering  
7 all that they do. They vet all this stuff for  
8 us. It's Consent Agenda items for us, but it's  
9 what they are considering, and would not want to  
10 place that committee in a situation where they  
11 would have complete turnover and have very little  
12 experience driving what they do.

13 MR. SCHEU: So that would be an ordinance  
14 issue, not a statutory issue?

15 MR. DARAGJATI: Ordinance.

16 MR. SCHEU: So we could ask the general  
17 counsel to give us a proposal for legislation to  
18 provide --

19 MR. BROWN: Just to stagger the election so  
20 that it doesn't ever happen that way.

21 MS. MANNING: Can I state one thing on that,  
22 though?

23 You have seven members. So if you have the  
24 individual elections, you're paying for  
25 individual elections through this vote then.

1 MR. BROWN: Sure.

2 MS. MANNING: Which is quite expensive.

3 MR. BROWN: How expensive is it?

4 MS. MANNING: We've had three this year.  
5 It's over 3,000 for just the three that we're  
6 doing this year.

7 MR. BROWN: 3,000 total for the three that  
8 have been done?

9 MS. MANNING: Per year, per year. And you  
10 have to base your costs on the numbers of  
11 elections you'll be having during that contract  
12 period. So if you have seven of them, we're  
13 going to be doing elections staggered constantly.

14 MR. BROWN: And I'm wondering, why we do  
15 have to fill -- when somebody retires, they  
16 vacate that position, why do we have to fill it  
17 immediately? It is a seven-member committee.

18 MS. MANNING: Well, we had that discussion  
19 with them, but the problem is, you've got three  
20 firefighters, three police officers and one  
21 retired member --

22 MR. BROWN: Right.

23 MS. MANNING: -- so -- and, of course, you  
24 need a quorum if somebody doesn't show up --

25 MR. BROWN: Sure, yes.

1 MS. MANNING: -- as happened with the FIAC.  
2 It becomes a problem.

3 MR. BROWN: Okay.

4 MS. MANNING: We did discuss that and  
5 possibly waiting until Brady -- you know, when he  
6 runs out --

7 MR. BROWN: Yeah. Do it at once?

8 MS. MANNING: Yeah. For doing for both of  
9 those positions, but then you've got two  
10 firefighters. You know, you're minus one  
11 firefighter when you have three police officers.

12 MR. BROWN: Sure.

13 MS. MANNING: So it was discussed, but --

14 MR. BROWN: Because I think since -- since  
15 we're doing these -- won't call them emergency  
16 elections, but, you know, replacement elections,  
17 we're having to pay for those anyway, I think  
18 staggered elections, I don't know that it would  
19 add much to the cost because we're already having  
20 to every time somebody leaves.

21 So it looks like most people, they run it  
22 until they either retire or, like in my  
23 situation, moving on to here, so there's always  
24 going to be a special election needed. Not that  
25 there always will be, but it seems like in

1 looking at it the past few years, that that's  
2 happened, so the cost is going to be there  
3 anyway.

4 I just think the notion of staggering  
5 election makes sense.

6 MR. SCHEU: By staggering, you didn't mean  
7 one every year?

8 MR. BROWN: No. Simply half and half --

9 MR. SCHEU: You can do it three and four,  
10 right.

11 MR. BROWN: Three or four, yeah.

12 MR. SCHEU: So that would really not --  
13 would that add that much?

14 DIRECTOR JOHNSON: Well, really, honestly,  
15 gentlemen, with all due respect, cost is not an  
16 issue. We're here to administer the will of the  
17 Board.

18 MR. BROWN: Sure.

19 DIRECTOR JOHNSON: And so if you want us to  
20 do staggered elections, we'll do staggered  
21 elections.

22 MR. BROWN: Obviously, as fiduciaries, we  
23 want to make sure it doesn't cost too much.

24 DIRECTOR JOHNSON: The cost now is involved  
25 in doing them electronically. That's the issue.

1 MR. BROWN: Yeah.

2 DIRECTOR JOHNSON: We could always go back  
3 to doing them by paper, if you choose. But it's  
4 really the will of the Board in terms of how it  
5 wants to govern. The cost of that is really  
6 secondary.

7 MR. SCHEU: Well, could we get counsel to  
8 draft a proposal and then we can consider? We  
9 don't have to decide today. But then he or she  
10 could advise us and then we could make an  
11 informed decision.

12 DIRECTOR JOHNSON: That's correct. You're  
13 right. We've got until October to figure in out.

14 MR. SCHEU: Yes.

15 MR. BROWN: Great.

16 DIRECTOR JOHNSON: We'll still conduct the  
17 interims, but we'll have a decision in time for  
18 the next election.

19 MR. BROWN: Okay. Great.

20 MR. DARAGJATI: Just for the Board, I  
21 drafted an ordinance for the City of Lauderdale  
22 who had a similar problem on their Board, and I'd  
23 be happy to work with the OGC --

24 MR. BROWN: Okay. Great.

25 MR. DARAGJATI: -- basically giving them

1           what we did down there. Basically we just had  
2           one special election for half a term for two  
3           members of a five-member Board. And then the way  
4           we drafted it, after that special election, their  
5           term was shortened so that it caught up --

6           MR. BROWN: It caught up, yeah, yeah. I  
7           like that.

8           MR. DARAGJATI: And then they were on a  
9           regular schedule again.

10          MR. SCHEU: Good.

11          MR. BROWN: And I'll just ask this.

12                 As far as this Board is concerned, is it the  
13                 same way? Do all these terms technically expire  
14                 at one point?

15          DIRECTOR JOHNSON: I don't know the answer  
16                 to that question.

17          MR. BROWN: Just curious.

18          DIRECTOR JOHNSON: Does anybody know?

19          MR. SCHEU: I think the City Council members  
20                 are four years.

21          MS. MANNING: No, you-all are staggered.

22          MR. BROWN: We're all staggered. Okay. We  
23                 are staggered.

24          CHAIRMAN TUTEN: Yeah. We're all four, but  
25                 it just depends on how long those guys -- or even

1           like Willard. If he decides he wants to quit in  
2           April, then we've got four, come up with a fifth  
3           again.

4           MR. BROWN: Okay. Okay.

5           CHAIRMAN TUTEN: There's only one constant  
6           on this whole Board.

7           MR. BROWN: And that is you.

8           (Laughter)

9           CHAIRMAN TUTEN: You can't kill him, trust  
10          me. They tried. It's not going to work.

11          But, anyway, Director, have you got anything  
12          else for us?

13          DIRECTOR JOHNSON: Only that we had some of  
14          our tenants from the building in last night, and  
15          a few of our Board members stopped by. And we  
16          just happen to have some leftover Christmas  
17          cookies and coffee and fruit.

18          So if you-all have a minute, wouldn't mind a  
19          little fellowship after the meeting, we'd like to  
20          have you. And that goes for our guests as well.

21          CHAIRMAN TUTEN: Guests as well.

22          All right, guys. Anything else?

23          I want to wish everybody a Merry Christmas,  
24          Happy Hanukkah, if it fits your agenda. It's  
25          been a pleasure. We'll see you next year.

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(The Board meeting concluded at 10:32 a.m.)

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CERTIFICATE OF REPORTER

I, Denice C. Taylor, Florida Professional Reporter, Notary Public, State of Florida at Large, the undersigned authority, do hereby certify that I was authorized to and did stenographically report the foregoing proceedings, pages 3 through 82, and that the transcript is a true and correct computer-aided transcription of my stenographic notes taken at the time and place indicated herein.

DATED this 29th day of December, 2016.

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Denice C. Taylor, FPR  
Notary Public in and for the  
State of Florida at Large  
  
My Commission No. FF 184340  
Expires: December 23, 2018