JACKSONVILLE POLICE AND FIRE PENSION FUND
BOARD OF TRUSTEES AND FIAC MEETING

DATE: April 21, 2017

TIME: 9:00 a.m. to 12:30 p.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
Stephen Lundy, Pension Benefits Specialist
Devin Carter, CFO
Robert Sugarman, Board Counsel (via Webex)
Peter Strong, Fund Actuary (via Webex)
Dan Holmes, Summit Strategies Group

FIAC MEMBERS PRESENT:

Craig Lewis, Chairman
Robert Kowkabany
Tracey Devine

CITY REPRESENTATIVES PRESENT:

Lawsikia Hodges, Office of General Counsel
Anna Brosche, City Council Liaison
Joey Greive, Fund Treasurer

GUESTS:

Maya Saxena, Esq., Saxena White

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GUESTS:

David Altman, Bart Buxbaum,
HS Management

John Meyer, John O'Shea,
Loomis Sayles

Joe Kolanko, Rob Rohn,
Sustainable Growth Advisers

Randy Wyse, Jacksonville Association of Firefighters

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CHAIRMAN TUTEN: All right. Call the meeting to order. Let's say the pledge of allegiance real quick.

We 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: Everybody stay up for just a second. We're going to have a quick moment of silence for the deceased members: William Anderson, firefighter; Larry Hester, firefighter; Warren Jennings, police officer; Michael Johnson, police officer; Claude Midget, police officer; and Gene Parker, police officer.

(Pause)

CHAIRMAN TUTEN: All righty. Thank you very much.

We have the public speaking period. Bill, before we get to that, Director Johnson --

DIRECTOR JOHNSON: Yes, sir.

CHAIRMAN TUTEN: -- Trustee Scheu has to leave. How long did you say, Bill?

MR. SCHEU: By 11, 10:30, 11, to get to the airport. So I'll miss the interviews.
DIRECTOR JOHNSON: We'll have a quorum.
MR. SCHEU: Yes, you will.
DIRECTOR JOHNSON: But you will miss the interviews.
MR. SCHEU: Yes. I read it.
DIRECTOR JOHNSON: Good.
CHAIRMAN TUTEN: Are you going to be here for Dan's presentation and be able to vote?
MR. SCHEU: Yes.
CHAIRMAN TUTEN: Okay. That's fine.
All right. Bill.
MR. GASSETT: The dog ate my homework and I'm going to need to ask you guys to share, you two, you by yourself. And what I chose to pass out based on the comments from last Monday's meeting was a little bit of concern.
This first thing I'm handing out just shows the retirement income table taken from the data provided by the actuary. And what it shows is under current investment strategy, balances, stuff like that, that having to live to 82 years at the current returns, you have a danger here, I think, in which it shows -- let me make sure I

passed out the right one.

Yeah. I think the comment was made that as you get further down the road towards the closing of -- the inevitable closing of the plans, that you get more conservative with your investments.

From my own experience being in the business, that's true, but what you've done the last two or three years, what this shows is, is that if you decided to get conservative and downshift to a 5 percent return, which would be pretty darn conservative, but on that basis of fear, what you would have to come in with -- and second page, you will look behind the second chart -- an additional $500 million to finish the completion of the plan.

In other words, the first chart shows you to stay on course, you would need to -- you still have to come in with about a couple hundred million if you decided to go to a 5 percent downshift, going more into bonds and things like that. Suddenly your liability grows because the markets are not carrying their weight, and the City Council has to vote in an extra $500 million.

So I know it's 10 or 15 years down the road, but please use that in your guidance about, you know, the cut off the plans.

One other table that I did not pass out, just a quick update based on today's actuarial table, that sort of thing, you need to raise the amount of $1.7 billion as of today in order to take care of the class if you just froze in time with the people you have, no new additions, people just coming out and going over time.

You've got 1.5 billion that to -- to come up short to about 97 years when the guy -- when the appropriate class would be dead, you'd still have three more years to go to fund. That means you need to put in about another $200 million, just to stay it going.

I didn't mean to confuse you, and my apologies, but I think this kind of modeling needs to be considered as you go down the road.

It's interesting that you're about 1.8 billion, I think, under water, 1.6. If you take the 200 million you're short right now just to take care of your current retirees, add that to the average salary in the actuarial tables, it comes to 1.8 billion. It's amazing how 1 plus 2 is equal to 3 in this case.

Any questions?

CHAIRMAN TUTEN: No, Bill. I appreciate the info, though.

MR. GASSETT: I hope this will be of some service to you.

CHAIRMAN TUTEN: Thank you, sir.

All right. We have the Consent Agenda up for approval. We need a motion and a second.

MR. SCHEU: So moved.

CHAIRMAN TUTEN: We have a motion.

MR. PATSY: Second.

CHAIRMAN TUTEN: Okay. We have a motion and a second. Any questions, comments, concerns?

(No response.)

CHAIRMAN TUTEN: All in favor?

(Responses of "aye.")

CHAIRMAN TUTEN: Opposed?

(No responses.)

CHAIRMAN TUTEN: Zero. Okey-doke.

We'll turn it over now to our director, Mr. Johnson.

DIRECTOR JOHNSON: All right. Thank you, Mr. Chairman.

If you would turn to your Executive Director Report tab in your book, I'll be relatively brief today because we have a lot on our agenda that we have to get to. So I wanted to comment on a couple of things.

One, I've included a copy of our 2016 Annual Report. This is a draft. I sent it out in advance to the members of the Board to review. It's been several years since this Board has published an annual report. And I'm committed to doing this annually from this point going forward.

It will be a snapshot each year of the prior fiscal year ending. So this is a snapshot of where the plan was as of September 30th of 2016. You'll see the cover. I'm really pleased with the work that Stephen Lundy has done. Not only has he enhanced the quality of your Board book, so your Board book now is much better structured, easier for you to see action items.

So, for example, action items on your agenda are now identified. You can go into the meeting anticipating things that are going to require a motion and a vote.

But he also did a great job in designing this annual report format. And, Stephen Lundy, if you don't know, is seated right here at the end of the table.

So included in the report, if you wouldn't mind, I'd like to just take you through it, is a letter from our chairman, Rich Tuten, in which he highlights the past fiscal year end and the things that have occurred under his leadership and through the efforts of the members of the Board and the staff, as well as our professional service providers.

After that, you'll see a copy of the auditor's report. This report was just approved by the Board a month or so ago. So the items that are here are the published and approved reports of the Board of Directors. And in this case, we begin with the auditor's report and the financials that follow on pages 6 and 7.

And then we go to the report of the actuary. This was the report that was approved by the Board as well in January of this year. So it includes a statement of the actuary as well as key pages from the actuarial report, a page covering the minimum required contribution, and the amortization of the unfunded liability.

And then we've got a great page that is our consultant's annual report. And this was a page that was written by Dan Holmes, who is here at the table, in which he gives a highlight of what's happened in the industry as well as specifics related to this plan.

So our members now, through this report, can not only see financially where we stand, actuarially where we stand, but they can also see, from a high level, what the Board has done in the management of the financial assets.

The last page includes a list of the Board members, our professionals service providers. We give recognition to both the Pension Advisory Committee and the FIAC. We have a list of all of the money managers. And on the back is contact information for the office and the staff.

This is a colored report that is bound with pressure, folded with a wafer so we'll be able to mail it to our members who don't have access to computers, our retired members. We will send a copy over to council, and we'll publish a copy on our website.

So I'm very proud of this. It's been part of our strategy. You know, outreach is a big part of our strategy, and this is a way that we can keep our members informed about what's happening.

I'm sorry. Bill?

MR. SCHEU: No, no. I read this last night and I thought it was great. And this is another accounting question.

If you look at the balance sheet, and I remember this came up when we talked to the auditor, it makes it look like we're really in great shape with a billion 7 in assets and a billion 6 in liabilities. But there's no mention of the accrued unfunded liability.

So from an accounting perspective, how would -- I mean, I know you've got the other sheet over here, but that's really confusing for a layperson.

How do we -- from an accounting perspective, how do they accurately reflect that deferred liability? Because it makes it look like we're a hundred million dollars to the good.

DIRECTOR JOHNSON: Well, let me -- let me try to clarify. So if you look at page 9 of the report, you'll see how the actuary calculates the city's minimum required contribution.

And at the top it includes a calculation of our liabilities, and it subtracts from there the market value of assets. So that difference on line 3 is the unfunded actuarial accrued liability.

Is there another liability that you're looking for?

MR. SCHEU: Well, just on the balance sheet -- and, Chris, you may know the answer to this, just on the balance sheet --

DIRECTOR JOHNSON: On a balance sheet basis.

MR. SCHEU: If you look at the balance sheet, it looks like we're just in tremendous shape. So you have to go beyond that. How does --

MR. BROWN: Well, this balance sheet follows the standards for balance sheets. And I think what you're probably asking for and what would be required for a layperson to truly understand what you're saying --

MR. SCHEU: Yeah.

MR. BROWN: -- is for there to be either some sort of an explanation to go with it. But I don't know if that would be getting too deep in the weeds.

You're right. It does take a little bit of background and understanding the nature of balance sheets and such to be able to understand what this is taking a snapshot of versus what this is. I'm not so sure there's an easy way to do that.

DIRECTOR JOHNSON: Our fund treasurer is here and he can probably comment on it not only as the treasurer, but also as a member of the general employee's plan.

MR. GREIVE: Yes. And through the Chair to Trustee Scheu, I too can understand the lack of clarity that some may take from this.

This Deferred Outflows measure in the middle of page 6 was an addition that was brought about by GASB 67 and 68. Very confusing, very difficult for even those in the industry to get their heads around when constructing this but unfortunately required disclosure under GASB.

And as Trustee Brown suggested, perhaps -- and I don't know if this would -- you know, we could talk to Devin and Kevin Stork, but maybe put a little footnote at the bottom and just say, you know, for a more understandable representation of the fund's position, please also refer to page 9, to connect the two pages so that one doesn't just read this page and say, oh, we're good. It gets to your point.

MR. SCHEU: I can see this going over to City Council and saying, man, what are we worried about?

MR. CARTER: Well, we're --

DIRECTOR JOHNSON: Hold on one minute. So I respect where you're coming from, and we're going to make notes of this.

We also did not amend the reports of the professionals that sent this over. So we published it as it was given to us.

MR. SCHEU: Sure.

MS. BROSCHE: And you're not allowed to. You're not allowed to.

MR. GREIVE: There you go.

MR. SCHEU: You're the accountant.

DIRECTOR JOHNSON: I'm sorry, Devin. Go right ahead.

MR. CARTER: We're not allowed to amend the report, but there is a note that states you need to read the disclosure notes along with financial statements.

Please remember that this is accounting for the assets as a whole and not the liability, because that's not the responsibility of the fund. That's of the plan sponsor. So they actually record a liability.

However, in the notes -- I can't think of what the number is -- you will notice what the total liability is less the assets in unfunded. So that's why there's an asterisk at the bottom that states when you read the financial statements, you need to read the notes along with it.

MR. SCHEU: Okay. So I do remember that came up and that's how we handled that.

MR. CARTER: Yes. That's the requirement. So, therefore, any time that you see the numbers, what-not, it states read the notes along with it.

MR. SCHEU: Okay.

MR. BROWN: Certainly talking about -- oh, I'm sorry, Anna.

MS. BROSCHE: That's okay.

To Devin's point about the fact that there's usually a footer that says to read the footnotes, we probably want to make sure that that's in here. And I think that the auditor would want to know that that was there too.

MR. BROWN: It would be good for the retirees.

DIRECTOR JOHNSON: Yeah. That's a great point. Now, that note is on the auditor's report. If you look on page 5, you'll see that reference is made.

Was there another -- was there another comment?

MR. BROWN: This is really good, Tim.

MR. GREIVE: Very good report, though.

CHAIRMAN TUTEN: I like it. It's good, it's thorough, you know --

MR. PATSY: The picture on page 2, I don't know.

MR. BROWN: I've never seen him smile that much, though. I don't know how you got that picture.

DIRECTOR JOHNSON: That was 14 years ago.

(Laughter)

CHAIRMAN TUTEN: Yeah, that was about two years on the Board, trust me. You won't get that same picture today, I can promise you. Looks like he wants to kill somebody in his new picture.

(Laughter)

CHAIRMAN TUTEN: No, let's take the old one and run with that. Thank you.

DIRECTOR JOHNSON: All right.

Maybe my counsel can tell me whether Board action is necessary before we publish this.

MR. SUGARMAN: I would prefer that the Board approve it.

Lawsikia, do you agree?

MS. HODGES: I totally agree.

DIRECTOR JOHNSON: All right. So if you wouldn't mind, through the Chair, asking for a motion to approve the annual report.

MR. SUGARMAN: With the correction of the name of the lawyers. Bob Klausner's name is still in there. We don't want him getting phone calls from interested members, nor does he, I think.

CHAIRMAN TUTEN: All right. Do we have a motion?

MR. PAYNE: So moved.

DIRECTOR JOHNSON: Let's talk about that. I'm sorry.

MR. GREIVE: But it was during that year.

DIRECTOR JOHNSON: This was a snapshot of September --

MR. BROWN: This was a snapshot --

(Simultaneous speech.)

MR. SCHEU: I noticed that too.

DIRECTOR JOHNSON: That's right. That's why it was there. Exactly.

CHAIRMAN TUTEN: All right. We have a motion by Willard. And do we have a second?

MR. PATSY: Second.

CHAIRMAN TUTEN: Second by Mr. Patsy. All right. Any questions, comments?

(No responses.)

CHAIRMAN TUTEN: All in favor?

(Responses of "aye.")

CHAIRMAN TUTEN: Opposed?

(No responses.)

CHAIRMAN TUTEN: There you go.

DIRECTOR JOHNSON: Thank you.

If you wouldn't mind grabbing the attachment that was on the table, is it an updated copy of our Actuarial Impact Statement. That's hot off the press. It was just produced by Pete Strong this week.

And it does two things: One, it approves -- it illustrates the impact of the 4.25 and 1.25 payroll growth rate. If you might recall from Monday's meeting, our treasurer recommended that we have a new set of projections done that reflect those assumptions. So those are included.

And this was one more recommendation that our treasurer made relative to the Better Jacksonville Plan and the money that was designated to go to the beaches. And so I don't butcher that explanation, I'll ask our treasurer if he wouldn't mind giving the Board a brief update and justification for the change.

MR. GREIVE: Sure. Yes.

So Tim and I talked maybe a week or two ago on that topic. And when the initial work was done by GRS, they used the current surtax as it's reduced for the beaches and Baldwin.

That is unique to the BJP infrastructure surtax which will not be included in the pension liability surtax calculation.

So rather than reducing the total 83 million-ish number down to 80 for that split, you know, we had sent over numbers at the outset of this process that included the unreduced amount.

The consultants that you hired, for whatever reason, used the reduced amount. But my understanding from having just seen this in Tim's comments are that this is now adjusted for the full 83 million starting value.

DIRECTOR JOHNSON: That's right.

MR. GREIVE: And why that's important is, you know, when you're growing it at whatever rate you grow it at, you know, a $3 million difference in the starting value will compound over time and will lead to a couple hundred-million-dollar difference in the final -- the present value determination long-term, and which will impact your ADEC. I think had you calculated -- what was the number? 187 --

DIRECTOR JOHNSON: It's on page -- Pete, is that you?

MR. STRONG: Yes. I'm on the phone. It changed from 137 down to 135. So it's a little less than the $2 million reduction in the ADEC.

MR. GREIVE: And we appreciate you updating it for that.

MR. STRONG: Sure.

DIRECTOR JOHNSON: And Pete is referring specifically to page 13 of this report. At the bottom of page 13, line K, you'll see the Actuarially Determined Contribution.

MR. GREIVE: Right.

DIRECTOR JOHNSON: And that is the $2

million difference. So basically it's saving the city about $2 million. The city is putting a little less money into the plan than it would have based on the old report. But this report is accurate.

We had talked, Joey and I, about updating this when we did the actuarial report next fall. But since we needed to update it anyway, we decided to do it now.

MR. GREIVE: That's fine.

DIRECTOR JOHNSON: So through the Chair, I would ask for a motion that the Board accept this report, this update, to replace the report that we approved, I guess, two weeks ago? All right.

MR. BROWN: I make a motion we accept the amended report in lieu of the previous one.

CHAIRMAN TUTEN: Second?

MR. PATSY: Second.

CHAIRMAN TUTEN: I have a motion and a second to accept the new report from Pete.

Any questions, comments?

(No responses.)

CHAIRMAN TUTEN: All in favor?

(Responses of "aye.")

CHAIRMAN TUTEN: Any opposed?

(No responses.)

DIRECTOR JOHNSON: All right. So I appreciate --

MR. STRONG: Tim, do you also have a copy of the updated projections that we prepared reflecting this adjustment too?

DIRECTOR JOHNSON: Yes, we do, Pete. And so the Board has a copy of both that Actuarial Impact Statement as well as of the additional projections.

Did you want to talk about that for the Board, the two attachments?

MR. STRONG: Well, I wanted to make one point about those.

And our initial projections, they were only for a 30-year period, and we had not reflected a minimum city contribution after the initial 30-year fresh-start amortization is paid down.

And so when we reflect either 110 million or 100, 125 million as a minimum contribution beginning in 2048 or '49, after that initial 30-year amortization is paid off, the contribution would fall substantially or is projected to decrease substantially because that -- that large payment for that initial $1.2

billion base is no longer being paid.

And so after 2047, if you reflect the $110 million minimum, that leads to a payoff date or a hundred percent full-funding date earlier than 2060. It would be -- we're estimating 10/1/56 with $110 million minimum, and on 10/1/51, with $125 million minimum.

DIRECTOR JOHNSON: So, Pete, break it down for us just a little bit more.

The Board members have a copy of the report, and I believe that you're referring to pages 6 and 7?

MR. STRONG: Yes.

DIRECTOR JOHNSON: So if the Board members would turn to pages 6 and 7 of the second report. So you've approved the Actuarial Impact Statement. Now we're looking at the second letter that's attached, pages 6 and 7.

And, Pete, I apologize to you, but they didn't have the document in front of them.

MR. STRONG: Oh, okay.

DIRECTOR JOHNSON: So could you show them specifically the changes, the difference between what we recommended with the minimum $125 million contribution versus the 110.

MR. STRONG: Sure.

On page 6, we reflect a minimum liquidity ratio of 5-to-1 and $110 million minimum contribution. And as you can see there, we're assuming that $110 million minimum would no longer need to be paid once the plan reaches full funding.

And so that occurs, if you look at the valuation date, which is the second line, you see by 10/1/56 -- or the second column, 10/1/56, the -- we're assuming the surtax cuts get off, there's no more contributions, no more minimum contributions necessary. And the funded ratio would be 104 percent at that point.

So having that minimum, instead of the contribution falling off and down into the 20-something-million range, having a minimum city contribution of 110 million does lead to faster funding of the plan.

From 10/1/46 to 10/1/56, you can see that the funded ratio climbs very quickly because you have both $110 million coming in from the city and a large amount of surtax revenue starting to pour in at 15 years into the process. And that funding ratio goes from estimated 52 percent all the way to 104 percent in just ten years.

On the next page we reflect what the Board's recommendations to council were, and that includes a 7-to-1 minimum liquidity ratio.

If you look at the 2029 or 10/1/27 valuation date and scroll over, you see that the liquidity ratio hits 7-to-1 at that point before the surtax revenue starts coming in, and that requires the city contribution to go up over 200 million in order to maintain a 7-to-1 liquidity ratio.

You know, maintaining that, eventually you no longer have to pay, you know, in excess of 200 million. Eventually it's the 125 million once the surtax revenue starts coming in, and then that 125 million stays the contribution requirement all the way until 2050.

And then at 10/1/51 is when you would be expected to reach full funding with a 7.0 minimum liquidity ratio and $125 million minimum contribution.

And then that assumes after 2051 -- after 2052, there's no more -- no more surtax revenue coming in. So the present value of future surtax revenue then drops to zero because the plan is at 100 percent funded.

DIRECTOR JOHNSON:  All right.  Any questions for Pete?

CHAIRMAN TUTEN:  Pete, how hard would it be to do some alternative scenarios just for, you know, placating my own interest?  Nothing official, of course.

But if I sent you an email and said, look, how about a 5 percent return, 4, 3?  I think we discussed it in the past.  Can you print something like this up pretty easily or is that going to take a lot of time?

MR. STRONG:  We've got the infrastructure built to be able to do that.  We still have to go through our review process whenever we publish documents, but I think -- I mean, I think we could do iterations on this in probably a couple hours, two to three hours per iteration now.

CHAIRMAN TUTEN:  Okay.  Well, I wouldn't change anything other than assumed rate of return, the 7 percent.  That's the only thing I'm looking to change.

MR. STRONG:  Okay.

CHAIRMAN TUTEN:  Just a heads up.  And I'll get with Tim and send you something.

MR. STRONG:  Okay.  All right.  No problem.

MR. SCHEU: I was a little confused by the discussion that Pete just did.

Was he -- I heard him to say that the minimum contribution by the city is in addition to the sales tax, but that's not right. It's if the sales tax falls below. But I may have misunderstood him. It's inclusive.

MR. BROWN: Say that again.

MR. STRONG: No. The surtax is separate from the minimum required city contribution.

MR. GREIVE: That's correct.

MR. SCHEU: So you-all have to make a minimum required contribution in addition to the sales tax?

MR. GREIVE: The sales tax -- and Pete can explain this. But through the Chair, the way we did our modeling -- and, Pete, correct me if you did it differently -- but because we're reflecting the sales tax as an asset in the funds today, it's owned by the funds.

So when it starts coming in, it's just a straight transfer of the funds. So the ADEC and, you know, this minimum that we're discussing, the ADEC and the minimum are inclusive, you know. But the surtax is separate. You guys just get that.

MR. STRONG: Right. It's like -- it's like a dividend on an asset. So the present value of that will start decreasing as money starts coming in. So it's like a payment on that asset that you're holding on the books. And so it's not treated as an employer contribution when it comes in.

MR. SCHEU: So let's say the sales tax revenue in 2034 is a hundred million dollars. We will actually get that in cash, but we'll also get whatever the ADEC is for in addition to that.

MR. GREIVE: Yeah.

MR. STRONG: Right.

MR. SCHEU: Okay. So that would be -- that would be 100 plus 110. That's $210 million.

MR. STRONG: Right.

MR. SCHEU: Okay. I was confused, then, the other day when Mike Weinstein made that presentation. Okay. Thank you.

DIRECTOR JOHNSON: All right.

So that concludes my report. I'll answer any questions you have.

(No responses.)

DIRECTOR JOHNSON: I'll turn it back over to the Chairman.

CHAIRMAN TUTEN: Where we at?

DIRECTOR JOHNSON: We're at the Counsel Reports. We've got -- Bob Sugarman is on the phone. Obviously Pete Strong is on the phone.

Bob, would you mind introducing Maya and setting up the DaVita Securities litigation matter?

MR. SUGARMAN: I'll be happy to do so.

Trustees, this is the first time that I've talked to you about securities litigation in the short time that I've been on board. So let me tell you what we're working on and what we're going to do here.

What we're working on is an overall securities litigation policy that Pedro and I are drafting. We'll send it to Tim for his review and then have it for you maybe at the next meeting or the one after that.

But your prior policy is still in effect, and that is that the law firms that you have selected monitor your portfolio and bring to your attention cases that they think are worthy of you participating in.

Remember, part of our corporate governance responsibility is to look after the companies in which we've invested and make sure that they're treating us as their shareholders fairly.

By the way, this is the design of the federal law, as Maya will be able to explain to you more. But institutional shareholders are given the job of policing the market together with the SEC.

In this country, securities law enforcement is a public and a private endeavor. Neither -- the privates don't have the assets -- don't have the power for the criminal prosecutions that the SEC can bring or the large funds. The SEC doesn't have the manpower to bring the number of suits that are necessary to bring things to light.

So your firm, Saxena White, who we've worked with for many years and whose founding and named partner, Maya Saxena, is with you today, has identified a firm called DaVita. And she'll tell you why that firm has been identified, what they did wrong, how much you lost, and why Saxena White recommended to your executive director to seek lead plaintiff status in this case.

Generally speaking, this type of loss that you've suffered here, about a quarter of a million dollars, is somewhat lower than that which would normally come to your attention for a fund of your size. However, this is a smaller company. And as Maya will tell you, it doesn't have a lot of shareholders compared to others.

So it's likely that the task of keeping the company honest, so to speak, would fall to someone who had a smaller loss than we would if it was a much bigger company. Maya will tell you why this loss, in her view, merits your attention.

So the action we're looking for, Mr. Chairman, is a motion to ratify Tim's decision to seek lead plaintiff status in this case. If the motion passes, then Saxena White's work will proceed, and Tim has signed a contract with them, with the understanding that if the motion fails, that Saxena White will withdraw our motion to serve as lead plaintiff.

My advice to you is to follow the advice of your lawyer. You hired specialized lawyers for this, and Saxena White is well known in the field and has been with you for awhile.

Now, if this case proceeds, we're going to need to do some work locally. And we -- so we would be your local counsel. These cases work on a contingency basis.

If the case is settled or won that results in a monetary recovery to the plaintiffs, then the court approves an attorney's fee that's paid to the plaintiff's lawyer. Only a court-approved fee can be paid. And that goes to the plaintiff's lawyer usually out of the money that's awarded to the class.

And if no recovery is obtained or no success is had, then the lawyers have worked for free. That's the nature of a contingency case. On some of these cases we get paid; on some of them we don't.

So we will be serving as your local counsel, performing tasks that are necessary on our end to do -- to proceed with the case, which is working with the pension staff on discovery, getting the right documents, being with you in case there's any depositions taken of any of the trustees, and reviewing the pleadings, reviewing -- having input on any settlement or mediation.

And we will be compensated for that if there is a recovery out of Saxena White's fee, not out of anything that you get. In other words, if we don't get compensated, they get more money. It comes strictly out of their court-approved fee, and that amount that we would get is 10 percent. I'm telling you now it's 10 percent. It's in the contract that it's 10 percent. And should we obtain any money, I will tell you then how much we obtain. This is full disclosure and full transparency in the way that we work.

We have not selected Saxena White for your fund, nor did we recommend to them that they come to you with this case. This is entirely on their initiative. And as I will explain to you when we talk about the securities policy, our firm does not act as a gatekeeper. That might have been different with your prior firm. But we don't -- we're not a gatekeeper.

So unless there's any questions about what I've had to say, my recommendation, Mr. Chairman, is that you call Maya up to the table and let her present the case to you.

At this point what's happened is a written case review, case summary, has been presented to your executive director along with a telephone conversation with the lawyers, Pedro from my office and Maya, so that he was personally briefed on the case.

And has the conversation with the coplaintiff taken place yet?

MS. SAXENA: Yes, it has, Bob.

MR. SUGARMAN: Okay. So we have a coplaintiff in this case. So Tim has also spoken to them, and it worked out that we're going to work together.

So far all the due diligence has been done. It's important that these steps are done. We just don't take cases because lawyers say so. We independently evaluate them through our own process, and we talk to their proposed coplaintiff to see if it's a suitable match for us.

So at this point, Mr. Chairman, we should ask Maya to come to the table, and at the conclusion of her presentation, ask for a motion to either ratify or not to ratify Tim's interim decision to participate as lead plaintiff in the case.

MS. SAXENA: I think I came up a little earlier, so you can tell me to sit down and I'll come back.

(Laughter)

MR. SUGARMAN: I couldn't hear that. If you could put Maya up at the table, that's good.

MS. SAXENA: Sorry, Bob. Hi. I'm already up here. I just told Tim if he wants me to, I can sit down and then come back up.

DIRECTOR JOHNSON: No, Maya. Good morning and welcome. And speak up, if you don't mind so that our reporter can grab every word.

MS. SAXENA: Sure.

DIRECTOR JOHNSON: So we're ready for you. Go right ahead.

MS. SAXENA: Well, thank you. And, Bob, thank you for the introduction.

As Bob mentioned, we've been one of your securities litigation monitoring firms for a few years now. And basically what that means is that we review all of your equity trades, and in the event that there's fraud, we alert you.

Now, our philosophy about these types of cases is a conservative one. We think that when you're accusing public executives of committing fraud, you'd better have a darn good case. And the pleading thresholds in these types of cases are difficult.

So in the time that we've been working with you, which I believe has been at least a few years now, we've never been in the position of actually recommending you get actively involved in a case. And that's for a few reasons.

It could be that your loss was too small or, more often than not, we just didn't like the merits of the case. We didn't really see a fraud situation as opposed to a regular stock price fraud.

So what makes this situation a little bit different is you have a loss of around 290,000, which as Bob mentioned, is a little bit on the low side that we would generally recommend in these types of situations.

The reason that we recommended it here is because you, as well as the Georgia Peace Officers Fund, who is the other fund involved in the case, happened to be the only public pension funds that bought the stock during the class period.

We know that now because the lead plaintiff motion was filed, which is what we're seeking to have ratified here today, and nobody else moved for appointment as lead plaintiff.

So what the data shows pretty overwhelming now is that when public funds are involved in these types of cases, the recoveries are significantly higher. It can be as much as a third higher than when you have an individual investor involved in these type of cases.

So in our view over the years that we've been working with you, we felt that this was one of those relatively rare circumstances where your getting more actively involved would actually maximize a plan asset. So, you know, in a nutshell, that's why we came to you with this amount of loss.

I'll tell you a little bit about the case and then I'll tell you the next steps and then I'll sit down.

But the case is about a situation that DaVita -- and DaVita is a big, nationwide provider of dialysis and other kidney services.

What they were doing during this class period, which runs for about a year and a half, is they would encourage a lot of their patients who were on Medicaid and Medicare to actually go out and seek private insurance.

And the reason that when were encouraged to seek this private insurance was because the reimbursement rates are much, much higher. You're talking about $300 for Medicaid versus around 4- or $5,000 for a private insurance reimbursement.

So obviously most of these people couldn't afford the premiums on private insurance, and what DaVita actually is alleged to have done is through a nonprofit entity called the American Kidney Foundation, they made donations to this nonprofit foundation which turned around and paid the premiums for all these people who couldn't otherwise afford the private insurance.

So when you have these types of situations, invariably you have the government knocking on your door. And what happened was, first, the Medicaid investigative agencies came and started inquiring as to what was going on, and then the Department of Justice got involved and is now investigating the company.

So on the merits, we like this case. We think it's going to get over a motion to dismiss, which is the next big step in the case. And we do recommend that you continue with it for the reasons already stated.

Next steps, in a nutshell. The motion for lead plaintiff was already filed, as I mentioned. Our motion was the only motion that was put on file. There were no other funds or even individuals that came forward that were willing to lead the case.

The next thing that we do, we continue our investigation. We file an amended complaint, and we -- defendant's file a motion to dismiss basically saying we have no case, and we oppose that. So there's a delay. You know, these cases do run for a long time. They often take a few years to resolve.

And in the beginning part of the case, I'd say for a good six to nine months, there's really not a whole lot going on. All you would be hearing from us are updates through Mr. Sugarman's office and letters to the Board, just letting you know what's going on. And then, you know, eventually if we get over the motion to dismiss, we'd have a little bit more activity and discovery picking up.

So that's really it. I'm certainly open to questions.

MR. BROWN: I make a motion that we ratify the director's decision to be lead plaintiff in the case.

MR. PAYNE: Second.

MR. PATSY: I have a question.

MS. SAXENA: Sure.

MR. PATSY: You state in here the Department of Justice is investigating.

MS. SAXENA: That's correct.

MR. PATSY: Can you talk us through what could happen if the Department of Justice proceeds? Does the company goes out business? Any likelihood of that?

MS. SAXENA: I don't think that's a real significant likelihood, Mr. Patsy. And I say that because this is a multiple billion-dollar company and they've already been forced to discontinue the relationship with this nonprofit entity, which has had an impact on their revenues.

I think they're going to be able to withstand that. I'm not a money manager and, obviously, I can't predict. But I do think it's going to take a cut out of their business because this improper arrangement certainly funneled more money their way. But I think it would be probably not the type of situation that completely destroys the company.

I mean, unfortunately, in most of the public enforcement situations you see these days, there are perhaps multi-million-dollar fines. But I haven't seen anything extremely significant with respect to any of the healthcare companies yet, for better or worse.

MR. PATSY: Okay. Second question.

If they are pushed into bankruptcy as a results of this, as the lead plaintiff, do we have any special benefits in bankruptcy court with these guys, or are we just, you know, an equity holder and we just get in line?

MS. SAXENA: Unfortunately, you're in the same situation as most other shareholders. So it would not look good.

But, you know, from what I've seen of this company, they do have a pretty recurring base of revenue from actually providing the legitimate portion of their dialysis services. They do have a lot of competitors. But I don't know that that is something that is foreseen.

And as the litigation progresses, we would certainly be updating you on the status of the government investigation as well so you would be very, you know, attuned to what was happening there and could always make decisions on that.

CHAIRMAN TUTEN: Okay. We have a motion. Do we have a second?

MR. SCHEU: I think he did, Willard did.

I have a question.

CHAIRMAN TUTEN: Willard, did you second?

MR. PAYNE: Yes.

CHAIRMAN TUTEN: Okay. We have a motion and a second. Now a question from Mr. Scheu.

MR. SCHEU: This is really for Bob.

When we talked about our securities litigation policy as it related to our local counsel, and Bob has said that they would -- if there were a recovery, that Saxena White would receive a court-ordered fee and they would receive 10 percent of it on a contingency basis.

I thought we had discussed, and maybe we didn't resolve it, that two -- that we hoped that as to our local counsel, that if the 10 percent -- if the contingency fee exceeded the normal hourly rate charged to us, that we would seek a credit back against the fees that we paid.

Now, that may be my imagination, but I

thought we had discussed that. And I wonder if Bob would be willing to have that kind of relationship.

DIRECTOR JOHNSON: I can handle the first part of it. Bob, do you want to go first or does it matter?

MR. SUGARMAN: Yes, I can comment on that.

Such an arrangement would essentially, Bill, be a fee rebate. And I checked with the Bar when I first got involved in this type of work with our clients, and they told me that rebating fees to clients is forbidden.

What I can tell you is that when we re-evaluate our hourly fees, and I don't remember how long our fee arrangement is for, what we're ethically permitted to do is to take into consideration all of the revenue that we derive from a client in setting our hourly fees.

MR. SCHEU: Okay.

MR. SUGARMAN: And that's what we do. And we explain to you in that case. But we can't rebate fees, but we can consider them in setting our rates.

MR. SCHEU: Thank you.

CHAIRMAN TUTEN: And, Bob, just to clarify.

The cost to the pension fund and the Board if we don't win -- win or lose, it's still going to be zero? Is that what it's going to be?

MS. SAXENA: Yeah. I can answer that, Lieutenant.

MR. SUGARMAN: Yes.

MS. SAXENA: It's completely contingent, which means that we pay all the costs up front. If we have to hire experts, we pay for that. Anything attendant to the litigation we will cover.

And in the event we lose, which I hope is unlikely -- you know, our firm has a pretty much 99 percent success rate, largely, I think, because of our conservative approach -- you know, that's money we eat. So, you know, one few pair less of shoes for me this year.

CHAIRMAN TUTEN: That's fine. Just double checking.

MR. SUGARMAN: I didn't hear the last.

MS. SAXENA: I just made a joke about shoes, Bob. I said I'll get one pair less shoes if we lose.

(Laughter)

MR. SUGARMAN: All right.

What we will do, however, Mr. Chairman, is in our new policy and in this case, is ask our pension staff to keep track of the hours that they spend in responding to discovery requests, in reviewing the case reports, and deposition or other things, because we can seek reimbursement of those amounts back to the fund on an actual cost basis.

CHAIRMAN TUTEN: Right. Okay. Well, good.

MS. SAXENA: And that would be any staff time. So if you have someone who has to make copies. It's usually quite minimal, but Bob is absolutely right. You should keep track of that, and in the end of the case, we make an application to the Court and submit those hours for the Court's approval.

CHAIRMAN TUTEN: Perfect. All right.

We have a motion and a second. We've done the questioning. Any further questions?

MR. PATSY: No. But I've got a comment.

CHAIRMAN TUTEN: Comment.

MR. PATSY: I mean, I think all of you know I don't normally support securities litigation cases. But in this one --

CHAIRMAN TUTEN: It's criminal.

MR. PATSY: -- I'm all over it. So I would support this wholeheartedly.

MS. SAXENA: It's a unique situation. I agree with you.

CHAIRMAN TUTEN: All right. Hey, if they took any amount of money from us, I'm willing to go get it. I don't care how much it is.

MR. BROWN: Absolutely.

CHAIRMAN TUTEN: All righty. We have a -- all in favor?

(Responses of "aye.")

CHAIRMAN TUTEN: Any opposed?

(No responses.)

CHAIRMAN TUTEN: There you go.

DIRECTOR JOHNSON: Through the Chair, can I make a comment?

And, thank you, Maya. Great job.

MS. SAXENA: Oh, thank you. Pleasure to meet you in person finally.

DIRECTOR JOHNSON: Yeah, after several conversations by phone.

MS. SAXENA: Exactly.

DIRECTOR JOHNSON: So, just so we remember how this kind of dovetails, we put together an annual cycle of work for this Board. And one of the items on that annual cycle of work was a policy relative to securities monitoring and litigation.

We haven't gotten to that policy yet because we've been focused on pension reform. It's kind of changed our agenda of activity for this year. But we're going to get back to it.

So these questions, Bill, we did talk about --

MR. SCHEU: Right.

DIRECTOR JOHNSON: -- but they've never been resolved.

MR. SCHEU: Okay.

DIRECTOR JOHNSON: Bob Sugarman is working on that policy. He and I are working very closely together, and these questions are part of it.

MR. SCHEU: Okay.

DIRECTOR JOHNSON: I would like to have the policy in place so that we don't have to reinvent the wheel every time an opportunity like this comes about if the Board has policies that I can administer that you've ratified.

And in this case, the Board rules give me the authority to make a decision before a Board meeting, because we had a deadline. If the deadline had been after the Board meeting, I wouldn't have gotten involved. We would have brought this to the Board and you would have made the decision going forward.

So I don't want you to be discouraged. We're going to get to it, but the timing of this case, the deadline that was involved, and the fact that we've been distracted by pension reform is the reason why we haven't gotten to that policy yet, but we're going to get to it.

MR. BROWN: Rick has been anxiously awaiting that.

(Laughter)

MR. PATSY: All right. I do have a question now that you brought it up, Tim.

DIRECTOR JOHNSON: Oh, Lord.

MR. PATSY: If we delegate that authority to you --

DIRECTOR JOHNSON: Yes.

MR. PATSY: -- and you proceed and then we come back to the Board meeting and you inform us of what you've done, and we say no, do we have the right -- do we as an entity have the right to go back and withdraw?

DIRECTOR JOHNSON: Yeah, that's right. And Bob mentioned it. So my -- my approval was contingent on the ratification of this Board.

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

MR. SUGARMAN: Yeah, that's our firm response. We make it clear to the firms that their proceeding and filing the motion is contingent upon Board approval, and they agree to promptly withdraw it if that doesn't happen.

MR. PATSY: All right. Good.

CHAIRMAN TUTEN: Okay. We have Old Business.

Do you want to get done with this real quick, Tim, and then take a break for the advisory meeting?

DIRECTOR JOHNSON: Yes, we should. Unless -- I'm sorry. I'm sorry. Two things, through the Chair.

Lawsikia Hodges is our counsel representative on this Board from the Office of General Counsel. She was at the head table at our last meeting. I don't know that I properly introduced her. So I want to formally introduce Lawsikia to all the members of the Board.

Lawsikia Hodges.

MS. HODGES: Hello.

DIRECTOR JOHNSON: Lawsikia has a resolution that we'd like to put before the Board relative to personnel action. She can give you a little bit of background on it. I'd like to get a vote on that.

And then Stephen Lundy can give you background on these Old Business actions items. Thank you.

MS. HODGES: Well, good morning.

TRUSTEES: Good morning.

MS. HODGES: And thank you for introducing me.

So we have a resolution before you, and it's essentially just having the Board delegate to your executive director the ability to take certain employment actions when it comes to, you know, disciplinary actions and things of that sort.

This is very consistent with other independent authorities in our consolidated government: JAA, JEA, JTA. All their executive directors have this ability to take this action.

And so we've crafted a simple resolution that states, "Notwithstanding any prior rule, regulation or policy set by the Board, that the Board hereby delegates to the executive director-administrator the power to investigate and discipline employees of the Board, up to and including termination, should the executive director, in his or her judgment, after consulting what the Office of General Counsel, believe that such action is in the best interest of the Board."

So, if we could get a motion. And, Mr. Chair, if you could, when we're taking action on this item, since it wasn't identified in your agenda, if you could just quickly open it up for public comment, that would be great.

MR. SCHEU: I'll make the motion.

MR. PATSY: I'll second it.

MR. BROWN: Okay. Question.

CHAIRMAN TUTEN: Question.

MR. BROWN: So when it comes to civil service protection for those who have it, all of those -- all those protections are in order. There would be one person making a decision, but then all the appellate rights normally afforded to a civil service employee are in effect. It doesn't change any of that, correct?

MS. HODGES: Right. And through the Chair, actually, your PFPF employees are appointed employees. So they are not part of a bargaining unit. They don't have civil service rights.

You may have employees that may have started out in city government, okay, and so they're just here, you know, serving their time under your domain, but your charter is pretty clear that all of your employees serve at your pleasure.

So if certain employees that started out with the city had civil service, they would still, you know, be in place.

And that's really the reason for including the language that Tim consult with our office. Also, city HR is very useful. We have, of course, a labor and employment deputy in our office and we would guide him through that process.

MR. BROWN: And any appeal of his decision, if it's an at-will employee, there is no such appeal. But when we speak of somebody who does have civil service protection in their previous role, any appeal of his decision would go through the standard civil service board, those types of options?

MS. HODGES: Right. And so, through the Chair, you actually -- and I had this discussion with one of the trustees -- you have policies in place, of course, that you can set. And pursuant to those policies, I want to say maybe it was earlier this year, sometime around the time that Beth was here, you amended that employment policy, for example.

It included some procedures that would allow, if employment action was taken by this Board, for current employees to be able to utilize that policy, that, for example, would still be in place. All right?

So action would be taken and employees would still be able to utilize whatever rights are available out there, and pursuant to that policy -- would be a penalty to this Board.

That, of course, is your own rules that you're setting different from any civil service rules. That's another set of rules --

MR. BROWN: Sure. I got it.

MS. HODGES: -- that they -- that they wouldn't go away and they would still have that if that employee was subject to that.

MR. BROWN: So, in essence, the director

takes over the role of implementing discipline in lieu of the Board?

MS. HODGES: Right. Exactly.

CHAIRMAN TUTEN: All right. We have a motion and a second. Any further questions?

(No responses.)

CHAIRMAN TUTEN: All in favor?

(Responses of "aye.")

CHAIRMAN TUTEN: Any opposed?

(No responses.)

MR. SUGARMAN: Mr. Chairman, let me tell you how lucky you are to have Lawsikia at the table because she's not a 9-to-5 government lawyer, as I found out last evening when we started emailing each other at 7 and 8 o'clock, and she was kind enough to send that over to me to take a look at.

DIRECTOR JOHNSON: All right. Thank you-all.

Let's go to item VIII. You'll see under Old Business, Board action is requested for three applicants: David Gray, John Hill, and Airaka Ramsey. You'll see the footnote that these were previously approved under trustee Rule 13.3 and now they've been amended and cleared.

These, if I'm not mistaken, Stephen, are medical clearances?

MR. LUNDY: Yes.

DIRECTOR JOHNSON: Would you mind -- if you have questions about them, Stephen can answer them.

CHAIRMAN TUTEN: Well, I don't personally, but I understand what's going on. If anybody else does, they can ask Steve.

These are people cleared for retirement, correct? Medical disqualification, for whatever reasons.

MR. LUNDY: Yes.

CHAIRMAN TUTEN: They've been inspected by the advisory committee and the medical director and all that good stuff?

MR. LUNDY: Yes. Whenever they were approved by the Board, they were pendings. So they still had some time to get a second reevaluation done. So they got that, and then they're medically cleared by the medical director.

CHAIRMAN TUTEN: Got it. So there's no question from anybody down the food chain, here it is right now, and we basically vote on approving it.

MR. SCHEU: Can we consolidate all three of them into one motion?

CHAIRMAN TUTEN: Yeah. That would be great.

MR. SCHEU: So moved.

MR. BROWN: Second.

CHAIRMAN TUTEN: We got that, motion to accept all three application for membership. We have a second.

MR. PATSY: I'll second it. And I have a comment. What do you mean "down the food chain"? Does that mean like the rest of us --

CHAIRMAN TUTEN: Appreciate the set up, but we're up here, and then you've got the advisory committee, medical director, although once -- in other words, it comes up to us.

MR. PATSY: Right. Got you.

CHAIRMAN TUTEN: So, yes, we're the end of the road for these people to get cleared.

MR. PATSY: I'm getting no slack.

CHAIRMAN TUTEN: All righty then. We have comments?

(No responses.)

CHAIRMAN TUTEN: All in favor?

(Responses of "aye.")

CHAIRMAN TUTEN: Any opposed?

(No responses.)

CHAIRMAN TUTEN: Perfect.

DIRECTOR JOHNSON: Excellent, excellent.

So for the record, I want to make sure I'm clear. Who approved and who second this motion?

MR. BROWN: I seconded it first --

MR. SCHEU: I think I made the motion.

CHAIRMAN TUTEN: I think it was Bill first, Rick second.

DIRECTOR JOHNSON: Bill first, Rick second. Very good. We're ready to take a break, Mr. Chair.

CHAIRMAN TUTEN: Sure.

DIRECTOR JOHNSON: Five minutes, and we can resume with the FIAC.

MR. BROWN: I'm sorry. Can I -- are we still on New Business? Can I make a motion?

And Steve Durden isn't here. I have had a number of police officers approach me about wanting to get an explanation as to why they cannot buy their time back. They were full-time bailiffs.

Conversation with Steve, says he thinks they can. He just needs to dig around and do a little bit more research, but he thinks it's akin to the community service officers. We just need a decision so that they know whether they can buy their time back or not.

My motion would be to ask Steve Durden to get an explanation and see if it is comparable to the community service officers.

CHAIRMAN TUTEN: Are they CSOs trying to connect their time?

MR. BROWN: No. These are bailiffs that were full time. They were told initially by the city they can't buy their time back because they participated in Social Security. Steve Durden says that's not correct.

So they're getting conflicting information when they go to buy their time back. We just need to know what they're able to buy back and what they're not able to buy back. We just need a definitive decision so they know what they can and cannot do.

I think they're getting bad information from some people that maybe aren't in the loop. So my motion would be to have general counsel give us a decision, you know, to sum it up.

MR. SUGARMAN: Chris, are bailiffs certified law enforcement officers?

MR. BROWN: Some of them are, some of them aren't. We have two classes of bailiffs. Some of them are sworn law enforcement. Those are known as judicial officers. Some are not. Those are known as temporary sworn bailiffs.

MR. SUGARMAN: Okay.

MR. BROWN: But as Steve said, even the onces that aren't sworn, they work full-time, then the same -- they fall into that same explanation that the community service officers did. Even though they were not considered full-time, they worked 40-hour weeks year after year after year. Therefore, the general counsel decided they were allowed to buy their time back into the fund.

We just need the same kind of decision made for these bailiffs, you know. Whether it's in favor of them or not, we just need some information. And he said he could be able to figure that out fairly quickly.

CHAIRMAN TUTEN: 10-4. So you're making a motion that we run this over to Steve --

MR. BROWN: Yeah. He just provide us an explanation at our next Board meeting.

MS. HODGES: Through the Chair, you actually don't need a motion for that. He's in my office. He's my colleague --

MR. BROWN: Perfect.

MS. HODGES: I'm happy to go back and have that conversation and make sure you have an answer by the next meeting.

MR. SCHEU: And a motion like that, it should be OGC, not a particular one because --

MR. BROWN: Fair enough.

MR. SCHEU: -- whoever that is, it may not be -- Steve may die.

MR. BROWN: That is correct. He may die. That is very morbid, but yes.

So if we don't need a motion, then, that would be great.

MS. HODGES: Yeah. We don't. I'll handle it.

CHAIRMAN TUTEN: Okay. We've got to take a break. We're supposed to start interviews at 10:30. That's 20 minutes. Is the FIAC committee going to be done in time?

DIRECTOR JOHNSON: They are here, and if we could start sooner, that would be great.

We have Craig Lewis who is going to chair the FIAC, and he's on a time deadline and Bill's on a deadline. He'd like to participate as much as he could.

CHAIRMAN TUTEN: Well, I know, because we have Dan after them.

We're going to come back and just before we get to that part, Dan, let's start off with what we need to do, Silchester, and then all the rest, if we get to it, because I want to start these things at 10:30 sharp for these people that are waiting to be interviewed.

So the economic report, all that other stuff, if we don't get to it, you can read it at the house. Perfect.

MR. PATSY: Yeah, we need a break.

THE COURT: All righty. Take a break.

MR. STRONG: Hey, Steve, I'm signing off.

DIRECTOR JOHNSON: Thanks, Pete. Take care.

(A break was taken; thereafter the following meeting continued as follows:)

CHAIRMAN TUTEN: All right. Meeting back to order.

DIRECTOR JOHNSON: Thank you. The meeting has been called to order by the chairman.

Today, substituting for Brian Smith, is Craig Lewis. He's going to be chairing the FIAC, but we don't have a member.

MR. LEWIS: We do not have a quorum.

DIRECTOR JOHNSON: I apologize. You don't have a quorum yet. I'll tell you what, maybe we'll have one by the time we get through Dan's reports, and then you can call that meeting to order at that time.

So we'll start off with Dan, and then we'll come back to the FIAC.

Through the Chair, can I introduce Dan Holmes?

CHAIRMAN TUTEN: Dan, as we discussed before, start from important to whatever.

MR. HOLMES: Okay. So the most important thing is my recommendation pursuant to my memo with regard to the additional contribution of Silchester.

As you'll recall, there was -- when we originally hired Silchester, there was a cue to make the full contribution, but partial contribution was made. The remaining contribution was put in the index fund.

We got a call. We received notice last week that there was a small opening available for the remaining allocation that would bring us up to the target, and that's $65 million.

So my recommendation to the Board is to move $65 million from the EAFE index fund in order to fund Silchester. And that wire needs to be done by April 26th.

MR. PATSY: I'll make that motion.

CHAIRMAN TUTEN: Got a motion --

MR. BROWN: Second it.

CHAIRMAN TUTEN: -- and a second. Any questions, comments?

(No response.)

CHAIRMAN TUTEN: And that will take place as soon as possible, Dan?

MR. HOLMES: Yeah. I've already given staff the wiring instructions.

CHAIRMAN TUTEN: All righty then. All in favor?

(Responses of "aye.")

CHAIRMAN TUTEN: Any opposed?

(No responses.)

CHAIRMAN TUTEN: There you go, Dan.

MR. HOLMES: Thank you.

Given the time constraints, I'm going to skip the Economic and Capital Market Report. There is a preliminary Flash Report for the quarter in the port -- or in the book. Some quick highlights and then we'll move on.

With regard to highlights, first of all, market value at the end of the quarter was approximately 1.86 billion. I believe that's the largest market value that the PFPF has ever had. And, Steve, Joey, you guys can correct me if I'm wrong.

The total fund for the quarter returned 5.7 percent on a gross basis and 5.6 percent on a net basis. For the fiscal year-to-date on a net basis, the total fund is up 6.6 percent.

Some of the lead contributors over the course of the quarter was, first of all, International Equities up 11 percent. That was driven primarily by Emerging Markets, which were up over 14 percent in the portfolio.

US Equities were up almost 7 percent, and then MLPs up almost 5 percent.

A couple of issues of note. First of all, for the quarter, all the asset class composites outperformed the benchmarks on a gross- and net-of-fees basis. All the managers outperformed the benchmarks on a gross- and net-of-fee basis as well.

Number of come-backs in terms of performance with regard to managers that we're watching, including Eagle, Pinnacle.

And that's really about it. I won't go into any further detail because we're pressed for time. Any questions?

DIRECTOR JOHNSON: Will there be an additional quarter end report in April?

MR. HOLMES: Yes. The full quarterly report will be available in a couple weeks, the first week of -- the first week of May is when it's scheduled to be published. That's when the universe is set. So you'll have the full quarterly report in time for the Board meeting.

Depending on the universe set, it might be a little hard processing the full quarterly report for the FIAC meeting, but we're going to try to do our best.

DIRECTOR JOHNSON: All right.

Through the Chair, I don't remember whether this question was asked. But did Maya disclose what manager held the DaVita stock?

MR. HOLMES: She did not.

MR. SCHEU: It was on there.

DIRECTOR JOHNSON: Was it on there?

MR. BROWN: It was Brown and Sawgrass.

MR. SCHEU: Right.

MR. HOLMES: Make senses because they're both growth managers.

DIRECTOR JOHNSON: All right.

Mr. Chair, I apologize to you. I don't know where our third FIAC member is. He did confirm --

CHAIRMAN TUTEN: Did we try to reach out for him, or was he going to be here?

DIRECTOR JOHNSON: He confirmed he was going to be here.

CHAIRMAN TUTEN: Well, let's hope he didn't get in a wreck or something.

DIRECTOR JOHNSON: Yeah, that's the truth.

CHAIRMAN TUTEN: That has happened before.

DIRECTOR JOHNSON: I might have his number. We can call him.

CHAIRMAN TUTEN: Well, what were you guys going to do, listen to Dan and then recommend it to us?

MS. DEVINE: Listen to the three managers.

MR. LEWIS: Propose a recommendation.

CHAIRMAN TUTEN: Are you guys going to listen on the money manager presentation as well?

MR. LEWIS: We are.

CHAIRMAN TUTEN: Well, it's urgent business we've got to get done. We obviously can't send them home and wait for anybody. So we'll just roll with what we've got. You know, it happens.

Are they scheduling you guys' meeting from now on to merge with ours? Is that what we're doing?

MR. LEWIS: Just this.

DIRECTOR JOHNSON: It was just the timing, just the timing of this.

MR. SCHEU: Because of the interviews.

DIRECTOR JOHNSON: Because of the interviews, right.

We didn't want to bring these guys in here twice, once with that committee and then a second time with the Board.

MR. BROWN: Because a quorum is needed from them --

MS. HODGES: Right.

MR. BROWN: -- on a recommendation for a manger?

MS. HODGES: Right, uh-huh.

MR. SCHEU: So we just have to waive their recommendation, I guess. Can we do that?

MR. BROWN: Can we do that?

MS. HODGES: No, you can't, because your -- your code requires you get a recommendation from that advisory committee.

MR. SCHEU: Can we get one of them on the phone?

DIRECTOR JOHNSON: No, we can't.

MS. HODGES: No, because you don't have a physical quorum. Remember, you need the physical quorum.

DIRECTOR JOHNSON: I've asked Lundy if he'll find Rob's number. I don't have it in my phone.

MR. BROWN: We have Bill Gassett who can fill in.

MR. GASSETT: That would be an honor, I think. It looks like you have two meetings anyway, so why not let these guys talk to you and then -- if I may suggest, maybe you thought about that. They still have to meet with the advisory committee.

MS. HODGES: Yeah. You can certainly have this Board take advantage of the information that's here, but you're just going to need an advisory recommendation from this committee before you can take action.

MR. BROWN: Can those two listen and then convene later with more members --

MS. HODGES: Yeah, once they have a quorum.

MR. BROWN: -- and discuss with them what they heard?

MS. HODGES: Yeah. Once they get their quorum, they can take action and you guys can rely on it.

MS. DEVINE: So Dan has already presented these three to the FIAC. We deliberated. I don't --

DIRECTOR JOHNSON: Oh, you mean -- right. You haven't seen the interviews.

MS. DEVINE: Without the managers, Dan has already presented all three to us.

CHAIRMAN TUTEN: So we can go ahead with the interviews and then they can discuss with their cohorts in the future --

MR. HOLMES: The presentations are -- are recorded. Could the FIAC members who are not here listen to the recording, if they so choose, in order to help them make a committee recommendation?

MS. HODGES: Yeah, they can --

DIRECTOR JOHNSON: I turn that over to our attorney.

MS. HODGES: Right. Through the Chair, they can always listen to any recordings. But in order for this body to take official action, you've got to have a physical quorum and they've got to take a vote on it. That's what you need to make your decision.

But while everybody is here, we can listen to information and move forward and, hopefully, that third member comes and maybe they can have their quorum and take action.

MR. SCHEU: I'm sorry our task force recommended that as a governance reform.

(Laughter)

CHAIRMAN TUTEN: After the new reform bill passes Tuesday and the 2015 agreement is wiped out, are they going to still be here?

MR. SCHEU: They will be here.

MR. BROWN: That wasn't changed.

CHAIRMAN TUTEN: Is that in the new legislation or is that just something that the OGC said, oh, sure, we can keep them if we want to?

MS. HODGES: Through the Chair, it's currently in your ordinance. It's 121.501. So that's in the municipal code, this committee.

CHAIRMAN TUTEN: Okay. I got it. Job security. We don't need people hanging around if we don't need them. Sorry.

(Laughter)

MR. LEWIS: -- then do a conference call with the full group, if that makes any sense, at a later date? If that's helpful.

MS. HODGES: So just to be clear, I don't think there's any wrong with this Board, who has a full membership here, to hear the information that's present. That's nothing wrong with that.

So if you want to move forward and listen to it and have people present, you can.

MR. BROWN: Our decision will just be delayed?

MS. HODGES: It will just be delayed.

CHAIRMAN TUTEN: Are you David or Bart?

MR. BUXBAUM: Bart.

CHAIRMAN TUTEN: Bart. Hand them out -- your books too, so they can follow along, those two at the end.

DIRECTOR JOHNSON: I left a message. I did not reach him, but maybe he'll show up.

CHAIRMAN TUTEN: Okay. First up, we have

David Altman and Bart Buxbaum. Is Bart here? Oh, you're here, Bart.

MR. BUXBAUM: And David is right here.

MS. DEVINE: Oh, there he is.

(Committee Member Kowkabany arrives.)

MR. SCHEU: So we now have a quorum.

CHAIRMAN TUTEN: That's right.

DIRECTOR JOHNSON: And we need to call that meeting to order.

MR. LUNDY: You call to order, and could they approve their minutes as well?

DIRECTOR JOHNSON: Right. You've gaveled this one into order.

CHAIRMAN TUTEN: Right.

DIRECTOR JOHNSON: He's going to gavel this one into order.

MR. LEWIS: Call to order as well.

DIRECTOR JOHNSON: We're sorry for all the confusion. I really apologize to you. We're looking forward to hearing your presentation.

MR. BUXBAUM: Good morning to everyone. We greatly appreciate the opportunity to be here today.

My name is Bart Buxbaum and I'm head of Client Service at HS Management Partners. With me is one of my partners, David Altman. David is Director of Research and senior member of the investment team.

I thought maybe I would start with an overview of the firm and then I'll let David talk. He'll talk more about the specific investment philosophy of the firm. If you could start on page 3, please. Hopefully everybody's got the hard copy, plus we've got what's on up there.

We are a concentrated growth manager. We're along only stock portfolio with a maximum of 25 holders in the portfolio. We only have one product. We're a very focused firm. We believe in the benefit of focus. So the product we're going to talk to you about today is the only thing that everyone, and there are 16 members of the firm, are focused on on a day-to-day basis.

It's really one decision across all of our accounts. So all of our clients are getting essentially the same product from us. We are bottom-up fundamentally, and we are benchmarch agnostic, although we are judged by a couple of benchmarks that I'll talk about in a few minutes.

And at the end of the first quarter, assets were about 3.5 billion, slightly above that today. And at the end of the first quarter this year, actually we hit a milestone in that we hit our ten-year performance track record on our performance record.

And, actually, David and one of our other partners, Harry Segalas, who's the CIO, had been practicing this type of philosophy for what, David?

MR. ALTMAN: It will be 24 years in October, and he always forgets our anniversary.

MR. BUXBAUM: I keep telling them if they keep practicing, they'll get it right.

On page 4 is a little bit about our team. There are four senior people that drive the investment process. Three of those are partners. David is one of them.

Harry Segalas, as I mentioned, he's the managing partner and he's the chief investment officer. He would be the portfolio manager on your portfolio, if you choose us, as well as all the other portfolios we have. And Greg Nejmeh, the fourth partner, is president.

The four partners of the firm actually have over 30 years of experience in the investment business. The fourth member of the investment team is Rob Gebhart, who is a senior vice president with over 20 years of experience.

As I said, there are 16 people in total. If we turn to page 4, I think that's the one we're talking about now. There are 16 people in total. The partners own 100 percent of the firm, so we are a fully independent entity.

Now, I've been asked to discuss fees very briefly. We can leave this where it is, but if we just turn in your book to page 24, I'll be brief on this.

My understanding is that the total mandate is 90 million that may be divided, 45 million apiece. If you look at this fee schedule, 45 million equates to 81 basis points. This is a straight fee. There's no performance fee or anything of that nature.

I should say that one of the things that we do, one accommodation that we make, and this is not to try to alter your decision at all, is at 50 million, we give a 10 percent reduction in our fees.

So at 50 million with this fee schedule, you get 80 basis points. We would be at 70. If you the apply that reduction on a $90 million account, it would be a total of 61 basis points.

So, again, it's 81 basis points at 45 million, 70 at 50 million -- that's reduced from 80 -- and at 90 million, 61, which would be a reduction from the typical fee of 67.

If you would now turn back to -- we'll go to page 5, which gives you sort of an idea of the growth of our firm, both in number of accounts in the blue line and AUM in the dotted red line.

About 80 percent of our accounts are from nontaxable institutions and organizations, and about 25 percent of our assets currently are pension plans that we manage money for. We have about 237 accounts. And as I said before, 3 1/2 billion dollars at this point.

Page 6. Our Investment Goal: To deliver absolute returns over time by owning what we think are good quality businesses, growing the earnings and cash flow stream yearly in the portfolio, and attaching ourselves to the stream at an attractive valuation.

That's really what we think our competitive advantage is. We put together an earnings and cash flow stream from the portfolio that we try to grow each and every year and try to pay the right price for that. And we think this growing earnings and cash flow stream actually put upward pressure on the value of the portfolio.

We think that over a long-term time horizon, these positive, absolute gains will translate into very good relative performance as well.

And the actual -- if you go to page 7, is the actual historical performance that our clients have experienced. It gives you the one, three, five and ten year -- and ten year, again, is something that we just achieved at the end of the first quarter.

Institutions typically grade us against the Russell 1000 Growth Index. So I think that may be the most appropriate index. Individuals -- in about 20 percent of our businesses, individuals tend to look at us versus the S&P just because that's something that they are more familiar with.

As you can see, recent performance has been challenging, given our investment approach and the type of equity market we've experienced. David is going to talk more about this.

Longer term, we think the returns have been quite favorable. And, you know, this is a chart that looks at it on kind of a, you know, we're breaking it down into calendar years.

If you go to page 8 and you sort of take rolling performance on a monthly basis, this gives you an idea how we have done versus the Russell 1000 Growth on a rolling basis.

And so we've -- you know, we've outperformed on 62 of 109 one-year periods. If you go down to five-year periods and ten-year periods, we've been able to successfully outperform over those long periods of time every time. Obviously there's only one ten-year period.

And then finally on the following page is our long-term outperformance. It gives you an idea of what it looks like on a cumulative relative. So it basically takes the cumulative outperformance on a year-by-year basis and quarter-by-quarter basis, really, and accumulates that over the time frame versus both the Russell and the S&P.

And to give you an idea, if the performance were in line with the index, it would be a straight line along the axis down there. So the upward bias is the outperformance. It gives you an idea of what ten years of outperformance -- and, again, you can see the chart is upwardly sloping, sometimes downwards at others, but the cumulative impact has been -- has been quite positive.

With that, let me turn it over to David. And he's going to discuss more about what to expect from our investment process and different types of environments.

MS. ALTMAN: Hi. Good morning, everybody. My colleagues and I really appreciate the opportunity to talk to you today.

Page 10. Really important. There's a couple of really important ones here. I know we're on a time constraint.

This is upside/downside capture. Basically what this shows is our investment philosophy. We capture most of the upside in rising markets.

But the secret sauce behind the long-term outperformance of our strategy is the downside potential. And what this means is that if the market goes down, we go down less.

And one of our colleagues we've worked with who is subsequently not with us used to say, math is a terrible thing. If you go down 50 percent, you've got to double to get back to where we were. We don't like that math.

So if we can limit the downside. This is the reason we outperformed in '08 and '09. This is the reason we outperformed in '00 and through '02, and the same thing in the '90s

And as I'll get to in a moment, we have not had a market which is valued or appreciated risk. It happens. I don't know when. None of us know when, but it happens over cycle.

So if you look at page 11, why does this work? It works because we're bottoms-up investors. Think about how you would invest with your own money. You'd want to understand the business you own. That's us.

We like sustainable business models with competitive advantage. We pay strict attention to valuation, which is why in rising markets, you'll see us take profits and in down markets you'll see us load up on things that we think are undervalued.

But that valuation distance is terribly important when people don't appreciate risk and you have a momentum-driven market. Nothing goes to the sky anymore.

We don't -- largely view this large cap but will go down as low as 2 to 3 billion in market cap. Again, we're not looking at the market caps per se. We're looking at the quality of the businesses. And if we can find a great business that fits our attributes and it happens to be a $5 million market cap and the valuation is attractive, we'd want to participate in that.

Active management has value. Our turnover is between 70 and 90 percent. In up markets like this, that means we're taking profits on the way up.

We will own an equity on our client's behalf as long as the fundamentals are intact, the valuation's attractive, and there aren't better alternatives.

Every day we come to the office with a clean slate. That's why all of our accounts look alike. We have a lot of our family's money invested in this strategy. Our accounts are treated no different than our clients'. They look exactly the same.

But we like making one decision across all the portfolios. And it's really important in rising markets because if you have an equity that's doing really well, a new client comes in, they don't get the benefit of the past 100 percent move, 50 percent move. You've got to make that decision today.

How much Walmart do you want to own today? How much Alphabet -- used to be known as Google -- do you want to own today? We like that discipline.

If you look at page 12, the way it's kind of -- this is a weird chart because it should by the other way, but basically it's tracks by new generation.

There are a lot of businesses we will not invest in. Think about what we want. We want sustainable businesses that are transparent, easy to understand. We don't like cyclicality. We know every business will have some degree of cyclicality, but we don't like industries where, if things get tough, the consumer and the business can say, you know what? I'll defer to purchase. I don't want to participate in this.

So you'll see us really play in consumer facing businesses, consumer technology. You'll see us participate in retail, in media, in business services.

You will not see us own banks. We don't -- nothing against banks, but we can't independently verify the quality of the balance sheets. We don't know the reserves that are being set against the loans, the residual values against the leases. We require transparency.

We won't see us own commodities. We have no insight on what oil is going to do, gold is going to do, et cetera.

What we do know is when the fertilizer hits the fan in 2008 and 2009, we have a very high conviction level that Nestle's going to sell more bottled water, Starbucks is going to sell some coffee, and McDonald's is going to sell some burgers. That we know. And over time that is working on behalf of our clients.

Once we've got an idea that kind of makes some sense on from 50,000 feet, we pop it on the focus list. We appoint one, myself, Kate or Rob right now, to be a point person. We like doing our own work. There's a comfort in that.

Sometimes, believe it or not, the self side, the street, doesn't really understand everything the way you'd like them to do. So we like doing our own work. We look out five years. We do tax flow. We do P&Ls, balance sheets, et cetera.

And then evaluation discipline. It can be a great business. If it looks expensive to us -- and we use a multi-dimension evaluation approach. We're looking at price multiples, recapturing yields. We do a DCF, a discounted future value. Basically it's -- we call it a price value. It's basically discounted cash flows.

We look out five years (indiscernible) different discount rates based on the quality of business, and see who's attractive. Again, you can't do that unless you're doing your own work because most people aren't looking out five years. If everything aligns, it can find its way into the portfolio.

On the next page, page 13, this is our Focus List, and basically this institutionalizes what I just talked about. Different companies, different growth rates, different earnings, different balance sheets. It's an eye chart. Don't spend much -- that's why I'm wearing bifocals these days.

Page 14 is another really important thing, especially when we've been -- I guess it's been eight (indiscernible).

You know, there's an old saying in the business, pigs get slaughtered. Someone once asked Bernard Berk (phonetic) how he got rich. He said, I sold early. Remember important in go-go markets.

We have three reasons to sell. It's one of the reasons -- one of the ways we control risk on our clients' behalf. Fundamentals. We're wrong. We make mistakes. It's part of the business. But we recognize them, own up to them and move on.

Valuation. Especially in this type of market. Equities are appreciating. We were buying more Facebook, more Heineken and more Nestle and Nike post election. All four stocks were getting destroyed post election. Facebook -- none of them for fundamental reasons. Dollar concerns, border tax concerns, whatever.

We've now been cutting them back because they've all rallied 20, 30 percent off that bottom. Not that we're that smart, but just trying to show you the valuation discipline. Buying when they're under pressure, the fundamentals are intact. We only take profits on the way up.

And Better Alternatives. That's really important because we're playing in a very high-quality sandbox. There's 50 stocks on our focus list. That means there's 25, 26, 27 names we don't own, and they're fighting to get their way in the portfolio.

And a lot of times you will not see a secular change. You'll just suspect there's something wrong there.

The best example I can give you is back in the day we owned the New York Times in 2004, and it was a great stock. We're talking about it in the office saying, you know, there's this thing, the Internet, and we think somehow it's going to affect advertising. We're really not sure.

But it gets you to ask some questions. Do you want to sit there? We don't know. If we don't know, we're out. We don't have to own anything, any specific industry per se.

So it's a wonderful discipline to have that pressure on the portfolio, constantly challenging your best thinking: Is this the best use of your clients' capital each and every day?

Page 15 is another way we think about risk. We're really focused on the earnings and the fundamental risk. Again, do we make a mistake? Do we have it right? The valuation discipline is really important.

You will see us enter a stock -- by and large, we'll be early. We will. And we usually sell early. But that's the valuation discipline kicking in. And that's really what protects the clients' capitals when markets get more challenging and when people appreciate this.

So that's kind of the scales we're always risking. If you kind of think about the world in simple terms, we will never, ever, ever take one increment of risk to get one increment of return. That is a terrible trade. So we're always made aware of the downside if we make a wrong decision. And, again, trying to protect our clients' capital.

Page 16 is a snapshot of the portfolio. You will -- right now we own 24 stocks. Our maximum is 25. We think this -- we think this actually reduces risk. Understanding why you own something and being able to monitor it, we truly believe, reduces risk.

Every time the market through great go-go times -- 1980, S&P at its peak, 1980, was about

16 percent energy. The people who were buying the S&P think they had 16 percent exposed energy.

1999, over 40 percent of the market was tied to technology. The people appreciate that risk. 2007. Over 20 percent tied to financial services. We don't invest that way. Each business has to stand on its own merits.

I think you'll recognize virtually every name on this slide. And there's different position sizes. Concentrating the most of our clients' capitals in the highest conviction under valued names.

Traditionally you'll see the top ten holdings for us be between 50 and 60 percent of your account. We like that. That's the way it should be. And we think only 20 to 25 stocks gives us the necessary diversity across the landscape. We've got retail. We've got spirits. Everyone likes drinking.

We've got travel, consumer products. And, again, front-facing technologies, the Facebooks, the Alphabets, the PayPals.

Again, if there's any questions, just pop up once I've finished.

Page 17. If we get the valuation right, the portfolio does the heavy lifting on the earnings. So we don't have to bake in rising multiples. We're thinking about a portfolio that grows its earnings each and every year. This year we think it's 10 percent. There's a slight drive from currency. Longer term extends to 14.

What the slide doesn't show is that in 2008, 2009, we grew earnings in the portfolio. Corporate profits collapsed. In 2001, 2002, we grew it into the portfolio. So it's not going to be 10 percent, 10 to 14 every year.

But what's really important is being able to grow the earnings each and every year, puts pressure on that portfolio. You add in a 2 percent dividend yield. You don't need any multiple depreciation to kind of reach what are reasonable goals.

And, more importantly, you can suffer some multiple degradation and still protect the value of the account.

By the way, this is a really high-quality earnings stream. Bad business model. 0 to 2 percent revenue growth, magical margin expansion because you're firing everybody and not sending money on advertising, and you can get to high single-digit earnings growth. That is not sustainable.

This earnings growth -- and the way we build it, bottoms up, if you look at either 17, 18 or long term, 7 to 8 percent revenue growth, modest margin expansion and simply the redeployment of free cash flow from the business under the acquisitions or to share buy-back.

Strong balance sheets -- and I think you'll see this on the next page, page 18, we're really (indiscernible) and free cash flow, because believe it or not, capital markets do seize up. And when that happens, you want to hold companies like JP Morgan (indiscernible) just a strong balance sheet. The business itself generates a lot of cash, and those businesses can be very opportunistic.

Basically what this slide shows is on average, for every dollar of earnings that's generated in this portfolio, our clients' portfolio, 99 cents is cash. If you're running your own business, you would love this model. Cash is king.

On page 19 and page 20 we've got a couple of slides in valuation. Valuation is, you know, we call it reasonable, attractive right now. You can see. This is simply the forward 12-month earnings in the portfolio, price earnings multiple. We're basically back to where we opened the firm in the latter part of 2007. It drops down during the oil crisis in late 2010 and then back up again.

By the way, this 21 multiple, again, it's reasonable on a long-term basis.

If you go to the next page, we're just comparing our multiple earnings to the bond yield. And all this basically shows is interest rates can go up without a significant impact on this price average multiple. There's a lot of room between the two.

Pre-2000, believe it or not, on a high-quality portfolio that Harry and I used to run in a previous firm, this red line would be above -- yeah, it would be above the blue line.

In other words, what you would have, you would have a 60, 70 percent relationship. The portfolio would be turning in 60 to 70 percent of the bond yield. Once interest rates deregulated and once the global interest rate bond market became global, all of a sudden we're tied to what the German (indiscernible), that completely flipped.

So all we're saying here is valuations are okay and we can afford to have an upward movement in interest rates, which, by the way, would probably be good for everybody. Help depreciates the risk.

And then finally, before I wrap up and make sure we're on time, this bar. This is what's happening. We have not taken stupid deals, okay? But we also weren't geniuses either. This is the market we're facing.

The first five years you had periods where risk was appreciated. It could have been the Euro crisis. Obviously we had that horrific recession of '08 and '09.

But you had enough -- all you need for our strategy to work is an appreciation of risk. It doesn't have to be a bare market. It doesn't have to be anything like that. Just have an appreciation of risk.

We have had a one-way market since the middle of -- actually, since the start of 2015. 17 quarters, only one down. We'd all love that to continue. On a absolute basis, that's not likely.

And so, again, all that's happened here, it's been a narrow market as well. There's been years where seven stocks drove almost the entire market's appreciation. So we think we're going to get back to more normal times and be good times still.

But, again, that's the environment virtually every active manager has faced. We're not going to deviated. We're not going to change. We're not going to sit there and say, gee, we think the valuation will go a lot higher. Buy more of this stock. We don't think like that.

And with that, I'll let my colleague Bart close.

MR. BUXBAUM: Thank you for your time this morning.

You know, we think and we hope that we've been able to give you a good sense of our investment methodology. We would like to partner with you. We think that our methodology does add value through cycles. And, most importantly, it's resilient in tougher times.

We think that the portfolio, as it stands now, is attractive on a multiple basis. And we look forward to any questions you might have that Dave and I can take.

Yes.

MS. DEVINE: Hi. Thank you. Curious. First of all, is Harry related to Sid Segalas?

MR. BUXBAUM: Harry is the son of Sid Segalas.

MS. DEVINE: He is the son.

MR. BUXBAUM: Yes. And Sid is now in his early 80s and very actively managing billions of dollars. Harry lives and breathes -- same bloodline -- lives and breathes the stock market. And Harry who, you know, is in very good health, expects to do this well into his 80s.

Harris is my age. So he's about to turn 57. So he's got, you know, at least hopefully another 25 years in front of him enjoying this career.

MS. DEVINE: Second question. Was the compensation for investment professionals only, what is it tied to? Specifically, a benchmark and what time periods.

MR. ALTMAN: You know, we win together, we lose together. It's that simple. How the firm does. And how the firm does is a function of our (indiscernible). Clients do well, everybody wins. There is no performance benefits here. There's no benchmark benefits here. It's just a matter of the underlying health of the business and how the performance is done.

You've got 12 colleagues that are not partners. There's annual reviews. There's constant feedback. But there's no -- everyone is incentive for our clients to do well. It's just a very -- we run our firm like we invest. It's transparent and it's simple.

MR. ALTMAN: I think also if you look at the team, it's very collegial in that there will be a point person on every stock that's held in the portfolio, but it's not uncommon for the entire investment team to be listening.

They are all really generous, listening to all the conference calls for the particular companies, not just the ones that they're a point person to, but they're expected to participate in all of the companies.

MR. BUXBAUM: If there's a mistake made, it's our mistake. It's never in isolation. And when there's a success, it's our success. It's a very flat investment team. We've worked together -- Harry and I have worked together since September 30, 1993.

Rob Gebhart is another senior investment person Harry and I hired from our previous firm. We've worked with Rob for over 15 years. So you've got that. Greg and Harry used to work together (indiscernible). This dates back to the mid-80s.

So you've got -- the think we bring to bare is a single, maniacal focus on one product and a team-oriented approach on how we research that product, invest, and work together. So there's no second product. There's nothing going on besides this. It's very straight forward and transparent.

MS. DEVINE: Thank you.

MR. HOLMES: Besides the valuation discipline and the quality of the names, are there any other ways you manage risk?

MR. BUXBAUM: We've managed risks through -- well, it's a valuation (indiscernible) the quality of the names being (indiscernible).

We're aware -- I mean, we don't sit there and say we have to have 20 percent in retail, but we're aware that we probably shouldn't own Walmart and Target at the same time.

You know, we're aware, you know, that we have an exposure -- if you go to page -- the portfolio is on page 15. Oh, 16. I'm sorry. Off by one. I really am good at math, by the way.

But if you look here, we're aware we have a travel exposure. Right? We've got Priceline, we've got Marriott. But guess what?

MR. ALTMAN: Carnival.

MR. BUXBAUM: Carnival. And we've got LVMH. But guess what? The biggest bump in their profits comes from travel through Chinese tourists going overseas. So we're aware of that.

So we don't want to be unduly exposed to (indiscernible). That's another way we think about it. So if another name came in the portfolio that looked like it was tied to a travel site, we'd have to give a hard thought to what we put in the portfolio that will make it better than something else.

MR. ALTMAN: I think also just on the risk standpoint, because we're often asked what 25 names are at risk here. And we -- if you just look at the number of names, you get sort of one impression.

If you go down below that, you see that typically with these types of names, they're selling a fairly low-priced good or service on a monthly, weekly, even a daily basis, to literally billions of consumers around the world.

So when you go down a couple of folds, you find that the real diversification is across that consumer base, which is billions of people and the fact that these are not high-priced items for the most part, and they are bought quite frequently.

MR. HOLMES: So what kind of -- to control expectations, what kind of markets value or market environments would we expect out performance versus, say, the growth index and underperformance?

MR. ALTMAN: Anytime people ignore risk, it's tough. So if you think about when we underperform, it's usually for a -- this has been a very unusual period. It's usually temporary. It's usually 12, 18 months we go back and look at the start of performance, but the first year out of a recession. So in '03.

We didn't do it in '09 or '10 because everything got so decimated, it didn't really matter. So you go back to the '90s, same strategy, the same thing.

Why? Because people were looking for rate of change and earnings to grow the company. So deep cyclical companies went from losing money to making money. That's where you want to do.

But that's why the strategy works at times. Those times tend to be atypical. This is an atypical period.

So just think about all you need to have is an appreciation for potential loss investment on the part of the investment community. That's -- that's good for us. That's good for the strategy. You have to be willing to own quality names. You have to pay a lot for them, but just make sure that you have that bias.

So if we have a run -- there was a six-month run where Goldman Sachs, I think, said (indiscernible) in the first half of '08, again, we're not going to do that. But that's just a short period of time.

That's why when you look over a ten-year period, and we had a track record before that, this strategy does work out for our clients' behalf over long periods of time.

MR. LEWIS: If you go back to slide 10, the upside downside capture, a lot of active managers have a, you know, good downside capture ratio because they may have cash in the portfolio.

So talk to me a little bit about your cash positioning. Are you fully invested over a cycle?

MR. ALTMAN: That's a very good question. Thank you.

We assume that the asset allocation decision is made away from us so that when we are given funds, they should be fully invested. So we are 99 plus percent invested in our portfolios at all times.

MR. BROWN: Quick question. You mentioned 25 is the max number of companies.

MR. ALTMAN: Yes.

MR. BROWN: Is there any flexibility for that? For example, if you're looking at the companies that you currently hold, you're right at 25, but you see a reason why another company would be a good pickup, but you can't -- you don't really want to justify dumping one that you have.

Do you hold that 25 just strictly because that has been your established philosophy, or is there any flexibility in that?

MR. BUXBAUM: That's a good question, Chris.

We like making hard decisions. We like -- we do. So if something is knocking on the door, one of those 25 is going out, if it's that much -- again, it comes back to, we're trying to allocate capital every day to the best possible appreciation potential on a risk-adjusted basis for our clients.

So every name we own on that slide has risks. In fact, when we put up -- when we do a name, we do a one-page tear sheet. We don't like writing a lot. So we're a very focused firm. We have conversations, less writing. But we do a one-page tear sheet.

And in each company's case, we have five attributes. And the attributes are unique to a company. It can't be, gee, I think it's going to be sunny today. It's going to be one, two, three, four, five, and there's three unique risks. And what would really start a nice discussion is when one of the attributes is challenged or there's an additional risk.

So there's always something going on with every name in our portfolio, even independent valuation, which challenges our conventions every day so we don't get comfortable about it because we don't have perfect foresight.

MR. ALTMAN: I would just add, there's nothing magical in our minds about 25. But we think it's very important to have that hard cap to force the hard decisions.

Yes.

MR. PATSY: I apologize if you said this and I missed it, but going back to page 11, you talk about a multi-dimensional approach to growth. What exactly do you mean by that?

MR. BUXBAUM: Well, we're thinking about -- if you think about a portfolio that grosses earnings of 10 to 14 percent a year, we're basically saying -- we don't demand that every company we own grow its earnings at that rate. It's a portfolio. We kind of get that.

There are going to be companies that are going to grow at 20 percent over the next several years, like a Facebook, but there's going to be companies like a McDonald's, Nestle's, Diageo, they're going to grow 8 long term. There will be periods when they might do a little bit better, a little bit worse.

But the portfolio in total, we want to shoot to get at least that 10 percent if we can. So there's different attributes behind that growth.

Some companies, like the business model, if you would, for a Walmart is 1 to 2 percent comp traffic. Mostly traffic, not price. 1 to 2 percent like for like sales growth, a little bit of square footage growth. Growth in international markets, redeployment of free cash flow, and hopefully some leverage in the business and we can kind of get 8.

The model for Facebook is going to be users, average revenue per user, engagement, monetize that -- oh, by the way, I'm going to start to monetize Instagram, Messager at some point, and that's probably going to get me 20 to 25 percent revenue growth, but on declining margins because those other businesses will never be as profitable as the core.

So that's the multi-dimensional approach. Each company has its specific operating characteristics. We want to recognize them, but we don't go into work every day saying, well, gee, here's the cookie cutter. We need --

everybody's got to grow to the top line at this and everyone has to have margins of X, everyone's got to have ready cash flow of Y. We don't think of it that way.

The point is to get the whole portfolio to generate over a long period of time 10 to 14 percent earnings growth in a sustainable, high-quality fashion.

MR. HOLMES: Any other questions?

MR. LEWIS: You mentioned Facebook.

MR. SUGARMAN: Yes, I have a couple, if I may. I'm Bob Sugarman. I'm one of the lawyers.

Have you worked with other Florida funds on our Protecting Florida Investment Act? Are you familiar with that and how to screen the portfolio?

MR. ALTMAN: No, we are not familiar with that.

MR. SUGARMAN: Okay. We'll work with you on that. Is it a domestic portfolio entirely?

MR. HOLMES: Yes.

MR. ALTMAN: The parameters are no more than 30 percent of the portfolio can be held outside the US, and we're looking for --

MR. SUGARMAN: Okay. So you would have to certify compliance with that.

You said that you have just about two dozen companies. Could you tell the trustees your due diligence? Do you actually go visit them? Is it conference calls? How do you -- how do you monitor your investments here?

MR. ALTMAN: Hi, Bob. It's David Altman.

It's a combination of everything. You know, you can't see me, but I still have all my hair. I'll be turning 60 in June. We've been doing these for a long time.

There's a lot of companies we own that we know. So sometimes if we know the company really well -- Amazon would be a great case. We've owned it, sold it, owned it, sold it. There that may not require a physical visit right away.

A de novo, a new name, there will be a lot of work done. The benefit of being in New York is a lot of companies come. There's conferences. We know a lot of people. We get minutes from meetings. So it's a combination of all these things.

I'm going to a Diageo meeting in two weeks. And as part of that, I'm also going to see McDonald's. I'm not the point person on

McDonald's, but they know us for a long period of time. We're certainly not McDonald's largest shareholders. Because of that relationship, we've got an hour meeting with the head of (indiscernible), but that's valuable to us.

So we'll do whatever is necessary. We do a lot of work away from companies. We go through -- I love 10-Ks and 10-Qs. No one really understands why. Those are SEC filings.

But there's a lot of information that -- proxies. We meet every proxy. We want to know how people -- so we'll do what we have to do to fill in any questions or issues that we think have been raised. But there is no -- again, no cookie-cutter approach. Each company is different. Each one has a different experience base.

What I will tell you is when a new name is being looked at, everyone is on board. Everyone is trying to figure out how we can help whoever the point person is, what do we have to do to get a better grasp of what the issues are surrounding the company.

MR. SUGARMAN: The voting proxy. Our managers vote their own proxies; is that right?

MR. HOLMES: Yes.

MR. SUGARMAN: What proxy voting guidelines? Do you use a service? Do you follow AFL-CIO guidelines, CII guidelines? What -- how do you go about that?

MR. ALTMAN: We have a five-member proxy committee that meets every quarter. If there's issues raised -- in fact, we're in the middle of proxy season now. We have three point-person analysts: myself, Kate and Rob.

There's 24, 25 proxies we have to read. Each one gets read. If there's issues in it we want to flag, we flag it. We've had calls with the company.

By the way, no one gets -- always get a call back when you have a question on the proxy. You know, they want to get everything teed up before the shareholders' meeting.

So we've had questions about one company we owned where, two classes of stock, and we weren't too thrilled with the quality of people that we controlling the majority of the votes. Wanted to understand that. We actually led to exiting the company after reading its proxy. We didn't like the way the compensation was set up.

So proxies become incredibly valuable. There's a tremendous amount of information in there, but we want -- yes, okay, questions get asked, we'll call the company. They get back to us. We'll have a call with someone like yourself on the other line with the CFO and go through the issues.

But, again, we take that task really seriously. And, again, if it's a big issue, then the committee meets and decides what we want to do.

In the case of a Nestle, for instance, if we vote the proxy, we're shut out of trading the shares for a couple of days. We had a committee meeting. We spoke to outside counsel. We thought that would not be in the best interests of our clients, so we abstained.

MR. HOLMES: The non-US exposures, is that primary ADRs, or is it --

MR. BUXBAUM: It is both. It can be ADRs or ordinaries. I mean, I would -- as a general rule, we typically do ADRs when we're looking for liquidity. Whether ADRs or ordinaries, there are brokerage firms that can change ordinaries into ADRs, ADRs into ordinaries. So you have no trouble with the trading aspect of it.

And we've just found that it's much more straight forward to have ADRs in the portfolio. So I would expect your portfolio to have ADRs if you chose us.

MR. SUGARMAN: And you mentioned brokers. Do you select the brokers for executing your trades?

MR. ALTMAN: Yes. Again, we have -- we're pretty buttoned up. We have a best execution committee. It has a bunch of us on it. And we have an approved list of brokers we do business with. And we have targeted budgets each year based on the quality of the research we're getting, their access to conferences, their trading efficiency, their custodial -- everything gets weighed into there. Everything gets tiered. It's reviewed every quarter, and we can change targets, add or delete people as possible.

MR. SUGARMAN: Can you speak a little louder, please?

MR. ALTMAN: I'm sorry.

DIRECTOR JOHNSON: Hey, Dan, we've got to bring the next managers in.

MR. HOLMES: Yeah.

MR. ALTMAN: I'll just say we have a best execution committee. We have an approved list of brokers, about 10 or 11. Everybody get graded based on quality of the research, access to management, conferences, trading efficiency, et cetera, and budgets are set annually.

MR. SUGARMAN: Do you accept any -- my last question. Do you accept any stock dollar benefit of any sort?

MR. ALTMAN: Such as -- I'm sorry.

MR. SUGARMAN: Such as research services, paid attendance at conferences, things of that sort.

MR. ALTMAN: We don't pay attendance for conferences, no. I mean, we get -- the Bloomberg Terminal and Thomson are paid for, but that's obviously access to all the information that's on them. We don't use -- in case you're interested, we do not use any of these expert third parties that go out in the marketplace either.

But we do use -- we do use trading dollars to fund the Bloomberg and Thomson terminals.

DIRECTOR JOHNSON: All right, gentlemen. We appreciate it.

MR. ALTMAN: Thank you so much.

MR. BUXBAUM: Thank you very much.

DIRECTOR JOHNSON: Thank you, Bill. You've got to run.

MR. SCHEU: Yes.

MR. SUGARMAN: Tim?

DIRECTOR JOHNSON: Yes, Bob.

MR. SUGARMAN: Are the trustees familiar with soft dollars and they're considered assets of the plan and all that sort of stuff and the committee members?

DIRECTOR JOHNSON: Well, they're familiar with soft dollars. Your other comment about the impact of soft dollars, I'm not as clear on.

But Dan's been around for a while. Have you talked soft dollars with the trustees in the past?

MR. HOLMES: Not on a specific basis. I mean, just, you know, more or less in general.

DIRECTOR JOHNSON: Right. I get it.

MR. HOLMES: I can address it now or whenever it's appropriate.

DIRECTOR JOHNSON: We don't need to do it now. We'll do it in the future.

This is not a break.

MR. HOLMES: Bottom line is, with regard to any of these managers, we don't have an issue with regard to how they trade.

DIRECTOR JOHNSON: Right.

MR. HOLMES: Or the use of soft dollars.

DIRECTOR JOHNSON: I got it.

I'll get these guys. Let's get them doing.

MS. DEVINE: Are we taking a break?

DIRECTOR JOHNSON: How are you? Good.

We're a little pressed, so I'm going to distribute these. We do have you on the big screen, and we can change those slides whenever you'd like.

MR. HOLMES: Yeah, let's do it.

DIRECTOR JOHNSON: All right. Dan, let's get these guys going.

MR. HOLMES: Guys, you've been through the drill before. Half an hour, inclusive of Q&A. I'll turn the floor over to you.

MR. MEYER: Thank you. It's nice to be here. Nice to be behind this podium again now. It's been I year, I guess, since I was here last. I'm John Meyer from Loomis.

So great to be here. Thank you for the opportunity to present on large cap growth in addition to the core-plus mandate that we manage currently for the Board.

I'm joined by John O'Shea of the growth team. I'm going to go through some overview of Loomis, although you know the firm already. I'll give you a quick reminder. I'll introduce John. He's going to get to the meat and potatoes of large cap growth rate.

MR. O'SHEA: Loomis is an old firm. We were founded in 1926, making us one of the oldest in the nation. We're a stable company, established. We manage $255 billion in assets, the majority of which are institutional assets. $40 billion are public-fund related. We take our commitment to public funds very seriously, acting as a fiduciary. We've organized our business around -- Richard do you need one? A presentation?

CHAIRMAN TUTEN: There we are. Thank you, pal.

MR. MEYER: So the way we've organized our business at Loomis is to have individual strategy teams, independent and solely focused on the mandates that they manage, and then we give them deep resources.

For example, the growth team manages only growth assets. That's all they do. We have an in addition, of course, the core-plus team which you know about where you've invested. So our revenue line is diversified. And we think that's a real advantage for clients because it allows us to continually invest in each one of these strategies in up markets and down markets.

Also, because our revenue is diversified, it allows us to have long-term perspective in setting fees. We've priced this mandate competitively, which we can talk about after John presents. But we don't need to necessarily worry about keeping the lights on in up markets and down markets because we have this diversified revenue source. We feel that that's an advantage.

Now, John O'Shea joined Loomis a year ago. And you might say, what's a guy who just joined a year ago, how is he going to be an expert on the strategy?

Well, John joins as an expert. He came from JP Morgan Private Bank, and at the bank John was responsible for hiring and firing equity managers. So he's met with hundreds of equity managers over the course of his ten years at JP

Morgan. He's sat in your seat. I hope that his perspective is helpful.

He was in New Jersey at the time, a well-established job and perfectly happy. Although when he met the team, he said, if a position ever becomes available with the growth team of Loomis, he's going to take it. And a position did become available last year. He uprooted his family from New Jersey and brought them up to Boston where they're really just now getting fully acclimated. John works like a dog. He's in the office daily for 12, 13 hours, but it's clear that his passion is there for this strategy and his expertise.

Again, I hope that his perspective is helpful, as he sat in the seat that you're sitting in currently.

Are there any questions on the firm I can answer? Okay. Thank you.

MR. O'SHEA: Thank you so much. Good morning. We really appreciate the opportunity to present the large cap growth strategy.

I summarize kind of my transition is that the opportunity for me was enough to get a third generation Yankee fan to move to Boston --

(laughter) -- I'm still trying to sell my wife on the idea, but as far as the team enrolled, so far so good.

I thought we'd just jump ahead to slide 9, which is a snapshot of the team. So we manage three long-only strategies, all of which employ the exact same philosophy and process.

The large cap growth strategy is our largest, at about $30 billion, and it's coming up on our 11th anniversary, which we'll cross in June.

So we recently announced that we were closing the strategy to new investors in 2017. And we did this not because $30 billion represents the ceiling in terms of what we can manage. In fact, you know, our analysis suggests we can comfortably manage 60- to $80 billion, but we've also held out to clients that we would be disciplined as far as managing the capacity of our strategies.

And not only that, but our investors are paid on the basis of their ability to outperform benchmark and peers, so we always want to maintain our flexibility to do -- to do just that.

The team, which you can see on slide 10, is led by a guy named Aziz Hamzaogullari. Aziz is the founder of our team, this philosophy and process. I say the founder because he literally created the strategy and he personally hired everyone who is part of the team.

Aziz and the team joined Loomis in 2010 from Evergreen Investment, which is another Boston-area investment firm. And Aziz had spent almost a decade previously at Evergreen. He was hired first in 2001 to be their senior technology analyst. And he was already practicing the philosophy and process we're going to discuss as an analyst then.

And the chief investment officer at Evergreen kind of quickly realized that what he was doing was unique, because within two years of his joining, they asked him to become Director of Research and to institutionalize for Evergreen firm the philosophy and process that he brought with him as an individual just two years earlier.

So he became Director of Research. He hired and trained ten analysts. And then in 2006, they promoted him to portfolio manager, which is when he launched the large cap growth strategy. And when he launched the strategy, he was able to hand pick three analysts from the ten he had hired, mentored and trained over the prior three years.

So in the second row there, you'll see Brian Coyle, Peter Linnard, Rayon Ward. The senior analysts on the strategy have all been part of this since day one and have been working with Aziz for some 13 or 14 years now.

There's a total of six analysts supporting the team today. The three more junior analysts were all hired since the team joined Loomis, but even though Aziz tends to hired more junior people, from his time with -- as director of research, he realized it's kind of hard to unlearn bad investment habits that people pick up elsewhere. But he spends a tremendous amount of time getting the people part of the equation right.

For the last two hires, they estimate they spend two years and went through 900 résumés. And that's because he's not looking for people who all have Harvard MBAs. He's really looking for a unique set of characteristics. He wants people who are passionate about this business, first and foremost, because that's the one thing you can't teach.

He wants people would can demonstrate that they're independent thinkers. You don't outperform the benchmark in markets by holding the same views as everybody else. You've got to be able to think differently.

And then, finally, he wants people who are team players. And so far so good, because in ten and a half years, nobody has ever left the investment team. And we think that's important because we really view our culture as a competitive advantage, and you can see elements of that culture on slide 12.

One going forward, if you don't mind. Thank you.

So our goal as investors is to generate superior risk adjustment returns. Now, the risk adjustment part of that requires that you have an equal focus on what can go wrong and what can go right. And for us, that starts with the team process.

So our analysts have areas of sector coverage responsibility where they, you know, take the lead now analyzing companies, but then every idea is brought back to the whole team to deliberate. Aziz really values the diversity of perspectives that everybody brings. He doesn't want to just hear from people who agree.

Aziz makes the final decision for the portfolio, but what I think is important is he's not predetermining in advance what the outcome is going to be just because he's the portfolio manager.

And with every idea that's brought forward, the whole team sets out to disprove the investment thesis, really, as a way of ultimately showing how strong it is. How does this idea withstand every potential criticism, every objection that we can rise?

Now, the point of that is hopefully to help us guard against getting overconfident. So as a team, we don't spend any time trying to guess what a stock price is going to be 18 months from now. We don't claim to have any better view in that than the market does.

Instead, we understand that every potential investment has a range of outcomes. Where we spend all our time is making sure we understand what that range could be from best to worst.

And our compensation is specifically set up to incent this team's behavior, and that's because everybody is paid on the exact same set of results, which is overall portfolio performance.

So our analysts aren't compensated differently on the basis of how their stocks or sectors perform. They don't have any incentives to get their names in the portfolio. And the clients, you know, our clients don't care what analysts get their names in the portfolio. Everybody's shared incentive is to make sure that the best names get in the portfolio.

And the way that's measures is over three, five and ten-year performance periods, with a third of incentive compensation attributable to each of those periods.

So the bonus pool, which is the majority of what our analysts and Aziz get paid, two-thirds of that is on the basis of performance they generate for clients over five and ten years. So they're paid not to worry about the short-term noise, not to worry about this quarter or even this year, but to make the best long-term decisions for our portfolio and our clients.

We think that offers both important alignment with our clients. We're presumably not investing in equities because they're trying to satisfy 12- to 18-month observations, but also it offers alignment with our philosophy as investors, which we'll go into on slide 13.

So this is a little busy, but this represents what we call our alpha thesis. And the alpha thesis is based on a white paper we wrote, and it really tries to answer the question, why do we think we can continue to generate positive, excess returns without taking undue risks?

So what we laid out is, you know, what are our most deeply held investment reliefs? What are those reasons we think we can outperform on a going-forward basis. Those are the Tenets in column one. How we put those beliefs into action, that's the Process in column two.

And then, finally, what are some objective measures that investors can use to access, you know, the integrity of our process from philosophy to outcome. Those are the Proof Points in column three.

So I'm just going to touch on three in the interest of time, but for us it starts with our time horizon.  We are truly long-term investors. We want to capitalize on the secular growth opportunities that we identify, but also take advantage of the market's often shortsightedness.

So, very simply, that process for us is what we call time arbitrage.  What we mean by that is we think markets are efficient over the long term, but investors who have far shorter time horizons overreact to news or events which doesn't fundamentally impact the intrinsic value of companies over longer periods of time, and so it kind of creates price dislocations in the stock.

So what will you expect for a long-term investment practice and time arbitrage?  Well,l you'd expect we'd have low portfolio turnover.

In the ten and a half years we've been managing this portfolio, the turnover has been around 15 percent.  That means our average holding period for any stock in the portfolio is over six years.

If you compare that with the average large cap growth manager in our universe, they can be annual turnover, 80 to 100 percent, which equates to a 10- to 18-month time horizon. That to us is trading. That's not investing.

So what does that feel like if you invest in our strategy? It can feel pretty dull. In the last -- in 2016, we only bought two new companies for the portfolio. And the year before that, it was just one. I think in the last four years we've only bought seven new companies.

This is a team that's truly patient and disciplined, and we often do our homework years before the market actually gives us the chance to own companies with the characteristics we seek, but at the prices we're willing to pay.

So case in point, the only two companies we added in 2016, in each of those cases, our original research report was done on them five years earlier, in 2011.

Another brief and differentiator for us is our quality focus. So when we think about what we want to own, we don't start with what's in the benchmark. We don't care what the fixed holdings are. We don't care what the sector weights are. Our willingness to own a company is based on its quality attributes.

And I'll talk more about what that means to us, but simply put, a quality business to us is one that would be difficult, if not impossible, to replicate. So that's the first question our analysts ask about any company. Is this a differentiated and defensible business, or could somebody come along and replicate it?

The outcome of that is we have high active share. And active share is a concept that just measures how different your portfolio looks from the benchmark. High active share means you look very different from the benchmark.

So there's a body of academic literature which suggests that high active share is predictive of outperformance. That may be going a little bit far. We view it as necessary, but not sufficient. It makes sense to us that, to bet the benchmark, you have to look different from the benchmark and we always have.

And I think it makes sense. We don't start with the benchmark when we build portfolios. We're looking for a handful of uniquely advantaged companies who wind up looking different as a result.

And final one, and I'll touch on this slide at the bottom row, we have an absolute risk focus. Risk to us means permanent loss of capital. It doesn't mean short-term underperformance. It doesn't mean elevated tracking errors to the benchmark. It doesn't mean sector deviations.

In our view, the benchmark itself is a risky asset. A capitalization way to benchmark, like the S&P 500 or Russell 1000, by design, they hold more of the stocks and sectors that are going up most in price, regardless of whether or not the intrinsic value of those companies are going up at the same rate.

So if you, as an active manager, tie your risk management framework to, you know, staying within the parameters of an already risky benchmark, our way of thinking, that forces you to take on valuation risks that we're not willing to assume.

Oh, and by the way, looking like the benchmark didn't keep you from falling 38 percent in 2008.

So we have an active approach to risk management and informs every decision we make. The outcome is that our volatility has been lower than two-thirds of our peers and in line with the benchmark over the last ten and a half years, despite having only 30 to 40 stocks in the portfolio.

Our risk adjusted returns, sharp ratio, information ratio, alpha, have all been either first or second percentile, which I think suggests that we've been well compensated for the risks that we do take in portfolios.

So how do we do it? If you want to kind of sum up most simply who we are as investors, it's the first statement on slide 14. And that's, you know, we're an active manager with a long-term private equity approach to investing in public markets.

So what do I mean by private equity approach? Well, we want to be part owners in a handful of great businesses, and we access those businesses as if we were going to lock up our capital for a minimum of five years. No public market for those shares.

So to be willing to make that commitment, we insist any company have three characteristics, all of which have to be present at the same time:

High quality, sustainable growth, and then compelling valuation. And we don't allow for any trade-offs.

So we don't care how cheap a company is. If it doesn't meet our quality criteria, and we don't care how fast it's growing, if we think it's expensive.

And the way we decide whether or not a company meets those criteria is to go through a seven-step research process which you see on slide 15.

So the output of this process is usually a 30- to 100-page report the analysts will write. And the purpose isn't to have a big impressive report, because, in truth, we don't share them with anybody but ourselves.

The purpose is to make sure for any investment, we're asking all the right questions and then answering them to our satisfaction. And those questions start with the company's quality attributes.

So quality to us is really a powerful combination of traits. It includes having advantages in the business. It includes the dynamics of the industry that they operate in. It includes their cash-flow generation ability. We have a real focus on companies that are self-financing, that don't rely on markets to fund their profitable growth opportunities.

It includes the leadership qualities, the management teams. We want to invest alongside management teams who are not only aligned with shareholders, but thinking about in terms of decades, not next quarter or next year.

In fact, 40 percent of our portfolio is actually invested in companies that are still run by their founders. In our experience, these are people who think about building businesses to last for generations and making decisions on that basis, and not managing to short-term Wall Street earnings targets.

So usually when we find that combination of characteristics in the same place, what you get is a business model that would be difficult, if not impossible, to replicate.

So I think an easy to understand example from our portfolios is probably Visa, which we've owned since their IPO in 2008. If you think about trying to replicate Visa, well, you know, you'd have to have a trusted global brand, which they've spent decades building.

You'd have to replicate their client

relationships, which include 16,000 banks, who have worked with Visa on average for ten years. You would have to replicate their merchant relationships, which are over 35 million merchants in over 200 counties.

So, hopefully, it's pretty easy to see Visa would be a tough business to replicate. And if you look at the industry that they operate in, that quality is kind of -- is mirrored because between the top four competitors, Visa, MasterCard, American Express, Discover, market shares are incredibly stable going back for decades. They can't even steal market share from each other. So that's a real element of quality and stability.

Contrast that with a company we've never owned, which is Apple. And to many investors, Apple is the poster child for a quality growth company over the last ten years. And there's definitely a lot to like.

But unlike Visa, which operates in a very stable end market, think about Apple's primary end market. It's the handset market. It's the iPhone.

I heard this morning on TV that analysts now estimating it's now 80 percent of their business. So think about what's happened in that market over the last 10 to 15 years.

Anybody ever have a PalmPilot, Nokia, Motorola flip phone, BlackBerry? You know, kind of all one-time leaders who have come and gone by the wayside.

So Apple came in, tremendously successful with the iPhone, continues to be successful, but even after Apple's success, Samsung was able to come in as a new entrant and take 50 percent market share in a five-year period.

We don't think there's another company in all of our portfolio where a new entrant could come along and take 50 percent market share in five years.

Why is that so important when you're thinking about Apple? Well, again, the iPhone is 80 percent of their business these days. So it's not that we haven't seen the upside now. We've always seen the upside.

But we're just not willing to own a business where so much of their valuation is tied to an end market that's shown such dramatic and unpredictable shifts in leadership.

And if it's not -- if it doesn't meet our quality criteria, we set it aside. If it does, then we're equally concerned with growth.

And with growth, we're looking for two things: That they be profitable and they be sustainable. And when we talk about profitability, we're focused on cash flows, like private equity investor.

I want to see cash flow return on the invested capital that's greater than the investor's cost to that capital.

So we don't look at any counting base measures of earnings, like price to earnings. You know, they can diverge from the underlying cash flows and they can be manipulated by management.

We also require that the growth be sustainable. Usually that means that it's secular or structural in nature. So we're not betting on a product cycle. We're betting on changes in the way people live. Changes in the way business is conducted.

So for Visa, it's this shift from paying by cash and checks to digital payments. For an Amazon, it's a shift in traditional brick-and-mortar retail to online retail. For Google, it's the shift from online -- or traditional advertising to online advertising.

You know, these are structural growth drivers that we think are likely to be in place, as strong or stronger, five or ten years down the road.

So we spend all our time building a library of companies that meet our quality and growth criteria, but even then that's not enough for us. Just because you're a growth manager doesn't mean what you pay for something isn't important.

So we insist that any company we buy trades at what we call a margin of safety, or a substantial discount to our estimate of its intrinsic value.

If you go two slides forward, I think that will give you a graphic sense of how we think about that.

So quality and growth determine what we want to own, but valuation is the sole determinate of when we're willing to own it and how much of it. So we think the risk of owning a high-quality, secular growth company is lower after its price has gone down. As a result, we're often buying what other growth managers are selling.

But usually that means something bad had to happen that made short-term investors nervous and caused them to sell the stock.

So I said up front, you know, we understand every investment has a range of potential outcomes. So for every company, we model out that range. That's based on fair and worst-case scenarios.

So we focus on the base case, which is our best estimate of intrinsic value, but then we say, okay, what if our assumptions are too optimistic? What happens if everything goes wrong for a company? What's it worth in those different scenarios?

Then we look at today's stock price. What are the market's expectations for this company's growth or profit margins over time?

Assuming our base case remains intact, we're only willing to invest in a company when the market has gotten so pessimistic that today's price represents our bare case outcome for that company's performance. That's when we'll initiate a position, take maybe 1 or 2 percent.

And then you probably didn't hear anyone else say this today. We'll root for the stock price to go down because we're only willing to take a full position, which for us is 5 percent of cost, when we think the market's expectations are still pessimistic that it reflects our worst-case scenario for that company. And even then we still want to see at least 40 percent upside to the base case.

So now, remember, we've done our homework. We might have followed these companies for years. And like Warren Buffett, we want to own more of a high-quality company when its price is low.

In addition to want to see that big discount to intrinsic value, we also want to see an asymmetric reward to risk, upside to downside. At least 2 to 1 upside to downside, preferably twice that.

All things equal, if we just bought at the worst case and the stock starts appreciating towards our base case, where your remaining upside starts to shrink and your downside starts to grow again, we're trimming out of it.

When it hits our base case, it's out of the portfolio altogether. We won't own a company that trades above our view of intrinsic value.

That's how you protect against permanent loss of capital.

At the outcome of that is we have a very different performance pattern than most growth managers. Most growth managers do well in one of two environments: The momentum guys tend to do well in rising markets, while your defense managers tend to do well in falling markets, but they don't participate as well on the upside.

Historically, we've done well in both markets. And if you flip over to slide 28.

So this second and third to last columns on slide 28 show our performance in up and down markets. I'm sorry. It's one forward of that, I believe. It's the other way.

So in up markets, we've historically captured over 104 percent of the market's gains, which is better than 70 percent of our peers. But in down markets, we've fallen 8 percent less, which is better than over 85 percent of our peers.

Our signature performance period in that regard, if you can flip back one side, was 2008, 2009. In a way, we fell 28 percent, which was painful, but that was far less than the benchmark, which was down 38 percent. And, really, if you're thinking about down market performance in the last ten years, '08 is really what matters in that regard because that was the one glaring instance we had.

But we outperformed -- we also outperformed in 2009 when we returned 41 percent versus about 37 percent for the benchmark. So you see that characteristic outperform in both up and down markets.

What that meant is if you owned our strategy from January 1 of '08, and held it through 12/31 of '09, over those two years, and you can do the math, at the end of that period you would have come out with a little more than a hundred cents on your dollar. You would have had a slight profit after what was the greatest draw-down we've experienced in this country since the Great Depression.

We think that's a pretty good outcome. And it didn't come because we predicted financial crisis and repositioned the portfolio. We didn't move to cash. It comes from two things: Insisting that every investment have the simultaneous presence of quality growth and valuation, and then taking an absolute rather than relative view of risk.

I've just got two more pages I want to touch on. To help think about how we think about risk, if you go to slide 22, I believe, or it might be 23. That one, please. Thank you.

So this represents our portfolio, which today has 33 different holdings but which have 24 different business drivers.

So after deciding what we want to own on the basis of quality growth and valuation, then we want to make sure that our best thinking from a bottom-up basis won't let us be over-concentrated in any one risk.

So for every company, we say, what's the growth driver that has the biggest impact on how that company is valued? And then I don't want to have more than 15, 20 percent tops of my portfolio exposed to any one growth driver.

So in the middle there you'll see Online Advertising at 12.1 percent. Well, that represents our investments in Google and Facebook, both of whom derive greater than 90 percent of their revenue from online advertising. And that's the largest exposure we've ever had historically. We've never even gotten up to 15 percent.

But we think this is a more intuitive way to think about risk. If you look at the benchmark, the benchmark will tell us that our investment in American Express is a financial company, but our investment in Visa is a technology company.

Well, to our way of thinking, they both have the same underlying risk, which is the continued shift from cashing checks to digital payments, which we categorize here as global payments.

Now, if you were to take a benchmark central to your risk, which I think you can see on slide 32, and this is the last page I'll speak to before taking questions -- it's one more forward. I'm sorry. That one.

So you could rightly say, well, John, look, you've got 42 percent of your portfolio in technology versus just 31 percent to the benchmark. You go, how are you going to tell me that's not risky?

Well, we do have 42 percent in technology. It's 11 different holdings, but those 11 holdings have nine different business drivers, to our way of thinking. And, again, the risk to Visa to us isn't the fact that it's a technology company, it's continued growth in digital payments.

The risk to a Facebook isn't going to affect the technology company. It's continued growth in online advertising. The risk to Qualcomm is continued growth in mobile devices.

So it's entirely possible the market decides, as it seemed to after the Trump election in Q-4, that it doesn't like technology stocks, and all those stocks trade as if they've got the same underlying risk.

But we know markets are efficient over time, and we know that these drivers, you know, will come from a diversified set of sources. And when do you really care about diversification? Well, you care about diversification when markets are falling. And I think our performance in down markets really kind of bears out the wisdom of this.

My last point I'll make. Just so you don't think that 42 percent in technology is a view of, hey, technology is where you want to be in 2017 if you want to outperform, when I look at our top ten holdings -- okay, so Amazon is not a technology company, although, you know, it's a consumer discretionary company -- but we've owned that since portfolio inception, ten and a half years.

Facebook, we've owned continuously since the IPO in 2012. Alphabet, we've owned for ten and a half years. Cisco, ten and a half years. Visa, Alibaba since their IPO. Qualcomm, Oracle, ten and a half years.

What I would leave you with is I think this is a team that's been really, really good at identifying companies that have the quality characteristics that allow them to remain leaders in their space, that have secular growth drivers that in some cases made attractive investments ten years ago, and we think ten years forward, and yet because the market is so shortsighted, they systematically underappreciate the open-ended nature of the growth opportunities they have.

And I apologize. I seemed to have gone a little bit over, but I'd love to take any questions that you have.

MR. HOLMES: What's the fee structure?

MR. MEYER: The fee structure is, for the commingled institutional trust, which is where the city is planning to invest, we've discounted that to 45 basis points on the first hundred million, and 40 above that.

So assuming about $80 million, and I know that Dan has presented this in the search material as well, that's about 43 basis points.

MR. HOLMES: That's on both -- the assets of both systems combined, right?

MR. MEYER: That's correct. So we'll aggregate those assets together, as we do on a fixed income mandate as well, which results in a net lower fee.

MR. BROWN: And since inception, your large cap growth composite has been in the top 1 percentile? Did I read that right?

MR. MEYER: Yeah, gross. And that was on --

MR. BROWN: Gross of fee.

MR. MEYER: -- 33. I think the gross returns have been 1st percentile. Risk adjuster returns have equally been about 2nd percentile.

MR. BROWN: Okay.

MS. DEVINE: And those returns reported from Wells Fargo?

MR. MEYER: No. So the -- the team has an institutional track record, which is get to compliant. If you're looking at just the fund, though, Aziz only took over management of the fund in 2010.

So -- I'm sorry. Yes is the short answer to your question. He was able to take his institutional track record with him.

MS. DEVINE: They didn't maintain any strategy over at Evergreen he may have created there, because he was the director of research and then created this, but he didn't leave anything there? He brought everything over, including all the folks?

MR. MEYER: He left Evergreen on one day and invested in Loomis the next day, and then all the decision-makers who were part of that strategy at Evergreen came with him. So that's why we were able to get in compliance for the full track record going back ten and a half years.

MS. DEVINE: Okay.

DIRECTOR JOHNSON: All right. We appreciate it. Thank you for coming in.

MR. MEYER: Thank you for your continued business, and thank you for having us here today.

DIRECTOR JOHNSON: Thank you.

(Off the record)

MR. HOLMES: All right. So half an hour for presentation, including some Q&A. We'll probably save questions to the end so we don't interrupt the flow.

CHAIRMAN TUTEN: Okay. You guys ready?

DIRECTOR JOHNSON: Yes, sir.

CHAIRMAN TUTEN: Okay. Perfect. We've been sitting down for three hours, so if we stand up, walk around a little bit, don't be offended.

MR. KOLANKO: All right. My name is Joe from Sustainable Growth Advisers. I have Rob Rohn. Rob is an analyst first and foremost. He's a portfolio manager and cofounder of our firm. And we want to thank the police and firefighters of the City of Jacksonville and Summit Strategies for having us here.

My in-laws live just down the road on 95, and I get brownie points from my wife for coming to visit them when I'm in town. So I like to do that more often.

With that, I'll leave it to Rob. Rob will keep the remarks brief, and I look forward to your questions.

DIRECTOR JOHNSON: Thank you.

MR. ROHN: So I'm Rob Rohn, one of the

founders of SGA. It's great to be here today, although I'm not getting brownie points for being down here. But it is good to be here. We're really happy for the opportunity.

I'll be brief. Really, I should cut it shorter than I had planned to before because I think it sounds like you are kind of pressed for time, and get to what is on your mind in terms of questions. I'll probably refer to a half dozen or so slides in the book, so I'll give you a heads up on that.

So it's now been 15 years, which is amazing to me. But I started the firm with my partners, George Fraise and Gordon Marchand, about 15 years ago. We started the firm really with the idea that we -- quote, this was our mission statement: We want to do the job right.

And what we meant by that was we had been working together at one firm. We've worked separately at other firms, all with a similar investment philosophy, which we saw work really well over time. But we felt that the execution could be improved upon, so we started SGA.

Doing the job right for us means, you know, you really focus and bear down on -- it's hard enough to do one thing right. So you really focus on what you want to do. You have a well defined, time-tested investment philosophy that you know you've seen through empirical evidence works. And as I said, you know, in our respective 30-year careers, we've seen it work.

You want to make sure you have a systematic process so you minimize mistakes, because we all are prone to those, especially in the financial markets.

You want to hire good people. You've got to motivate them properly, and that just doesn't mean, you know, pay them. It means, you know, you've got to motivate them to work together.

And really important to us, you have to structure an organization so that everybody is motivated to work together, and is closely aligned to your clients, so you're in a real partnership with your client. So that was our goal.

Specifically, our philosophy is on page 2. It is to find the best sustainable growth businesses -- and I'll define that in a minute -- and attach our clients to them through the ownership of their equity.

And you want to do that under the right circumstances when, you know, you have a real opportunity to make money, when the valuation is good. And a valuation based on cash flow is most important to us.

The idea here is that if you attach yourself to really good businesses that are predictable and can grow at a good clip, somewhere in the double digits, you should -- you should have appreciation in your portfolio that is commensurate with those returns, somewhere in the double digits.

As I think Warren Buffett said, you know, that sounds simple, but it's really hard on the execution. Probably the best way to visualize what we're trying to do is on page 3, the bend diagram on page 3. We're trying to operate in the sweet spot in the intersection of these three circles.

We're looking for businesses to attach you to that are very high quality, and by that we mean they're highly predictable. They have sustainable growth. They can sustain growth over a long period of time, and we can see that continuing for three, five, even ten years.

We found, as analysts, and as Joe mentioned, we're all analysts first, the attributes that are highly correlated with that are things like pricing power.

Think of -- I was walking through the airport this morning. Think of Starbucks selling a unicorn macchiato for $5, or what I usually buy, a grande latte for $3. So they can sell all of us those things when we used to be able -- when you can buy -- when you can get a cup of coffee at home for less than ten cents a cup.

Recurring revenues are another predictor of sustainable growth. So if you have a business where you don't have to rebuild your business every year from scratch. Think of Visa, who just reported last night so it's top of the line. They grew their revenues 20 percent. Probably about 95 percent of their business recurs every year.

You just keep swiping your card the same amount of time, but because credit card use is growing as a percent of tender currency, you know, they just have to work on driving that increment every year. They're not starting from zero and building their business every year.

That's recurring revenue.

And financial strength. That, to us, means that if you -- you have a business where you don't have to reinvest all your cash flow in your growth. There's a lot of free cash flow.

And a good example of that might be -- I'm not sure if you've heard of the company, Salesforce. They -- instead of -- they're a sales force automation company, but instead of selling you software that you have to install on your server and put in your back office, they sell you a subscription.

They collect that up front. They get the cash flow, and therefore their free cash flow is actually a lot higher than their reported earnings. So quality -- those are the kinds of things we look for to identify quality or predictability or sustainable growth.

We do want growth. Typically we want to see within the portfolio at least twice nominal GDP growth, or twice what you can get in the indices. The index growth, for instance, the S&P or the Russell 1000 has grown 5 to 7 percent over time. So we're looking for double-digit earnings growth within the portfolio.

And then valuation. We want to make sure that, for instance, we can earn a good discount rate. But, for instance, at this point in time, you can actually buy this portfolio at a discount to the overall market, which means you've got a better chance -- not only do you have higher quality, better growth, but you also have a lower valuation, a better chance of earning that double-digit growth over time.

Let's look at the output of the process on page 4. So on that top line chart you can see that we actually have delivered. This is the actual earnings growth behind the portfolio over time. 13.6 percent, about twice that of the Russell 1000 growth.

Perhaps the most important part of what we do, though, is not necessarily the growth or even the return. It's the relative risk. So that growth of 13.6 percent in earnings has come with a lot lower volatility than the index. You can see that in the right-hand bar chart.

The returns have the same pattern, not to the same magnitude, better returns over time with lower volatility.

On page 5 you can see the returns by year.

Over time we have -- over market cycle, which we consider to be five, ten years, we've delivered that double-digit return, which is the goal, commensurate with the growth behind the portfolio. And we've done that with a lot lower volatility.

Probably the best measure of volatility or risk from our perspective is very simply downside capture. And I'm on page 6. So what that simply means is when the market goes down, we go down a lot less.

The reason that is important is you never know when you have to draw, for instance, on your particular -- on your funds. It's pretty inconvenient and it's difficult for your planning purposes to have to deal with volatility on the downside.

And, of course, you know, the old adage, if you go down 30 percent, you have to appreciate 50 percent just to get back to even. So that volatility is important.

So that's a bit of the output of the process. Let me -- maybe some other distinguishing -- just cutting to the case, some other distinguishing features of the organization.

We've been very stable. There's been no turnover on our investment team. We know that's very unusual in our industry. It's a function of a couple of things from my perspective.

Number 1: We've hired people very carefully. When you start from scratch, that's a great advantage. We hire people for a one-year trial period before we make a long-term commitment to them and them to us.

At that point we give them the opportunity to buy equity in the firm. So most of the employees of the firm are shareholders. And that's a great way to have long-term stability. They really are locked in and committed.

19, I think, Joe, of our 23 employees? So it's not just an investment team. It's everybody in the organization. 19 of the 23 employees right now are shareholders of the firm.

We work in a team-based culture, and that's -- you know, you hear a lot about, you know, team-based approaches. It's not just because it's fun. It is more fun. But it's not just because it's fun.

It's also because, as I mentioned earlier, we know that this process works, but you have to go about it in a systematic way to minimize the opportunity for mistakes, because it's easy to make mistakes, I think, in the financial world. There's a lot of pressure. There's a lot of noise. A team-based culture gives you redundancy.

So, for instance, every person on our team is primary analyst on some companies that we invest in, but then we assign a backup analyst. And the whole team gets together often and discusses our decisions before we make final decisions. That really gives you at least three layers of redundancy and judgment before we make portfolio management decisions.

You can really maximize that benefit. You can think about if -- if you've hired the right people. So we've been very deliberate in who we've hired. You can look on page 7.

We tried to hire people who are -- I'm sure a lot of you have heard of Snapchat. They went public recently. And Evan Spiegel, who is the CEO, says it's very important to him to hire people who are T-shaped. That's kind of what we've done all along.

If you look on page 7, you'll see people like Alexandra Lee, who is a formal medical doctor; Kishore Rao, who founded an information technology before we hired him out of his VC firm; Gordon Marchand, who is the past -- one of my cofounders who's the past chairman and president of the IAA, the association which governs our industry and is a real authority on best practices. He's also a CPA.

HK Gupta, who's got a master's in computer science, worked at Amazon for three years before he joined us; Luying Wang, who we just hired who has a master's in industrial engineering.

So if you have these people around the table and that redundancy in your process where you've got a primary backup and then everybody is weighing in, you get a lot of different perspectives on the problem and I think you minimize mistakes.

We've got a great set of clients. I don't know whether you know this, but we are only -- we only an institutional only firm. We only have, I think -- what is it now, about 50 client relationships?

MR. KOLANKO: 60 client relationships. Our newest account was Coca-Cola Pension Fund gave us $400 million to manage that we started earlier this month.

MR. ROHN: Sometimes I -- when we first started the firm, someone asked me, and before thinking, someone asked me, how's the new firm going? Before I could think, I said, it's great, we don't have any clients.

And what I meant was, that if I have few clients, you can really focus on working for your existing clients and making sure that you have mutual beneficial -- mutually beneficial relationships and you can focus on investing.

Some of the larger firms -- we have a lot of individual client relationships. I know. I've been there. It's very difficult to do that.

You know, the last thing I would say about us is we're structured to control risk. I think you've seen that in the -- you know, the risk metrics. That is our primary, I think, value added. We beat the market over since we started, beat the indices. But it's the low volatility which sets us apart, which really flows from every step in our process in that bend diagram I showed you earlier.

So I think what you can expect from us, and I think this is a real benefit to you, you have a pretty clear expectation. You can -- you can see that we've delivered pretty consistently returns in the double digits over market cycles. That's pretty rare these days. I think it's hard to find options to get that, and you can do it here with relative low volatility, i.e., risk.

We've -- you know, basically valuation right now to us looks attractive. I think for the overall market looks difficult. So I think it's a good time -- a good relative time to hire us. I think we can do a good job for you from here.

So I hope that we get a chance to work for you. That's it. Questions?

MR. BROWN: You may have mentioned it. Fees? Fee structure.

MR. ROHN: Yeah. Do you want to talk about that?

MR. KOLANKO: Let me find the slide here.

We offer a standard fee schedule, which we've discounted. It's in this book over on page 29, a standard fee schedule that we offer for a flat 50 basis points.

However, we would offer a performed-based fee whereby you only pay 10 basis points unless we beat the market. And if we beat the market, we share in the revenue growth. And we actually cap it -- if we do really well, we cap that share so you don't have to pay anything additional on that. And you can see the details of that on page 29. So 10 basis points would be the fee.

MR. ROHN: And the reason for that is, during periods of time where we think it's a particularly good time, one of the biggest problems with this industry -- and I'm sure you-all are familiar with it -- is that often you get hired after a period of time when you've had really good performance. And that's usually a time when you can't do as good a job for your clients because, you know, you're operating at a relatively high level of valuation.

As I mentioned, we think it's a relatively good time to hire us. During those periods of time, we decide, well, let's -- we're willing to take on the risk of a performance fee as we are today.

CHAIRMAN TUTEN: Did you guys mention -- do you have any other public pension plans in the state?

MR. ROHN: Joe, you would know. We have other pension funds --

MR. KOLANKO: Public pension funds. Yeah, we have a couple of public pension funds and a couple of union pension funds --

CHAIRMAN TUTEN: Anybody in the state of Florida?

MR. KOLANKO: No. Not in Florida. No.

CHAIRMAN TUTEN: Okay. That's fine. I didn't see it in here. Just curious.

MR. LEWIS: So the 19 of 23 employees that own shares in the business, is that the entirety of your shareholder base or do you have any other passive shareholders?

MR. KOLANKO: So we have a passive shareholder called Estancia Capital. And we tend to think in ten-year chunks. So we started the firm and we did a ten-year strategic planning session where we thought about how many people we would need and all that stuff, what kind of expertise that we wanted.

We did that about five years ago on our ten-year university. I guess it was four years ago. And at that point we realized we needed to build out the operation side of our business, client service side of our business.

At the same time they came in and said, we'll help you with all that for an equity stake. So they have a passive equity stake. They don't really have -- you know, we have board meetings with them periodically, but they don't have any measure of control over the business.

MS. DEVINE: What's the percentage?

MR. KOLANKO: 23.

MS. DEVINE: Has that come down? Has that moved up? What is that?

MR. KOLANKO: That's come down, and the reason it's come down is because they were willing to be deluded, as we all are, as we -- you know, as we hire people, after a year we decide whether or not we're going to keep them, then at that point we decide -- you know, we let them buy shares at an insider price, and those shares delude everybody else.

So they get deluded -- they're on the same basis as everyone else. So they've been deluded over time.

MS. DEVINE: So they --

MR. SUGARMAN: This is Bob Sugarman, one of the lawyers.

Do they have the right or have they ever picked off any of your talent to move over to their other investments?

MR. KOLANKO: No. In fact, they've sent us talent. So they helped us hire our chief operating officer. And that was part of the reason we got involved with them. They gave us some good advice. And they -- you know, they send names our way. So it works in the other direction.

MR. SUGARMAN: Okay.

MR. KOLANKO: And they've actually -- you know, on the marketing side, they've done some -- they've helped us with some strategic things.

Like, for instance, they found a distribution partner for our mutual funds so we didn't have to -- to worry about that.

MS. DEVINE: American Funds, American Beacon?

MR. KOLANKO: Yes.

MS. DEVINE: Yeah. And how is that going?

MR. KOLANKO: Slowly.

MS. DEVINE: Okay. In terms of your growth rates, are you purposefully trying to design a portfolio that's kind of 50-50 in terms of, you know, anything greater than 15 percent and up, or 2 percent below?

I see that you've currently got it kind of weighted 50-50. But is that purposeful or targeted, or is that something that's just bottoms up?

MR. KOLANKO: The short answer is no. It's really bottom up. So we build the portfolios from the bottom up. And then we, the three portfolio managers -- and I didn't mention this.

So there's redundancy in our research in that we've got the primary analyst, the backup analyst, and we've got the group discussing and they're all T-shaped, if you remember that point.

And then the portfolio manager decisions -- it's three portfolio managers, the three founders, two out of three make the decision.

And what we do is we build the portfolio from the bottom up, and then we look at our decisions before we make them from the top down. We seek that balance within the portfolio.

But, you know, at certain times, you know, the high growers -- for instance, in 2008, 2009, the really high growers were relatively attractive to us. So we found ourselves with a lot more high-growth companies in the portfolio.

Back in 2000, 2002, the really low -- you know, that was right after the -- you know, sort of the tech bubble. A lot of growth companies were highly valued. We found that the lower growth stuff was more attractive. So you would have seen a different mix at that time. And that's fine, because we want to -- you know, we want to optimize the opportunity in terms of valuation.

MS. DEVINE: And my last question had to do with Chipotle. It's in the portfolio.

How long have you held that, and have you gone for the ride or --

MR. KOLANKO: Yes. That's a great demonstration of perhaps, you know, the process at work.

So Chipotle. We decide what businesses we want to get involved with based on those characteristics that I talked about, the pricing power, repeat revenues and good financial characteristics.

Chipotle is one of them, but for the last seven years, it's been too expensive. We had it on -- we knew it was a business we liked. So we did all the work. We got it on our -- what we call our qualified company list, a list of about 100 companies.

We walk in every day with a menu of companies that we want to own. Sustainable growth businesses that we know, we can predict, and are low risk over time we can attach our clients to. And we're pretty sure we're going to get a double-digit return over time.

Chipotle is one of them, but it was too expensive and the risk was too high in the valuation.

They had a little problem, which we all read about. Hopefully we didn't experience it. The stock goes down a lot, and I guess that was the fourth quarter of 2015.

You know, we ramped up again. You know, we were pretty familiar -- we were ready, you know, we'd been doing the work on it -- because you always get an opportunity. You know, we don't -- we find a great business, we want to get it on the list. We know we'll get a opportunity at some point.

We got our opportunity. We made sure that we'd done our due diligence, and we bought the stock in the first quarter of 2016. So after it came down.

You know, our view is fundamentally, I can get into that, they have a -- they really do have a good -- they have a great brand, first of all. And, you know, it's taken a nick, but probably can recover as long as they don't have another mistake.

We -- you know, we did our due diligence to make sure they've reduced the probability of a food-borne incident from -- by a magnitude of -- probably two orders of magnitude. So that's pretty good. And probably best in class in that regard now. And, you know, the operating economics, the free cash flow generation of those units is really terrific.

So we bought the shares. We're patient. It may take two or three years for the brand to fully recover. It's starting to happen. The comps are now positive, about 20 percent, and we're starting to make money.

MS. DEVINE: Thank you.

MR. HOLMES: Any nondollar exposure for ADRs or otherwise in your portfolio?

MR. KOLANKO: Yeah, there is. I mean,

we're -- you know, we do own multi-nationals and they have nondollar exposure. And, you know, we do own ADRs. I don't know what percentage of the portfolio it is right now.

MR. HOLMES: Is there a limit on the amount of international exposure?

MR. KOLANKO: It's usually mandated by the client. So some clients have as low as a 10 percent mandate and we would just, you know, adhere to the mandate.

MR. HOLMES: What's the highest? If given full discretion, how high would you go?

MR. KOLANKO: 15 percent, I think. Yeah. The highest in our current mandates.

MR. HOLMES: Okay.

MR. SUGARMAN: Do you work with the Protecting Florida's Investments Act? You're experienced with that, the screens that that required? It would only relate to your foreign investments.

MR. KOLANKO: I didn't understand the question. Sorry.

MR. HOLMES: Are you familiar with the Protect Florida's Investments Act?

MR. KOLANKO: No, I'm not.

MR. HOLMES: And so if hired, we'll have to go through that.

MR. KOLANKO: Yes.

MR. HOLMES: There's some -- go ahead, Bob. I cut you off.

MR. SUGARMAN: But do you have the ability to set up screens, to screen out certain stocks, right?

MR. KOLANKO: Oh, absolutely, Bob. Yeah. And we -- actually, we do that periodically anyway. Most -- you know, identifying what we're looking for, these sustainable growth characteristics that make businesses predictable is largely judgment, but we do screens on our portfolios and we can screen for anything, if needed.

MR. ROHN: Yeah. And we have a number of socially responsibility portfolio mandates that have such screens. In fact, I believe we have one on common with Summit Strategies.

MR. SUGARMAN: Can you just tell the trustees about how much visits to do to companies a year and how else you get information, and also about how you vote your proxies?

MR. KOLANKO: Yeah.

So first of all, in terms of company visits, the goal is to sit down face-to-face at least once a year, have contact of one sort or another at least once a quarter.

Typically, you know, for some companies, Chipotle, for instance, we've probably had, you know -- we've probably had four or five face-to-face visits over the last year. Obviously, you know, that's a dynamic situation, and we've probably had, you know, a dozen conference calls.

So, you know, we don't want to mandate requirements, but that's generally the expectation and generally the practice.

With respect to proxies -- and how we do our research, that's a really important question. So we don't just listen to management either. I mean, obviously -- and you learn this over time talking to management. You know, they're pretty good at convincing you. They haven't gotten to where they are without good powers of persuasion.

So, you know, we always want to corroborate what they tell us elsewhere. One of the best ways we find to corroborate what management tells us is go talk to the competitors. So go talk to

Panera. Go talk to other restaurant companies about what really happened at Chipotle, and that's interesting.

And then you corroborate -- again, I love to think in threes. You want -- you want three layers. You want to talk to the management. You want to talk to the competitors, and then you want to corroborate elsewhere in the industry.

So we'll use outside parties sometimes to consult with just to corroborate what's -- you know, what we're hearing from management.

MR. ROHN: Also, just specifically in terms of company visits, we did a calculation.

In 2016 and through a portion of 2017, our analysts visited 212 companies that are in the portfolio and another 58 companies on the qualified company list that Rob alluded to.

In addition, another 50 visits to companies that are in our eco system that we have to follow in order to know about the companies we are investing in. So it's quite a robust group of research that we handle.

MR. KOLANKO: Our business model, I like to say, is that of a beehive. We're all the worker bees. We go out and we collect the pollen and we come back and we make honey. Or we make money.

MS. DEVINE: Do you have a long-term up-down market capture?

MR. KOLANKO: I'm sure we do.

MS. DEVINE: You've got it? Great.

MR. KOLANKO: I mean, I think that's since inception, the one -- the downside capture produced. But the upside, we can -- we can get all those stats for you.

MR. ROHN: And usually what happens is on the downside, there's very good downside protection when the markets are generally having very strong periods of about, you know, 15 percent return, like we've seen for the last five to seven years. We generally keep up with that. We may not necessarily beat the benchmark at that, but we'll pretty much keep up with that, that good solid return period.

MS. DEVINE: Upper 90s.

MR. ROHN: It's when you get into the volatile periods that we protect on the downside.

MR. LEWIS: Do you stay fully invested, no cash?

MR. KOLANKO: Yeah, pretty much. You know, we'll maybe have 3 to 5 percent frictional cash, or maybe it's 2 to 5 percent, would be a good range to think about. But it's really your job to tell us what you want. Typically we're hired to be an equity manager. So we're going to be pretty fully invested.

And, you know, the other part of doing the job right is we -- when we started is being very honest with clients when you don't think you can make money for them.

In other words, when your valuation looks high. You know, really, in late 1999 -- I was a technology analyst in the '90s. You know, technology ran and it was really -- you really wanted to tell your clients to sell. And we did. And I'll never forget.

I had to get up at my old firm in front of 700 people and told them that we sold Cisco Systems to buy Cisco, the food service distribution company. I think I was the only analyst in the world to follow both, speaking of being T-shaped. And they were quite angry with us, but that was the right thing to do.

And we want to be able to tell clients, hey, maybe you should have more cash. But that's really your decision at any particular point in time.

MR. LEWIS: Thanks.

DIRECTOR JOHNSON: All right.

MR. HOLMES: Anybody else?

DIRECTOR JOHNSON: Thank you, gentlemen.

MR. KOLANKO: I tried to talk fast. Hopefully I got it down for you.

MR. HOLMES: Thank you, gentlemen.

DIRECTOR JOHNSON: Thanks so much. We appreciate it.

MR. KOLANKO: Good luck in your decision-making. I know this is not an easy task. It's particularly not easy listening to us for a full day long.

CHAIRMAN TUTEN: All right. Are we going to wait on the advisory guys to deliberate?

MR. BROWN: Yes.

DIRECTOR JOHNSON: Yes. We're going to wait for the advisory guys to deliberate.

MS. DEVINE: Let's deliberate.

CHAIRMAN TUTEN: Deliberate quickly, please.

(Laughter)

MR. LEWIS: So with that --

MR. SUGARMAN: Mr. Chairman, may I ask that both the committee and the trustees give us a first and second choice in case we're not able to reach a contract with the first choice? I don't expect that problem, but I wouldn't want to have to call another meeting in case it arose.

DIRECTOR JOHNSON: So you would like a first and second choice?

MR. SUGARMAN: Yes, please.

DIRECTOR JOHNSON: Can I make a comment too?

Our treasury, Joey Greive, has got at least one of these managers in his portfolio. It might be useful for your committee to hear how your deliberation went, how you made the decision, what you like about them. That insight might help these folks make a recommendation.

MR. GREIVE: Okay. Yeah. Sure.

MR. LEWIS: Joey.

MR. GREIVE: So we heard interviews. Much like you-all, we went through the process of looking hard at Brown several months ago. We made the decision to determine them as well.

And we interviewed a few managers, I believe two out of the three, who are on this list we interviewed.

What jumped out to us -- we ended up picking Loomis. It's public information. We picked

Loomis.

HS and Loomis are both highly concentrated managers. That's what we were looking for because we wanted to complement the indexing in our portfolio, which is very broad, very diversified, with some highly active managers would could generate alpha. And we felt that HS and Loomis were very close.

Loomis's fee was about half of what HS's is. That weighed pretty heavily in our decision in helping to keep fees low too over time.

So we chose Loomis. They told us that they would honor, you know, aggregated fees amongst the two plans.

But both HS and Loomis are very strong. I don't think you should make decisions just based on fees or just because the city, you know, chose to go in one direction. But those are my initial thoughts and comments.

You know, upside, downside market capture, on the seven year number with both of them are very, very close, almost identical. You know, the team at Loomis stood out as being very strong to us. The HS team also seems very strong.

What I liked about Aziz is that he was

raised in the school of hard knocks. You know, he came up -- he's got a lot of street cred, you know, in the investment world. He came up buying and valuing businesses within his family. So he's -- they've been very consistent and persistent over time. I remember that standing out to us.

I think they ranked number one or at least in the top decile in just about every measure you look at, not that past performance is a perfect indicator of future, you know, performance. But teams like that, you know, usually there's something to it.

MR. HOLMES: I was there for the meeting as well. I think what carried the day for Loomis was the upside capture and the downside capture.

Loomis has the highest of the upside capture. They all -- they all have attractive upside and downside capture. Loomis was the only one that got to over 100 on the upside capture. They all protected on the downside. But Loomis was probably the most consistent and the most attractive.

And like Joey said, I think it was the seven-year mark, they're almost identical. So in addition -- and so the upside, downside, the fee, and then also there's a flexibility that's built into the -- Loomis's process that was appealing to them as well. And I think that flexibility has led them to do well or less poorly over a multitude of environments.

So what we've seen with a lot of growth managers was that, whereas they may protect in a certain market environment, Loomis did the best in protecting in 2008. Most of them participated on the upside in 2009. But then later in, say, 2013, 2014, whereas a lot of the growth managers in that time period started to underperform the benchmark, Loomis, because of the flexibility in their process, was able to maintain some of the leadership above the -- or excess performance above the benchmark.

It didn't mean that they became -- they switched styles, if you will. They didn't become value managers overnight, but their process was such that they were able to maintain some of that leadership. I lay a lot of that at the feet of the low turnover in the portfolio. They're had a very long time horizon when they purchase securities. Five years.

I see that more with international managers from Scotland. I say Scotland just because they're cheap and they don't want to pay transaction fees. That's tongue in cheek, obviously.

MR. CRAIG: Yeah. I was going to say, I think that approach that they have, and they emphasized several times the private equity model where they're not really looking quarter to quarter. They're looking, you know, for long-term value creation, and the conviction that they have to have, and a name that goes into the portfolio has to be extremely high.

So I think that type of discipline and, you know, the quality companies that they're buying all gets back into managing risk and, you know, really being able to -- if they're good, you know, that should show up over a full cycle consistently and not be as susceptible to, you know, periods of significant underperformance and overperformance where you make it up.

MR. HOLMES: The one thing -- I'm sorry. I didn't mean to -- the only thing about Loomis that -- again, I don't know which way the Board and the committee are going to vote.

Loomis has the highest assets under management for the products. And so at some point in time size can be the enemy to performance.

I'm glad that they've closed the product, but we have to continue to monitor it from here, especially if they were to sometime choose to reopen the product or they're going to piggyback on the product in some different way, because that could make performance deteriorate.

MS. DEVINE: Well, they mentioned 60 billion in capacity, which is extraordinary if they really thought that they needed to close at 30 when they had 60.

But they've got two other strategies, potentially a third, that they're trying to grow, and there's tons of overlap in all of these strategies.

So I suspect they're soft closing the large so that they can grow their all cap and their global growth, and they're developing along shore (phonetic). So I think that's where they're trying to leave some capacity so they can, you know, distribute those other three strategies.

MR. HOLMES: Exactly. Right now the overlap between the all cap and -- is not huge, but that's why I said we have to monitor that going forward.

MS. DEVINE: Yeah. So Aziz, does he have a contract that you're aware of at this point with Loomis? You know, what is -- a key person of risk, clearly, with that, so what is his contract there?

MR. HOLMES: I don't know. I'll have to check with our team. I don't know offhand, but our team will.

MS. DEVINE: That's the number one risk. And the way I'm looking at this, and correct me if I'm wrong, but we have Sawgrass. We have a very low beta exposure --

MR. HOLMES: Correct.

MS. DEVINE: -- to the Russell 1000 growth. It needs to be paired with something that can give you growth performance. HS, I really like the firm. I love the 100 ownership. I love that in both of these firms, not the Loomis so much.

But that's more of a core portfolio. That's a core with a growth tilt, if you will, portfolio, and that, to me, isn't pairing very well with Sawgrass, not for what, I think, we want to get out of our growth portfolio.

So for me, I don't see a backup, per se. I see Loomis is the most appropriate solution, albeit, the asset size, but I don't think that's going to get in Aziz's way at this point in time.

And I didn't see the other two as kind of satiating the need for real growth, you know, more traditional growth exposure to complement Sawgrass.

MR. HOLMES: I agree with you on HS. I would say that Sustainable Growth Advisors fits that bill as well.

MS. DEVINE: But they have a very conservative -- again, a very low upmarket capture. And I think we need to get some of that upmarket capture, which we're only going to get that out of Loomis, and it's not even that aggressive, if you will.

MR. HOLMES: Well, I think -- I think they've got -- I see, yeah. They're about 80 to almost 90 percent.

MS. DEVINE: 90 percent upmarket.

MR. HOLMES: Yeah.

MS. DEVINE: Cap. Yeah. So we don't have any manager here that's going to give us more than the market, more than the Russell 1000 growth.

MR. HOLMES: Yeah.

MS. DEVINE: To pair that with something that, again, is a very low beta Sawgrass portfolio.

MR. HOLMES: Yeah. Our experience has been that to get much more of that, you have to start leaning towards momentum-based managers. And we prefer higher-quality, sustainable growth-type managers.

MR. LEWIS: And those managers can still deliver alpha over a full cycle --

MR. HOLMES: Yeah.

MS. DEVINE: Over a long cycle.

MR. LEWIS: -- maybe just not sort of lead in periods of high beta performance.

MR. HOLMES: Yes.

MR. LEWIS: I agree with Tracey. I think the key man risk around Aziz is really, really critical here. He didn't appear today to present. Maybe his schedule didn't allow it.

MR. HOLMES: That's why they hired the guy -- he's doesn't go on the road. That's why they hired the guy. He's the product manager and he's the one who makes the pitch, and Aziz stays in the office.

MR. KOWKABANY: How old is Aziz?

MR. HOLMES: I don't know. I'll have to check with the research.

MR. LEWIS: And do we know if Loomis's model includes ownership for portfolio managers like Aziz in the business, or do they have outside ownership or -- is he invested --

MR. HOLMES: They have outside ownership. They're owned by Natixis.

MS. DEVINE: Are you referring to whether or not he's invested in his strategy?

MR. LEWIS: Actually, both. Does he own it and is he invested?

MS. DEVINE: Yeah. So Natixis owns Loomis. And so it's a very different work structure than the other two entities --

MR. HOLMES: Right.

MS. DEVINE: -- you know, the boutique structure is awesome when it's 100 percent employee owned, or almost in one case, for SGA.

That said, Loomis has a lot of respect in terms of the way that they manage this and their employees, et cetera. I too don't know the ownership that Aziz has, whether or not it's in the strategy itself how many assets and what-not. It's just a different structure.

He seems to operate well in these large organizations, coming from the Evergreen world, and that's where I come from, so I'm familiar with the background there. There was tremendous respect for him back then as well.

I was surprised to hear that Wells, which acquired Wachovia, which acquired First Union, which is what owned Evergreen -- I was surprised to hear that they were allowed to port their entire track record. That surprised me to hear that. So that was encouraging as well. That seems like a clean . . .

I personally only see one solution here that I would advocate in terms of pairing with Sawgrass, from that perspective alone. I liked all three firms. But pairing with Sawgrass, I thought Loomis was the best idea there.

MR. KOWKABANY: I agree with that.

DIRECTOR JOHNSON: All right. Well, we need a motion.

MR. LEWIS: Entertain a motion?

MR. KOWKABANY: I'll make the motion that we choose Loomis.

MS. DEVINE: I'll second the motion that we recommend Loomis.

MR. LEWIS: Okay. So we have a motion to recommend to the Board of Trustees the hiring of Loomis Sayles for the large cap growth.

All those in favor?

(Responses of "aye.")

MR. LEWIS: None opposed. So it's unanimous.

MR. KOWKABANY: So you're saying we're not going to recommend a second?

MS. DEVINE: That was just my opinion.

MR. LEWIS: Unless we think the execution risk of getting them hired on the terms that we heard today is high, I would agree that we just need one, one option here.

MS. DEVINE: Something that did come up that our attorney mentioned, and my ignorance here, something about Florida -- Protect Florida Law.

How does that relate to a commingled vehicle? If we go with Loomis, my understanding, Dan, is you said we need to stick with a commingled fund.

MR. HOLMES: Yes.

MS. DEVINE: And how is that going to then impact our being able to restrict anything or give them any kind of stock specific restrictions?

MR. HOLMES: Bob, does the statute apply to commingled funds?

MR. SUGARMAN: I need to take a look at that. That's -- I don't think you're going to have a problem with Loomis. And it's doubtful that they're investing in anything that would run afoul.

MR. HOLMES: No. If memory serves, it's been a couple years since I've looked at the act, I think that commingled funds are not counted.

And I think they also -- Loomis also said that they use ADRs, which are technically US-based securities that trade on US exchanges.

MR. SUGARMAN: Yeah. I don't -- if Loomis is the recommendation of the Board, I mean, a second choice would be okay. But Loomis is widely dealt with by our other clients. I think we'll be able to get a contract from them.

Pedro is the one who does these. I'm not sure if we've had commingled funds contracts. But Loomis has been around a long time, has got a lot of depth in this market. So we should be able to fairly quickly get a contract with them.

MR. BROWN: Well, I like HS, but Loomis is the clear front-runner.

MR. PATSY: So I want to make sure I understand the recommendation from the FIAC --

MR. BROWN: Loomis --

MR. PATSY: You're recommending Loomis. And what's their second?

MR. BROWN: They're not giving a second.

MR. PATSY: Okay.

MR. BROWN: I make a motion for Loomis to be our first and only -- you know, I just don't think there's going to be an issue.

MR. PATSY: Second.

CHAIRMAN TUTEN: We have a motion and a second. Do we have questions, comments here?

I ran all the numbers, returns, downside capture, upside capture, standard deviation, while everybody was talking.

Loomis -- surprisingly, HS, if they had had a ten-year history was in the ball game, based just on those numbers. But since they cut off at 7, that kind of cut them off for me.

MR. HOLMES: They've got ten now, but --

CHAIRMAN TUTEN: Yeah. So Loomis was clearly, at least along these figures, the winner.

All in favor?

(Responses of "aye.")

CHAIRMAN TUTEN: Any opposed?

(No responses.)

CHAIRMAN TUTEN: No. There we go. Perfect.

DIRECTOR JOHNSON: Mr. Chair --

CHAIRMAN TUTEN: Go ahead.

DIRECTOR JOHNSON: Before we fall apart here, I want to make sure I get something on the agenda, but I don't want to interfere with Rick.

MR. PATSY: No. He and I are just going to have a sidebar.

DIRECTOR JOHNSON: All right. So I've got more business to do.

Your meeting is adjourned?

MR. LEWIS: We're adjourned.

DIRECTOR JOHNSON: There was an assignment that you talked to me about yesterday and that you wanted to get on the record.

CHAIRMAN TUTEN: Right. The City Council votes on this thing -- Tuesday? Remember, we sent them a whole list of recommendations.

DIRECTOR JOHNSON: Monday.

CHAIRMAN TUTEN: And simply what I did, I just want everybody to know --

(Inaudible due to simultaneous speech and commotion.)

MR. BROWN: All right. Great.

DIRECTOR JOHNSON: Thanks, everybody.

CHAIRMAN TUTEN: Adjourned.

(The meeting adjourned at 12:30 p.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 188, 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 6th day of June, 2017.

______________________________
Denice C. Taylor, FPR
Notary Public in and for the
State of Florida at Large

My Commission No. FF 184340
Expires:  December 23, 2018