

JACKSONVILLE POLICE AND FIRE PENSION FUND  
BOARD OF TRUSTEES MEETING

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DATE: July 8, 2016  
TIME: 9:00 a.m. to 12:06 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 Chairman  
Richard Patsy, Secretary  
Willard Payne, Trustee  
Chris Brown, Trustee  
William Scheu, Trustee (via teleconference)

STAFF PRESENT:

Beth McCague, Interim Executive Director  
Devin Carter, Chief Financial Officer  
Paul Daragjati, Board Counsel  
Steve Lundy, Pension Benefits Specialist  
Dan Holmes, Summit Strategies Group (via teleconference)

CITY REPRESENTATIVES PRESENT:

Joey Greive, City Fund Treasurer  
Steve Durden, Office of General Counsel

GUESTS:

Omar Montalvo, JSO  
Robert Dees, Esq.

These matters came on to be heard at the time and place aforesaid, when and where the following proceedings were reported by:

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BOARD MEETING

July 8, 2016

9:00 a.m.

- - -

SECRETARY TUTEN: Call the meeting to order.  
We'll have a moment of silence --

MS. McCAGUE: First we need to elect a  
chairman.

SECRETARY TUTEN: We're going to call for  
the election of the Chairman of the Board. I  
need nominees from each of you.

MR. PAYNE: My first nominee is  
Richard Tuten.

MR. BROWN: Same for me.

MR. SCHEU: I can't hear.

MS. McCAGUE: Let me turn up the volume  
here, Bill.

Willard Payne has nominated Richard Tuten,  
and Chris Brown has seconded.

MR. SCHEU: I would like to move to nominate  
Rick Patsy.

MS. McCAGUE: Rick Patsy.

MR. SCHEU: And that may die for lack of a  
second.

(Pause)

CHAIRMAN TUTEN: All right. We have a

1 motion and a second. Any discussion?

2 (No responses.)

3 CHAIRMAN TUTEN: All in favor.

4 (Responses of "aye.")

5 CHAIRMAN TUTEN: Congratulations to me.

6 MS. McCAGUE: Congratulations.

7 MR. PAYNE: Good job.

8 CHAIRMAN TUTEN: Thanks. All righty. Now  
9 we've got that out of the way.

10 A moment of silence for William Guynn,  
11 retired police officer.

12 (Pause)

13 CHAIRMAN TUTEN: All right. Let's stand and  
14 do the pledge of allegiance.

15 MS. McCAGUE: Before we stand up, we might  
16 take a moment of silence for the Dallas police  
17 officers.

18 CHAIRMAN TUTEN: Oh, okay.

19 Beth just reminded me about the facts that  
20 occurred in Dallas yesterday, I believe.

21 We'll take a moment of silence for those  
22 officers and their families as well.

23 (Pause)

24 CHAIRMAN TUTEN: All right. Please remain  
25 standing and join me as we, pledge allegiance to

1 the flag of the United States of America, and to  
2 the Republic for which it stands, one nation,  
3 under god, indivisible, with liberty and justice  
4 for all.

5 Thank you very much. Please be seated.

6 CHAIRMAN TUTEN: All right. Moving on to  
7 the public speaking period. Anybody got anything  
8 to say?

9 Mr. Lee? Not today. All righty then.

10 MS. McCAGUE: We do have a special guest  
11 with us today, Officer Montalvo.

12 CHAIRMAN TUTEN: Come on up.

13 MS. McCAGUE: You all may remember in March,  
14 March 9th of this year, Officer Montalvo was  
15 involved in a very serious situation where he was  
16 severely critically injured. He is a ten-year  
17 veteran of the JSO. He has made a remarkable  
18 recovery and continues to improve.

19 We asked him here today. He stopped by our  
20 office two weeks ago to show us he was doing  
21 extremely well. You might want to wish him well  
22 also.

23 MR. BROWN: Absolutely.

24 MR. GREIVE: Good job.

25 OFFICER MONTALVO: Thank you.

1 MR. SCHEU: Mr. Chairman? I would like to  
2 make a motion if I may, Mr. Chairman.

3 CHAIRMAN TUTEN: Say it again, Bill.

4 MR. SCHEU: I would like to make a motion if  
5 it's in order, please.

6 CHAIRMAN TUTEN: Okay. Go ahead.

7 MR. SCHEU: I would like to move that we  
8 express the Board's deep appreciate for Officer  
9 Omar Montalvo's service to our community as a  
10 police officer, and that we wish our further best  
11 wishes for a future filled with favorable  
12 circumstances and life and service for him and  
13 his family.

14 OFFICER MONTALVO: Thank you.

15 MR. BROWN: Second that.

16 CHAIRMAN TUTEN: We have a motion and a  
17 second. Any discussion?

18 (No responses.)

19 CHAIRMAN TUTEN: We'll take the vote.

20 All in favor?

21 (Responses of "aye.")

22 CHAIRMAN TUTEN: Opposed?

23 (No responses.)

24 CHAIRMAN TUTEN: Thank you.

25 MR. PAYNE: Congratulations. We wish you

1 well.

2 (Applause)

3 OFFICER MONTALVO: Thank you. You did a lot  
4 for me, and you still do a lot for me. So I want  
5 to thank you.

6 (Officer Montalvo exited the room.)

7 CHAIRMAN TUTEN: All right. Moving on to  
8 the Consent Agenda. Anything anybody wants to  
9 discuss with the Consent Agenda?

10 MS. McCAGUE: The only thing I would mention  
11 is under 9, if you look at tab 1, we have for the  
12 first time showing you our share distribution.  
13 This was the initial distribution of any of the  
14 share plans.

15 These were paid out to those people who  
16 terminated, had been here last September 30th  
17 when the share plan was inaugurated, but they  
18 terminated since that time or they entered the  
19 DROP.

20 So this is our first list, and we will be  
21 showing you this each time a DROP comes about.

22 In the future, when an individual comes in  
23 to go through DROP or to retire, we will have  
24 them -- I'm sorry -- or to otherwise retire or  
25 terminate, we will have them sign all their

1 documents at that time, and we will issue a check  
2 immediately.

3 This first session took some months to put  
4 the process in place, but now a process is in  
5 place.

6 MR. GREIVE: Mr. Chair, quick question on  
7 this, if I may.

8 For those that don't show a rollover, Beth,  
9 are we withholding taxes? Like, are they getting  
10 hit with penalties, taxes?

11 MR. CARTER: No. They will get a 1099-R, so  
12 there's no penalties on this here.

13 MS. McCAGUE: Devin, could you speak up so  
14 Bill can hear you over the phone, please?

15 MR. CARTER: Sure. Yeah, there's no  
16 penalties on this here. We do issue a 1099-R  
17 also, which will be a separate document along  
18 with the pension payment they may receive.

19 MR. GREIVE: Do we automatically withhold 20  
20 percent or some amount, or do we let them tell us  
21 how much to withhold?

22 MR. CARTER: 20 percent.

23 MR. GREIVE: 20 percent. Okay.

24 MR. PATSY: Clarify for me.

25 Those individuals that Joey pointed out,



1           they're getting a check?

2           MR. CARTER:   Yes.

3           MR. PATSY:    Okay.

4           MS. McCAGUE:  They have their choice.  They  
5           can get paid out in a check, less the taxes, or  
6           they can roll over to a qualified plan, in which  
7           case we ask them to provide us with all the  
8           information about the provider of the plan, and  
9           we send the check directly to the plan.

10          MR. PATSY:  So if I remember this correctly,  
11          there's only three people on that list that have  
12          done a rollover.

13          MR. CARTER:  Uh-huh.

14          MR. PATSY:  Everybody else has taken a  
15          check?

16          MS. McCAGUE:  Right.  The check was for  
17          \$1,500.

18          MR. CARTER:  \$1,500.

19          MR. PATSY:  Right.  It's not a large amount  
20          of money, but, you know, over long periods of  
21          time, that accumulates.  Okay.

22          MS. McCAGUE:  As I said, in the future when  
23          the individuals are getting ready to go into the  
24          DROP or actually terminate, then they have a  
25          sit-down discussion and we'll have all the

1 documentation regarding how they want the  
2 payment.

3 And I believe there will be more consulting  
4 in terms of they'll be able to look at the bigger  
5 picture to determine, okay, do they want whatever  
6 is in their share account out right, or do they  
7 want to keep that as a savings somewhere else?

8 MR. PATSY: Okay.

9 CHAIRMAN TUTEN: All righty. Anything else,  
10 Beth, with the Consent Agenda?

11 MS. McCAGUE: We need a motion to approve  
12 the Consent Agenda.

13 CHAIRMAN TUTEN: We need a motion to approve  
14 it.

15 MR. BROWN: Motion.

16 MR. PAYNE: Second.

17 CHAIRMAN TUTEN: We have a motion by  
18 Mr. Brown and a second by Willard.

19 Any discussion?

20 (No response.)

21 CHAIRMAN TUTEN: Call for the vote.

22 All in favor?

23 MR. DARAGJATI: May I just ask one question  
24 real quick before you vote?

25 The individuals who are receiving these --

1 the share plan distribution, does the 72-T issue  
2 with a 50-year-old? Has that been considered?

3 MR. GREIVE: Because of public safety?

4 MR. DARAGJATI: Okay.

5 MR. CARTER: Uh-huh.

6 MR. DARAGJATI: And are they aware that if  
7 they're not 50 years old, they might get a little  
8 bit of a tax penalty on this \$1,500?

9 MR. CARTER: Yes. That's why we withhold  
10 the 20 percent.

11 MR. DARAGJATI: I see. Okay. Just making  
12 sure.

13 MR. CARTER: Yeah. That's 20 percent, and  
14 it's pretty much just a safety net just in case.

15 MR. DARAGJATI: Okay. Fair enough.

16 CHAIRMAN TUTEN: All right. Any further  
17 discussion?

18 (No responses.)

19 CHAIRMAN TUTEN: Call for the vote.

20 All in favor?

21 (Responses of "aye.")

22 CHAIRMAN TUTEN: All right. Opposed?

23 (No responses.)

24 MS. McCAGUE: Thank you.

25 CHAIRMAN TUTEN: All right. Consent Agenda

1 is done.

2 Old Business, Beth?

3 MS. McCAGUE: Yes. So under tab 2 you will  
4 see the contract for your new permanent director,  
5 Tim Johnson.

6 And I will remind the Board that when I  
7 stepped into this office, I had four goals. The  
8 fourth one was to find a permanent replacement.  
9 And so this one, we can check the box. That is  
10 done.

11 Tim is very excited about joining the group.  
12 I know several of you have talked with him by  
13 phone. He starts on August 1st, which is a  
14 Monday, but he will be in town the week before,  
15 finding temporary housing for him to stay in for  
16 a while. And he's going to come in -- we are  
17 hosting a lunch for him on Wednesday for the  
18 staff.

19 And I think Willard and I are going to take  
20 him to dinner one evening and help get him  
21 acclimated into the city.

22 So you-all authorized me at the last meeting  
23 to negotiate a contract with Tim. We have done  
24 that successfully with help from John Sawyer and  
25 Office of General Counsel.

1           In fact, I need your vote today to ratify  
2 this contract.

3           CHAIRMAN TUTEN: All righty. Do we have a  
4 motion?

5           MR. PATSY: I make the motion.

6           MR. PAYNE: I second.

7           CHAIRMAN TUTEN: Second by Willard.

8 Any discussion?

9 (No responses.)

10          CHAIRMAN TUTEN: All in favor?

11 (Responses of "aye.")

12          CHAIRMAN TUTEN: Opposed?

13 (No responses.)

14          MS. McCAGUE: Thank you.

15          CHAIRMAN TUTEN: Legal. Paul, you're up,  
16 pal.

17          MR. DARAGJATI: I'm up. Okay.

18                 The first issue is the Lee open meetings  
19 case. If you will remember at the last meeting,  
20 we left it in the position that we were -- we had  
21 an agreement with the Concerned Taxpayers group  
22 through their attorney, Mr. Dees, who is present  
23 here today.

24                 Now, we also had an individual by the name  
25 of Winkler who wanted to come in at the back end

1 and make a demand for 15 -- I think it was about  
2 \$30,000 for legal fees that he claimed he was  
3 owed.

4 The Board rejected that and discussions  
5 continued between Mr. Dees and myself. And what  
6 Mr. Dees has done is he's had a conversation with  
7 Mr. Winkler. Mr. Winkler is willing to forego  
8 any claims he has for \$15,000. And what would  
9 happen is the fund would pay \$5,000 of it, the  
10 City has agreed, based upon representations of  
11 their attorney, Mr. Wedner, that they would also  
12 pay \$5,000 towards that settlement, and Mr. Dees  
13 would chip in \$5,000 towards the settlement just  
14 to get this thing done.

15 I have not spoken with Mr. Winkler. I don't  
16 recognize him as representing that entity, the  
17 Duval Taxpayers, during this litigation.

18 I am recommending to the Board that you  
19 approve raising the rate, the agreed upon amount  
20 that you were going to pay Mr. Dees, by \$5,000  
21 and allow Mr. Dees to settle that issue with  
22 Mr. Winkler himself.

23 I believe the City is going to do the same  
24 thing. I do not want to get into a position  
25 where we recognize an entity that wasn't actively

1 involved in the litigation as being owed  
2 attorney's fees, because as I explained at the  
3 last meeting, we recognize him as corporate  
4 counsel, not litigation counsel. And there is no  
5 law in Florida, but there is law at the federal  
6 level that says corporate counsel is not owed  
7 attorney's fees.

8 So my recommendation to the Board is that  
9 you increase the amount, the settlement amount to  
10 Mr. Dees, by \$5,000 so that we can get this  
11 litigation done and off the books and on to a new  
12 fiscal year.

13 CHAIRMAN TUTEN: Got it.

14 MR. DARAGJATI: Let me just put this  
15 provision in there. I know -- the best way to  
16 describe it, it's a bitter pill. But the overall  
17 business decision outlook is the best way to look  
18 at it.

19 If you hire my firm to go litigate this  
20 thing over fees with Mr. Winkler, I can assure  
21 you it's going to be more than \$5,000.

22 CHAIRMAN TUTEN: And this has already been  
23 discussed?

24 MR. DARAGJATI: With -- and just for the  
25 record, Mr. Dees is present. He's welcome to

1           make a statement if he wants. Obviously I would  
2           defer to the chairman if he wants to allow  
3           Mr. Dees to make a statement, but I would like to  
4           hear Mr. Dees put on the record that Mr. Winkler  
5           has made that representation to Mr. Dees that  
6           he's going to accept it and we can get this thing  
7           done.

8           CHAIRMAN TUTEN: Okay.

9           MR. DEES: Yes. Hello again.

10           After the last meeting, and it seemed like  
11           the tail was wagging the dog with this thing.  
12           And I had been through Mr. Winkler's time, and  
13           like I said last time, I don't like this any more  
14           than this group does.

15           But I do think that, you know, he's got a  
16           shot at about half of what he was asking for. So  
17           I talked with him, and he did -- I asked  
18           specifically, just tell me if you'll settle for  
19           15-. I don't want any argument. I don't want  
20           any counters. Yes or no.

21           And he emailed me back, yes. And so he will  
22           do that if this Board will agree -- my suggestion  
23           to Mr. Daragjati and to Mr. Wedner was let's just  
24           get it done, split it three ways and move on with  
25           our lives.



1           So that's what Paul is recommending to this  
2 Board. My firm will do it, and my understanding  
3 is that the City will. I can't represent that  
4 they absolutely have agreed to it because they  
5 kind of, you know, qualified it a little bit, but  
6 they led me to believe that they would.

7           So I think if this Board does it, it will  
8 happen and the case will be over.

9           MR. PATSY: What do you mean "they led you  
10 to believe"? There was nothing definitive?

11          MR. DEES: Have you ever talked to a lawyer?

12          (Laughter)

13          MR. DARAGJATI: Mr. Wedner made the  
14 representation to me that if this Board agrees to  
15 pay their share, he would make a strong  
16 recommendation to his client that they pay their  
17 share. He believes that they would do that. The  
18 client, obviously, being the mayor's office.

19          MR. DEES: That's a fair statement of what  
20 he told me. He -- it was not within his  
21 authority to absolutely commit for the City, but  
22 he would recommend it, and he thinks he can get  
23 there.

24          MR. PATSY: So he's got to go through the  
25 City Council?

1 MR. DEES: Well, his part would.

2 MR. DARAGJATI: The entire -- the entire sum  
3 on their part would have to go through City  
4 Council because it's above that \$50,000 mark, and  
5 I'll allow Mr. Durden to speak to that in more  
6 detail if we need. But basically all he would be  
7 asking his client to do is to increase their  
8 share by 5,000.

9 And I believe, and I can't represent it  
10 because I'm not part of the negotiations between  
11 them and Mr. Dees, but I think they're close to a  
12 settlement also.

13 MR. DEES: Yes.

14 MR. DARAGJATI: Okay.

15 MR. PATSY: So let me make sure I understand  
16 this correctly. We increase what we pay to  
17 Mr. Dees by 5,000, the City increases by 5,000,  
18 and you pay Mr. Winkler \$15,000?

19 MR. DEES: Correct.

20 MR. PAYNE: And it's over.

21 MS. McCAGUE: And just to clarify, we  
22 previously have agreed to pay your firm 410-,  
23 less what has been paid to Mr. Lee.

24 Now we will agree to pay your firm 415,000,  
25 less what has been paid to Mr. Lee.

1 MR. DEES: Yes.

2 MS. McCAGUE: Thank you.

3 MR. SCHEU: And this is -- as I understand  
4 the next question -- I'm having a hard time  
5 hearing -- this is an increase in what we pay to  
6 Bob's firm, and then he'll negotiate certainly  
7 with Winkler.

8 Whatever the motion is, I would just say  
9 that we ought to have a tag on it, that this is  
10 not -- this is without any acknowledgement that  
11 any fees whatsoever are owed to Mr. Winkler by  
12 the JPPPF.

13 MR. DARAGJATI: And I agree with you, Bill.  
14 The settlement agreement that I'm going to work  
15 with Mr. Dees on to -- before any checks are cut  
16 are going to simply -- the client, Concerned  
17 Taxpayers, is signing off and waiving any rights  
18 to any claims.

19 And Mr. Dees is going to -- Mr. Dees' firm  
20 is going to get paid and that's it. There's  
21 going to be no mention of Mr. Winkler. That's  
22 not even going to be in the picture and it's  
23 going to be done.

24 MR. SCHEU: Okay. Great.

25 MR. DEES: Agreed.

1 MR. SCHEU: Thank you.

2 Before Mr. Dees leaves the podium, we ought  
3 to congratulate him for being named by the  
4 governor as a new circuit judge.

5 Congratulations.

6 MR. GREIVE: Oh, wow.

7 MS. McCAGUE: Oh, congratulations. Yes,  
8 congratulations.

9 MR. DEES: Thank you.

10 (Applause)

11 MR. DEES: So we'll all be in public  
12 service.

13 (Laughter)

14 CHAIRMAN TUTEN: Just remember me if I ever  
15 get in trouble.

16 (Laughter)

17 MS. McCAGUE: We need a motion.

18 CHAIRMAN TUTEN: We have a motion to  
19 increase the fees -- no, I'm sorry. We need a  
20 motion.

21 MS. McCAGUE: We need a motion.

22 MR. PATSY: I'll make that motion.

23 MR. PAYNE: Second.

24 CHAIRMAN TUTEN: Okay. Just to be clear,  
25 it's a motion to increase the fee to Mr. Dees by

1 5,000, and he can pay Mr. Winkler the settlement  
2 fee without us having any sort of --

3 MS. McCAGUE: 415-, less what has already  
4 been paid to Mr. Lee.

5 CHAIRMAN TUTEN: Okay. Gotcha.

6 MR. PATSY: So we can't qualify this by  
7 saying we're going to increase the fee by 5,000  
8 so that Mr. Dees can pay the extortion  
9 expenses --

10 (Laughter)

11 CHAIRMAN TUTEN: I agree with Mr. Patsy in  
12 principle 100 percent.

13 Okay. We have a motion and a second.  
14 Any further discussion?

15 (No responses.)

16 CHAIRMAN TUTEN: All in favor?

17 (Responses of "aye.")

18 CHAIRMAN TUTEN: Any opposed?

19 (No responses.)

20 CHAIRMAN TUTEN: All righty then. Moving  
21 on.

22 Paul, do you have anything else?

23 MR. DARAGJATI: The next issue is the Denton  
24 fees, if the Board remembers at the last meeting  
25 we discussed.

1           In that case the hang-up was the slow crawl  
2 through the City Council for their share of the  
3 fees. I believe the -- I checked this morning.  
4 The legislation has been completed. It's  
5 enacted.

6           I called George Gabel, who is the attorney  
7 for Mr. Denton. I haven't gotten a call back  
8 yet. I expect to talk to him today, hopefully.

9           What I'm going to tell him is that, look,  
10 the legislation has been enacted on the City's  
11 behalf. You can take our check because you're  
12 going to get a check from them eventually.  
13 There's no reason to hold this thing up anymore.

14           His concern was that he would get paid by  
15 one half of the parties and then not by the  
16 other. So I don't think that's an issue anymore.

17           MS. McCAGUE: But we do get -- we get a  
18 sign-off from him that all payments to him are  
19 complete?

20           MR. DARAGJATI: Yes, absolutely. That will  
21 be in your hands before any checks are cut, just  
22 like it was with Mr. Lee, and will be for Duval  
23 Taxpayers.

24           MR. SCHEU: Paul, I think George is cruising  
25 down the Zambezi River this week, so you might

1 have trouble getting him.

2 MR. DARAGJATI: I think they get DHL over  
3 there, Federal Express. Well, I guess I'll have  
4 a talk to him when he gets back.

5 And the last thing is update on securities  
6 litigation cases, and there is nothing to update.  
7 Everything is status quo. It's pending as it was  
8 last month.

9 MS. McCAGUE: That's for Tower, NII,  
10 Tailored Brands.

11 MR. DARAGJATI: Everything, correct. Yes,  
12 ma'am.

13 CHAIRMAN TUTEN: Anything else, Paul?

14 MR. DARAGJATI: No, sir.

15 CHAIRMAN TUTEN: All right. The Financial  
16 Investment Reports. Do we have Dan Holmes on the  
17 line yet?

18 MR. LUNDY: I sent him the message about ten  
19 minutes ago. So he should be here around 9:30.

20 MS. McCAGUE: Okay. Great. We're running a  
21 little bit ahead of schedule, so perhaps we can  
22 move down to Devin Carter's report on the budget,  
23 Mr. Chairman.

24 MR. SCHEU: Hey, Steve, just to interrupt.  
25 My GoToMeeting showed that Dan had joined, but

1           there's no audio, apparently.

2           MR. LUNDY: Yes. I sent him a webcam  
3 request, so he should be getting ready soon. He  
4 said to give him 20 minutes notice before, and  
5 that was about ten minutes ago.

6           MR. SCHEU: Okay.

7           MR. CARTER: Okay. We're heading into our  
8 fourth quarter. As you can see, at the end of  
9 the third quarter --

10          MS. McCAGUE: This is tab 5, correct?

11          MR. CARTER: Yes. We at budget utilization  
12 of 56 percent.

13          Operating expenses were over this month --

14          MS. McCAGUE: I'm sorry. Tab 4, Devin.  
15 Pardon me.

16          MR. CARTER: Okay. Operating expenses were  
17 over this month because we just paid the Lee  
18 settlement agreement.

19          Also, we project that expenses are in line  
20 with our target, given the fact that we just  
21 ended the quarter and we have some additional  
22 money manager expenses coming in.

23          MR. PATSY: So, Devin, we have three months  
24 left in the fiscal year?

25          MR. CARTER: Yes.



1 MR. PATSY: What is your guesstimate as far  
2 as, are we going to come in under budget, right  
3 on budget?

4 MR. CARTER: It's going to be close given  
5 the fact that we had the additional settlement  
6 agreements coming in. And then also too we made  
7 some changes with the money managers, so it's a  
8 little hard to predict accordingly how that's  
9 going to fall out. So it's going to be very  
10 close.

11 MR. PATSY: Okay.

12 MR. CARTER: Probably towards the end of  
13 August, I'll have a better projection of that  
14 because once I get the third quarter invoices in  
15 from money managers, I can project there from  
16 based on the balances how things may tie out.

17 MR. PATSY: Okay. Because, I mean, fiscal  
18 year-to-date, we're, you know, roughly 60  
19 percent.

20 MR. CARTER: Yes.

21 MR. PATSY: So what you're saying is, the  
22 last quarter is going to effectively be 40  
23 percent?

24 MR. CARTER: Maybe so. Probably about  
25 another million may come in because, again, we

1 just ended the third quarter.

2 MR. PATSY: Okay.

3 MR. CARTER: And so when the money manager  
4 invoices come in, they're about a million --

5 MR. PATSY: Okay. Gotcha. Gotcha.

6 MR. CARTER: -- and that's our biggest  
7 expense. Personnel and building parking is very  
8 nominal. So those are pretty much okay. Mainly  
9 we're watching professional services that's  
10 taking place.

11 MR. PATSY: Well, manager expense at the  
12 fourth quarter get rolled out to --

13 MR. CARTER: By 30, 60 days.

14 MR. PATSY: Next fiscal year.

15 MR. CARTER: Yeah. Treating this on a cash  
16 basis.

17 MR. PATSY: Right.

18 MR. CARTER: But, of course, this next  
19 fiscal year, that will be on an accrual basis.

20 MR. PATSY: Right. Okay.

21 MR. CARTER: So that's why I try to have  
22 everything simultaneously tie in to be much more  
23 representative of what we're paying.

24 So that's why when you see the 56 percent,  
25 because I haven't got the third quarter in yet.

1 MR. PATSY: Right.

2 MR. CARTER: And it wouldn't make sense for  
3 me to put projections in there because it may  
4 distort the agenda given the fact that when you  
5 see the payments, it's for money managers on the  
6 agenda.

7 MR. PATSY: Okay.

8 MS. McCAGUE: But to Devin's point, we have  
9 a big check that we'll write over \$300,000 to  
10 Mr. Dees, and at the same time we'll be writing a  
11 check to George Gabel's firm for \$156,000. So  
12 you'll see a big number in the --

13 MR. PATSY: Were those in the budget  
14 originally?

15 MR. CARTER: No. We don't budget for  
16 contingencies. So that's why it's going to be  
17 very close as far as watch and see. But since  
18 we're still under budget, there's no need for us  
19 to appropriate anything.

20 MR. PATSY: All right. Good.

21 CHAIRMAN TUTEN: That's going to put a dent  
22 in the budget.

23 All right. Dan, are you there, buddy?

24 MR. HOLMES: I am.

25 CHAIRMAN TUTEN: Come on, Dan, pay

1 attention.

2 We have Dan Holmes available via  
3 teleconference.

4 MS. McCAGUE: Dan -- and by the way, our new  
5 chairman, our brand new chairman, Chairman Tuten,  
6 is speaking to you. And I'm going to turn up the  
7 volume because Denice is here, and we're going to  
8 ask you to speak slowly so we can capture every  
9 word in the transcript.

10 MR. HOLMES: Okay. Great. Can you see me  
11 on the screen?

12 MR. PATSY: Yes.

13 MS. McCAGUE: We can.

14 MR. HOLMES: The reflection off my head.  
15 Good morning, Joey.

16 MR. GREIVE: Hey. Mine's shinier than  
17 yours.

18 MR. HOLMES: Look forward to seeing you here  
19 shortly in person, but I appreciate the  
20 accommodation to use the teleconference.

21 Mr. Chairman, how would you like to proceed?

22 CHAIRMAN TUTEN: Go ahead, buddy. Anytime.

23 MR. GREIVE: That's your discretion, sir.

24 MR. HOLMES: Okay. On the agenda, we have  
25 the first issue looks to be the terminated versus

1 replacement managers. I believe this was briefly  
2 discussed at the last month's meeting.

3 MS. McCAGUE: This is tab 3.

4 CHAIRMAN TUTEN: It was, Dan.

5 MR. HOLMES: I believe this was discussed at  
6 the last month's meeting, but there was a  
7 question for me to review it in person this  
8 morning.

9 And so I believe originally what happened  
10 was there was a request by the Board to look at  
11 the outcome of situations where managers had been  
12 terminated in the past and had been replaced.

13 And so we put together -- we went back,  
14 looked at the records, and put together the  
15 presentation.

16 The way this operates is as follows:

17 There were a number of cases where managers  
18 were simply replaced with other managers and we  
19 show the difference in performance. There were a  
20 couple cases where the manager which was  
21 replaced, either the firm or the product went out  
22 the business. And so we can't show a performance  
23 differentials for firms or products that no  
24 longer exist. So we noted that.

25 And I think there's one case where basically

1 the product was changed. And so if you bear with  
2 me, I'll go through it briefly.

3 On page 1, the first manager that was  
4 replaced was Independence. They were replaced in  
5 February of 2009. They were replaced with  
6 Pinnacle at the time.

7 The product went inactive in August of 2012,  
8 and since then the firm has been purchased. So  
9 that product no longer exists. In that time  
10 period, Pinnacle has delivered through -- I think  
11 this was through May, had delivered 20.8 percent  
12 on an annualized basis.

13 MR. PATSY: So, Dan, clarify for me. This  
14 is Rick Patsy.

15 When you say inactive, that firm -- if  
16 Independence was still a stand-alone firm, they  
17 would not -- they would have totally liquidated  
18 that product?

19 MR. HOLMES: Yeah. The product is gone.

20 MR. PATSY: Okay. Everything on here that  
21 says "inactive," that's the same circumstances,  
22 correct?

23 MR. HOLMES: Yeah. If we say inactive, it  
24 means the product is no longer available. So  
25 either assets had been -- the product had been

1 liquidated with assets being given back or  
2 proceeds given back to the clients, or clients  
3 had already pulled out all of their money. But  
4 basically whatever the -- whatever the event was,  
5 the product is no longer available.

6 And in most cases, it was either due to the  
7 product was shut down for poor performance or the  
8 manager was going out of business or the manager  
9 was being acquired.

10 MR. PATSY: Okay. That's good.

11 MR. HOLMES: The second issue -- or the  
12 second manager was State Street, a valued-managed  
13 product. We replaced that from active to  
14 passive, replaced it with the S&P Index Fund run  
15 by Northern Trust.

16 The State Street product went inactive as of  
17 April 2011, and then the time period between  
18 August of 2009, the termination date, and the end  
19 of May was 13.8 percent.

20 The next manager was Alliance Bernstein.  
21 That product was terminated in 2011. This is a  
22 case where the product still exists. The  
23 difference between the termination period and  
24 when Eagle was hired to replace it, it was the --  
25 beginning was April 2011 through March of 2016.

1           You can see that the difference was about 49  
2           basis points. So a slight tick up.

3           By the way, these performance differences  
4           are shown on a net-of-fees basis. So a little  
5           bit of the leg up there.

6           The manager Artio, which was an  
7           international manager, was terminated in 2011.  
8           That product went inactive in May of 2013. As a  
9           matter of fact, the firm was actually purchased  
10          as the -- or I should say the remainder of the  
11          firm was repurchased by Aberdeen in May of  
12          2015 -- sorry, by 2014, if I remember correctly.

13          But the bottom line is, in 2013 the product  
14          went inactive. And so it was replaced with  
15          Baillie Gifford.

16          In addition to that, we had other clients in  
17          the Artio fixed income product. We are able to  
18          pull them out before they -- before the firm  
19          imploded and wound up being sold to Aberdeen.

20          On page 2 we go through the same exercise.  
21          Thompson Siegel. They ran a -- continue to run a  
22          bond portfolio for you, but they also ran a  
23          domestic equity, value equity product. We  
24          terminated in 2011. That product went inactive  
25          in December of 2013. And so, again, it's no



1 longer available.

2 That was replaced by GAMCO. And through the  
3 first quarter, GAMCO, during that time period,  
4 was up 8.35 percent.

5 The next manager up, Eaton Vance, that was  
6 the intermediate core fixed-income portfolio. It  
7 had underperformed. So we terminated it in  
8 February of 2013. It was replaced by the Eaton  
9 Vance Bank Loans portfolio. That's been up 26  
10 basis points higher than the old product on a  
11 net-of-fees basis.

12 The next manager, Boston Company, was  
13 another international manager that had been  
14 replaced. We did it in two tranches, if you  
15 will. We ran an international manager search.  
16 The international manager search resulted in  
17 Silchester being hired.

18 At the time Silchester had a contribution  
19 wide or a contribution queue. I was able to get  
20 some money in with Silchester at the time. That  
21 was in September of 2013.

22 So Boston Company was terminated in May of  
23 2013. The money was put in the EAFE Index Fund,  
24 and then from there it was put into -- part of it  
25 was put into Silchester.

1           The difference in performance between  
2           termination and then through the end of the first  
3           quarter, Boston Company versus the index fund was  
4           3.2 percent on a net-of-fees basis. The  
5           difference with Silchester was 7.2 percent. So  
6           both very additive to performance there.

7           BlackRock. Chairman Tuten will recall  
8           BlackRock in October of 2013, that intermediate  
9           fixed-income portfolio was terminated. It was  
10          replaced by the bond index. The difference there  
11          was over 1 percent. And the main contributor to  
12          that extra performance was a little bit longer  
13          duration as interest rates came down during that  
14          time period. So it was a little bit longer  
15          during in both manager replacement as well.

16          The final page, I thank you for bearing with  
17          me. Montag & Caldwell ran a growth portfolio.  
18          It was replaced by the two current large cap  
19          growth managers, Brown Advisory and Sawgrass.

20          It was replaced at the same time on a 50/50  
21          basis, and based on the time period between  
22          replacement, which was -- they were terminated in  
23          October of 2013. The managers were hired the  
24          following month, beginning in -- I'm sorry, not  
25          the following -- yeah, I'm sorry, the following

1 month, beginning in November of 2013 through the  
2 first quarter.

3 The difference between the higher-rated  
4 managers, Montag & Caldwell, was 89 basis points  
5 on a net-of-fees basis.

6 The index fund, which was the Northern Trust  
7 Emerging Markets Index Fund, was the only  
8 emerging markets exposure in the portfolio that  
9 was passively done.

10 In January of 2014, it was replaced by  
11 Acadian, an active manager. We believe the  
12 active management in emerging markets tends to  
13 add value. And so over that time period, we can  
14 see that the active manager outperformed by about  
15 50 basis points on a net-of-fees basis.

16 On an absolute basis, regardless of whether  
17 it was active or passive, emerging markets was  
18 negative over that 1.25 time period.

19 And, finally, Fayez Sarofim was a  
20 large-cap -- actually, a main-cap manager. They  
21 kind of had a core-growth type portfolio. They  
22 were replaced in February of 2014. They were  
23 terminated. And then in March of 2014, they were  
24 replaced by the index fund, and the performance  
25 differential there was over 2.50 percent on a

1 net-of-fees basis.

2 So call it luck, call it skill, call it a  
3 combination of both, the differences in  
4 performance between managers that have been  
5 terminated and managers that have been put into  
6 place has been largely positive for the plan.

7 I thank you for letting me go through that.  
8 I'll answer any questions that you might have.

9 MS. McCAGUE: I would simply say that the  
10 last changes that the Board made was 2014, and  
11 all of these decisions that the Board made proved  
12 to be favorable to the fund.

13 Now, in 2016, you-all have made a  
14 significant amount of changes, both in  
15 developing strategies for new asset classes and  
16 choosing the managers. So let's hope that the  
17 decisions the Board made in these selections will  
18 be as positive as the ones in the past.

19 MR. HOLMES: We share the same hope, but we  
20 have a high degree of confidence in the managers  
21 we promote, but will continue to work with the  
22 Board towards that end.

23 MS. McCAGUE: Great.

24 And, Mr. Chairman, you called for that  
25 report initially, and that was -- I think that's

1 a good look back that we should do every single  
2 time we choose new managers.

3 CHAIRMAN TUTEN: I agree.

4 Any comments on questions for Dan?

5 Dan, I've got a quick question for you real  
6 quick.

7 When we changed from Eaton Vance  
8 Intermediate over to Eaton Vance Bank Loans, were  
9 there any transaction costs for that with them,  
10 or did they just do it for us because we already  
11 had money with them?

12 MR. HOLMES: No. They liquidated the  
13 portfolio, the intermediate portfolio. The  
14 bond -- the bank debt portfolio is a commingled  
15 fund, heavily funded with cash. So they  
16 liquidated it to cash and then took the cash and  
17 invested it in the commingled fund.

18 CHAIRMAN TUTEN: Okay. Anybody got anything  
19 else? No.

20 You got anything else for us, Dan?

21 MR. HOLMES: The next -- the next item up is  
22 update on the transition managers. I sent Beth a  
23 report last night. The -- we've solicited three  
24 bids on transition managers.

25 The three transition managers are as

1 follows: Northern Trust, your custodian, Loop  
2 Capital, which is a broker-dealer in Chicago, and  
3 they've got expertise in this area. And then  
4 State Street, which is another very large  
5 custodian.

6 We did this to -- we solicited the free  
7 trades to facilitate the terminations of GAMCO  
8 and DRZ, funding WEDGE Capital, and then  
9 rebalancing the equity portfolio, the large-cap  
10 equity portfolio, like the Board has previously  
11 agreed.

12 We are recommending Northern Trust for the  
13 transition. We're recommending Northern Trust  
14 for the following:

15 First, they have the second lowest explicit  
16 cost. I'll describe what that means in a second.  
17 They have the lowest implicit cost estimate, and  
18 they have the lowest overall cost estimate.

19 They have a pre-existing relationship with  
20 the pension plan as being your custodian, so  
21 there's -- and they're also receiving extra money  
22 in the index fund. So there's an added incentive  
23 for them to do well on the transition. And then  
24 also they have a recognized expertise in the area  
25 of transition management.

1 All three of the transition managers expect  
2 to complete 85 to 95 percent of the transition in  
3 one day.

4 The rest of the portfolio will be  
5 transferred over a three-day time period. So the  
6 total liquidation is only estimated to take at  
7 max three days.

8 MS. McCAGUE: And the -- Dan, excuse me.  
9 The 85 to 95 percent in one day, was that in the  
10 equity portfolio, did you say?

11 MR. HOLMES: Yes. This only pertains to the  
12 equity side of the portfolio.

13 MS. McCAGUE: Okay.

14 MR. PATSY: Dan, in your experience with  
15 Northern Trust as a transition manager, how well  
16 does their forecast, I guess, for explicit and  
17 implicit costs stand up to what you actually  
18 experience with them?

19 MR. HOLMES: They're fairly close.

20 No custodian or no transition manager, I  
21 should say, are right on top of what the implicit  
22 costs are because these are estimated at a point  
23 in time, and nobody knows what exactly is going  
24 to happen in the market on the day of transition.

25 And so the market could move away from you

1 or move in your favor, and so you can get better  
2 costs or you can get worse costs than  
3 anticipated, depending on what is going on in the  
4 market on that particular day.

5 Their explicit costs are usually pretty  
6 close. And by the way, I say that for basically  
7 all three. We've got a high degree of  
8 confidence, especially in State Street and  
9 Northern Trust. We've used them probably the  
10 most frequently.

11 But the bottom line is we wouldn't have  
12 reached out to them if we didn't have confidence  
13 in the fact that they could do a good job on the  
14 transition.

15 But we will get a post-trade analysis, and  
16 we'll be able to directly answer that question in  
17 terms of what was the explicit costs estimated  
18 and then what was the final costs there, and the  
19 same on the implicit costs and then the total  
20 costs as well. So we'll show you exactly what it  
21 cost in dollars and cents to transition the  
22 portfolio.

23 MR. PATSY: Okay. Good.

24 MR. SCHEU: Hey, Dan, would you explain the  
25 difference in explicit and implicit costs,



1 please?

2 MR. HOLMES: Sure.

3 The explicit costs are the costs that are  
4 actual hard dollars. And by that, I mean it's  
5 basically the money that it costs to execute the  
6 trades. So that's basically commissions and if  
7 there's any taxes involved. On the international  
8 side, sometimes you get taxes. But if there's  
9 any commissions or taxes, that's explicit costs.

10 So they know exactly -- if they look at the  
11 sell portfolio and the buy portfolio, they know  
12 what the buy portfolio looks like. They know  
13 what it would cost to trade one stock to the  
14 another via transfer in kind or have to sell it  
15 on the open market. They know that they can  
16 generally do it for one to two cents per share in  
17 terms of a commission cost, and so they're able  
18 to fairly accurately estimate that.

19 The implicit costs are basically the  
20 market-driven costs. And that's the costs  
21 associated with transitioning whatever does not  
22 get transferred in kind. And so that's usually  
23 the bid-ask spread, and then the market impact.

24 So market impact is basically when the  
25 portfolio is starting to be sold, and if there's

1 a big block of stock that's sold off on the  
2 exchange and the market sees that a big block of  
3 X-Y-Z stock is being sold, the price may move  
4 away from you. In other words, get lower, as  
5 you're selling it.

6 So that's why they may want to work some of  
7 those stocks over a couple days in smaller  
8 increments.

9 The market impact could also go the other  
10 way, and that's basically some of that -- there  
11 might be some demand for the stock on the day  
12 that you're selling it, and so you might be  
13 selling it to a stronger market. So as you're  
14 selling it, the price is actually going up and  
15 you're unable to get a higher cost for it.

16 So you wouldn't really know what the  
17 implicit costs are until the actual transaction  
18 takes place.

19 Does that make sense?

20 MR. SCHEU: That's very helpful. Oh, yeah.  
21 Thank you very much.

22 MR. HOLMES: Okay.

23 So the Board gave Summit the -- I guess the  
24 permission to select, but I would agree with the  
25 analysis that, from our standpoint and our

1           experience, Northern looks to be the stronger bid  
2           in terms of lowest cost. We know that they do a  
3           good job. You've got the pre-existing  
4           relationship with the plan as a custodian, and  
5           then we've got that added incentive because they  
6           receive -- they receive some of those proceeds  
7           that go into their index fund.

8           And so with that, if the Board -- if there's  
9           any other questions or if the Board wants to  
10          either ratify that, or I don't know if there's  
11          any action that needs to be taken.

12          I believe that Beth has the contract. So we  
13          can start to move forward with this as soon as we  
14          send the contract in.

15          CHAIRMAN TUTEN: All right, Dan. Thanks,  
16          buddy. I think we've got it.

17          We're going to need a motion to approve  
18          Dan's recommendation for Northern Trust as a  
19          transition manager. We have a motion --

20          MR. PATSY: Motion.

21          CHAIRMAN TUTEN: -- by Mr. Patsy.

22          MR. BROWN: Second.

23          CHAIRMAN TUTEN: Mr. Brown has seconded.

24          Any discussion?

25          (No response.)

1           CHAIRMAN TUTEN: Call for the vote.

2           All in favor?

3           (Responses of "aye.")

4           CHAIRMAN TUTEN: Any opposed?

5           (No responses.)

6           CHAIRMAN TUTEN: All righty. It passed.

7           MR. HOLMES: Okay. The last thing I have is  
8 just a couple comments on Brexit.

9           As you know, Brexit has occupied the markets'  
10 attention for now on its second week. Actually,  
11 it's been kind of about a week.

12           What we saw over basically a five-day period  
13 is that on the heels of the Brexit vote in Great  
14 Britain, we saw that the market went down. And  
15 by the market, I'm talking about basically all  
16 equity markets, both US and non-US.

17           And so the result of that was -- first of  
18 all, the result was surprise. Both the financial  
19 markets and the betting markets basically had,  
20 during the week prior to the Brexit vote,  
21 increasing expectations that the vote for stay  
22 would continue or would win, if you will.

23           And as a result of that, you saw equity  
24 markets really strengthening going into the vote.  
25 Had that strengthening not taken place, the

1 outcome would have been a lot worse.

2 And so we saw both the British Pound,  
3 European stocks, and both -- and the US stock  
4 market also showed strength going into the vote.

5 Polls during that time period showed that it  
6 was fairly close, but with about a 52 percent  
7 vote towards stay going into it. And then the  
8 markets became a little bit more resilient  
9 because of that stay -- the anticipated stay  
10 vote.

11 So I've sent out some material I think that  
12 Beth had passed on to you. The market reaction  
13 was significantly negative on the day after the  
14 Brexit vote.

15 For instance, international stocks were off  
16 7 percent. US large-cap stocks were off about 3  
17 1/2 percent in that one day.

18 The worst performing countries were Spain  
19 and Italy, the FTSE 100, which was basically US  
20 stocks, France and Japan.

21 Spain and Italy were off over 14 percent  
22 primarily because they look to be two nations  
23 that might have similar referendums to what  
24 happened in the UK, and so they were off more.

25 The financial sector across Europe or across

1 EAFE was basically off over 10 percent, and  
2 there's been pressure on European banks ever  
3 since.

4 What we saw in the beginning of the week  
5 last week was basically that start to turn  
6 around. And so basically the result was, through  
7 last Friday, US stocks were basically flat. So  
8 they had gone down and then they went back up.  
9 And so US large-cap stocks measured by, say, the  
10 S&P or the Dow were only off by about 20 or 30  
11 basis points from pre-Brexit.

12 Small-cap stocks were down a little bit  
13 more, but international stocks were down still  
14 about -- anywhere from about 3 to 7 percent.

15 Amazingly enough, emerging market stocks  
16 were positive during that entire time period, and  
17 they remain positive and one of the strong  
18 leaders so far this year.

19 Because of the flight-to-quality, we saw  
20 treasuries do well. We saw the dollar  
21 strengthen. If you haven't refinanced your  
22 mortgage lately, now would be a great time to do  
23 it, as the ten-year hit new lows last -- or tied  
24 new lows last year.

25 And so we see that rate continue to be --

1 yields to be very low, which is tough for pension  
2 funds and also tough for savers. But the bottom  
3 line is the flight-to-quality helped government  
4 bonds.

5 So bonds remain largely up this year, even  
6 more so through the end of June. We don't have  
7 June numbers yet, but I'll get those to you as  
8 soon as we do.

9 So I guess the major take-away is as  
10 follows:

11 It's too early to really understand or be  
12 able to make predictions about what the risks are  
13 going to be going forward and where the  
14 opportunities are going to be going forward.

15 And so the first step in the Brexit process  
16 has occurred, which was basically the vote. But  
17 now since they've had the vote, the messy details  
18 come in, okay, how does that take place?

19 And the Prime Minister Cameron has -- you've  
20 basically seen this as a referendum on his  
21 leadership, and so he said that he will resign in  
22 the fall or step down in the fall, but have  
23 another election at that time.

24 One of the leaders of the leave vote, which  
25 was the mayor of London, Boris Johnson, looked to

1 be the heir apparent. But now, since then, he  
2 has basically said that he's not interested in  
3 the job.

4 And so you're going to have some fluctuation  
5 of political leadership. You've seen kind of  
6 ripples in the pond across Europe, if you will,  
7 by basically saying countries like Spain, Italy,  
8 some of the Northern European countries, are  
9 basically asking the question, why should we stay  
10 in the European monetary union and support lower  
11 European countries like Greece, who are  
12 financially insolvent? You know, what's in the  
13 deal for us?

14 And so you may see more referendums. That's  
15 one issue that going to cause more volatility.

16 The other issue is basically how the UK is  
17 going to negotiate their way out of those  
18 European monetary unions.

19 And so what's going to happen is, they're  
20 going to have to negotiate terms to exit the EU.  
21 I would imagine the EU will make those terms as  
22 onerous as possible to basically penalize the UK  
23 for voting to get out. And then at the same time  
24 they have to negotiate new individual trade deals  
25 with each of the individual countries.



1           So bottom line is, this is probably going to  
2           be a multi-year process. From our standpoint, we  
3           see going forward more volatility in  
4           international equities. Now, volatility is not  
5           necessarily a bad thing if you create  
6           opportunities to buy when assets are cheaper.

7           We're talking with individual managers now  
8           to look to see what their strategy is going to be  
9           going forward. The real issue of pressure we see  
10          is in international real estate.

11          Fortunately for your portfolio, there is no  
12          international real estate exposure, but you  
13          basically have seen expensive property trade off  
14          significantly.

15          So a great example is both retail and  
16          institutional properties -- I should say  
17          residential and institutional properties in  
18          Central London. Central London has been very  
19          expensive for years, and you saw the prices  
20          immediately drop, begin to drop after Brexit.  
21          And so there may be some more opportunities in  
22          that part of the market going forward.

23          But for now it's still fairly early. We  
24          continue to look and see what the opportunities  
25          may be or, more conversely, the risks, and if we

1 think that's important to exit something, we'll  
2 let you know.

3 MS. McCAGUE: And, Mr. Chairman --

4 MR. HOLMES: So that's all I have in the way  
5 of formal remarks, unless anybody has any  
6 questions.

7 MS. McCAGUE: Dan, I just thought I would  
8 share with the trustees that the day of the  
9 Brexit vote was our high point for the year,  
10 1 billion 652 in assets, and two days later, we  
11 were at 1 billion 537. We lost \$80 million.

12 And since that time, we've recovered back up  
13 to 1 billion 630. So it is a roller coaster.

14 MR. GREIVE: And after today you might be a  
15 1 billion 7. The market is looking really good  
16 today.

17 MS. McCAGUE: That's wonderful.

18 CHAIRMAN TUTEN: Any other questions for  
19 Dan?

20 MS. McCAGUE: Dan, we thank you for being  
21 here by GoToMeeting, and we will see you in  
22 person on August 12th.

23 And that will be a big day because Dan will  
24 be bringing in two things. He'll be bringing in  
25 the 6/30 Quarterly Reports and also our revised

1 investment policy that he's been working on for  
2 you.

3 MR. HOLMES: Yeah. I'm sending that to the  
4 outside counsel for review.

5 CHAIRMAN TUTEN: All righty. Well, thank  
6 you, Dan. Have a good weekend, buddy.

7 MR. HOLMES: Thank you. I appreciate the  
8 accommodation for the videoconference, and I also  
9 appreciate the accommodation for the change in  
10 date for the August meeting.

11 So, anyway, have a great weekend and  
12 everybody take care.

13 MS. McCAGUE: Thanks, Dan.

14 (Mr. Holmes exited the videoconference  
15 meeting.)

16 CHAIRMAN TUTEN: All right. Anything else  
17 involving Investment or anything?

18 MS. McCAGUE: We're good.

19 CHAIRMAN TUTEN: Moving on to New Business.

20 MS. McCAGUE: Devin, do you want to take a  
21 minute and talk about what's under tab 5, the  
22 Center State Updated Account Signatures?

23 MR. CARTER: Yeah. This is just a copy.  
24 This is just a memo here showing that we removed  
25 Larry Schmitt, the previous chairman, from the

1 signature card.

2 Once the new executive director comes on,  
3 we'll complete this form. We'll have two  
4 signatures, which will be me and the executive  
5 director.

6 CHAIRMAN TUTEN: Do we need a motion or  
7 anything?

8 MR. CARTER: No motion. This is just FYI  
9 here.

10 MR. SCHEU: Could I ask a question?

11 MR. CARTER: Sure.

12 MR. SCHEU: When he just said the chairman  
13 and the secretary, do we need to elect a new  
14 secretary now that Rich is the chairman?

15 MS. McCAGUE: Well, that's a very good  
16 point. I'm glad you referenced that, and the  
17 answer would be yes.

18 CHAIRMAN TUTEN: Yes. I say no time like  
19 the present.

20 MR. SCHEU: Well, I would move that we --  
21 that just occurred to me. Having failed the  
22 first time, I'll just move that Mr. Patsy be  
23 elected secretary.

24 MR. BROWN: Second --

25 MR. PAYNE: I'll second that.

1 MR. PATSY: That was a little too quick.

2 (Laughter)

3 CHAIRMAN TUTEN: All right. We have a  
4 motion and a second. Any discussion?

5 (No responses.)

6 CHAIRMAN TUTEN: All in favor?

7 (Responses of "aye.")

8 MS. McCAGUE: Thank you, Bill.

9 Congratulations.

10 CHAIRMAN TUTEN: All right. We have  
11 2016-07-2.

12 MS. McCAGUE: Steve Durden.

13 CHAIRMAN TUTEN: Mr. Durden, come up, pal.  
14 Your time to shine.

15 MR. DURDEN: Thank you.

16 MS. McCAGUE: The Board will remember that  
17 we've been working with Steve Durden to clarify  
18 several areas of the Pension Reform 304.

19 We covered three of those last time we met,  
20 and Steve has updates on three of the other  
21 areas.

22 MR. PATSY: There's no tab on this, right?

23 MS. McCAGUE: There's no tab on this.

24 Steve will have a handout.

25 MR. DURDEN: There's some handouts. There's

1 extras, for sure, for everybody. There's two of  
2 them I'm sending around.

3 A couple of them -- one of them -- I'll  
4 start with the fairly simple one --

5 MR. SCHEU: Hey, Beth, could you turn the  
6 phone back around so I can hear?

7 MS. McCAGUE: Yes.

8 MR. DURDEN: I'll speak up as well.

9 MS. McCAGUE: Maybe you could pull a little  
10 bit closer, Steve, also.

11 MR. DURDEN: Sure. All right.

12 Bill, can you hear me okay?

13 MR. SCHEU: Yes. Thank you, Steve.

14 MR. DURDEN: Yes, sir.

15 The first one is about the 30-year DROP,  
16 what I'll call it. The fund -- the Board, the  
17 fund, has been interpreting the current code  
18 which hasn't changed for Group 1, and it is only  
19 Group 1, of course, that have the DROP.

20 The Board, so far as I understand it, has  
21 interpreted retirement at any particular year,  
22 you have one-year increments. You either retire  
23 as an 18-year, a 19-year, a 20-year, a 30-year,  
24 that sort of thing.

25 Whether you've got 20 years and -- 20 years

1 exactly to the day or 20 years and 364 days or  
2 365 on the leap year, you're a 20-year retiree.  
3 Not sure where that came from, but that goes way  
4 back, apparently.

5 On the other hand, there is -- and what's  
6 important about that is that there is a maximum  
7 benefit that you get, which is at 30 years.

8 At the same time, there's DROP, which is set  
9 up so that it changes the amount of time in DROP  
10 based on whether you retire at 30 years -- or  
11 before 30 years, at 30 years, and at 31 years, or  
12 something like that.

13 It's kind of an odd setup, particularly  
14 given the one-year setup for the retirement date.  
15 And it sort of -- it creates a sense -- on its  
16 face, it looks like you can't actually be a  
17 30-year retiree and get the maximum DROP.

18 If -- if retirement could be based on years  
19 plus days or years plus weeks or years plus  
20 months, it wouldn't have the same kind of impact.

21 But what's been done in the past, so as far  
22 as I understand, is that people will retire at  
23 what I will call effectively 30 years, right  
24 before 30 years, at 29 years, something with the  
25 effective date at 30, because they won't actually

1 retire before then.

2 So they get their -- because their  
3 paperwork, like everybody else, doesn't go  
4 through until later, they're confirmed as a  
5 30-year retiree, which then says, wait a minute,  
6 you get a different DROP.

7 Well, the interpretation has been, we're  
8 going to allow the 30-year retiree to benefit  
9 from the maximum DROP. That's what -- it appears  
10 to have been the intent of the ordinance, et  
11 cetera, et cetera.

12 As pointed out, I've attached a Memorandum  
13 that was written by the General Counsel's Office  
14 back in 2013. It was drafted by three different  
15 lawyers in the office, Derrel Chatmon, Gayle  
16 Petrie and Tim Corcan (phonetic), and they  
17 answered this very specific question.

18 They basically said, had they interpreted  
19 this themselves, if there had been -- if they  
20 were looking at this statute, the language  
21 appears to say that if you're a 30-year retiree,  
22 you can't get the maximum DROP.

23 However, there's something really important  
24 in the area of pensions, which is, the  
25 interpreting Board is this Board, and an



1 interpretation that has long been held will tend  
2 to be accepted as the correct interpretation.  
3 That's how the memorandum concludes.

4 This question comes to me almost -- no, more  
5 than three years later. The -- clearly the  
6 council auditor's office was aware of this. I'm  
7 not sure who else was aware of how the  
8 interpretation was going on, but everybody here  
9 absolutely understands it.

10 In the three years since 2013, there have  
11 been a few changes that have gone on. There's  
12 been significant negotiation over what the  
13 pension should look like. There were even some  
14 changes in the current -- the pension for current  
15 employees.

16 Given that nothing was changed regarding  
17 this, I can't tell you that you can't keep doing  
18 the same thing. It would make perfect sense to  
19 keep going along with the interpretation that's  
20 there.

21 It might make sense to have it changed in  
22 the code. At some point -- I realize there's a  
23 lot of questions about making changes in the code  
24 anytime soon, given a lot of political stuff.

25 However, at this point this is what has been

1 done for now since, I believe, 2000, based on the  
2 memo. I can't tell you that you must change. I  
3 wouldn't do that. It's been accepted essentially  
4 over 15 years.

5 Whether that's -- whether that would have  
6 been the best answer the day after the bill was  
7 adopted in 2000, completely different question  
8 then.

9 Given the way pensions are done, given  
10 collective bargaining, given the rule of law in  
11 this area, this is what you've been doing.  
12 You're perfectly -- it's perfectly acceptable.  
13 Keep doing that.

14 In fact, were you to change, I would  
15 certainly -- were you wanting to change it in any  
16 form or fashion, I would probably recommend that  
17 you notify the unions and the City to see if  
18 they'd want to renegotiate it.

19 I believe at this point there's a really  
20 good argument that this is fixed in the terms of  
21 effective -- not collective bargaining, but the  
22 terms and conditions of employment that exist as  
23 of today.

24 So if you have any questions, please let me  
25 know. By the way, before I forget, I want you to

1 know that for these memos, I leave them in draft  
2 form this time because it's really important for  
3 me to see, as I've created this for you guys, if  
4 you have a question that I haven't answered or if  
5 you don't -- if you think my analysis is error --  
6 not that I -- I mean, I wouldn't change an  
7 opinion because you said, please change it.

8 But if you pointed out something where I  
9 erred, then I might go, okay, I see I made a  
10 mistake, or I might be able to explain an answer  
11 a little bit better.

12 But this is basically my conclusion subject  
13 to any questions that might need to be raised.

14 Yes, sir.

15 MR. PATSY: So if I can paraphrase what you  
16 said, put it in laymen's terms, what we've been  
17 doing, we can continue doing?

18 MR. DURDEN: Yes, sir.

19 MR. BROWN: And I would ask specifically,  
20 because we have somebody facing this issue here  
21 where they're going to hit their 30th year at the  
22 beginning of January 2017. I think January 2nd.

23 They are intending, as has past practices  
24 allowed, to enter the DROP period later that  
25 month for that first quarter DROP class. They

1 want, of course, the five-year DROP.

2 Based on what you're saying here, they will  
3 be allowed to hit that January 2nd 30-year  
4 anniversary and enter that DROP for the first  
5 quarter, which will be a couple weeks later, and  
6 they will be good to have the five-year DROP. Is  
7 that correct?

8 MS. McCAGUE: Stephen, you want to comment  
9 on this?

10 MR. LUNDY: Yes.

11 As long as his 30-year mark is before that  
12 DROP date in January, then he would have the 30  
13 years of service.

14 MR. BROWN: Okay, yes. But what I want to  
15 make sure that I -- make it very clear because  
16 this is going to impact him significantly if he  
17 gets to that point and he's only allowed to have  
18 the 78, you know, bi-weekly pay period DROP  
19 versus the 430.

20 He hits 30 years January 2nd, which we have  
21 a member that's facing this scenario. He hits 30  
22 years January 2nd. He needs to know, does he  
23 have to get into the DROP before that and only  
24 qualify for the 29 years of -- you know, or can  
25 he wait for that first DROP class after he hits

1           that 30th year, January 2nd?

2           MR. LUNDY:  If we continue the way we've  
3           been going, he can either go in January with the  
4           30 years and for the five years, if we continue  
5           what we've been doing, or he could wait until  
6           April and still do it for the five years?

7           MR. BROWN:  He can even wait one more.

8           MR. LUNDY:  If he wants to.

9           MR. BROWN:  Okay.  So he doesn't have to get  
10          into the last DROP of this quarter -- I'm sorry,  
11          this year and then forfeit that extra year and  
12          only have the 29 years of retirement.

13          He can wait until he hits 30 years, and then  
14          enter the next DROP class and still get a  
15          five-year DROP?

16          MR. LUNDY:  Yes.  Because he would only be  
17          given 30 years of service.

18          MR. CARTER:  Yeah.

19          MR. LUNDY:  Okay.

20          MR. BROWN:  Just as long as he signs up  
21          before he hits 31.

22          MR. DURDEN:  Now, is that -- I want to make  
23          sure.  I'm not -- I can't keep track exactly how  
24          this -- I'm not here to tell you what is  
25          specifically being done.

1           I want to make it clear, though, that what  
2           you've been doing, what they've been doing is  
3           what they should be doing and not to change it.

4           MR. BROWN: Right.

5           MR. DURDEN: In other words, if there was  
6           a -- if there was something that was being done  
7           and it might be that you were supposed to get  
8           into the retirement -- or say that you're  
9           retiring before you turn 30, and that's when they  
10          did it.

11          In other words, if people get passed 30 and  
12          then move back, if it was being done that way,  
13          whatever has been done in the past, that can't  
14          change.

15          MS. McCAGUE: And, Stephen --

16          MR. DURDEN: That's what needs to be  
17          clarified.

18          MS. McCAGUE: Yeah. And because Stephen  
19          deals with this, I'm asking him, Mr. Chairman.

20          And that is, what we have done up to this  
21          point is, when the DROP enrollment period starts,  
22          throughout that DROP period, anyone who has -- is  
23          about to turn 30 years can go ahead and sign up  
24          for DROP, and then once the DROP starts, even if  
25          they're -- I'm sorry.

1           Let's say that sign up for DROP on  
2           January -- on December 1st and they turn 30 years  
3           December 25th. All right. Even though they have  
4           already turned 30 years, once the DROP starts in  
5           January, then they would get the full 60 months.

6           MR. LUNDY: Correct.

7           MR. BROWN: But they have to sign up before  
8           the anniversary date, that 30 year?

9           MS. McCAGUE: Our process has been --

10          MR. LUNDY: Yes. I think that's the way.

11          MS. McCAGUE: -- they have to sign up before  
12          the 30th anniversary.

13          MR. LUNDY: Yeah. I haven't signed up  
14          anyone with 30 years yet.

15          MR. BROWN: I got you, but they will be  
16          included in that next DROP class?

17          MS. McCAGUE: Yes.

18          MR. LUNDY: Yes.

19          MR. BROWN: Okay. That's what we need to  
20          know.

21          MR. DURDEN: And that's kind of what I was  
22          getting, which would make sense in the way this  
23          was interpreted in the past. It was sort of like  
24          kind of you're retiring for DROP before you got  
25          to 30 by signing up, but because you signed up in

1           this window, you DROP back -- or you get to get  
2           the 30 on the retirement, but you've signed it  
3           before the actual 30 years.

4                     And if that's what you've done, that's --  
5           while I'm not sure I would have said that's the  
6           way it should have been done, that seems  
7           consistent.

8                     Allowing somebody to get to 30-plus years  
9           before signing up and then doing both is a  
10          slightly different question, which I don't think  
11          a long time --

12                    CHAIRMAN TUTEN: Well, originally it was  
13          done because the first group of DROP people were  
14          all old guys and some of them had more than 30.  
15          It was really more of a paperwork procedural -- a  
16          way to just simplify the process so some guy  
17          wasn't freaked out if he had 30 years and two  
18          weeks.

19                    It really simplified the whole process. In  
20          other words, if you remember the audit that was  
21          done, was basically concerned with people  
22          actually signing up before they hit 20, too  
23          early.

24                    That said, going forward, if you look at the  
25          DROP numbers that Mr. Lundy and Devin have



1 provided us, I don't think you have to worry  
2 about too many people signing up at that 30-year  
3 mark in the near future. I think that's pretty  
4 much gone for the police and fire service.

5 MS. McCAGUE: Well, that's correct. But we  
6 did ask Attorney Durden to look into this because  
7 we do have several people -- Trustee Brown has  
8 mentioned one -- who do have almost 30 years and  
9 are waiting on clarification from us before they  
10 make their final decision.

11 We have been -- received some criticism from  
12 the audit office because of the ambiguity over  
13 our practice versus what they believe is the  
14 right thing. This helps to clarify. It doesn't  
15 help to clarify; it does clarify.

16 MR. SCHEU: Should we codify that for  
17 purposes of institutional history based on the  
18 recommendation -- based on the advice of counsel  
19 that we will confirm our past practice, which is  
20 X-Y-Z, so that there's then no ambiguity for the  
21 council auditor or our other auditors?

22 MR. DURDEN: If I might, is the question,  
23 should it be in the code?

24 MR. SCHEU: No. Should we have a  
25 resolution outlining our policy so that --

1 MR. DURDEN: Okay. That makes sense. Okay.

2 MR. SCHEU: -- it's in the minutes. So  
3 somebody -- if Steve Durden ten years from now is  
4 a judge or something, that we don't have to come  
5 back and look for it.

6 CHAIRMAN TUTEN: Well, I think right now,  
7 Bill, we have a certain procedure in place. And  
8 like Steve was telling us, the Board, because of  
9 the changes recently, is kind of limited on what  
10 we can impose on people as far as policy goes.

11 This might fall under, you know, the  
12 collective bargaining and the union to change  
13 anything like this.

14 And I think for the meeting today and for  
15 right now, I think we should just receive it as  
16 information, let each Board member sort of try to  
17 figure out what they think it means. If they  
18 have any further questions, either direct it  
19 towards Mr. Durden or Beth or Tim or whomever,  
20 because I don't think an official motion or  
21 anything like that is going to change anything  
22 right at the moment. I don't think we can do  
23 that.

24 MR. SCHEU: Well, yeah. No, I'm not wanting  
25 to change anything. I just wanted Steve's advise

1 for institutional history, would it be good to  
2 place that on the minutes that we're continuing  
3 our present and past practice, which is X-Y-Z.  
4 That's my only question. Not wanting to change  
5 anything.

6 MR. DURDEN: I don't think that's harmful to  
7 say something about continuing practice, because  
8 that's really what -- this is really what both  
9 the earlier memo that was written in 2013, plus  
10 what I'm saying today is, these essentially --  
11 you-all have been doing it a certain way. This  
12 is the past practice. Do you intend to continue  
13 to do it in the same fashion?

14 Now, eventually it might be helpful to write  
15 down exactly what you've been doing. I'm not  
16 saying you need to do that today, but this is --  
17 to clarify, this would not be something -- that's  
18 kind of what we're getting at.

19 We memorializing what is, in fact, the  
20 practice, not how you want to change it. You're  
21 not asking for anything else. You're not asking  
22 for code changes or anything else. You're  
23 memorializing your interpretation of your role  
24 of -- your role to administer the fund is being  
25 memorialized. What you've done in the past will

1 continue to be done.

2 So to the extent you want to memorialize it,  
3 that's okay. That's not a problem. You  
4 certainly don't want to change anything as in  
5 substance. There's no question about that.

6 MR. SCHEU: So I'm just trying to avoid  
7 future criticism, which we seem to be getting a  
8 lot of these days.

9 So I think that's a, quote, binding opinion,  
10 unquote, that the council auditor could then look  
11 at and say, we rely on that opinion to continue  
12 our practice and your advice. That's correct.

13 If you want to do that much, then I'll make  
14 the motion.

15 MR. BROWN: I will second.

16 CHAIRMAN TUTEN: Bill, what -- what does he  
17 want?

18 MS. McCAGUE: He wants to know if you'll  
19 allow a motion to confirm that we're going to  
20 continue the practice with the support of the  
21 opinion from legal counsel.

22 CHAIRMAN TUTEN: I don't think we need to do  
23 that right now, Bill. I would say let every  
24 trustee look at it, what they think, and then  
25 possibly come up with some -- either a new

1 practice or recommend for change. I mean, I  
2 would like to hear from the other trustees on  
3 that.

4 MR. BROWN: I would like to say that I do  
5 agree that we should memorialize this. I think  
6 this will be a great peace of mind to those who  
7 are coming up on an impending deadline, that  
8 they've got to make this decision.

9 And, again, the change -- you know, if they  
10 were not allowed to have that full five-year DROP  
11 by some technicality, it would be -- the impact  
12 would be significant to them.

13 And so I believe at least giving them --  
14 because I've been asked again by one particular  
15 member of the sheriff's office, if he can be  
16 guaranteed the five-year DROP, even though his  
17 anniversary date will technically be a few weeks  
18 before that five-year DROP, you know, he'd be  
19 entering in.

20 He has to sign up before his 30 years, of  
21 course. But he just wants to have the peace of  
22 mind that he'll be okay, he can work for five  
23 more years as opposed to just three.

24 CHAIRMAN TUTEN: Okay.

25 MR. DURDEN: If I might, to sort of combine

1 the concerns of the Board members.

2 The idea of memorializing makes sense. The  
3 idea of taking a look at it makes sense, if you  
4 want to do some sort of memorialization of this  
5 at the next meeting. I don't know that there's  
6 any hurry unless you guys tell me there's an  
7 emergency, it needs to be done at this meeting.

8 That way you-all can take a look and come up  
9 with questions. I don't know if that's helpful  
10 or not.

11 MR. SCHEU: I don't know. Just taking a  
12 look at what we're doing, we can always change  
13 it. And I think to Chris's point, I would rather  
14 memorialize where we are now. If we want to  
15 change it later, that's new business. We'll have  
16 a new executive director.

17 As you say, Rich, that make be the subject  
18 of collective bargaining, but we're just  
19 continuing our existing practice based on the  
20 advice -- or taking into account the advice of  
21 counsel.

22 CHAIRMAN TUTEN: Okay.

23 Bill, do you want to make a motion?

24 MR. SCHEU: I already did.

25 MR. BROWN: And I'll second.

1           CHAIRMAN TUTEN: Okay. We have a motion and  
2 a second. Any discussion?

3           MR. DARAGJATI: Can I ask a couple  
4 questions?

5           MR. CARTER: I've got a question too.

6           MR. DARAGJATI: Go ahead, Devin.

7           MR. CARTER: I just want to say for the  
8 record, we have this document in our standard  
9 operating procedures currently what we're doing  
10 now.

11           And then my question for Steve is, based on  
12 your opinion here, how is that different from the  
13 previous two, given the fact that our auditor's  
14 report was written off these opinions?

15           And, of course, from their report, it's  
16 stipulated that there was some confusion based on  
17 the years and the months.

18           Again, I just want to finalize as far as  
19 when you have three different opinions from the  
20 counsel, which one should we use?

21           MR. DURDEN: If I'm -- I'm not sure which --  
22 what you have in front of you, other than --

23           MR. CARTER: I just have what you provided.  
24 That's it.

25           MR. DURDEN: Okay. Well, this is only one

1 opinion, and it's not different. The only thing  
2 that's different is time --

3 MR. CARTER: Okay.

4 MR. DURDEN: -- and time reconfirms what  
5 they've said, which is nothing -- now it's  
6 another three years of doing the same practice,  
7 plus there was a significant change in the plan,  
8 a variety of different things were changed in the  
9 plan and not this interpretation.

10 You can't say people didn't know about it.  
11 Maybe not -- I mean, it's clear that not every  
12 single person knows every single thing that goes  
13 on in the pension plan, but this is not a hidden  
14 question.

15 This wasn't hidden from the auditors.  
16 Clearly, three years ago they knew about this.  
17 They were part of the pension -- pension  
18 negotiations. The lawyers knew about it, and I  
19 would imagine at least a few council members and  
20 the mayor's staff, some of them. I don't know  
21 that they know, but it's certainly not a secret.

22 And so all I'm really saying is, given that  
23 the first opinion in 2013 said let you continue  
24 what you've been doing, I don't -- I certainly  
25 can't say it's time to make a change because of



1 the extra three years, plus the modifications in  
2 the plan.

3 MR. CARTER: Yeah, I agree with that. It's  
4 just the fact I just wanted to know which opinion  
5 to rely on.

6 And, of course, this here just stipulated  
7 based on time as far as calculating the maximum  
8 benefit or the benefit to receive for the DROP  
9 program.

10 MR. DURDEN: I -- I guess I'm confusing.  
11 You can rely on -- there's not a change.

12 MR. CARTER: Okay.

13 MR. DURDEN: There's no change that I -- I  
14 have made no changes. I haven't suggested any  
15 changes. What all -- all I'm concluding with is  
16 what you've been doing, you can continue doing.

17 MR. CARTER: Okay. And that's fine. It's  
18 just that once we get it finalized, we want to  
19 share it with the council auditor's office as  
20 Beth pretty much stipulated.

21 MR. DURDEN: Sure.

22 MR. CARTER: So at least all the parties  
23 will know that we did go out and get an opinion  
24 also.

25 MR. DURDEN: Sure. Absolutely.

1 MR. SCHEU: And that's the point of the  
2 motion, so the council auditor's office will be  
3 able to say that we relied on the binding opinion  
4 of the general counsel.

5 CHAIRMAN TUTEN: All righty. Any more  
6 discussion?

7 MR. SCHEU: Which would be binding upon the  
8 council auditor too.

9 MS. McCAGUE: Yes.

10 MR. DARAGJATI: I just wanted to clarify  
11 exactly what the procedure is that we're using,  
12 because I did a memo on this after the paper  
13 wrote about Bobby's \$5-million issue.

14 At the time, my understanding was that if a  
15 member submitted an application to the DROP late  
16 in his 29th year and he became a 30-year veteran,  
17 and subsequent to that he was approved by this  
18 Board to enter the DROP, he got the five years.

19 But if he had passed the 30-year mark and  
20 then put in his application, he would be limited  
21 to the 72 months.

22 Is that the practice that we're following?

23 MR. LUNDY: Yes.

24 MR. CARTER: Yes. That's --

25 MS. McCAGUE: Yes, but it's not 72 months.

1 MR. BROWN: 78, 78 pay periods.

2 MR. DARAGJATI: 78. I'm sorry. Yeah, 78  
3 pay periods.

4 MR. CARTER: That's the practice that we're  
5 practicing now.

6 MR. DARAGJATI: I just want to make sure  
7 because I heard earlier that you can actually go  
8 past 30 and still put in, and I don't think  
9 that's --

10 MR. BROWN: The paperwork has to be  
11 submitted prior to 30.

12 MR. CARTER: Yeah. It's an administrative  
13 procedure overall --

14 MR. DARAGJATI: Right.

15 MR. CARTER: -- and that's why. Because if  
16 we didn't have the administrative procedure in  
17 place, we would have people come in every day.

18 MR. DARAGJATI: Absolutely.

19 MR. CARTER: So that's why we have some  
20 people that preliminary sign up with 19 years and  
21 maybe ten months, but they have 20 years the  
22 following month.

23 So this is why this is going to take place,  
24 but when you look at how the rules were written,  
25 well, of course, our benefits are based on years,

1 not months --

2 MR. DARAGJATI: I agree with you 100  
3 percent.

4 MR. CARTER: -- and the job itself has  
5 months.

6 MR. DARAGJATI: I went through that whole  
7 analysis, and I agree wholeheartedly with that  
8 process.

9 MS. McCAGUE: So your clarification is  
10 exactly what we have been doing.

11 MR. DARAGJATI: Exactly.

12 MS. McCAGUE: You can come in late in your  
13 29th year, and even if you hit the 30-year mark  
14 before that actual DROP period starts, as long as  
15 you have made application, then you're eligible  
16 for the maximum 60 months.

17 MR. DARAGJATI: Absolutely. But if you pass  
18 your 30th anniversary --

19 MS. McCAGUE: Right.

20 MR. DARAGJATI: -- it's 78 pay periods at  
21 that point.

22 MS. McCAGUE: That's right.

23 MR. DARAGJATI: Okay. I want to make sure  
24 that we're all on the same page on that because  
25 that's been the practice.

1 MR. DURDEN: And if I might, if you don't  
2 mind sending me a copy of the memo when you're  
3 done.

4 MR. DARAGJATI: Sure, sure.

5 MR. DURDEN: That's certainly implied in  
6 everything that our office wrote, and then if  
7 you'll give my permission, I'll add that into the  
8 memo --

9 MR. DARAGJATI: Absolutely.

10 MR. DURDEN: -- so that it will be clear  
11 what you-all have been doing, it's been discussed  
12 by -- I guess it was you, Paul, you wrote the  
13 memo -- and our office, and that way we put it  
14 all in one package.

15 So this is to make it clear what has been  
16 done and what our conclusion is as to the meaning  
17 of what has been done.

18 MR. DARAGJATI: But also just to be -- fully  
19 inform the Board, in that memo I also discussed  
20 the 20-year issue. And I said it was incorrect  
21 procedure to accept an application before the  
22 20th anniversary because the statute is crystal  
23 clear that you can't apply --

24 MR. BROWN: So you can't post-date that  
25 application? Like if you came in two months

1 before and post-date it, is that not allowed?

2 MR. DARAGJATI: The statute -- the  
3 ordinance, I should say, clearly states you have  
4 to have 20 years on. Yeah. So I'm just letting  
5 the Board know, that's what's going to be in  
6 there when you see it.

7 MS. McCAGUE: Okay.

8 CHAIRMAN TUTEN: Any more discussion?

9 (No responses.)

10 CHAIRMAN TUTEN: Okay. We have a motion and  
11 a second. Call for the vote.

12 All in favor?

13 (Responses of "aye.")

14 CHAIRMAN TUTEN: Any opposed?

15 (No responses.)

16 CHAIRMAN TUTEN: Very good.

17 MR. DURDEN: Thank you, very much.

18 The next one is about time service credits  
19 for community service officers. And this has  
20 been a bit of a confusion in a lot of places,  
21 including probably even in the City.

22 You may recall that, to begin with,  
23 community service officers have not been and are  
24 not in the Police and Fire Pension Fund. There's  
25 no question that as a community service officer,

1           you are not in the Police and Fire Pension Fund.  
2           There's an ordinance that prohibits that and that  
3           has not changed.

4           What has changed is that there was -- well,  
5           one thing that changes wouldn't actually change  
6           this analysis, is that there was a memo in 2015,  
7           which is attached hereto, which relates to the  
8           City's responsibility to these community service  
9           Officers.

10           Interpretation of labor law makes it clear  
11           in our mind in our office, and we've done this to  
12           Mr. Greive, we've given him the memo, but I  
13           assume it's being done. Community service  
14           officers are full-time employees.

15           Our charter is very clear. Full-time  
16           employees are entitled to join one or the two  
17           pension plans. All right. One of them being the  
18           Police and Fire, one of them being General  
19           Employees, and as you know, General Employees is  
20           also broken down into parts as well, Correctional  
21           versus the others.

22           These employees are entitled to join one of  
23           those two plans, and they are now in GEP. All  
24           right? No question about that now.

25           The question is, what happens -- there's now

1 two classes of people, but the one that's most  
2 important to you guys probably is the community  
3 service officers who have become, I guess,  
4 generally police officers but they could have  
5 been firefighters as well.

6 And the question is, can they connect their  
7 time? The charter -- excuse me, not the  
8 charter -- well, the charter is somewhat pretty  
9 clear as well.

10 But, more importantly, the ordinance code  
11 and your plan makes it clear that any employee of  
12 the City of Jacksonville, independent agency or  
13 otherwise, full time, whether or not they were in  
14 any pension plan ever before, are entitled to  
15 purchase time service for prior work for the  
16 City.

17 It doesn't matter -- so it turns out I am in  
18 the pension plan, but I don't have to be. I'm  
19 one of those groups of people who doesn't have to  
20 join the pension plan, and because I'm an  
21 appointed official, I can choose to join.

22 But suppose I had not chosen to join the  
23 pension plan? I'd be working for the City for  
24 how ever many years it is, and then later I want  
25 to retire from being a lawyer and be a



1 firefighter because it's so much easier -- I'm  
2 sorry.

3 (Laughter)

4 MR. DURDEN: Frankly, I could never be a  
5 firefighter because it's too difficult.

6 But assuming somehow or another I managed to  
7 become a firefighter or police officers. My time  
8 I can purchase even though I wasn't in the Police  
9 and Fire Pension Fund.

10 All right. That's true with a number of  
11 appointed officials. It probably doesn't happen  
12 very often, but it can happen where an employee  
13 wasn't in a plan, joins the Police and Fire  
14 Pension Fund, becomes a member. They're  
15 absolutely entitled to purchase their time. And  
16 Section A of 121.107 sets forth the amount.

17 All right. What happens -- the confusion  
18 with the community service officers is, it says  
19 they can't be in the Police and Fire Pension  
20 Fund, and that still remains correct. They  
21 cannot be in the fund as community service  
22 officers.

23 But it doesn't change the fact that they  
24 have been and are full-time employees of the City  
25 of Jacksonville and have a right to purchase

1 their time.

2 The new community service officers, this  
3 won't be a problem at all because they are  
4 actually in GEP, and they will have the same  
5 rights as everybody else to transfer time.

6 MR. GREIVE: Yes.

7 MR. DURDEN: So my conclusion is that to the  
8 extent that you've hired community service  
9 officers who were not in GEP prior to this, they  
10 can purchase their time.

11 They're not entitled to transfer the way  
12 members of the fund were. There's a cost that's  
13 involved. But they actually have a right to  
14 purchase their time. They were full-time  
15 employees.

16 And the basis of that opinion as full-time  
17 employees is the other memo from 2015, which is  
18 attached.

19 Any questions? Yes, sir.

20 MR. CARTER: I have a question.

21 MR. PATSY: Yeah, Steve. Clarify for me.

22 So when a CSO is hired, from day one as a  
23 CSO, he can join the City's employee --

24 MR. DURDEN: He can now --

25 MR. CARTER: He can now.

1 MR. PATSY: -- but he can't join police and  
2 firefighters until he actually is hired as a  
3 policeman or a firefighter --

4 MR. DURDEN: That's correct.

5 MR. PATSY: -- and then he is allowed to buy  
6 time?

7 MR. DURDEN: Well, let me make it clear.

8 Today -- separating the terms "purchase" and  
9 "transfer," today if you're hired as a community  
10 service officer, they put you right into GEP  
11 unless there's -- I don't know if there's an  
12 exceptions to that.

13 MR. PATSY: What's GEP?

14 MR. CARTER: General Employee.

15 MR. DURDEN: General Employees Pension Plan.  
16 They put them in the General Employees Pension  
17 Plan. They have a right to be in that plan,  
18 whether they work one year, two years or 15 years  
19 as a community service officer. I doubt very  
20 many people have done that.

21 When they -- if they do become a member, and  
22 I mean in this case a member of this fund,  
23 they're entitled to transfer their time.

24 And that would be, to make it clear, I'm a  
25 member of the General Employees Pension Plan. If

1 for any reason somehow or another I managed to  
2 become a police officer or firefighter, then I  
3 would be able to transfer my time. All right.  
4 That's the current plan.

5 The past version is, the community service  
6 officers were not in the General Employees  
7 Pension Plan, but they were full-time employees.

8 Now, admittedly, the City didn't consider  
9 them full-time employees for a while, but that's  
10 been corrected by this memo that went to both  
11 Kelli O'Leary as Employee Services Director and  
12 Patrick -- is that what you go by? You don't use  
13 that name anymore do you?

14 MR. GREIVE: It's my formal name, but it's  
15 Joey.

16 MR. DURDEN: Joey Greive.

17 MR. GREIVE: They make me sign checks with  
18 that name.

19 MR. DURDEN: Okay.

20 So, Joey, they're now aware of it, and so  
21 far as I understand, they are in the pension.  
22 But from the past, they weren't in the plan, but  
23 they are considered full-time employees and  
24 they're allowed to purchase.

25 MR. CARTER: I have a question, Steve.

1 MR. DURDEN: Yes, sir.

2 MR. CARTER: Was this opinion based upon the  
3 previous lawsuit that the City had with the  
4 employees that were not allowed into the pension  
5 plan given the fact that they had to take a  
6 physical --

7 MR. DURDEN: No.

8 MR. CARTER: -- and what-not, because based  
9 on the result of that, that's when they allow all  
10 employees to be in the pension plan or the DC  
11 plan.

12 MR. DURDEN: Yes, sir.

13 MR. CARTER: So I was wondering if that  
14 decision was contingent based on these opinions,  
15 so recently, meaning based on 2015, because, of  
16 course, I know beforehand when I first started  
17 with the City many years ago, I was not in the  
18 pension plan because of my classification. I was  
19 a temp employee, but I was full-time.

20 And I remember the CS officers -- they were  
21 SPs. Of course, they were not allowed also. But  
22 once you converted over to civil service, you  
23 were allowed to buy back the time to be in the  
24 plan.

25 MR. DURDEN: Okay.

1 MR. CARTER: So, again, my -- what I'm  
2 trying to get it is, do you recommend we need to  
3 update our practice to omit the community service  
4 officers, given the fact that now all employees  
5 are either in the pension plan or the defined  
6 contribution plan?

7 MR. DURDEN: No, no, no. If you're asking  
8 should they be -- today, new service --

9 MR. CARTER: No, I get that. What I'm  
10 trying to say, do you think we need to update our  
11 practice as far as omitting the community service  
12 officers so there wouldn't be any confusion.

13 MS. McCAGUE: Well, that's what -- that's  
14 what we've asked Steve to give an opinion on.  
15 Let me give a little bit of background.

16 For some time there has been controversy  
17 over whether or not to allow current members of  
18 the police and fire who worked as CSOs, should we  
19 allow them to buy back that time.

20 The Board's previous position, although I  
21 don't know for sure that that conversation has  
22 ever come to the Board, but the thinking of the  
23 administration was, since the City law says the  
24 CSOs cannot belong to the Police and Fire Pension  
25 Plan, that that was the basis for not allowing

1           them to buy any time into the plan.

2           But as Steve said, the world changed when  
3           the Office of General Counsel said, they look  
4           like a duck, they quack like a duck, they are --  
5           you've got to give them status as a duck. You  
6           have to give them status as employees.

7           So the question is, right now, why is it  
8           that two people with the same experience level  
9           are treated differently by -- within the  
10          government? If you go straight from a CSO into  
11          Corrections, you get to buy time. You get to buy  
12          your time.

13          If you have been a CSO and you get a job in  
14          Corrections, and you were previously not part of  
15          the plan because you were there before the legal  
16          opinion, you can buy your time.

17          If you're that same person but come directly  
18          into the Police and Fire Pension, we have said  
19          you cannot buy your time.

20          So two people, same experience, are treated  
21          differently. So I have -- the undersheriff has  
22          asked for where we stand on this, and I've asked  
23          Attorney Durden to give us more information, more  
24          background, so we can look at that and decide, do  
25          we want to continue the practice of excluding





1 MR. DURDEN: They were at-will employees,  
2 but they weren't limited to six months. That was  
3 sort of the pretense at one point, but the  
4 opinion is making it clear that they're not --  
5 and that's why they're now allowed into the plan.

6 Now, if the City Council had passed a -- and  
7 I don't even know if they could get away with it,  
8 but assuming that somehow or another City Council  
9 said that CSOs can't be in any pension plan --  
10 and, again, I don't think the charter would  
11 permit that -- but it wouldn't change the fact  
12 that once they joined either plan for some change  
13 in job, they could buy back their time as former  
14 City employees -- excuse me -- as having worked  
15 for the City full-time. It's about their work.

16 MR. SCHEU: Steve?

17 MR. DURDEN: Yes.

18 MR. SCHEU: Steve, is the issue allowing  
19 them to buy the plan itself -- allowing them in  
20 the plan is allowing them to buy back the time  
21 that they would otherwise have been entitled to.  
22 Is that right?

23 MR. DURDEN: They're allowed -- again, it's  
24 not about otherwise entitled. It's the mere fact  
25 that they were full-time, nontemporary employees.

1 They're entitled to buy their time as any City  
2 employee would have a right to do.

3 MR. SCHEU: Good. That's fine.

4 MS. McCAGUE: So, Mr. Chairman, I don't know  
5 if you want to allow -- because this has been an  
6 ongoing controversy for several years, do you  
7 want to let Board members think about this for a  
8 month?

9 CHAIRMAN TUTEN: Yeah. I would be more  
10 comfortable if we got to actually read the entire  
11 draft start to finish, you know, at our leisure  
12 without having to make a decision without  
13 actually reading it, you know.

14 I'm curious as to -- is this something  
15 that's come up recently with a lot of former CSOs  
16 that have been hired by JSO or something?

17 MR. BROWN: Absolutely.

18 MS. McCAGUE: Stephen, you meet with new  
19 recruits coming in, and you've had conversations  
20 on this issue.

21 MR. LUNDY: I hadn't had this issue with new  
22 recruits yet.

23 CHAIRMAN TUTEN: Well, it doesn't sound like  
24 it's a pension plan -- I mean, it sounds like  
25 it's a classification problem simply.

1 I mean, if you were a full-time City  
2 employee at the dog catcher's office, guess what?  
3 You're entitled to transfer time. That's always  
4 been the case. I mean, but I guess maybe because  
5 they were classified as temporary or whatever  
6 they call them --

7 MS. McCAGUE: Classified as temporary. And  
8 the code says that if you were in that position,  
9 you could not be a member of the pension plan,  
10 Police and Fire Pension Plan.

11 CHAIRMAN TUTEN: Well, why isn't the code --  
12 the code can't be changed just to say former  
13 employees or --

14 MR. DURDEN: Honestly, the code doesn't need  
15 to be corrected. The code is referring to  
16 current employees.

17 No CSO today, no CSO from two weeks ago, no  
18 CSO from five years ago could be in your plan.  
19 That what's the code says. That doesn't change.  
20 They can't be in your plan.

21 MR. DARAGJATI: Could I just jump in here  
22 real quick?

23 MR. DURDEN: Yes.

24 MR. DARAGJATI: Because they weren't part of  
25 any plan --

1 MR. CARTER: Exactly.

2 MR. DARAGJATI: -- if they try to buy time  
3 here, there's going to be an issue with -- if an  
4 employee is in GEP, comes to this plan, it's not  
5 only his contribution, and correct me if I'm  
6 wrong, it's the full actuarial value of what that  
7 is worth gets transferred over.

8 MS. McCAGUE: Correct.

9 MR. CARTER: Uh-huh.

10 MR. DARAGJATI: These guys never contributed  
11 to anything, so when they buy time here, they're  
12 not just putting in their contributions for the  
13 equivalent of two years; they need to pay the  
14 full actuarial value, which would possibly be  
15 much more than what someone from -- who was  
16 already in a City pension plan would be  
17 purchasing.

18 MS. McCAGUE: They would be treated like  
19 non-Duval County firefighter or policeman.

20 MR. DARAGJATI: Right, exactly.

21 I want to make sure the Board is aware of  
22 that as it goes through its thinking on this  
23 subject, because it's going to hit -- it's going  
24 to affect them more than another employee.

25 MR. BROWN: Absolutely.

1 MS. McCAGUE: Right. They would have to --  
2 they pay their 20 percent. And it does affect  
3 the City because the City has not made  
4 contributions for those people. And so then the  
5 City would make the appropriate contribution just  
6 as if the person had been coming from Vero Beach.

7 MR. DURDEN: Okay. Let's clarify.

8 Those are questions to be raised. It  
9 doesn't say that the -- what the ordinance code  
10 says is quite simple: That an employee who  
11 wasn't a member of a plan -- in this case a  
12 variety of different ones -- independent  
13 agencies, City employees shall be required to  
14 fund some equal to a percentage of his current  
15 monthly salary required to be contributed by the  
16 fund of which he is a member, multiplied by the  
17 number of fractional months.

18 It doesn't talk about some of these other  
19 things you're talking about. The ordinance code  
20 defines what the payment is.

21 And let's just talk about -- we can talk  
22 about that later as a separate question.

23 But that should have been true for any  
24 employee of the City who wasn't a member of a  
25 plan, and not every employee of the City is or

1 has been a member of the City plan.

2 MR. DARAGJATI: If you follow that formula,  
3 though, that formula contemplates -- and correct  
4 me if I'm wrong -- that formula contemplates  
5 someone transferring over --

6 MR. DURDEN: No, actually, it doesn't. The  
7 transfer is separate. Transferees don't have to  
8 pay anything.

9 MR. DARAGJATI: Right.

10 When someone comes from Tampa PD to come  
11 work in Jacksonville, he wants to buy his -- any  
12 number of years that he has up to five. He has  
13 to pay the full actuarial value.

14 MS. McCAGUE: No --

15 MR. BROWN: No. He pays --

16 MS. McCAGUE: -- he pays 20 percent of his  
17 current salary --

18 MR. CARTER: He pays 20 percent. The City  
19 pays the other.

20 MS. McCAGUE: -- times the number of months  
21 he's buying.

22 CHAIRMAN TUTEN: And then the City  
23 contributes their share, which at the current  
24 rate is about 82 percent, I think.

25 MR. BROWN: Which is why they're

1           incentivized to purchase it early on so that they  
2           don't pay a much higher rate later.

3           CHAIRMAN TUTEN: Right. Before we --

4           MR. DURDEN: And that's part of the  
5           questions that perhaps we can -- I can address in  
6           the memo as well.

7           CHAIRMAN TUTEN: Okay. How about we --  
8           what's the question we're trying to solve here?  
9           Because I'm confused at this point.

10          MS. McCAGUE: Okay. What we're attempting  
11          to do is get on the table for a vote today or it  
12          may be better next month, but the Board needs to  
13          advise the administration how we should  
14          administer this question:

15          Since the City has said anyone who worked  
16          previously as a CSO, as a temporary employee, is  
17          not a temporary employee. They are a true  
18          employee.

19          Should we allow our fund to let them buy  
20          time into our fund once they're a member for the  
21          time they served as a temporary CSO?

22          CHAIRMAN TUTEN: And current CSOs are  
23          allowed to do that once they come to JSO?

24          MS. McCAGUE: The current are, yes.

25          CHAIRMAN TUTEN: Okay. So we've identified

1 the people we're trying to address here.

2 MS. McCAGUE: Right.

3 CHAIRMAN TUTEN: Let's do that, but let's  
4 also take the step that -- make sure the language  
5 is clear as far as what their responsibilities  
6 financially are when they are cleared for  
7 take-off.

8 MS. McCAGUE: Sure.

9 CHAIRMAN TUTEN: In other words,  
10 congratulations. You can connect your time. By  
11 the way, I need my 20 percent.

12 MS. McCAGUE: Right.

13 CHAIRMAN TUTEN: I don't want there to be  
14 any sort of hesitation or any sort of ambiguity  
15 with these people when they come here. I mean,  
16 that's all. That's fine. I have no problem with  
17 that.

18 If you want to draw something up with  
19 Steve's help or maybe put, you know, a nice,  
20 concise two-pager where, this is the target, this  
21 is what's involved, this is what you do, we're  
22 good for take-off, then we'll vote on that as  
23 opposed to -- because we're just really voting on  
24 trying to get it straight today. I don't see how  
25 we can do that, you know.



1 Does that sound good to everybody? Any  
2 ideas, comments?

3 MR. DURDEN: That sounds great, actually.

4 MS. McCAGUE: The last -- the last issue  
5 I've asked Steve to address -- actually, he  
6 brought it up and we are not in agreement on  
7 this, and so he's doing more study on it.

8 But our practice has been when anyone is  
9 transferring over from the City, they've been  
10 permanent employees all along, they transfer over  
11 from the City. We give them time-service credit.

12 Since the -- and we have been continuing  
13 that practice since the adoption of Pension  
14 Reform 304.

15 The question has arisen: Are those people  
16 transferring from the City pension plan to our  
17 pension plan -- are they in Group 1 or are they  
18 in Group 2 for pension benefit purpose?

19 No question, if they have ten years of  
20 service, which some of them do, they get their  
21 credit of ten years of service. But do they get  
22 that as a Group 1 or do they get that as a  
23 Group 2?

24 And Stephen is doing research on that, but I  
25 don't think you have a recommendation on that

1           today.

2           MR. DURDEN: I don't have a recommendation  
3           today because there are a variety of different  
4           provisions, both in your plan and GEP and the  
5           correctional version of GEP that all relate to  
6           time service, when you were hired, those sorts of  
7           things.

8           And to say -- to give an answer that they  
9           either -- to oversimplify it, you can -- we know  
10          that they're entitled to time-service credit; or,  
11          to make it clear, the code references hire date.  
12          It doesn't reference being in the pension date.

13          So this would actually apply to community  
14          services officers as well. It's the hire date  
15          that's in the code.

16          Now, does the hire date transfer? In other  
17          words, if you're hired by Corrections, the  
18          General Counsel's Office, the JTA, the JEA, or  
19          anyplace else that gets -- when you become a  
20          police officer or firefighter, does your hire  
21          date follow you to the plan, or is it merely that  
22          you're entitled to either purchase or transfer  
23          your credits?

24          Those are two separate kinds of questions.  
25          If it's the hire date that follows you, the

1 reason it's important one way or the other is it  
2 also relates to -- and this apparently happens on  
3 an occasion, where someone might have been in the  
4 City's -- somewhere in the City as an employee.  
5 They go to be a police officer, and for whatever  
6 reason, they have to go on -- I forgot what it's  
7 called, light duty or something like that, and  
8 they're only entitled to be light duty for a  
9 number of years.

10 So what happens if, after their years of  
11 light duty, they're not quite to retirement and  
12 they go back to the City joining GEP, do they  
13 keep their -- the question is, are they keeping  
14 their hiring date? Is it just -- is it the years  
15 of credited service they're entitled to?

16 It's a complicated question that doesn't  
17 relate simply to Group 1. And that's -- and I'm  
18 done -- I've been researching. It's hard to  
19 find -- of course, I'm not going to find a case  
20 exactly like our plan because every plan is  
21 written differently.

22 But I've been looking into the various kinds  
23 of questions, and that is one breakdown of hire  
24 date versus credited service; what group you're  
25 in versus what your benefits are of the years of

1 credit service.

2 I mean, there are cases like that, but  
3 because of the intertwining of these various  
4 plans, I wasn't ready to make a recommendation  
5 one way or the other; but when I do, I want to  
6 make it clear the ramifications as well. It  
7 affects this, this, this and this --

8 MR. CARTER: Yes.

9 MR. DURDEN: -- whatever those "thises" are.

10 MS. McCAGUE: So from a practical  
11 standpoint, this is a big question for us because  
12 we have many transfers from City, particularly  
13 Corrections, and this is very important to them.

14 Our practice has been that we're  
15 transferring over the service and we're  
16 transferring them -- for instance, a person who  
17 has worked ten years, we transfer them as Group  
18 1-B, not Group 2.

19 What we will begin to tell transferees is,  
20 we will continue the same practice, but say there  
21 is a question about their status. And we are  
22 working that out and should have an answer in the  
23 next month or so.

24 MR. CARTER: And I want to interject also  
25 based on what Steve said, that the challenge that

1 we do have is the fact that you have a hire date  
2 and you have a pension date. And, of course, you  
3 know, these dates can be different.

4 And depending on your classification, for  
5 example, like the community service officers, and  
6 given the fact once you may -- or legislation or  
7 what-not, you can buy back to your hire date.

8 But currently what we use is the pension  
9 date. So I just want to be clear on that. But,  
10 of course, we still look at the hire date also,  
11 and we try to understand why the two dates may be  
12 different, of course.

13 Maybe he or she was in a different position  
14 where he or she had to do probation or what-not,  
15 unlike in this fund here.

16 MR. DURDEN: And by the way, as you're  
17 reading this, some of the questions that I -- I  
18 might as well go ahead and raise, and you-all may  
19 be able to -- just keep moving?

20 MS. McCAGUE: Yes. Do you want to hear --

21 MR. DURDEN: It's just about this particular  
22 question. That's all right. Never mind. Okay.

23 MR. PATSY: I want to make sure I'm clear on  
24 this. Hire date is the date they were hired by  
25 the City.

1 MR. CARTER: Yes.

2 MR. PATSY: The pension date is that date  
3 they were hired by --

4 MR. CARTER: The day you entered the  
5 pension. Yes.

6 CHAIRMAN TUTEN: Before I go down this road,  
7 because I've already got, like, three questions  
8 that don't really make sense based on what I'm  
9 hearing, what are we trying to do basically here,  
10 Beth?

11 Are we just trying to get a clarification on  
12 where to put these people --

13 MS. McCAGUE: Yes. Status --

14 CHAIRMAN TUTEN: -- as far as Group 1 or  
15 Group 2?

16 MS. McCAGUE: -- Group 1 or Group 2.

17 CHAIRMAN TUTEN: Well, the only thing I will  
18 say as far as what I -- going forward, like for  
19 me. I had four years in Deland. When I got  
20 hired March 5th of '97 is when I stepped up to  
21 training school. That's when I got hired.

22 Now, if I had bought my previous four years,  
23 my pension time would have been '93. May 5th of  
24 '93. That's when I got hired in Deland. But  
25 that's really where that previous time counts.

1           Now you're saying you're going to put  
2           somebody in the same retirement group. I think  
3           you've got to be careful because you're opening  
4           yourself up to a fireman, say, like myself, well,  
5           you know, I'm going to go down and buy three more  
6           years, give me my guaranteed 8.4 percent COLA and  
7           my 3 percent COLA, which is all the old group  
8           guys with 20.

9           There's -- you're -- it's simple. You get  
10          hired at a certain date. You get credit for your  
11          pension at a certain date. That's just the way  
12          I've always seen it work. I don't know what -- I  
13          understand the motivation for these people  
14          wanting to work it this way simply because they  
15          want to get into the better pension plan. I  
16          understand that.

17          But it's not just them. We've got to be  
18          careful, because there's a whole lot of firemen  
19          and a whole lot of policemen out there that have  
20          bought time or could buy time, and believe me, if  
21          they could buy the time and jump back over that  
22          fence to get that guaranteed 3 percent COLA and  
23          that guaranteed 8.4, which is what -- I will have  
24          the money by the end of the day, let's just make  
25          sure, you know, before we let these people do

1 this, that we don't --

2 MR. PATSY: That's a really good point.

3 MS. McCAGUE: Yes. So what I want you to  
4 understand is --

5 MR. SCHEU: Yes, that's a very good point.  
6 You're not changing their classification. You're  
7 just allowing them to buy back. That's a very  
8 good point.

9 MS. McCAGUE: So what I want to make it  
10 clear is, since last June's pension reform, we  
11 have been transferring over the City employees as  
12 we always have into Group 1.

13 And if you want us to change that today,  
14 then you need to tell us.

15 CHAIRMAN TUTEN: Well, I don't want to do  
16 anything because I don't know the legal  
17 ramifications of all that or the legal anything,  
18 number one.

19 Number two: I could be going to the bank  
20 this afternoon if that's the case.

21 MS. McCAGUE: No, that is -- we covered that  
22 last meeting. And the answer to that was that  
23 when you buy time, you're buying time that is the  
24 law at that time that you purchase. So all you  
25 could purchase was Group 2.



1 MR. CARTER: Yeah.

2 CHAIRMAN TUTEN: Let me ask you this  
3 question. The people that have done this --  
4 we've been doing this before, putting in Group 1,  
5 are they all buying their time initially, or are  
6 they paying for it over a certain amount of time?

7 MS. McCAGUE: Okay. What Steve is talking  
8 about is not people buying time. Steve is only  
9 talking about City transfers.

10 MR. CARTER: Yeah, yeah.

11 CHAIRMAN TUTEN: Okay. Straight up  
12 transfers. There's no money transferred at all  
13 whatsoever?

14 MR. CARTER: Internal --

15 MS. McCAGUE: That's correct.

16 MR. CARTER: -- not external.

17 MR. PATSY: So buying time doesn't change  
18 somebody's status --

19 MS. McCAGUE: Correct.

20 MR. PATSY: -- from 1 to 2 or any of that?

21 MS. McCAGUE: Correct.

22 MR. SCHEU: That's what I would understand.

23 MS. McCAGUE: Correct.

24 CHAIRMAN TUTEN: But here's the -- from a  
25 pension perspective, you have two different --

1           you have two different paths here.

2                   What you're saying is you can transfer from  
3           the City and we're going to count that as the  
4           time you were hired with the fire department,  
5           even though it was ten years ago, and you're  
6           hiring somebody from Tampa PD to come work for  
7           JSO, your hire date starts this day. This is  
8           when your benefits start.

9                   Now, you can connect time and give yourself  
10          a few more years in the pension, but you're not  
11          going to be in Group 1. You're going to be in  
12          the current pension.

13                   MS. McCAGUE: Correct.

14                   MR. CARTER: Yes. That employee would get  
15          credit. They would be retro.

16                   MR. DURDEN: If I might -- if I might help  
17          you, and this is part of the reason why it's been  
18          complicated for me.

19                   But to help you with that particular one,  
20          the code references the date hired by the City,  
21          not hired by the City and then corrected time.

22                   So it does -- there's no doubt that  
23          connecting time from other places doesn't change  
24          your group.

25                   The question is because the term references

1 hired by the City, does that imply hired by the  
2 City as a police officer or firefighter versus  
3 hired by the City period. And that one, the  
4 implications of that go both directions. That's  
5 the only reason it's taking time.

6 But to answer your question, your hire date  
7 by the City is whatever it was. And I guess in  
8 your case, '96. No matter how many years you buy  
9 back, you were hired by the City in '96.

10 MR. CARTER: Yes, yes.

11 MS. McCAGUE: Okay. So you can see that  
12 this is -- it's very important from a practical  
13 standpoint because we have transfers every single  
14 day, and we need to be telling people are they  
15 Group 1 or Group 2 with certainty.

16 MR. BROWN: Right.

17 MS. McCAGUE: But it is a big issue, and so  
18 Stephen is not ready to make his recommendation.  
19 And, in fact, we may end up needing clarification  
20 on this point from the City in terms of  
21 clarification of the ordinance. Correct?

22 MR. DURDEN: And that would only be after  
23 you guys figure out what you think is the better  
24 answer in the first place.

25 I mean, that would be -- because it would be

1 a somewhat version of -- it's -- proving intent  
2 of people never is completely perfect. But it  
3 would be some version of, this is what we thought  
4 we were doing, on both sides and then coming  
5 together.

6 Anyway, I don't think it's going to be a  
7 collective bargaining problem inasmuch as it  
8 hasn't become a fixed process.

9 MR. SCHEU: That might be the subject of  
10 another binding opinion once you get all of  
11 the --

12 MR. DURDEN: Well, my goal is to answer the  
13 question legally so that it's done. But I'm not  
14 sure -- you know, it's always subject to you-all  
15 looking at this.

16 CHAIRMAN TUTEN: Okay. So where are we at,  
17 Beth, as far as the pension goes part of it?  
18 We're just going to assume we're going to put the  
19 people in Group 1 still?

20 MS. McCAGUE: We're going to continue our  
21 practice, but start telling people there is a  
22 question about the status, and we're waiting on  
23 word from Office of General Counsel.

24 CHAIRMAN TUTEN: Okay. We'll take -- we'll  
25 get your opinion, Steve, and then we'll take it

1 from there.

2 MR. DURDEN: Yes, sir. That's what I'd  
3 like.

4 CHAIRMAN TUTEN: The next question is, are  
5 we going to discuss the recommendation for  
6 pension fund lawyer next?

7 MS. McCAGUE: Yes, I would like to do that.  
8 And Steve is here to help with that.

9 CHAIRMAN TUTEN: Okay. Can we take a  
10 ten-minute break since we've been here for almost  
11 two hours?

12 MS. McCAGUE: Yes.

13 MR. PATSY: So we're not going to take a  
14 motion on time-service credit for CSOs?

15 MR. BROWN: No, we're going to table it and  
16 discuss it.

17 CHAIRMAN TUTEN: Until further notice for  
18 clarification. Okay. Let's take a quick break.

19 (A break was taken from 10:54 a.m. until  
20 11:02 a.m.; thereafter, the Board meeting  
21 continued as follows:)

22 CHAIRMAN TUTEN: Call the meeting to order.  
23 Got everybody here? Good.

24 MS. McCAGUE: Well, Bill Scheu is not here.

25 CHAIRMAN TUTEN: Beth, is there anything you

1 want to discuss before Steve gets back?

2 MS. McCAGUE: Well, I'd like -- Bill's not  
3 back yet?

4 Let's see. We could skip to 7-6, the  
5 timeline for the selection of a new actuary.  
6 That's tab 9.

7 At the last Board meeting, Rick Patsy made a  
8 motion that we begin the RFP process to see if we  
9 want to change actuaries.

10 So we had Devin do some work to see what the  
11 time frame looked like for actuaries to produce  
12 the work for us because, as you know, we have our  
13 actuary every year, as required by pension  
14 reform, and it's based on 9/30 numbers, and it's  
15 due to the City by 1/31. So we wanted to make  
16 sure that we didn't call in new people who  
17 couldn't get the report done in adequate amount  
18 of time.

19 So if you look at under 9, we have a time  
20 frame here.

21 Devin, just take a couple of minutes and  
22 take us through this really quickly if you would.

23 MR. CARTER: Sure.

24 July 22nd. We finally had an RFP out. It  
25 gave us two weeks. If you have any additional

1 requirements you would like to see, please shoot  
2 me an email I can include in the RFP.

3 I also will go through the RFP with  
4 Procurement to make sure I cover all areas also.

5 August 22nd. The deadline for proposals.

6 MS. McCAGUE: Excuse me.

7 Bill, we on tab -- we skipped ahead. We're  
8 under tab 9, looking at the actuarial services  
9 RFP time frame.

10 MR. SCHEU: Thank you.

11 MR. CARTER: Okay. September 1st through  
12 the 9th. This will be the evaluation of  
13 proposals by the staff and the Financial  
14 Investment and Advisory Committee.

15 September 16th. The recommendation from the  
16 staff and FIC, and the evaluation by the Board  
17 also. So, of course, we will come with our  
18 recommendations and, likewise, for your  
19 evaluations of the firms too.

20 October 3rd through 12th. Anticipate  
21 interview dates. We may just whittle it down to  
22 two candidates, or whatever the Board may decide.

23 October 21st. The notice of award.

24 October 24th through November 4th.  
25 Negotiations and execution of contract.

1           And January 2017, the new actuary will be in  
2 place.

3           MS. McCAGUE: Does that suit you-all?

4           MR. PATSY: Uh-huh.

5           MS. McCAGUE: All right. Good. We do not  
6 need a motion on that.

7           So we can move back up to 7-3,  
8 Recommendations for Pension Fund Counsel, and  
9 this is under tab 6. I think you-all have seen  
10 this document before.

11           This is from Jason Gabriel on how we would  
12 go about selecting a new pension expertise firm  
13 for the fund.

14           Everyone knows that our external attorney  
15 has been trying to resign for several months, and  
16 so we need to get going with the process of  
17 replacing him.

18           Three attorneys are recommended by  
19 Mr. Gabriel. They are Jim Linn from Lewis,  
20 Longman & Walker in Tallahassee; Kevin Hyde from  
21 Foley Lardner, and the Sugarman Susskind firm out  
22 of Coral Gables.

23           And my recommendation, Mr. Chairman, is that  
24 we begin negotiations with Jason Gabriel with  
25 Sugarman & Susskind. And the reason is that we



1 know that firm. They have helped us before in  
2 the past. They are -- they know about us, and  
3 they are pension-labor specialists. That is all  
4 they do.

5 And I think that's very important for us to  
6 have people involved in this very important role  
7 who are experts in public pensions, and that is  
8 the focus of their organization.

9 MR. PATSY: Beth, do you know that by your  
10 experience or did Jason provide that in a  
11 separate brief or --

12 MS. McCAGUE: No, Jason did not provide  
13 that. I know that from two reasons. One is  
14 taking a look at our files in the course of all  
15 this research I've done for City Council, for the  
16 financial committee, for the auditors, et cetera.  
17 I saw the work that they had done for us in the  
18 past.

19 And also they were recommended by the  
20 Klausner firm as one of the firms in the state of  
21 Florida that is expert in pension.

22 CHAIRMAN TUTEN: I don't have a problem with  
23 Sugarman. Like I said, they're much better than  
24 the other two that were recommended here by  
25 Mr. Gabriel because they're a true, actually

1 pension law firm.

2 Now, the bigger problem I have is with the  
3 way we're going about picking these people. You  
4 know, we do an RFP for every single thing we do  
5 here. And I understand we're under time  
6 constraints because Bob and everybody wants to  
7 run for the hills.

8 But, you know, I'm not comfortable with the  
9 general counsel saying -- and did anybody else  
10 read his legal memo? I told you it was going to  
11 get more exciting, Steve.

12 Basically what he is saying is, look, here's  
13 three lawyers I recommend, and in the future, if  
14 you don't like these or have a problem with  
15 somebody, I'll recommend three more to you.

16 Once again we're getting back to state law,  
17 which is Chapter 175, which I've read here, which  
18 says, we may choose to use the municipality's law  
19 firm. But we choose. We don't have to.

20 In other words, I don't mind a  
21 recommendation. Sure. I'm open to all sorts of  
22 suggestions, but he is essentially, in this  
23 memorandum, telling us, these are the law firms  
24 you're going to pick; if you don't like them,  
25 I'll give you three more.

1           But even worse than that, we have to get  
2           within the memo to see a couple.

3           First of all, page 1 at the bottom, "I have  
4           vetted." Like I said, we do RFPs for everything.  
5           I don't think in this age of transparency,  
6           regardless of the noblest intentions of the GC,  
7           that we should do anything other than open, which  
8           is we solicit for actuaries, we solicit for  
9           lawyers.

10           Number 2. Yadda, yadda, yadda. 3, the  
11           contract. Page 4 -- 1, 2, 3 -- Chapter 4. If  
12           anyone has read this, it's quite convoluted, but  
13           I'll put it -- I'll try to paraphrase it as  
14           simply as I can.

15           If we hire a lawyer that he recommends and  
16           the lawyer tells us, hey, look, I've got a  
17           conflict of interest with representing you guys  
18           because I represent someone else that doesn't  
19           quite jibe with your goals, as long as they sign  
20           a piece of paper and acknowledge that fact and  
21           you're cool with it, you can keep them, and we're  
22           fine with it.

23           I cannot remember in 14 years, or however  
24           long I've been down here, one instance where this  
25           pension fund lawyer, Mr. Klausner, Kaufman, there

1 was any sort of conflict with what our intentions  
2 are here as a Board. I don't even know what this  
3 clause or this paragraphs means or why we even --

4 MR. SCHEU: I can help you on that,  
5 Mr. Chairman.

6 CHAIRMAN TUTEN: -- any sort of -- but  
7 here's the other problem. Page 4 -- 1, 2, 3,  
8 4 -- the start of paragraph 5.

9 "OGC may terminate the firm's  
10 representation."

11 Once again we get back to the law. The  
12 pension fund, the Board is responsible for hiring  
13 its own counsel. Chairman Schmitt bought it up.  
14 I read the minutes for the last meeting in June.  
15 We went over this in depth, so I'm not going to  
16 beat it like a dead horse.

17 But we have a serious problem with the fact  
18 that the General Counsel's Office thinks that  
19 he's entitled to perform certain things that are  
20 above and beyond his scope.

21 And I don't understand -- I also read the  
22 minutes. I think we made a recommend to you,  
23 Steve, that we would wish that the general  
24 counsel would write us a memo or give us his  
25 opinion on whether or not if we chose to use him

1 exclusively, or if he made a recommendation to  
2 us, we would be protected from any sort of  
3 liability. I'm assuming that memo has not been  
4 completed.

5 I have to reiterate to the Board, we're an  
6 independent agency. We're one of -- and I also  
7 wrote those down. How many do we have in the  
8 City? I think it's eight independent agencies.

9 Steve, maybe you can ask this question. Has  
10 the Office of General Counsel, Mr. Gabriel,  
11 issued a memorandum such as this where you guys  
12 are responsible for hiring or at least proposing  
13 the law firms that the Aviation Authority,  
14 Housing, Port, Library, JTA, JEA, and Water and  
15 Sewer are responsible for hiring?

16 I'm curious as to exactly --

17 MR. DURDEN: If I might. If the question  
18 is, have we issued a memorandum, the answer is,  
19 as far as I know, there's not a memorandum.

20 Our office, the General Counsel's Office, is  
21 involved in hiring every private attorney for  
22 every agency of the City. Has been for years.

23 CHAIRMAN TUTEN: So if the JEA Board says we  
24 want to hire a law firm --

25 MR. DURDEN: It goes through the General

1 Counsel.

2 CHAIRMAN TUTEN: -- they can't hire anyone  
3 besides what you guys recommend?

4 MR. DURDEN: Okay. There's a balance --  
5 yes. Can they hire without the input of the  
6 general counsel? No. The charter doesn't permit  
7 that.

8 And to make it clear, the JTA is also,  
9 expressly in the state statute, given the  
10 authority to hire their own lawyer. But the  
11 hiring of lawyers under the charter for  
12 independent agencies and everybody else in the  
13 City goes through the general counsel's office.

14 So the memo hasn't been written, but it's  
15 been done. It is consistent practice of the  
16 office to hire, be involved with the hiring, of  
17 every independent lawyer.

18 MR. PATSY: But my experience with the  
19 city's employee retirement system, when we hired  
20 securities litigation attorneys, okay, your  
21 counterpart, John Sawyer, was a participant in  
22 that meeting; but we issued an RFP, we  
23 interviewed all four candidates, and we made a  
24 decision based on that.

25 MR. DURDEN: I can't respond to something I

1 don't know the facts of.

2 MR. PATSY: Right, right. But I --

3 MR. DURDEN: But I'm telling you, more than  
4 likely --

5 MR. PATSY: -- I see your point, but I'm  
6 also saying, practice may differ a little bit.

7 MR. DURDEN: Practice may differ to some  
8 degree or another. It may be that the general  
9 counsel at the time wasn't aware of it, and maybe  
10 the general counsel at the time blessed it and  
11 said, this is a fine way to do it.

12 I can't answer that part. And I don't know  
13 if that --

14 MR. PATSY: Right. And Joey is not here.  
15 Otherwise, I would drag him into it.

16 MR. DURDEN: I mean, the mere fact that it  
17 was done doesn't mean it was correct. And, two,  
18 it doesn't mean it wasn't authorized.

19 MR. SCHEU: May I -- whenever you-all are  
20 through, I'd like to make some comments.

21 CHAIRMAN TUTEN: Go ahead, Bill.

22 MR. SCHEU: Number 1: Rich, with all due  
23 respect, we have a binding opinion of the General  
24 Counsel's Office, and we must follow their  
25 dictates.

1           To follow up, I have spoken to Jason. He's  
2 going to issue a supplemental opinion that deals  
3 with the issue of liability, which as we've said,  
4 we do have sovereign immunity, would not be  
5 breaching the fiduciary duty in cases of that.

6           Number 2: Your question about conflict.  
7 That is a typical language that any law firm,  
8 when they have a conflict, they can disclose to  
9 both clients and both clients can waive the  
10 conflict. That's not directed at the Police and  
11 Fire.

12           Rogers Towers does it every single day.  
13 When I have a lease for Wells Fargo, for example,  
14 and we also represent the landlord in an  
15 unrelated matter, we have to get the conflict  
16 straight. That doesn't release us.

17           I think this issues is put to bed. I think  
18 we are required to follow the charter, and I  
19 think Jason has proposed a procedure that is  
20 perfectly satisfactory. If we don't like any of  
21 the three law firms, we can get more.

22           But -- and he will participate with us. You  
23 can appoint a committee to interview the lawyers  
24 and make the recommendation. It's ultimately the  
25 Board's decision as to who will be engaged by the



1 City to do our work.

2 But, frankly, Chapter 175 and 185 are  
3 subsumed by the charter. That issue is now put  
4 to bed.

5 CHAIRMAN TUTEN: Well, Bill, buddy, I  
6 hate -- I'm going to disagree with you again as  
7 far as who is responsible for what.

8 The Board is responsible for the members.  
9 Here's the problem I have. The OGC may terminate  
10 the firm's representation. What if the Board  
11 likes the lawyer but the OGC, due to political  
12 reasons, which I know would be a shocker, decides  
13 they're going to fire the lawyer for the Board?

14 In other words --

15 MR. SCHEU: I think --

16 CHAIRMAN TUTEN: -- we open up ourselves  
17 to --

18 MR. SCHEU: I think that's an imaginary  
19 harm. I think that's not going to happen. He's  
20 only going to end the representation if we want  
21 to.

22 CHAIRMAN TUTEN: Because it hasn't happened,  
23 Bill, because we've had a lawyer that has been on  
24 our side, number one; and, number two, you were  
25 talking -- you said you talked to Gabriel about

1 the liability aspect of relying on the OGC  
2 exclusively.

3 MR. SCHEU: Yes.

4 CHAIRMAN TUTEN: Did he print up a memo?  
5 Did he send you something in writing?

6 MR. SCHEU: He hasn't yet. He was going to  
7 the conference of general counsels, and he  
8 assured me that he would issue a supplemental  
9 opinion. And I expect we will get that in the  
10 next week or ten days.

11 But I assure you, Rich, as the chairman of  
12 an independent body of this government, we are  
13 subject to the charter. And the general counsel  
14 has issued a binding opinion.

15 The only way that we can disagree with that  
16 and test it is either by filing a suit for  
17 declaratory relief in the circuit court, which  
18 we're prohibited from doing without the consent  
19 of the council. So that's not going to happen.

20 Or, number two, we can seek another opinion  
21 reviewing this opinion by the attorney general,  
22 which isn't going to happen because she has  
23 already ruled it's a local issue. So we are  
24 bound.

25 Unless you want to file an action

1 individually --

2 CHAIRMAN TUTEN: No. Bill, what I'm talking  
3 about is we do what we've done before in the  
4 past, which is always, we pick who we want to  
5 choose to do business with, whether it's an  
6 actuary, an investment manager. I find it  
7 unusual --

8 MR. SCHEU: We can't do that anymore.

9 CHAIRMAN TUTEN: -- that we're supposed to  
10 operate transparent and in the sunshine and all  
11 that good stuff, but yet we're being dictated to  
12 when it comes to a law firm.

13 And call me skeptical, but when the City has  
14 a problem identifying who gets what money because  
15 of what consultant agency happens to be friends  
16 with whom, I would prefer to put my transparency  
17 in this Board's hand versus the mayor's office  
18 and the OGC.

19 They have always had a problem doing what's  
20 best for everybody, and I'm going to call it like  
21 I see it. And I don't want to put this Board and  
22 these members in the OGC's hands when this  
23 general counsel may not even be here in two or  
24 three years, Bill. Then what?

25 And the next question I have for you before

1 we just defer all this to the GC, what is it that  
2 Mr. Gabriel has found, how has he cracked the  
3 code when every other GC --

4 (Simultaneous speech)

5 CHAIRMAN TUTEN: -- that I've every been a  
6 part of has never had a problem with the way we  
7 do things, Bill? I don't understand it.

8 And back to Mrs. Bondi, brother. She did  
9 not rule on anything. She punted twice. We've  
10 had previous AGs which have said this Board is  
11 entitled to hire lawyers because there's an  
12 inherent conflict with the City. This Board was  
13 just sued by the City less than two months ago,  
14 and yet we have to --

15 MR. SCHEU: Point of order, Mr. Chairman.  
16 You're the chairman and not supposed to be  
17 debating. I would move --

18 CHAIRMAN TUTEN: There's just no -- we're  
19 not going to see eye to eye, Bill. There is no  
20 way I am going to defer control over a choice as  
21 important as the law firm that represents the  
22 members and us to someone who has sued us.  
23 There's just --

24 MR. SCHEU: I would move, Mr. Chairman, that  
25 we adopt the procedures that Mr. Gabriel has

1 recommended and that we authorize the executive  
2 director to meet an interview the candidate,  
3 Mr. Sugarman, with the Office of General Counsel.  
4 I make that motion, sir.

5 CHAIRMAN TUTEN: Okay. We've got a motion  
6 on the table.

7 MR. PATSY: What's the motion? I'm sorry.

8 MS. McCAGUE: The motion is to proceed with  
9 the recommendations outlined in the letter from  
10 the General Counsel's Office and to pursue  
11 arrangement with the Sugarman firm and to  
12 authority me to participate in that process.

13 MR. SCHEU: With the general counsel.

14 MS. McCAGUE: With the general counsel.

15 MR. PATSY: Can I make a comment?

16 CHAIRMAN TUTEN: Sure.

17 MR. PATSY: I see where you're coming from,  
18 Bill. And I see where you're coming from, Rich.

19 What I suggest or would like to put on the  
20 table, if we were doing this process by  
21 ourselves, as you said, we would issue an RFP.

22 We would get the results of the RFP. We  
23 would evaluate the information presented before  
24 us. We would interview whatever number of firms  
25 we decide to interview, and we would make a

1 choice.

2 What I would like to see us do is integrate  
3 the process with what's been put in front of us  
4 from the OGC with what we would normally do.

5 It's been a long time since we've done an  
6 RFP for general counsel. So I'm not sure what  
7 exactly goes into that. But what I would propose  
8 we do is put together an RFP, go back to the  
9 general counsel and say, this has been our  
10 practice. Effectively ask the general counsel to  
11 being our intermediary, get the law firms that  
12 he's interested in to complete the RFP, submit  
13 the results through him back to us.

14 We'll -- he doesn't say we can't interview  
15 these folks. He doesn't say how we go about  
16 selecting that choice.

17 It's not a perfect process, but I think it  
18 would keep integrity with our process and keep  
19 him happy that we're integrating him into the  
20 process. It's going to take longer. And it's  
21 going to --

22 MR. CARTER: Yeah.

23 MS. McCAGUE: Yes. A couple of points I  
24 would say.

25 Number one is, of course, if we don't like

1 any of these, then we can ask for more, for  
2 additional.

3 The situation is this is not just regular  
4 general counsel work we're looking for. This is  
5 an expertise that is in very few places in law  
6 firms in the state of Florida.

7 MR. PATSY: Right.

8 MS. McCAGUE: And so the most firms we would  
9 have might be four that we would -- three,  
10 because we're not counting yours?

11 MR. DARAGJATI: And we're one of them.

12 MS. McCAGUE: Right. So, you know, if you  
13 want to interview all three of those, that's  
14 fine. And I consider that, as I said, I think  
15 we're better off going forward with Sugarman &  
16 Susskind because we do need an attorney on point  
17 for us.

18 And I personally see that it is not a good  
19 use of time to issue an RFP because we're going  
20 to get many, many responses. People would look  
21 at us as a very good client, even if they don't  
22 have the public pension expertise that we're  
23 looking for.

24 MR. BROWN: We'll get unqualified responses  
25 to the RFP, is what you're saying?

1 MR. PATSY: Right.

2 MS. McCAGUE: That's right.

3 MR. PATSY: You can make this by invitation  
4 only. You don't have to make it an open RFP.

5 MS. McCAGUE: Well, we could certainly do it  
6 to the three firms that are -- you said there are  
7 three of the firms, right?

8 MR. DARAGJATI: The main pension -- public  
9 employee pension fund firms in Florida are us,  
10 Mr. Cypen, who is -- he's basically ending his  
11 practice.

12 MS. McCAGUE: Right. He's a sole  
13 practitioner.

14 MR. DARAGJATI: Right. Bob Sugarman, and  
15 then Christian & Diener. And Christian & Diener,  
16 they're probably going to start winding down in  
17 the next couple years anyway. So I don't think  
18 they would be a very good candidate for you.

19 So it's really between -- it's  
20 Mr. Sugarman -- do you mind if I speak on this  
21 issue a little bit?

22 CHAIRMAN TUTEN: By all means.

23 MR. DARAGJATI: Just to sharpen the issues a  
24 touch.

25 You have a theoretical issue of the



1 independence of the Board versus also the  
2 practical issue of hiring an attorney.

3 The theoretical issue. 185 and 175 both say  
4 that this Board is an independent entity from the  
5 plan sponsor, and there's a reason for that.

6 When the chapter dollar program was set up  
7 in 1957 and took effect about '59, a lot of money  
8 started flowing into cities. And by 1991, it  
9 became apparent to the State of Florida that not  
10 all of that money was being placed where it  
11 needed to be. Municipalities were using those  
12 chapter dollars for everything under the sun.

13 Therefore, the chapters were revised, and  
14 the boards were given significant powers of  
15 independence. And the boards are responsible and  
16 they have a significant fiduciary duty to the  
17 members to control those chapter dollars. That's  
18 why this Board is separate from every other  
19 independent entity of this City.

20 There is no such program that would effect  
21 JEA or JTA, the airport authority. Any of these  
22 other authorities are different from this Board  
23 because you're the recipient of approximately \$10  
24 million a year in chapter dollars.

25 And for that reason you're given the ability

1 to choose your own counsel, your own actuary,  
2 your own accountants, and you are fiduciaries to  
3 the plan in a manner that's higher than what a  
4 Board member for JEA or JTA would be.

5 So as far as your independence is  
6 concerned -- and I preface this by saying we  
7 don't have a dog in this fight. You guys are  
8 going to make your own decision. I'm just giving  
9 you basic legal advice.

10 And the fact is, is that it's encapsulated  
11 in state statute the independence of this Board.  
12 And I understand that the charter says that the  
13 general counsel is the chief legal officer for  
14 all of the agencies of the City. I understand  
15 that. But there is a degree of conflict here,  
16 and the Board is going to have to make that  
17 decision.

18 Now, whether or not the Board can file a  
19 suit for declaratory relief to get an answer from  
20 a court as to what their powers are, the charter  
21 says you have to go to the City Council to get  
22 permission. The state statute says you don't.  
23 So there's another conflict there. You're going  
24 to have to make these decisions on your own, if  
25 you want to go through.

1           Now, bridging over into the practical  
2 matter, you've been given three names by the  
3 general counsel to analyze for -- to replace us.

4           As your administrator said, Bob Sugarman.  
5 He does everything we do. It would be a smooth  
6 transition for you.

7           Jim Linn. He knows his business, but he was  
8 counsel for the City on these matters. There is  
9 an inherent conflict with him. I have no doubt.

10          And then Kevin Hyde. I think he just does  
11 ERISA work. I don't think he specializes in this  
12 stuff.

13          CHAIRMAN TUTEN: Well, the only problem I  
14 have with Mr. Hyde, he was on the City Council  
15 and Mr. Gabriel was general attorney -- General  
16 Counsel's Office at the same time. I don't know  
17 what, if any, relationship, personal,  
18 professional, et cetera, they have with each  
19 other --

20          MR. DARAGJATI: I understand.

21          CHAIRMAN TUTEN: -- social. It doesn't  
22 matter to me. What matters to me is what has  
23 always mattered to me, and I think we've heard  
24 enough in the last couple years is the fact that  
25 everything is above board.

1           And the only way that I make sure that  
2 everything is above board is if a man sits in  
3 front of me, I've got my two eyes on him, and I  
4 talk to him, same as you, same as you, and then I  
5 an informed decision based on what Steve  
6 recommends. I've got no problem taking advice  
7 from -- advice from the OGC.

8           The problem is they are once again  
9 encroaching, not even trying to hide this. This  
10 is, they're going to recommend, they're going to  
11 hire, they're going to fire, and once again, our  
12 independence, our ability to choose for us and  
13 the members, according to state law, is infringed  
14 upon.

15           Now, we can take it -- I will be more than  
16 happy to craft some sort of memo and send it back  
17 to Mr. Gabriel and say, look, we appreciate your  
18 advice. We will consider these three in the  
19 spirit of due diligence that we have always done  
20 here at the Board, which is issue an RFP.

21           We're going to rely on advice from our  
22 counsel for pension fund lawyers. We're going to  
23 give you that list. You will tell us who you  
24 like. We're going to pick the list. We're going  
25 to put it together. And then the Board will sit

1 down and we'll do a top two, top three, or just  
2 make a decision based on who we like without  
3 interviewing and take it from there.

4 MR. BROWN: But from a practical standpoint,  
5 if we already have the recommendation or at least  
6 the best candidate, if you will, for our future  
7 attorney, why do we need to go through that  
8 lengthy process of doing the RFP and such?

9 MR. PATSY: The independent side of the  
10 equation is an issue for Rich. If we just take  
11 this and go with it, then we haven't addressed  
12 the independence issue.

13 MR. BROWN: So we would fundamentally alter  
14 the process by which we acquire counsel? Is  
15 that --

16 CHAIRMAN TUTEN: Well, that's -- I don't  
17 have a problem with the names per se.

18 MR. BROWN: And we may end up with them  
19 regardless, but you're saying --

20 MR. PATSY: We won't end up with a different  
21 answer. I believe we would go with -- we would  
22 end up in the same spot, but it's the process.

23 MR. BROWN: A question of process right now.

24 MR. SCHEU: I think it's -- I didn't --

25 (Simultaneous speech)

1 MS. McCAGUE: I'm sorry. Say that again.

2 We have two people --

3 MR. SCHEU: I'm sorry, Rick. I thought you  
4 were through.

5 MR. PATSY: No. Go ahead, Bill.

6 MR. SCHEU: I think it would be helpful,  
7 Mr. Chairman, if we sort of separated the issues.

8 Number one, if we think Sugarman is  
9 qualified, I think we don't need to waste time on  
10 that.

11 But I think it would be helpful to invite  
12 Jason to come over and give us a workshop or  
13 spend a significant time on analyzing his binding  
14 opinion to us, going to the charter and having  
15 him explain from his perspective what the rules  
16 are.

17 He -- as a matter of fact, Beth, I think he  
18 told you that he didn't care if you appointed  
19 yourself or a committee or if the Board wanted to  
20 interview the person as a whole. He didn't  
21 really care.

22 But there is an important -- Rich, as you've  
23 put your finger on it. There's an important  
24 issue of governance and powers as it relates to  
25 the consolidated government and its relationship

1 to what the statutes say about the powers of the  
2 fund.

3 That, I feel sure Mr. Gabriel would say with  
4 his binding opinion, but you're not convinced  
5 yet. So it probably would be helpful to have a  
6 work session where the -- from the perspective of  
7 the general counsel, what his perspective is of  
8 the issues, and that we have a full time period  
9 within which to question him and get -- and have  
10 Paul there too, and then have a full workshop so  
11 we understand the relationship.

12 CHAIRMAN TUTEN: And, Bill, I'll reiterate.  
13 I have no problem with any of that. The  
14 transcript that I read yesterday, we -- I've said  
15 that probably several times. And anytime  
16 Mr. Gabriel wants to come over and talk, I'll be  
17 more than happy to listen and we'll discuss the  
18 finer points of state law.

19 But the problem we have is, we've had  
20 previous attorney generals explain why we can  
21 choose our own lawyers, why we're independent.

22 We've had this attorney general twice not  
23 issue a ruling either way. So I'm assuming what  
24 has been will stand.

25 The only person, not a judge, not a court,

1 not Fox News -- the only person that has said we  
2 must do it this way when we choose a lawyer and  
3 what the laws are is Mr. Gabriel. He is the only  
4 person.

5 And the problem is, we can't really protest  
6 it because, guess what? We've got to get the  
7 City Council is agree with us, which you know  
8 they're not going to go against the General  
9 Counsel's Office. It's rigged, okay?

10 So the problem is, why is he the only one in  
11 the history of this General Counsel's Office  
12 since I've been down here that now says we must  
13 do it this way. When we've done it our way  
14 forever, it's worked out fine. There's never  
15 been a problem.

16 I don't remember ever arguing with the GC  
17 about anything that couldn't be taken care of  
18 over a conversation. Now all of a sudden he  
19 wants to hire and fire everybody, Bill.

20 MR. SCHEU: The problem is the context of  
21 what happened over the last five years that  
22 caused the need for pension reform and analysis  
23 through the whole way that the relationship with  
24 the Board interacts with the City.

25 You and I would agree that, for example,



1           that the Crescimbeni memorandum that Cindy  
2           issued, that wasn't a binding opinion. But that  
3           has now been subsumed by the attorney general's  
4           deferral. And it wasn't just refusing to enter  
5           into it. Says it is a local matter and it's to  
6           be resolved locally.

7           And so then after that we got the opinion  
8           from Jason that still needs to be supplemented,  
9           as we discussed, and that's why I think we  
10          probably just need to have a primer on the  
11          application of the charter as enunciated by the  
12          general counsel.

13          And I think it would be appropriate not for  
14          just anytime he wants to wander over here and  
15          talk to us, but that we formally invite him to  
16          come discuss his opinion with us so that we  
17          understand and can question him about the opinion  
18          as it relates to state law and any other matter.

19          I think that's the only way we're going to  
20          get past this, because every meeting where this  
21          is going to come up, you're going to have --  
22          rightly, you're a man of integrity -- you're  
23          going to have the same issues. So we just need  
24          to get it put to bed.

25                 MS. McCAGUE: And because we have a new

1 director coming in August, it would be great to  
2 have a workshop when he is here so he gets a good  
3 understanding of what the differences of opinion  
4 are and the background that got the opinions to  
5 that point.

6 CHAIRMAN TUTEN: Okay. So let's talk --

7 MR. PATSY: Let's do that after he starts so  
8 he can't back out.

9 CHAIRMAN TUTEN: Okay. Let's solve the  
10 first problem.

11 Based on your recommendation from your firm,  
12 do you-all want to do an RFP or do you want to  
13 just go with some -- the other two -- make it  
14 pension, strictly pension attorneys. I've  
15 researched the other two firms recommended here.  
16 They're not pension attorneys.

17 MS. McCAGUE: Right.

18 CHAIRMAN TUTEN: Take my word for it.

19 MR. PATSY: So would we come back with two  
20 other alternatives?

21 CHAIRMAN TUTEN: Correct.

22 MR. PATSY: If we went with what I  
23 recommended, we would come back with Sugarman and  
24 two other firms besides --

25 MS. McCAGUE: There may not be two other

1 firms.

2 CHAIRMAN TUTEN: Probably, yeah.

3 MS. McCAGUE: We would come back with at  
4 least one firm.

5 And by the way, if I may mention this, what  
6 I understand is that in the City's RFP process,  
7 when anybody at the City is hiring for  
8 professional services, there is a parallel  
9 process that is used that is different from the  
10 big block, blanketed RFP.

11 It is very customary that that selections  
12 are made and then interviews are held as opposed  
13 to throwing wide open anybody come and apply.

14 CHAIRMAN TUTEN: Well, whatever the process,  
15 I feel more comfortable that no one can come back  
16 and say, look, the game is rigged because you  
17 guys went to a conference in Tallahassee one time  
18 with Bob Sugarman and, hey, that's why you hired  
19 him.

20 MR. PATSY: Issuing an RFP, even if it's  
21 through the Office of General Counsel, is  
22 defensible. We have done our -- we have been  
23 true to our process. We still -- we could still  
24 be criticized for our decision on who we pick,  
25 but through the RFP process, at least we have a

1 documented process that we can defend, and it's  
2 not perfect, but it's defensible.

3 CHAIRMAN TUTEN: And make it specific to  
4 pension plan attorneys.

5 If you look at the bios for the Lewis,  
6 Longman & Walker, and then Foley & Lardner,  
7 they're not pension plan attorneys. They're just  
8 sort of catch-all attorneys that, hey, if you've  
9 got a problem, call us. One of the lawyers knows  
10 something about it, okay?

11 Sugarman & Susskind are the only ones that  
12 are pension -- I want specific pension lawyers.  
13 I don't want them out chasing ambulances or  
14 because somebody fell at the Gate station. I  
15 want somebody that's a pension attorney. That's  
16 it.

17 MS. McCAGUE: Okay. So Mr. Scheu had made a  
18 motion --

19 MR. SCHEU: Well, suppose -- there's a  
20 motion on the floor. Suppose I amend the motion  
21 to pick up on what Rick Patsy has said, that  
22 we -- that we do two things.

23 Number 1: That we thank the general counsel  
24 for his recommendations that we received and  
25 respectfully ask him to issue an RFP on our

1           behalf for specific pension-related counsel, and  
2           that he -- that he collaborate with our executive  
3           director in the drafting of that RFP, and that it  
4           goes through his office, that he forward the  
5           results back to us with his recommendations upon  
6           receipt, and that we would evaluate then. That's  
7           number one.

8           Number 2: That following the -- come in on  
9           duty of the new executive director, that we  
10          schedule at the earliest possible time a work  
11          session which he reviews with us the  
12          relationships of the Board as an independent  
13          agency in connection with the charter and  
14          chapters 175 and 185, and that we invite our  
15          still counsel to be present too.

16          That's the motion.

17          CHAIRMAN TUTEN: Is that all one motion,  
18          Bill?

19          MR. SCHEU: One motion with two parts.

20          CHAIRMAN TUTEN: Do you-all want to do it  
21          that way or you want to separate them?

22          MR. PATSY: That sounds like what I -- I  
23          second it.

24          MR. BROWN: Yeah. He amended it.

25          CHAIRMAN TUTEN: Okay. Move to second it.

1 Any discussion?

2 (No responses.)

3 CHAIRMAN TUTEN: Okay. Call for the vote.  
4 All in favor?

5 (Responses of "aye.")

6 CHAIRMAN TUTEN: Any opposed?

7 (No responses.)

8 MR. SCHEU: Rich, I might also suggest as  
9 part of that invitation that we take it among  
10 ourselves to get to Beth before the end of the  
11 month, let's say, specific questions that we have  
12 that we want the general counsel to answer.

13 And we'll give copies of those to  
14 Mr. Daragjati so that his firm will be prepared  
15 to answer them too.

16 So that we're not operating in a vacuum, we  
17 get the specific issues on the table that we want  
18 the general counsel to address. That's not part  
19 of the motion. That's just a suggestion.

20 CHAIRMAN TUTEN: Yeah. That's -- I mean, do  
21 we need a motion for that?

22 MS. McCAGUE: No. I don't think we need a  
23 motion.

24 CHAIRMAN TUTEN: Just basically you want us  
25 to come up -- everybody come up with their own

1 questions they want to ask the general counsel  
2 and then, what, have Paul put it together in a  
3 nice legal list or --

4 MR. SCHEU: Or Beth probably.

5 MS. McCAGUE: Yeah. What I'll do,  
6 Mr. Chairman, is send everybody an email  
7 capturing what we've talked about and ask for  
8 your -- I'll include also both the attorneys --  
9 the responses that went to the attorney general  
10 from Office of General Counsel and our external  
11 attorney so you have those for review, and then  
12 you can give me questions that you would like us  
13 to pose to Jason.

14 CHAIRMAN TUTEN: Gotcha. I already got  
15 mine.

16 MR. SCHEU: And that Jason not be limited to  
17 those questions, but that he at least get the  
18 questions that we want on it.

19 MS. McCAGUE: Certainly.

20 MR. DARAGJATI: And just for the record, Bob  
21 wanted me to remind you, we're always available  
22 for consulting for pension-related -- strictly  
23 pension-related stuff in the future if you run  
24 into a problem. We're not going to just head for  
25 the hills and disappear.

1 MR. BROWN: Thank you.

2 CHAIRMAN TUTEN: Well, I've got some  
3 specific research I want to do on some specific  
4 questions relating to his previous memo and this  
5 latest one, and I will definitely send you and  
6 Bob an email to get either some help,  
7 clarification, or just, yeah, Rich, you're on the  
8 right track, because -- anywho, is that the  
9 last --

10 MR. SCHEU: Let me ask one other question  
11 about that.

12 I might point out, Mr. Chairman, that  
13 Mr. Klausner has indicated that they would be  
14 willing to go forward as pension counsel, not as  
15 general counsel. So I would suggest that they be  
16 included in the list.

17 Now, whether or not politically speaking and  
18 public speaking we want to do that, I just think  
19 that they've been very good and I think that they  
20 ought to be included in our consideration. We  
21 may not choose them, but they ought to be  
22 considered.

23 MR. DARAGJATI: If I can clarify that.

24 My understanding, and correct me if I'm  
25 wrong, Bill, I think in the conversation between



1           you and Bob was that the firm would be willing to  
2           do consulting work on pension-related issues up  
3           to 50 hours a year gratis, assuming you allow us  
4           to maintain our relationship with the securities  
5           counsels for this.

6           MR. SCHEU: Yeah. He said he would like to  
7           be considered as pension counsel --

8           MR. DARAGJATI: Okay.

9           MR. SCHEU: -- if he were selected, that he  
10          would give us up to 50 hours a year credit. Let  
11          me clarify --

12          (Simultaneous speech)

13          CHAIRMAN TUTEN: Paul, talk to Bob --

14          MR. DARAGJATI: Yeah. I think --

15          MR. SCHEU: -- that I think they've done a  
16          good job. And I will say to your point, Rich, we  
17          also (inaudible) that they ought to be  
18          considered.

19          MR. DARAGJATI: I think what I'll do is I'll  
20          have Bob put something on paper and send it to  
21          the Board just to clarify exactly what it is  
22          we're offering the Board.

23          MS. McCAGUE: All right. Good.

24          MR. SCHEU: Just so you-all know,  
25          Congresswoman Brown has just been indicted with a

1 53-page indictment, together with her chief of  
2 staff.

3 CHAIRMAN TUTEN: I look forward to reading  
4 it tomorrow at the fire station.

5 Do we have anything left with this stuff?

6 Good. Okay. Moving on, Beth --

7 MR. DARAGJATI: Since Mr. Durden is here,  
8 can I revisit the issue that we discussed before?  
9 I just want to make sure I didn't misarticulate  
10 the actuarial value issue.

11 Because those CSOs were not part of any  
12 pension plan in the City, notwithstanding whether  
13 they paid 20 percent or the full actuarial,  
14 somebody, some entity, the plan sponsor, needs to  
15 put in not only their contribution, but what  
16 would normally be the contribution to make up  
17 their actuarial value of the benefit they'll  
18 receive when they retire.

19 That's what I want to make sure that the  
20 Board understands, that that needs to be done and  
21 put on paper. Somebody needs to memorialize that  
22 before those members become part of this plan,  
23 before those CSO guys get credit for being part  
24 of this plan.

25 CHAIRMAN TUTEN: You mean like a disclaimer

1 or something?

2 MS. McCAGUE: Well, no, that -- so what  
3 you're saying, Paul, is that we should  
4 memorialize our practice, our standard practice,  
5 which applies to people who are buying time  
6 coming from outside the City, buying firefighter  
7 and police time, that that practice would be  
8 applied to these people who were CSOs, if the  
9 Board decides at a later date to let them into  
10 the plan.

11 MR. DARAGJATI: That is correct. Because if  
12 that is not done, what will happen is it will  
13 increase the unfunded actuarial liability for the  
14 plan.

15 MS. McCAGUE: Sure.

16 MR. DARAGJATI: I just want to make sure  
17 that the Board understands that.

18 MR. BROWN: Yes. It's a unique group  
19 because they weren't actually contributing to a  
20 pension, whereas, like a general employee would.

21 MS. McCAGUE: That's right. It's expensive  
22 to the City just as it's expensive when  
23 individuals buy time service from outside the  
24 community.

25 MR. CARTER: Right, right. So pretty much

1           you're saying that --

2           MR. SCHEU: That should be the subject of  
3 Steve's memo coming back to us as part of that  
4 discussion, is what I'm hearing Paul say.

5           And just like me memorialized our existing  
6 practice on the other issue, we would then  
7 memorialize our existing practice, assuming  
8 that's what we wanted to do, once we receive all  
9 the information from Steve.

10          CHAIRMAN TUTEN: Okay. Got it. Good.

11          MS. McCAGUE: Thank you, Steve.

12          Thank you, Paul.

13          CHAIRMAN TUTEN: Thanks, Steve. Have a good  
14 weekend, buddy.

15          MR. DURDEN: That's it? I like being here.

16          CHAIRMAN TUTEN: I like you too, Steve.  
17 Don't take it wrong, buddy.

18          MR. DURDEN: No. I can assure you that I  
19 love -- I actually love being here, but I have a  
20 lunch appointment. If you really don't need me.  
21 But thank you. You guys have a nice weekend.

22          MR. DARAGJATI: You too, Steve.

23          MS. McCAGUE: Thank you.

24          (Mr. Durden exits the Board meeting.)

25          CHAIRMAN TUTEN: You ready?

1 MS. McCAGUE: I'm ready.

2 So our next, I hope, less controversial  
3 issue will be ratification of the extension and  
4 increase in the Regional Conflict Counsel lease.

5 I remind you that the group took the rest of  
6 the space on the second floor for an additional  
7 \$30,000 fee, and we extended their contract to  
8 the end of 2019.

9 So that is behind tab 7, but I would like a  
10 motion to ratify that lease.

11 CHAIRMAN TUTEN: We need a motion to ratify  
12 the lease. Do I have a motion?

13 MR. BROWN: Motion.

14 MR. PAYNE: Second.

15 CHAIRMAN TUTEN: Motion and second.

16 Any questions?

17 (No responses.)

18 CHAIRMAN TUTEN: All in favor?

19 (Responses of "aye.")

20 CHAIRMAN TUTEN: All opposed?

21 (No responses.)

22 MS. McCAGUE: The next is tab 8.

23 As you know, we've been working to clarify  
24 all these unclear parts of pension reform as we  
25 work through the year. And now what we want to

1 do is -- because many changes were made, you know  
2 we have Group 1-A. People who have been here 20  
3 years as of last June.

4 Group B. People who have been here but not  
5 20 years. And we have Group 2. People who  
6 joined after last June.

7 Then we have people who were here more or  
8 less than five years. They have different  
9 benefits should they become disabled, et cetera.

10 What we want to do, what we think is a very  
11 prudent thing to do, is call our external  
12 auditors in for a review of the ITD changes that  
13 were made to make sure that all the changes  
14 properly reflect the members and the class that  
15 they're in so that five years from now we don't  
16 realize, oh, gee, that change wasn't right. And  
17 we have overpaid people, we have underpaid  
18 people, or otherwise cause confusion.

19 Devin has done some work with our outside  
20 auditors, and we estimate that this cost will be  
21 about \$20,000. But I would strongly recommend  
22 it.

23 CHAIRMAN TUTEN: We need a motion?

24 MS. McCAGUE: Yes.

25 MR. PATSY: I make it.

1 MR. PAYNE: Second.

2 CHAIRMAN TUTEN: First and second.

3 Any discussion? I think it's a great idea,  
4 by the way, Beth.

5 MS. McCAGUE: Okay. Good.

6 MR. CARTER: I want to add that this  
7 procedure here would be similar to how we had the  
8 DROP review engagement, how they came and  
9 reviewed or sampled some of the participants and  
10 produced a report. It was fact-finding. So this  
11 is a similar situation just like that.

12 CHAIRMAN TUTEN: Okay. Good.

13 Discussion over. All in favor?

14 (Responses of "aye.")

15 CHAIRMAN TUTEN: Any opposed?

16 (No responses.)

17 MS. McCAGUE: Okay.

18 Our next item is Salary Administration  
19 Program, which is tab 10. And I have been  
20 thinking about this and working on this for some  
21 time.

22 This initially came up when I took a look at  
23 our salary administration program and realized  
24 that the fund is still working on what is known  
25 as the step plan, which is the way that raises

1 are given.

2 They're automatic raises every couple of  
3 years, and this is what the City used in its  
4 entity for many years, but they stopped that  
5 practice maybe eight or ten years ago. But the  
6 fund continued it.

7 Well, as a result of looking into that and  
8 studying whether or not we could change that, I  
9 reviewed the entire salary administration plan  
10 which covers how much time -- what are the total  
11 benefits, how much time people are given off, et  
12 cetera.

13 And through that process, I realized, well,  
14 number one, my plan, my belief coming from the  
15 corporate world, is that salary administration in  
16 terms of raises should be based on merit.

17 But that is so far removed from what the  
18 rest of government does, it doesn't seem  
19 appropriate to take that step at this point in  
20 time.

21 However, looking at the other benefits, I  
22 feel very strongly that even though we're a  
23 separate entity, because our employees are paid  
24 by the City of Jacksonville paychecks and enjoy  
25 many of the benefits -- healthcare, et cetera --



1 that other City employees do, that our benefits  
2 really should align as much as possible with  
3 other City benefits.

4 And so I made the recommendation that we  
5 adopt to a plan that's very close to what the  
6 City has. It represents a change for us. It is  
7 much less generous in terms of leave.

8 Right now our employees can accrue up to 840  
9 of leave, which is 105 days. They have the  
10 opportunity to sell back that time each year.

11 This new plan calls for accruing of up to 60  
12 days with no sell-back provision, although an  
13 emergency fund is created where you can put as  
14 many as 720 hours of your accrued leave into  
15 emergency leave, which you can use for yourself  
16 or a member of your family if you have a very  
17 serious illness situation.

18 So I would ask for -- however, as you can  
19 imagine, this did not go over well with the staff  
20 and I got a lot of push back on it.

21 So what I did, in fairness to everybody, was  
22 called the head of HR of the City of  
23 Jacksonville, Kelli O'Leary, to ask the question:

24 When new salary administration programs are  
25 put into effect at the City, are people

1 grandfathered in with their own benefits and the  
2 plan only applies to new people, or is the plan  
3 blanketed for everyone?

4 And the answer is A, that employees with  
5 benefits are grandfathered with their own  
6 benefits and the new plan applies to new  
7 employees.

8 And so that is my recommendation to you,  
9 that this plan would apply to new employees.

10 CHAIRMAN TUTEN: First, can I review this  
11 over the weekend and get back maybe the next  
12 Board meeting?

13 MS. McCAGUE: That's fine.

14 CHAIRMAN TUTEN: Because just while you were  
15 talking, I've already thought of one thing, a  
16 concern, that people coming from the private  
17 sector don't really understand about the  
18 government as far as vacation leave time goes and  
19 sell back.

20 We've dealt with this ever since I've been  
21 on the job with the City, with the fire  
22 department. They don't want us to sell it back.  
23 Then they let us sell it back. Then they say  
24 we're using too much overtime because, well, we  
25 can't sell it back, so we're taking our days off

1       like you -- in other words, there's little  
2       things. It's nothing major. It's not going to  
3       cause a storm. Trust me.

4               But I think there's some things maybe -- you  
5       know, once I get through reviewing it that  
6       hopefully will help. But, I mean, I don't have a  
7       problem overall. I just haven't read it yet.

8               I would like to read it from start to finish  
9       to kind of see where we're at, because the group  
10      that we have here, they are sort of -- while  
11      they're General Employees Pension, it is sort of  
12      a specialized group.

13              And the problem we have is if more than one  
14      person takes off or two people take off because  
15      they can't use -- they can't sell their time  
16      back, so they're going to use it, you know. And  
17      there's no -- I don't think there's any sort  
18      policy on when you're allowed to use it. I don't  
19      want --

20              MS. McCAGUE: It has to be -- the plan says  
21      it has to be agreeable to the manager.

22              CHAIRMAN TUTEN: Right. But I would prefer,  
23      because they have been here and I know they're  
24      being grandfathered in so it makes it a little  
25      easier, but I would prefer just to read it first

1 and then we can, you know, vote on it.

2 MS. McCAGUE: Well, let me share with you  
3 and remind you that we have a highly paid new  
4 executive director coming in --

5 CHAIRMAN TUTEN: Right.

6 MS. McCAGUE: -- August 1st. So if you wait  
7 until -- approve the policy until the next Board  
8 meeting, then he will be included as  
9 grandfathered in with the old benefits, because  
10 he will come to work August 1st.

11 So if you don't approve the plan until the  
12 next Board meeting, then he would fall under the  
13 old benefits program.

14 MR. SCHEU: Beth, could I ask a question? I  
15 think you said no buy back. But you do buy pack  
16 up to 480 when you retire; is that right?

17 MS. McCAGUE: When you retire. But the  
18 current -- the current plan allows you to sell  
19 back your accrued time every year.

20 MR. SCHEU: Okay. Thanks.

21 CHAIRMAN TUTEN: Well, but doesn't he have  
22 his own benefits structure that we've giving to  
23 the director? I mean, how does he fall within  
24 this?

25 MS. McCAGUE: The leave plan that I

1 presented him with as part of his contract is the  
2 plan that you're looking at here, the one that's  
3 recommended.

4 CHAIRMAN TUTEN: Okay.

5 MR. PAYNE: So you're recommending that we  
6 commit to doing this now?

7 MS. McCAGUE: Or that possibly you have  
8 another Board meeting before August 1st.

9 CHAIRMAN TUTEN: What I'm trying to  
10 understand is, with the new director, the  
11 benefits level, like you said, the leave plan, is  
12 under -- is similar to this one, in other words?

13 MS. McCAGUE: Yes.

14 CHAIRMAN TUTEN: It's the same as far as the  
15 leave time. But if we don't vote for this now,  
16 then he would be able to go back to the current  
17 leave schedule?

18 MR. PATSY: Correct.

19 MR. BROWN: Yeah, because this wouldn't take  
20 place until after he was hired, so he would be  
21 grandfathered in.

22 By adapting this now, whenever he does get  
23 hired August 1st, he will be subject to these  
24 terms.

25 CHAIRMAN TUTEN: Yeah. I'm not comfortable

1 getting a 14-page document --

2 MR. PATSY: I don't think this is -- this is  
3 reasonable. This policy that's in front of us is  
4 reasonable.

5 The one for current employees is pretty  
6 generous, given the sell back. To me, this makes  
7 sense.

8 MS. McCAGUE: Well, let me ask a question,  
9 please --

10 MR. SCHEU: Can I ask a question?

11 MS. McCAGUE: Yes. And then I have a  
12 question for Paul.

13 MR. SCHEU: Could we adopt this? We can  
14 always change it back later if we want to change  
15 it. Since everybody is grandfathered.

16 Rich, if you've got something that really  
17 jumps out at you, we could change it at the  
18 August meeting or September meeting.

19 But I agree. This is reasonable, and that  
20 way we get it in place and really puts the burden  
21 back on if we want to change to some other way,  
22 then let's consider it then. But it seems to me  
23 that we go ahead and adopt it.

24 MR. BROWN: Devin has something he's wanting  
25 to say too.

1 MR. CARTER: Well, I was going to say,  
2 pretty much our procedure for sell back is you  
3 only can sell back what you accrued during the  
4 year, not your total balance.

5 Also, we have a rule that we have to have a  
6 minimum of 80 hours. So it's not to say you can  
7 sell your full balance again.

8 And, also, in the past, I'm not saying  
9 things can change, that the executive director  
10 always had a separate plan than general  
11 employees.

12 But, of course, some benefits do parallel  
13 the general employees and our summary plan just  
14 by cross-referencing it.

15 So that kind of ties back to your question.  
16 What you said as far as what the executive  
17 director benefits may be, of course, will not  
18 apply to us.

19 MS. MCCAGUE: I have a question, please, for  
20 Bill Scheu and Attorney Daragjati.

21 And that is, the contract that I provided  
22 that was signed by Tim Johnson also included the  
23 leave section of the salary administration plan,  
24 the new one. All right?

25 So even if the Board decided never to change

1           this salary administration plan, the old one,  
2           since his contract contained the details on a  
3           particular leave plan, would that hold true for  
4           him, or could he say, no, I'm grandfathered in  
5           because of this previous plan?

6           MR. DARAGJATI: Generally --

7           MR. SCHEU: I think -- go ahead, Paul.

8           MR. DARAGJATI: -- generally an employment  
9           contract would trump any local rules or  
10          regulations of the particular agency.

11          So if he signs that employment contract and  
12          the Board signs that same contract with the  
13          understanding that it applies to Leave Plan X,  
14          whatever it is, if a subsequent change is made to  
15          Leave Plan X, unless the contract provides for  
16          his benefit to change with the leave plan, he  
17          keeps whatever that former benefit structure is.

18          MS. McCAGUE: Okay. And, Attorney Scheu, do  
19          you agree with that?

20          MR. SCHEU: I didn't quite hear what he  
21          said.

22          If the contract was composed of specific  
23          points, that's one thing. But if it says to a  
24          plan generally, then I think I heard Paul saying  
25          if the plan changes, he's grandfathered in like



1 everybody else.

2 MS. McCAGUE: Okay. And so --

3 MR. SCHEU: And specific things, then that  
4 would be different. But I think it would be --  
5 we would be cautiously moving forward if we went  
6 ahead and adopted it, and then if Rick saw some  
7 changes that needed to go back, we could consider  
8 them later.

9 CHAIRMAN TUTEN: I'm not comfortable voting  
10 on anything I haven't read at least once. And I  
11 really would have preferred that -- you know,  
12 gosh, like a before and after, what they get now  
13 versus what this is.

14 MR. BROWN: I don't think this is -- this is  
15 all fairly consistent, though, with the General  
16 Employees.

17 CHAIRMAN TUTEN: Well, if you guys are ready  
18 to vote, somebody make a motion.

19 MR. BROWN: I make a motion to adapt this.

20 MR. PATSY: Second.

21 CHAIRMAN TUTEN: Okay. We have a motion and  
22 a second.

23 Any discussion?

24 (No responses.)

25 CHAIRMAN TUTEN: All in favor?

1 (Responses of "aye.")

2 CHAIRMAN TUTEN: All opposed?

3 (Response of "no.")

4 CHAIRMAN TUTEN: 4 to 1. It passes.

5 MS. McCAGUE: Okay.

6 So, Mr. Chairman, so if you will review  
7 this, and if we need to make a change, we can  
8 prepare changes for the next meeting.

9 CHAIRMAN TUTEN: No problem.

10 MS. McCAGUE: Interim Director Report.

11 Okay. Great.

12 Let me tell you, I'll remind you, we hired  
13 Tim Johnson. He'll start August 1st. We have an  
14 orientation program prepared. We have developed  
15 an annual cycle of work so he knows month by  
16 month what the big issues are that need to be  
17 addressed, everything from issuing of 1099s to  
18 distributing the affidavits.

19 We have -- we're setting up ethics training  
20 for our new trustees and our new executive  
21 director. That will take place in September.

22 Our summary plan is complete. It is at the  
23 City getting ready to be printed, and it will be  
24 distributed and you'll see that final version  
25 next month when you meet.

1           The Baldwin Bill, the \$10,000 estimated  
2 premium tax that comes from the Baldwin  
3 community, I put that now in the hands of Mike  
4 Weinstein. We've been wrestling with that for  
5 two years. But I'm looking for help from Mike to  
6 try to get those last dollars into the plan.

7           MR. BROWN: I'm sorry. I know we've gone  
8 long. Could I get just a brief synopsis on what  
9 that's about?

10          MS. McCAGUE: The Baldwin Bill, yes.

11          The 175, 185 funds, since we provide both  
12 fire and service to that city, that we should  
13 receive the premium tax funds from them.

14          175 funds have already come. An interlocal  
15 agreement was signed at the time fire services  
16 began to be delivered by the City of Jacksonville  
17 to that community. That didn't happen with the  
18 police.

19          So although we're providing services,  
20 Tallahassee requires an interlocal agreement with  
21 both sides signing off that those premium tax  
22 funds can come to the pension fund.

23          MR. BROWN: Where are they going now?

24          MS. McCAGUE: Nowhere. They're going to the  
25 state.

1 MR. BROWN: They're not even being  
2 disbursed?

3 MS. McCAGUE: That's exactly right.

4 MR. BROWN: Okay.

5 MS. McCAGUE: So it's no tax. Nothing new  
6 that Baldwin citizens would see. It's just that  
7 the City of Baldwin has to agree.

8 MR. BROWN: And it's taken two years?

9 MS. McCAGUE: Well, it's a small amount of  
10 money. And so it's hard to get it on everyone's  
11 priority list. But I talked with Mike Weinstein  
12 about it this week, and he's trying to help me  
13 with it.

14 Our budget, just so you know, was delivered  
15 to the council secretary. I sent copies of our  
16 budget to all council members and the city  
17 auditor.

18 I also delivered the changes that you-all  
19 had made in the investment policy to the finance  
20 committee of the City Council, which is required  
21 by Pension Reform 304.

22 I hope you-all noticed the skylight is in  
23 the building, on top of the building. It looks  
24 beautiful. If you see Troy, tell him thank you,  
25 that was yeoman's work that he had to do, and

1 we're just about finished. He's got to fix a  
2 couple of tiles, and we've got a little more  
3 painting to do and it's complete.

4 I want you to know that I'm working with HR  
5 to re-evaluate Debbie Manning's position. You  
6 may see something on that the next couple of  
7 months.

8 She's called an executive assistant. She's  
9 really much more of a project manager than she is  
10 an executive assistant, and I think she should be  
11 paid like that. So we're working to get that job  
12 re-evaluated.

13 We are interviewing for -- we're advertising  
14 for a part-time records management position.  
15 Agnes Carswell, who had that position shortly,  
16 went over to work at JSO. We've advertised at  
17 Florida Coastal School of Law, the FCSJ, and the  
18 COJ website.

19 CHAIRMAN TUTEN: Quick question.

20 Florida Coastal. Are we looking for a  
21 lawyer to do this?

22 MS. McCAGUE: I would love to have a law  
23 student --

24 MR. BROWN: Either a retired lawyer. Public  
25 records requests are certainly a high liability.

1           CHAIRMAN TUTEN: Records management. Oh, is  
2 it just for liability, like handling the records  
3 or something?

4           MS. McCAGUE: Well, you know, public record  
5 responses, that's their first order of business.  
6 And we really do need somebody who is interested  
7 in public policy and really understands the  
8 nuances of what's being requested --

9           MR. BROWN: And redactions and things such  
10 as that.

11          MS. McCAGUE: Yes.

12          CHAIRMAN TUTEN: Okay. I gotcha.

13          MS. McCAGUE: Okay.

14                 Here's a point that you -- I would ask your  
15 advice on. I have been trying to find a way to  
16 sell the vehicle that we own, the 2012  
17 Expedition, because we do not have a need for  
18 that, and it is not -- it's not a benefit offered  
19 to our new executive director.

20                 We use it every once in a while to do  
21 errands. You know, we take something to you,  
22 Rich, to get signed. It's a nice little luxury  
23 to have, but we really do not need it.

24                 I thought about it again this week when I  
25 signed the -- got ready to sign the insurance

1 renewal for our property and casualty coverage.  
2 And insurance on that vehicle alone costs the  
3 fund \$2,900 a year.

4 If anybody needs to run errands, we would  
5 reimburse on mileage, but I just don't think we  
6 need the vehicle.

7 CHAIRMAN TUTEN: I'm willing to offer the  
8 pension fund a thousand dollars for it.

9 (Laughter)

10 CHAIRMAN TUTEN: Save the 2,900 in insurance  
11 and the gas. Just put it towards the unfunded  
12 liability. Thank you.

13 MR. DARAGJATI: Just for the record, that  
14 was a joke.

15 MS. McCAGUE: Thank you.

16 CHAIRMAN TUTEN: Thank you, Paul.

17 MS. McCAGUE: Okay. So unless anyone has an  
18 objection to that, I'll continue down that path.

19 MR. BROWN: Yes.

20 MS. McCAGUE: Just a note about the  
21 affidavit process. This year we're hiring for a  
22 very small sum an electronics firm that searches  
23 all databases to see who is alive and who is  
24 dead.

25 And we're going to do our regular affidavit

1 process, run that process parallel to see if they  
2 get any better results than we do. They  
3 certainly get faster results than we will.

4 But other pension funds in the state use  
5 electronic services. I think we should give it a  
6 shot. And the charge for that is \$325, something  
7 like that.

8 We do have two people who posted for the  
9 advisory role that Chris Brown vacated. They are  
10 James Padilla and Michael Shell, and that  
11 election will be July 25th through the 29th.

12 MR. BROWN: And they would take office next  
13 month?

14 MS. McCAGUE: Yes, in August.

15 CHAIRMAN TUTEN: And that's the advisor, not  
16 the Financial Investment Advisory Committee,  
17 right?

18 MS. McCAGUE: That's right.

19 CHAIRMAN TUTEN: Have we replaced them yet?

20 MS. McCAGUE: No. I've held off on that.

21 CHAIRMAN TUTEN: Anybody volunteered?

22 MS. McCAGUE: I've held off on that.

23 Okay. And then I would remind the Board  
24 that you-all approved that I would be gone from  
25 this Monday until the -- I'll be back on the



1 26th. And so I will have pretty good access to  
2 email, but not great access to email.

3 CHAIRMAN TUTEN: Thanks for the update.

4 MS. McCAGUE: All right. That's my report.  
5 The final page, I hope you will just take a  
6 minute to take a look at.

7 We now are tracking what are our major  
8 activities and we're publishing this. As Steve  
9 Lundy does this report for us, we'll publish this  
10 every month, and I hope it will continue to come  
11 to the Board to see what are the major activities  
12 that the staff is managing.

13 CHAIRMAN TUTEN: Very nice.

14 MR. PAYNE: Who is our -- is it official who  
15 our council representative is?

16 MS. McCAGUE: Thank you very much. Yes, I  
17 have several other things to say. Thank you very  
18 much.

19 Yes. Anna Brosche replaces Tommy Hazouri as  
20 our council liaison. She is out of the country  
21 and could not attend today, but she was invited.

22 I'm also hoping to do an orientation with  
23 her the first week of August when I am back and  
24 she is back.

25 August 12th. Please make sure your

1 calendars are marked. We changed the Board date  
2 for August. Last month you agreed to that do.

3 We changed it to the 12th instead of the  
4 19th. So we will meet that morning at 12:00  
5 (sic).

6 And, finally, we should officially welcome  
7 our newest Board member, Mr. Chairman.

8 Chris Brown. This is his first meeting. So  
9 we welcome you and thank you. We have a big body  
10 of work ahead.

11 (Applause)

12 MR. BROWN: Thank you.

13 CHAIRMAN TUTEN: Good luck to you, buddy.  
14 Is there anything else, Interim Director?

15 MS. McCAGUE: That's it.

16 CHAIRMAN TUTEN: All righty. Meeting  
17 adjourned.

18 (The meeting concluded at 12:06 p.m.)

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## 1 CERTIFICATE OF REPORTER

2  
3 I, Denice C. Taylor, Florida Professional  
4 Reporter, Notary Public, State of Florida at Large,  
5 the undersigned authority, do hereby certify that I  
6 was authorized to and did stenographically report the  
7 foregoing proceedings, pages 3 through 170, and that  
8 the transcript is a true and correct computer-aided  
9 transcription of my stenographic notes taken at the  
10 time and place indicated herein.

11 DATED this 26th day of July, 2016.

12  
13 \_\_\_\_\_  
14 Denice C. Taylor, FPR  
15 Notary Public in and for the  
16 State of Florida at Large

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20 My Commission No. FF 184340  
21 Expires: December 23, 2018  
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