

JACKSONVILLE POLICE AND FIRE PENSION FUND  
BOARD OF TRUSTEES MEETING

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DATE: July 21, 2017

TIME: 9:05 to 11:27 a.m.

PLACE: Jacksonville Police and Fire Pension Fund  
One West Adams Street  
Suite 100  
Jacksonville, Florida 32202

BOARD MEMBERS PRESENT:

Richard Tuten, III, Board Chair  
Richard Patsy, Board Secretary  
Chris Brown, Trustee  
William Scheu, Trustee (via telephone)  
Willard Payne, Trustee (via telephone)

STAFF PRESENT:

Timothy Johnson, Executive Director-Plan  
Administrator  
Stephen Lundy, Assistant Plan Administrator  
Lawsikia Hodges, Office of General Counsel  
Pedro Herrera, Fund Counsel  
Dan Holmes, Summit Strategies Group  
Pete Strong, Fund Actuary

CITY REPRESENTATIVES PRESENT:

Anna Brosche, City Council President  
Greg Anderson, City Council Liaison  
Joey Greive, City Treasurer

Denice C. Taylor, FPR  
AAA Reporters  
233 East Bay Street, Suite 912  
Jacksonville, Florida 32202  
steno@comcast.net  
904.354.4789

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## 1 BOARD MEETING

2 July 21, 2017

9:05 a.m.

3 - - -

4 CHAIRMAN TUTEN: All righty. Call to order.

5 Let's do our pledge of allegiance first.

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

10 CHAIRMAN TUTEN: All righty, then. Let's  
11 have a quick moment of silence for the following  
12 deceased members: William Parks, Jr., retired  
13 fire chief; Ronald Reonas, active police officer;  
14 and Troy E. Senterfitt, retired firefighter  
15 engineer.

16 (Pause)

17 CHAIRMAN TUTEN: All right. Thank you.

18 We have the public speaking period. We  
19 don't have anybody to speak. No. Moving on.  
20 Lovely.

21 City Council Liaison recognition.

22 DIRECTOR JOHNSON: Yes, sir.

23 CHAIRMAN TUTEN: Director Johnson, would you  
24 like to take it from here.

25 DIRECTOR JOHNSON: You know, I could, but if

1           you'd like to, I'm fine with that.

2           CHAIRMAN TUTEN: I will. We're here to  
3 recognize Ms. Annie Brosche here -- the now  
4 current City Council President -- that is  
5 correct, yes -- for her outstanding work as the  
6 liaison during the dark periods here on the  
7 Board.

8           (Laughter)

9           MS. BROSCHE: I'll take credit for that.

10          CHAIRMAN TUTEN: You held up well. You were  
11 very nice. Very pleasant to deal with. We  
12 have -- where's the award? All righty.

13          Director Johnson, would you like to come up?  
14 Anybody wants to take a picture.

15          "In recognize and appreciation of dedicated  
16 service to the Jacksonville Police and Fire Fund  
17 Pension Board, Fiscal Year 2016-2017."

18          (Applause)

19          CHAIRMAN TUTEN: Anybody want to take a  
20 picture? Get it tight, Rick. Come on.

21          MS. BROSCHE: Well, I just want to say that  
22 it has been a pleasure to work with you and to be  
23 a part of it. And I had shared with my  
24 colleagues that, as we know, that not everything  
25 ends up making its way into the media. And so

1           what really happens in meetings, it's really nice  
2           to be there and experience it and get the real  
3           stuff.

4           And so you-all have always been very  
5           gracious and supportive and helping explain. And  
6           I appreciate the opportunity to contribute to  
7           moving us forward.

8           And so thank you all very much. And you are  
9           in good hands with Mr. Anderson.

10          MR. ANDERSON: Thank you.

11          MR. BROWN: Thank you for all that you did.  
12          And, honestly, just providing that perspective  
13          and the common sense, I've said it multiple times  
14          in the last year, when you get up there and you  
15          speak, it really does convey the spirit of what's  
16          going on here instead of, you know, any  
17          misinterpretation that ends up happening from  
18          talking, you know, amongst people.

19          MS. BROSCHE: Very good. Thank you.

20          CHAIRMAN TUTEN: We appreciate it, Anna.  
21          And what we have, unfortunately taken a severe  
22          step down.

23          MR. ANDERSON: You are right. Thank you,  
24          Mr. Chairman.

25          (Laughter)

1           CHAIRMAN TUTEN: We will miss your smiling  
2 face, but we will enjoy yours.

3           MR. ANDERSON: Thank you.

4           MS. BROSCHE: Thank you.

5           (Ms. Brosche exits the Board meeting.)

6           CHAIRMAN TUTEN: All righty, then. What do  
7 we have here?

8           DIRECTOR JOHNSON: Consent Agenda, item VI.

9           CHAIRMAN TUTEN: All righty. We have a  
10 motion to approve the Consent Agenda?

11          MR. BROWN: I make the motion.

12          MR. PATSY: Second.

13          CHAIRMAN TUTEN: And a second. Okay. Call  
14 for questions, concerns?

15          (No responses.)

16          CHAIRMAN TUTEN: All in favor?

17          (Responses of "aye.")

18          CHAIRMAN TUTEN: Any opposed?

19          (No responses.)

20          CHAIRMAN TUTEN: No. All righty.

21          Executive Director's Report.

22          DIRECTOR JOHNSON: All right.

23                 I want to call your attention to tab 3,

24 titled "Executive Director's Report."

25                 There are several items I'm going to hit on.

1 Obviously you have my report in front of you so  
2 you can read it and ask me any questions. But if  
3 you follow the agenda, you'll see there's a  
4 handful of items that I wanted to highlight.

5 So the first is Board action to support an  
6 FIAC recommendation that we extend our contracts  
7 from Northern Trust, our custodian, and also  
8 Summit Strategies, our investments consultant.

9 These two contracts currently expire  
10 September 30th of this year. It was part of our  
11 initial plan for 2016-17 to put all professional  
12 service contracts out for rebid.

13 We did that with the actuary. That's how we  
14 got GRS and Pete Strong. We did that with the  
15 attorney. That's how we got Sugarman & Susskind.  
16 Pedro Herrera is here representing that firm.

17 The intent was to put out custody as well as  
18 investment consulting when those contracts  
19 expire.

20 But in the meantime, we had a little thing  
21 called pension reform. It's changed the  
22 landscape. The job we have to do of  
23 administering these reforms requires that we not  
24 change horses in midstream. It's not the time to  
25 do an RFP that will be very detailed, very

1 time-consuming, and could potentially change the  
2 players.

3 It's also important to note that we're not  
4 changing the players because there's any  
5 dissatisfaction with these two professionals.  
6 They're doing a fine job. I'd love it if they  
7 were to continue. But it was just the will of  
8 the Board that we put these contracts out for  
9 rebid.

10 So I recommended to the FIAC that we extend  
11 both contracts one year so that we can administer  
12 the newly enacted pension reforms. We would come  
13 back in 2018 and then put these out for RFP at  
14 that time.

15 So my first request is that the Board  
16 support that recommendation from me and a motion  
17 from the FIAC to extend the Summit Strategies  
18 contract and the Northern Trust contract for one  
19 year, all other terms being the same, to expire  
20 September 30th of 2018.

21 MR. BROWN: I make a motion.

22 MR. PATSY: Second.

23 CHAIRMAN TUTEN: Okay. We've got a motion  
24 and a second. Any discussion?

25 (No responses.)

1           CHAIRMAN TUTEN: I will say one thing,  
2 Director Johnson -- I'm sorry --

3           MR. ANDERSON: No, no, no.

4           CHAIRMAN TUTEN: Putting out an RFP, and I  
5 won't be here next year when you-all do that, but  
6 change for change's sake doesn't make much sense  
7 in our business, you know.

8           We've got a lot of money involved, a lot of  
9 people involved, a lot of experience involved,  
10 and without making Northern Trust and Summit's  
11 job seem automatic, because it's not, yet, you  
12 know, we've had Northern Trust forever and, you  
13 know, custodians do a certain job.

14           As long as they do that job to a certain  
15 satisfactory level, we don't -- we're just going  
16 to get the same thing somewhere else.

17           With the advisory, you know, consultant,  
18 Summit does a good job. Do we agree with Dan on  
19 everything? Do I agree with Dan on everything?  
20 Obviously not. I think we've been down that  
21 road.

22           But as long as it's performing the way it  
23 should be --

24           DIRECTOR JOHNSON: Sure.

25           CHAIRMAN TUTEN: -- and it's sound advice,

1           you know, put out the RFP if you want to, but I  
2           think we're just -- we're getting the same cat of  
3           a different stripe, you know.

4           DIRECTOR JOHNSON: Well, I want to give the  
5           Board peace of mind.

6           I won't initiate the RFP independently. So  
7           when the time comes to do it -- the FIAC is  
8           recommending we get started in April of 2018 --  
9           I'd come here first. And if it's the will of the  
10          Board to put an RFP on the street, then we'll do  
11          it. If the Board doesn't want to do it, then we  
12          won't.

13          CHAIRMAN TUTEN: Okay. Perfect.

14          Councilman, did you have anything?

15          MR. ANDERSON: Thank you. Just a --  
16          Mr. Chairman, thank you very much. And I'm happy  
17          to be here. I know it's a downgrade --

18          (Laughter)

19          MR. ANDERSON: -- and I'm perfectly willing  
20          to accept that.

21          Just really quickly, it seems to me that the  
22          Board would have purview over this decision --

23          DIRECTOR JOHNSON: Yes.

24          MR. ANDERSON: -- without any subsequent  
25          approval by the City Council. I just wanted to

1 confirm that with Ms. Hodges.

2 MS. HODGES: That's correct.

3 MR. ANDERSON: Thank you very much.

4 MS. HODGES: Through the Chair, if I may,  
5 and Tim and I just had this brief discussion.

6 He said that historically -- and this is  
7 more legal technical -- the Chair has executed  
8 documents on behalf of the Board, and I know we  
9 have another motion that's coming up.

10 In my quick discussion with him -- and you  
11 can certainly give whoever you want the authority  
12 to actually sign contracts on behalf of the Board  
13 to bind the Board. I know in your current  
14 operating procedures, that should be your  
15 executive director. At least, that's how you  
16 list it.

17 And that's really typical because the  
18 executive director is here every day instead of  
19 having to track you down to sign things.

20 So if you wanted to grant Tim that express  
21 authority, now would be the time to do that, to  
22 just roll it into this motion that you're making  
23 right now.

24 CHAIRMAN TUTEN: Okay. Well, we're  
25 approving it. Wouldn't that be better maybe to

1 do it next year?

2 In other words, we're approving the Board to  
3 sign -- to do the contracts now anyway. Do we  
4 have any other contracts coming up?

5 DIRECTOR JOHNSON: Well, there will be an  
6 amendment to this contract.

7 And so to Lawsikia's point, I've gotten into  
8 a habit of bringing all the contracts to the  
9 Chairman for signature.

10 MS. HODGES: And you can do that.

11 DIRECTOR JOHNSON: But the authority is  
12 there for me to sign the contracts. All she's  
13 suggesting --

14 CHAIRMAN TUTEN: Right.

15 DIRECTOR JOHNSON: -- is that when we do  
16 this amendment, if you approve it, I'll sign the  
17 amendment.

18 CHAIRMAN TUTEN: Okay. So you want to  
19 approve the original motion --

20 DIRECTOR JOHNSON: I want to approve a  
21 one-year extension for Northern Trust and Summit  
22 Strategies.

23 CHAIRMAN TUTEN: Okay. And then give you  
24 the right --

25 MS. HODGES: To execute --

1 MR. HERRERA: And authorize Tim Johnson, as  
2 the executive director, to go ahead and execute  
3 those agreements.

4 CHAIRMAN TUTEN: Well, we got that down.  
5 You got that down? All right.

6 MR. BROWN: So the motion is amended to  
7 include that authority given to Tim Johnson to  
8 sign on behalf of the Board.

9 MR. HERRERA: If the maker and the second  
10 are okay with that, then yes.

11 CHAIRMAN TUTEN: Perfect.

12 MR. PATSY: I second it.

13 CHAIRMAN TUTEN: And a second. All righty.  
14 Any further discussion? Anybody on the  
15 phone, Willard, Bill?

16 MR. SCHEU: No discussion.

17 MR. PAYNE: I'm okay.

18 CHAIRMAN TUTEN: All righty. All in favor?  
19 (Responses of "aye.")

20 CHAIRMAN TUTEN: Any opposed?

21 (No responses.)

22 CHAIRMAN TUTEN: Perfect.

23 DIRECTOR JOHNSON: All right. Item 2  
24 involves the external auditor's engagement  
25 letter.

1           The firm of Carr, Riggs & Ingram currently  
2 performs external auditing services for the City  
3 of Jacksonville. You-all will recall that back  
4 in May, we got notice from KBLD that they would  
5 not be engaging in another year of external  
6 audits.

7           There was a retiring member and the firm was  
8 getting smaller because one member was running  
9 that business. And then unfortunately, there was  
10 an untimely passing of that second member. So  
11 KBLD is no longer doing our external audit.

12           I reached out to the city, to the auditor's  
13 office to find out who they engage. They engage  
14 the firm, CRI. I contacted CRK. They've given  
15 us an engagement letter. They're willing to  
16 perform all the duties that were done by KBLD and  
17 match the price that KBLD offered us as well.

18           The timing of this is perfect too because  
19 the city is reupping its contract the Carr, Riggs  
20 & Ingram at the same time.

21           So I would like to recommend to the Board  
22 that for the 2017-18 audit, we engage Carr, Riggs  
23 & Ingram, a one-year contract, for \$30,000.

24           MR. PATSY: Is it 17-18 or 16-17?

25           DIRECTOR JOHNSON: It would be for the

1 fiscal year-end in '17. For the fiscal year-end,  
2 September 30th of 2017.

3 MR. PATSY: Okay. Got it. I'll make the  
4 motion.

5 MR. BROWN: And I'll second.

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

8 MR. HERRERA: Tim, just for clarification,  
9 they're going to be issuing -- they're issuing  
10 their opinion letter to us, to our Board, right?

11 DIRECTOR JOHNSON: There's no -- let me say  
12 it a different way. You're right.

13 There will be opinion letter and it will be  
14 issued to our Board. Even though they have a  
15 contract with the city, the opinion letter will  
16 come to us. Correct.

17 CHAIRMAN TUTEN: Okay. All in favor?

18 (Responses of "aye.")

19 CHAIRMAN TUTEN: Any opposed?

20 (No responses.)

21 CHAIRMAN TUTEN: No. Okay. Good job.

22 DIRECTOR JOHNSON: And just so we're clear,  
23 I included a copy of that engagement letter in  
24 your Board book.

25 And the Councilman Anderson, we do this all

1 by Board book. You'll get this about a week in  
2 advance. You'll have a chance to read it.

3 I'll execute that contract.

4 Lastly, I've included a report with regard  
5 to the upcoming elections. So there's two sheets  
6 that you will see in your Board book. The first  
7 sheet has some yellow highlights on it. It's at  
8 the back end of my report. And it's an update of  
9 all of the terms of our acting body.

10 So it's the Board of Trustees, the Advisory  
11 Committee and the FIAC, which is at the bottom.

12 Now, the two bodies that are in play are the  
13 Board and the Advisory Committee. You will see  
14 that there are two terms that are expiring  
15 December 31st, 2017.

16 This is the representative of the fire  
17 department and the representative for police. So  
18 it's Richard Tuten, our chairman, and Chris  
19 Brown. That's why they're highlighted.

20 You had seen an earlier report that  
21 suggested that these terms expired in October.  
22 That was an erroneous report and, unfortunately,  
23 it was read into the minutes of the last election  
24 because the elections were consolidated. They  
25 were done that way for efficiency purposes back

1 in 2013.

2 And erroneously the records show that the  
3 terms expired based on the date of the election,  
4 not on the expiration of the term, as it's  
5 written in council ordinance. Does that make  
6 sense to you? They did the terms based on the  
7 election, not based on the ordinance.

8 So the true expiration of the term is the  
9 end of December 2017. Under that is the Advisory  
10 Committee. All of those members expire at the  
11 same time. They too are on a four-year term and  
12 they all expire at the end of 2017.

13 So this is to inform the Board that we will  
14 be doing an election, one election. It will be  
15 an electronic election where we will have three  
16 ballots. We'll have ballots for police and fire  
17 with active members. We'll have a ballot for the  
18 Advisory Committee for police and fire. And then  
19 we'll have a ballot for the retiree  
20 representative, who right now is Rick Townsend,  
21 that will be sent to all of the retired members.

22 On the back side is a timeline for that  
23 election. So if you wouldn't mind turning the  
24 page, you will see that October 9th we'll be  
25 sending out the qualifying notice. This is to

1 inform people that there are elections coming up  
2 and to attract any potential candidates.

3 On the 20th of October will be the deadline  
4 for submitting your qualification. On the 25th  
5 of October there will be a candidate  
6 announcement. It will announce who is qualified  
7 for the ballot.

8 November 15th, the voting begins. This will  
9 be electronic voting for active members. So they  
10 will be voting by email, and they will have two  
11 weeks to vote.

12 On November 30th, we will have the  
13 unofficial results from the firm that will do the  
14 tabulation. And then on December 6th, we will  
15 have certification of the final results from the  
16 Office of Elections.

17 That is the timeline for the election we're  
18 going to perform. That means that Mr. Tuten's  
19 term expires at the end of the year. Chris  
20 Brown's term expires at the end of the year, and  
21 depending on their desire to re-up, we will find  
22 that out when we send out the qualifications. We  
23 may see them again in 2018.

24 Do you-all have any questions about that?  
25 I'll entertain those right now.

1           CHAIRMAN TUTEN:  Have you gotten any  
2           feedback -- I mean, I've already made it publicly  
3           known.  In that case, I'll do it now, that I'm  
4           not running again.  That will be my last day,  
5           December 31st.  14 years is plenty.

6           But have you gotten any feel for the  
7           Advisory Committee as far as people that might  
8           want to run as far as, like, calling in and  
9           inquiring or anything like that?  Because I'll  
10          tell you, it's -- it might not be as easy.  I  
11          mean, we're replacing literally the entire  
12          Advisory Committee at one time.  You know, that's  
13          a lot.

14          I was just curious if we've had anybody --

15          MR. BROWN:  There was a discussion about  
16          staggering those, but I think we're restricted?

17          DIRECTOR JOHNSON:  They're not.

18          MR. BROWN:  They're not.  Yeah.

19          DIRECTOR JOHNSON:  I mean, we could propose  
20          that they stagger, but they're not staggered now,  
21          and it's not likely we're going to be able to get  
22          that through council in a few months.

23          But to answer the Chairman's question, I've  
24          got every indication that the seven current  
25          members of the Advisory Committee are going to

1 re-up.

2 CHAIRMAN TUTEN: Okay.

3 DIRECTOR JOHNSON: That still remains to be  
4 seen because they're going to have to qualify for  
5 the ballot. They could change their mind. But  
6 at this point, I haven't heard from anybody who's  
7 told me that they don't intend to run again.

8 CHAIRMAN TUTEN: Okay. I was just curious.

9 MR. PATSY: But having potentially all of  
10 the Advisory Committee turning over at the same  
11 time is a bad thing.

12 MR. BROWN: Yes.

13 MR. PATSY: Okay. So fixing this is -- I  
14 don't know how we fix it, but --

15 MS. HODGES: You can submit --

16 MR. PATSY: -- if we could fix this, that  
17 would be good. And I don't like the fact that  
18 these two guys will potentially turn over at the  
19 same time. That's, to me, not a good thing  
20 either.

21 MS. HODGES: Through the Chair, you  
22 definitely can recommend changes to your  
23 ordinance code. And this is a provision that's  
24 stemming from your ordinance code, not your  
25 charter.

1           So I would be happy to circle back with some  
2 folks in my office and propose something maybe at  
3 our next meeting.

4           MR. PATSY: Great.

5           MS. HODGES: And then you could file it and  
6 get it in the hopper and we can just fix it.

7           CHAIRMAN TUTEN: Well, the easiest thing  
8 would be to simply do -- get people elected, and  
9 then either, A, shorten the term to make it sort  
10 of an odd term, or lengthen it a year to make it  
11 an odd, and then from there. Because that's  
12 essentially what we did with the trustees.

13           It used to be a two-year term, and it got to  
14 the point where there was turnover and it got to  
15 be chaotic. So they made it a four-year. That  
16 way there was more, you know, stability.

17           MR. SCHEU: I'm not sure you can change  
18 their term after they've been elected. Lawsikia  
19 would know the answer to that. If you could get  
20 it through the council between now and the  
21 election. If Anna is still there, maybe that's a  
22 possibility. Greg and Anna.

23           MR. ANDERSON: Yeah. I'm here.

24           MS. HODGES: Yeah, we could, definitely. We  
25 could certainly get it through by the election

1 time.

2 MR. SCHEU: It's really ministerial, yeah.

3 MR. ANDERSON: So you think that would  
4 require council approval?

5 MS. HODGES: Yes, right. Because they're  
6 reading from 121.103, which is the Advisory  
7 Committee. And it just -- normally in our  
8 ordinances you'll see staggered four-year terms.  
9 Specifically it gives that directive.

10 I mean, if you guys are okay with "let's  
11 just change this to make it staggered," you can  
12 do that. You can make this motion today. And  
13 this is -- I'm not even sure this is something  
14 you need to see because you can give me specific  
15 direction to fix the staggering, to allow for the  
16 staggering, and I can, you know, run with that.

17 CHAIRMAN TUTEN: Well, we can -- yeah.  
18 That's not the problem. The problem is going to  
19 be the length of the term --

20 MR. BROWN: Well, if we could fix it ahead  
21 of time, it will create -- certain elections will  
22 be for one year, two years, three years.

23 MR. SCHEU: Right. For the first time,  
24 that's right.

25 MR. GREIVE: And I guess where Tuten was

1 going possibly, and correct me if I'm wrong,  
2 would be, you know, when you advertise these  
3 elections, you have to advertise maybe half the  
4 spots as two-year terms and half the spots as  
5 four-year terms.

6 MR. PATSY: But -- but at some juncture,  
7 that has to be the first term is a two-year term,  
8 and all subsequent terms after that are  
9 three-year terms.

10 MS. HODGES: Right.

11 MR. PATSY: So that you can stagger. That's  
12 kind of a problem with the FIAC. You've got the  
13 first two members as two-year terms to stagger  
14 it, and the other three members are three-year  
15 terms. But there's no indication here that  
16 that -- those first two, they have a two-year  
17 term. All subsequent terms after that are  
18 three-year terms.

19 MS. HODGES: Okay.

20 MR. PATSY: Okay? That's --

21 MS. HODGES: So it's kind of the same thing.

22 MR. SCHEU: What you could do is have two of  
23 the six be two years, two of the six be four  
24 years, and two of the six -- well, I guess you  
25 don't want six-year terms.

1           So you could do two, three and four, and  
2           have -- that way you'd have some continuity --

3           MS. HODGES: Right.

4           MR. SCHEU: -- and after that it's all four  
5           years. And then you'd break it up into three  
6           classes.

7           MS. HODGES: Yeah. And that's very typical  
8           in many of our ordinances. So if you are okay  
9           with that, we could even file it on a one-cycle  
10          emergency.

11          What do you think about that, Council Member  
12          Anderson? Do you think the council would be  
13          amenable to that? I mean, let's just do the  
14          timeline.

15          MR. GREIVE: It's just good governance, you  
16          know.

17          MR. ANDERSON: Well, first of all, I would  
18          recommend that the Chairman create a subcommittee  
19          with whoever you believe should be included to  
20          craft this language. The language then would  
21          need to be approved by this Board before it would  
22          be submitted to council.

23          And I'm never really in favor of a one-cycle  
24          emergency, even though it makes a lot of sense.  
25          It just -- it just causes people to say, why is

1           this an emergency?  And we've seen that year  
2           after year.  And it's just -- I'm not in favor of  
3           it, although I'm your liaison and I will do my  
4           best to get it approved.

5           But I would recommend that we go ahead and  
6           craft the language, do it all at one time, and  
7           then submit it on a regular cycle once the Board  
8           has approved --

9           MR. BROWN:  Would it be acceptable in lieu  
10          of a subcommittee to direct General Counsel to  
11          craft up something that we can approve next  
12          month?

13          MS. HODGES:  So, yeah, definitely.

14          MR. ANDERSON:  However you want to do it.

15          MR. BROWN:  I think that would be the most  
16          efficient way to do it.

17          MR. PATSY:  Yeah.  It would have to be an  
18          accelerated time.

19          MR. SCHEU:  Or could we direct her now --

20          MS. HODGES:  Yes, so --

21          MR. SCHEU:  -- to just -- the lawyers just  
22          carry it out.  If we could vote now and ask her  
23          to draw the appropriate legislation to create  
24          staggered terms of one, two and four year,  
25          whatever we decide.  And that way we'd save a

1 month. I don't think we need a subcommittee just  
2 to do that.

3 MS. HODGES: Right. Through the Chair, so  
4 just to kind of just clarify. I mean, this is  
5 really a ministerial change.

6 If you direct to me -- you know, we've got  
7 seven members. You tell me how many is two  
8 years, how many is three, how many is four.  
9 That's very specific. I'm not going to veer from  
10 that.

11 All the other substance in this section is  
12 going to remain the same. This is only the  
13 terms.

14 So you could today authorize me to draft  
15 that and the legislation because that's so narrow  
16 and that's so specific. That's one way to do it.  
17 And I move forward. I file that. This action  
18 has given me that authority to do that. That's  
19 one way.

20 Or you have some time. I mean, you do have  
21 an August meeting. I can come back at the August  
22 meeting with some proposed language, which is  
23 what the council member is recommending, and you  
24 could see it, and then I could move a hundred  
25 miles an hour from that point.

1 MR. BROWN: Okay. My recommendation is we  
2 have seven members:

3 One of the police, two-year; one police  
4 three-year; one police four-year; one fire,  
5 two-year; one fire, three-year; one fire,  
6 four-year, and the retiree a four-year term.

7 And I think that takes care of everything,  
8 and then when those terms are over, they would  
9 be --

10 MR. SCHEU: I second the motion and  
11 authorize the General Counsel to prepare it and  
12 to file it.

13 MR. PATSY: So that's -- that's initial term  
14 for --

15 MR. BROWN: All subsequent terms will be  
16 four years.

17 MR. PATSY: -- and all subsequent terms  
18 become three-year terms.

19 MS. HODGES: Right, exactly.

20 MR. BROWN: So we can repeat that --

21 MS. HODGES: So I get that. So we have  
22 three police --

23 MR. BROWN: Two, three and four.

24 MS. HODGES: Exactly. Two, three, four.

25 Same with the fire, and the retiree is going to

1           be four years. And then you're right, after  
2           that --

3           MR. PATSY: And that perpetuates the  
4           staggering, but we also need to do something with  
5           the FIAC, something along those lines.

6           MS. HODGES: Okay.

7           MR. PATSY: So I think if you just add the  
8           language that the initial term is as stated, and  
9           all subsequent terms are three years.

10          MR. SCHEU: The FIAC, I think, has to be  
11          approved by the council, whereas -- under the  
12          reform legislation, whereas the Advisory  
13          Committee does not.

14          CHAIRMAN TUTEN: Well, the only thing I  
15          worry about when you've got two even numbers,  
16          eventually they're going to catch up to each  
17          other.

18          Why not just make it simple, odd and even,  
19          three and four initially for the election. You  
20          know, that way you don't have to come up with  
21          something two years from now. And, you know,  
22          you'll always have a permanent staggered schedule  
23          on those two.

24          MR. SCHEU: It's just if you stagger it  
25          more, you break up the staggering with doing it

1 with three.

2 CHAIRMAN TUTEN: I prefer the longer because  
3 you get people trapped, Rick, and they can't  
4 leave after two.

5 MR. PATSY: They can. They can.

6 CHAIRMAN TUTEN: Well, they can, but they  
7 don't usually. You want to keep them in there as  
8 long as you can. So three or four, or even a  
9 four and a five would be perfect.

10 MR. BROWN: And to bring in a point that was  
11 made by the fire union president dealing with the  
12 issue you brought up about the police and fire,  
13 because there's a new person that will be coming  
14 in to replace Rich since he's declared he's not  
15 running again, that term for this one-time only  
16 could be two years and you create a stagger there  
17 naturally as well.

18 MR. PATSY: Okay.

19 MR. BROWN: I think if you can take care of  
20 both of these things in one -- you know, one  
21 write-it, it just makes sense.

22 But now you've got staggered police and fire  
23 trustee positions and you've got fully staggered  
24 advisory positions.

25 MR. PATSY: That's a good recommendation.

1 MR. SCHEU: I agree. I'd keep the FIAC out  
2 of it for the moment because that's under the  
3 ordinance or charter. I think they have to be --  
4 the election of those has to be approved by the  
5 City Council, whereas on the others, it does not.

6 MS. HODGES: Through the Chair, so, Trustee  
7 Scheu, the Advisory Committee, I mean, that's  
8 also in your ordinance. The FIAC is stemming  
9 from the ordinance. So any changes to any two is  
10 going to require City Council.

11 What were you thinking?

12 MR. SCHEU: No, I know. No, I'm saying the  
13 election of the members of the financial  
14 committee --

15 MS. HODGES: Oh, I see. Those are --

16 MR. SCHEU: -- they've got to be approved by  
17 the council.

18 MS. HODGES: That's correct.

19 MR. SCHEU: So I would take that up later.  
20 You've got some time on them.

21 MR. BROWN: I don't think we were -- were we  
22 talking about that, the financial?

23 I think the changes we're recommending,  
24 Bill, are just for the Advisory Committee and the  
25 trustees right now because there's a natural

1           staggering that can take place with these terms  
2           coming to an end.

3           MR. SCHEU: Yeah. No, I agree with that. I  
4           thought somebody brought up wanting to deal with  
5           the Financial Investment Advisory Committee too.

6           MR. PATSY: While we're at it, we might as  
7           well fix the FIAC too. Let's do it all in one  
8           fell swoop.

9           MR. SCHEU: Well, if you look at the chart,  
10          that's already staggered, the 2018, 2019. And  
11          you've got some time, because that has got to be  
12          more thoughtful because the City Council has got  
13          to weigh in on the election process, not just the  
14          amendment of the charter. All right. It really  
15          doesn't -- I guess it doesn't really matter.

16          MS. HODGES: Well, what am I -- what's the  
17          motion?

18          MR. BROWN: So I think -- let me do this,  
19          that way it kind of simplifies things.

20          I make a motion that General Counsel draft  
21          up a proposed change to the elections for the  
22          Advisory Committee. As we discussed, there would  
23          be an election for a two-year, three-year and  
24          four-year term for the police advisory committee  
25          members.

1           There would be an election for the two-year,  
2 three-year and four-year term for the fire  
3 advisory committee members, and for the retiree  
4 member, that would be a four-year term.

5           Every subsequent term would be four years so  
6 you would have a staggered election cycle.

7           For the trustee positions, I am recommending  
8 that for this one-time election for the fire  
9 trustee, it be for two years only. That would  
10 create a staggered four-year-term cycle.

11           Is that -- that's kind of the motion in  
12 full.

13           MR. PATSY: That's right. And just to --  
14 and the subsequent term would be a three-year  
15 term for the --

16           MR. BROWN: No three years.

17           MR. PATSY: -- fire?

18           MR. BROWN: No three years. No. If he has  
19 a two-year term now, it would put him, you know,  
20 two years off of the police trustee. So there  
21 would be a natural --

22           MR. PATSY: Yeah, but every six years --

23           MR. SCHEU: And then it's four years after  
24 that because we have four-year terms now.

25           MR. BROWN: But I'm saying one time only,

1 let the fire trustee be two years, and then that  
2 creates a natural stagger at that point.

3 MR. PATSY: Don't we have to say the  
4 subsequent term be four years?

5 MR. BROWN: Yes.

6 CHAIRMAN TUTEN: Right.

7 MR. BROWN: Yeah. All subsequent terms  
8 after these special elections here would be four  
9 years.

10 MR. PATSY: Got it.

11 MR. BROWN: That would be my motion.

12 MR. PATSY: And I'll second that.

13 CHAIRMAN TUTEN: Okay. I'll make an  
14 amendment that Director Johnson work with the  
15 General Counsel to sort all this stuff out.

16 MR. BROWN: I just want to make sure that  
17 the math is clear on that.

18 MS. HODGES: Are we bringing this back in  
19 August?

20 MR. BROWN: We would approve it --

21 MS. HODGES: Okay. Yeah, let's do that.

22 MR. SCHEU: I would like to suggest that the  
23 motion means you're authorized to file it.

24 MR. PATSY: Just one question. And we're  
25 not going to do anything with the FIAC at this

1 point?

2 MR. BROWN: Not yet.

3 MS. HODGES: I didn't hear that in the  
4 motion.

5 MR. PATSY: Because March 2018, two of these  
6 people come up for -- the two-year term ends.

7 MS. HODGES: So can I propose this? Only  
8 because --

9 MR. PATSY: Yeah, but every sixth year --

10 MS. HODGES: Through the Chair, since -- in  
11 August we would still have some time to get that  
12 through. It will come out probably the first  
13 meeting in September. Is that going to work with  
14 your timing? It would come out --

15 DIRECTOR JOHNSON: Well, my timing is  
16 October 9th, so as long as this is done by  
17 October 9th, my time doesn't get jeopardized.

18 MS. HODGES: Let me suggest this.

19 So then since we have some time and this  
20 member is concerned about the FIAC, can I just  
21 draft some language and come back with all three,  
22 the Trustee Board, the FIAC and the Advisory  
23 Committee, and let you take a look at it.

24 By that time I would have been able to  
25 circle and make some recommendations that's more

1 thoughtful than what we're kind of doing now?

2 MR. BROWN: So I add to my motion that third  
3 directive, that she work on a staggered election  
4 cycle for the FIAC, and then bring back all of  
5 that for our approval next month.

6 MS. HODGES: Yes. Okay.

7 MR. PATSY: Second.

8 MR. BROWN: Good, Bill?

9 MR. SCHEU: Yeah, that's fine.

10 CHAIRMAN TUTEN: All righty. We have a  
11 motion and a second. Any further discussion,  
12 comments?

13 Rick, you look like you want to say  
14 something.

15 MR. PATSY: No. Getting ready to raise my  
16 hand.

17 CHAIRMAN TUTEN: All righty. All in favor?

18 (Responses of "aye.")

19 CHAIRMAN TUTEN: Any opposed?

20 (No responses.)

21 MR. ANDERSON: In the past -- so in this  
22 case you will file -- the Office of General  
23 Counsel will file the legislation on behalf of  
24 the Board; is that correct?

25 MS. HODGES: No. The Board can file the

1           legislation.

2           MR. ANDERSON: The Board can file it.

3           CHAIRMAN TUTEN: We'll file it.

4           MS. HODGES: Yes, sir, the Board can file.

5           MR. ANDERSON: Okay. So you'll file it  
6 directly. And what I've done in other council  
7 liaison positions is work with the attorneys and  
8 we'll go around and make sure that all the  
9 council members understand what's going on.

10           So what I want to make sure that we do is  
11 just answer all the questions up front so that  
12 when it comes out of committee, that we don't get  
13 into some big discussion there over a ministerial  
14 kind of an issue.

15           And I think -- let's make sure we all do  
16 that. Does that make sense?

17           MS. HODGES: That's make sense. That's  
18 great.

19           MR. ANDERSON: Okay. Because I'll be the  
20 one who will shepherd it through council.

21           DIRECTOR JOHNSON: All right. So do we need  
22 a vote?

23           CHAIRMAN TUTEN: We already voted.

24           MS. HODGES: No, we just did.

25           CHAIRMAN TUTEN: All in favor. Five, zero.

1           DIRECTOR JOHNSON: So for the record, this  
2 election timeline will now be predicated on the  
3 passage of these amendments.

4           So if it's necessary, I can adjust the  
5 timeline because we've got until the end of  
6 December to get this done. So it's possible that  
7 this won't be the final timeline.

8           CHAIRMAN TUTEN: I don't know, Tim, that  
9 even if for some reason something happens, we  
10 have a hurricane or lose the computer whatever,  
11 we still have the election, I'm not sure that you  
12 can't adjust these terms after people are  
13 elected.

14           In fact, I'm almost positive that you can.  
15 In other words, you're elected for two.  
16 Congratulations, it's now three, you know,  
17 because of whatever.

18           MR. BROWN: That doesn't -- that doesn't  
19 smell right. I don't know that you can do that.  
20 If people --

21           MR. SCHEU: Yeah, I don't think you can do  
22 that.

23           MR. BROWN: -- voting for a specific amount  
24 of years for you to serve, for somebody to be  
25 able to come along and just add a year, I just

1 don't think --

2 CHAIRMAN TUTEN: Well, that's not the  
3 purpose of it. The purpose of it is to do what  
4 we're doing now. If we can't get it done in  
5 time, you have to do it sooner or later, you  
6 know, unless you want to wait another whole cycle  
7 and do it then.

8 And I don't think people are going to have a  
9 problem with anybody serving longer. If the  
10 person's fine with serving longer, I don't think  
11 you're going to have a problem.

12 MR. BROWN: No, I don't think you'll have a  
13 problem in spirit, but I think just from a legal  
14 standpoint --

15 MS. HODGES: Yes.

16 MR. BROWN: -- I just want to make sure  
17 we're doing it the right way.

18 MS. HODGES: Yeah, so I'll work on that --

19 MR. SCHEU: That's right. I don't think  
20 it's legal.

21 MR. PATSY: So if we come back in August  
22 with your recommendation, you believe we'll have  
23 enough time to get it through City Council and  
24 approved before this cycle, correct?

25 MS. HODGES: Okay. So let's be really

1 exact.

2 So, Tim, when is your -- when is the August  
3 meeting? That's going to be the third week in  
4 August?

5 DIRECTOR JOHNSON: I think it's the 18th of  
6 August is the August Board meeting.

7 MR. GREIVE: What's the final deadline for  
8 that cycle?

9 MS. HODGES: All right. All right. All  
10 right. Because if you're not approving it until  
11 the 18th, then you're missing the August.

12 Well, is it possible to have a special  
13 meeting? Can we do that?

14 MR. ANDERSON: Can I make another  
15 recommendation, Mr. Chairman?

16 CHAIRMAN TUTEN: Yeah.

17 MR. ANDERSON: Go ahead and file -- I would  
18 say let's go ahead and file it, like one of the  
19 trustees suggested, and then just know that if  
20 we've got to make any amendments to it, then  
21 those amendments will be approved by this Board.  
22 I'll make the motion on the floor to amend it if  
23 you choose to amend in any way. And that way you  
24 get in cycle.

25 Remember, what's going on right now is the

1 council is getting ready to go into budget  
2 process --

3 MR. BROWN: Yes.

4 MS. HODGES: Oh, yeah.

5 MR. ANDERSON: -- and all the air gets  
6 sucked out during that process.

7 MR. SCHEU: I knew there was some reason why  
8 Greg would be a good counsel liaison.

9 So we authorize it now, and I'll move to  
10 amend the motion to do that. That makes a lot of  
11 sense and gets us on down the road.

12 MR. BROWN: And I'll second that amended  
13 motion to include that direction for her to  
14 automatically file it.

15 (Members conferring.)

16 MS. HODGES: Yeah. He's a participating  
17 member. We have a quorum that's here. So you  
18 have a physical quorum. These two members, the  
19 Board is okay with these two members  
20 participating by telephone, so they can  
21 participate and vote.

22 MR. BROWN: Okay. So I made -- I seconded  
23 his motion. So we'll need to vote on that  
24 amendment that just incorporated what the City  
25 Council liaison recommended.

1           CHAIRMAN TUTEN: Okay. You're making a  
2 motion based on the councilman's recommendation?

3           MR. BROWN: We amended the motion. Bill  
4 did. I seconded it. We're ready for a vote on  
5 that.

6           CHAIRMAN TUTEN: Okay. Any questions?  
7 (No responses.)

8           CHAIRMAN TUTEN: All in favor?

9 (Responses of "aye.")

10          CHAIRMAN TUTEN: Any opposed?

11 (No responses.)

12          CHAIRMAN TUTEN: Perfect.

13 You got all that, Director Johnson?

14          DIRECTOR JOHNSON: I have all that. All  
15 right. So let's get back on track.

16                 Very briefly, the Chairman last month asked  
17 me to do an analysis of the attendance record of  
18 the members of the Financial Investment Advisory  
19 Committee.

20                 I did that analysis. I sent a report to the  
21 Chairman. I've met personally with the Chair of  
22 the FIAC, and we placed the discussion of  
23 attendance on the agenda of the FIAC meeting  
24 which occurred last Friday.

25                 Attendance has been sporadic. It has

1 created a bottle neck in that there are actions  
2 that we couldn't take here because they hadn't  
3 been properly vetted by the FIAC first.

4 Those members have committed to a stronger  
5 attendance. In the instance where they're unable  
6 to attain a meeting, they're going to give me as  
7 early notice as possible so that a potential  
8 rescheduling can occur, because there have been  
9 several meetings which we've had two of the five  
10 members and we just couldn't do business.

11 If we had known earlier that the third  
12 member wouldn't be there to create a quorum, we  
13 could have rescheduled.

14 And I find that they are far more engaged.  
15 I think a big part of it was just acknowledging  
16 the fact that attendance was a problem.

17 So I thank the Chair for bring that up. I  
18 think we're going to see a much stronger  
19 attendance from the FIAC members going forward.

20 CHAIRMAN TUTEN: Director, let me ask you  
21 something.

22 Do they run their meetings the same way we  
23 do with ours? In other words, it's the third,  
24 whatever, whatever?

25 DIRECTOR JOHNSON: Yes, they do.

1           CHAIRMAN TUTEN: So the members know in  
2 advance every month when their date is?

3           DIRECTOR JOHNSON: That is correct.

4           CHAIRMAN TUTEN: And do we send them out an  
5 email with a little -- Lundy does with an X or  
6 check, you know? If you respond, you're going to  
7 be there. If you're not going to be there.

8           DIRECTOR JOHNSON: Yes, sir, he does.

9           CHAIRMAN TUTEN: Okay. And it's just a  
10 matter of people either not responding or not  
11 notifying you, hey, something's come up, I can't  
12 make it, the day before?

13          DIRECTOR JOHNSON: I think -- I think a  
14 number of the meetings we due to the fact that we  
15 only had four members up until about 60 days  
16 ago --

17          CHAIRMAN TUTEN: Right.

18          DIRECTOR JOHNSON: -- when Tracey Devine was  
19 approved. So you had to create a quorum of three  
20 members with only four members.

21          CHAIRMAN TUTEN: Right.

22          DIRECTOR JOHNSON: Now that Tracey's on, we  
23 have five members. It's a little bit easier to  
24 create a quorum. So I do think that was part of  
25 it.

1           I also think part of it was the fact that  
2           during reform, we were advised by the Office of  
3           General Counsel the necessity of reviewing  
4           certain actions in the FIAC before coming here.  
5           And as you all well know, in the March and April  
6           time frame, there were several meetings that were  
7           not regular meetings of that body.

8           And so they've had a lot of pressure on  
9           them. But I do think we have turned a corner,  
10          and going forward we're going to see stronger  
11          attendance.

12          CHAIRMAN TUTEN: We have given them a little  
13          handbook of what's expected of them?

14          DIRECTOR JOHNSON: You know, that was one of  
15          the recommendations that came out of that  
16          meeting, is that I do an orientation this fall.

17          So Dan and I had an opportunity to talk  
18          about that yesterday after the working group on  
19          reform administration, and Lawsikia and I have  
20          talked about it earlier, because they'd like to  
21          be trained on fiduciary, ethics and public  
22          records' responsibilities.

23          MS. HODGES: Right.

24          DIRECTOR JOHNSON: So we're going to be  
25          doing -- a quick answer to your question is,

1 we're going to be doing a two-part orientation  
2 that will cover investment policy, our annual  
3 cycle of work, as well as the fiduciary, ethics  
4 and public records training. They wanted that.  
5 I think that will help engage them more.

6 CHAIRMAN TUTEN: From my limited interaction  
7 with them, I think there's two things here.

8 Number 1. I don't think they really  
9 understand what they need to do.

10 And, Number 2, I don't think when they  
11 signed up they truly appreciated the gravity of  
12 the situation. In other words, what fiduciary  
13 really means and that these decisions are long  
14 term and they're involving ten of -- hundreds of  
15 millions of dollars.

16 And that needs to get through to them  
17 because if they're not comfortable making those  
18 decisions, as we saw at the one meeting, you  
19 know, then there's no shame in saying, look, this  
20 is way more than I wanted to step in; I'm going  
21 to resign. We'll find somebody else.

22 But they need to understand that they're  
23 here, they need to do their job, and they need to  
24 understand the gravity of the situation. And  
25 they need to do it quickly, not what we saw.

1           Just putting it bluntly, brother. I mean, I  
2           just -- you know, I don't think they understood  
3           what was involved and that there's going to be  
4           cameras and mayors and council people and  
5           hundreds of millions of dollars and long-term  
6           projections. I think they thought it was more of  
7           a -- I have no idea what.

8           Is somebody wrestling a cat?

9           (Laughter)

10          MR. ANDERSON: The cat's winning.

11          CHAIRMAN TUTEN: Willard, Bill, what is  
12          that?

13          DIRECTOR JOHNSON: We're getting some  
14          background noise.

15          Willard, Bill, can you hear us?

16          MR. SCHEU: We were having trouble, at least  
17          I was. It was like it was crackling, like  
18          somebody's moving the phone or something.

19          DIRECTOR JOHNSON: All right.

20          The last item is really quick. We had the  
21          working group meeting for a reform administration  
22          yesterday. Pedro, Pete, Dan came in early to  
23          participate. We also had Randy Wyse; the  
24          treasurer, Joey Greive; and the representatives,  
25          Officer Holderfield for the Advisory Committee

1 and Brian Smith for FIAC.

2 We had a robust discussion about how we  
3 implement the reform ordinances. I'll be  
4 preparing kind of a summary of my notes. I'll  
5 share that with the Board next month. There's  
6 no action that's required.

7 But we want to hit the ground running. That  
8 reform takes effect October 1st, and we want to  
9 have all of our ducks in a row before we get  
10 there for the benefit of our members and all  
11 stakeholders.

12 It was a great meeting, and I just wanted to  
13 acknowledge the people that were here that  
14 participated. Rick Patsy represented the Board  
15 on that committee.

16 That's my report, and I'll answer any other  
17 questions.

18 MR. BROWN: I have none.

19 MR. PATSY: It was a good meeting. It was  
20 constructive. We did talk about, you know, doing  
21 an asset liability study to take into  
22 consideration the changes and what kind of impact  
23 it can have on the fund. I forget the timeline  
24 on that. I'm not sure if we actually laid that  
25 out.

1 MR. HOLMES: We didn't lay out a timeline  
2 yet.

3 MR. PATSY: Do we need to direct Summit to  
4 do that?

5 DIRECTOR JOHNSON: Yes.

6 MR. PATSY: Can we do that today?

7 DIRECTOR JOHNSON: I mean, we're going to do  
8 it, so it's up to you. We can do it now or you  
9 can wait a month.

10 MR. PATSY: I will make that motion that we  
11 direct Summit in conjunction with GRS to conduct  
12 an asset liability study based on the changes  
13 that are going to come down the road October 1st.

14 CHAIRMAN TUTEN: Now, are you looking at it  
15 more from just the different benefits that are  
16 involved, or are you talking about more of an  
17 open-plan, closed-plan type of study?

18 Do you understand that I'm saying? In other  
19 words, are we talking about strictly the changes  
20 that were involved --

21 MR. PATSY: I think more from a benefit  
22 perspective because it will be a while before the  
23 closed plan functions -- well, I don't think you  
24 can do them in isolation. I think you have to do  
25 them in conjunction with each other.

1           CHAIRMAN TUTEN: Well, that's what I was  
2           thinking. I couldn't -- I didn't really  
3           understand what you were asking for.

4           MR. PATSY: Yeah. But it will be awhile  
5           before the closed plan side of the equation  
6           really impacts the plan, because the liability is  
7           still, you know, the traditional plan. We're  
8           going to be in the pension business for a lot  
9           longer than some of the folks think we're going  
10          to be.

11          CHAIRMAN TUTEN: Right. I'm just more of  
12          the income side of the stream there as far as  
13          incoming from new members and, you know, city  
14          contributions, how that's going to affect our  
15          plan, you know, long-term assets.

16          MR. PATSY: So, consequently, to get back to  
17          my motion, that we direct Summit in conjunction  
18          with GRS to conduct an asset liability study.

19          MR. BROWN: And I second it.

20          CHAIRMAN TUTEN: All right. We have a  
21          motion and a second. Any questions, comments?

22          Pedro?

23          MR. HERRERA: I don't know if this was  
24          discussed yesterday.

25          Do you want to get a cost for that before

1           you authorize it, or do you want to put a  
2           not-to-exceed number or anything like that?

3           MR. HOLMES:   The cost from our perspective  
4           is zero.   It's included in our flat fee.

5           MR. PATSY:   As part of the retainer package?

6           MR. HOLMES:   Yes.

7           MR. STRONG:   Our assistance will be based on  
8           our discounted hourly rates, which probably won't  
9           be that much because we're going to be providing  
10          inputs to them and then they're going to be doing  
11          the core asset liability work.

12          CHAIRMAN TUTEN:   Perfect.

13          MR. HOLMES:   Through the Chair.

14          CHAIRMAN TUTEN:   Yes.

15          MR. HOLMES:   One suggestion would be we wait  
16          until the next valuation is finished so we get a  
17          true picture of what the liabilities look like  
18          going forward -- if we use the last valuation.

19                 So there's going to be a time delay.   And  
20          then a rough estimate of how long it takes is  
21          anywhere from two to three months, depending on  
22          when we receive all the information from the  
23          actuary.   So just to lay out expectations for  
24          timeline.

25          MR. PATSY:   So the valuation should be

1 complete January?

2 MR. STRONG: We should have a draft by the  
3 end of November. But, yeah, the final report in  
4 January.

5 CHAIRMAN TUTEN: That's fine.

6 MR. PATSY: So we can -- I can take that  
7 motion off the table and we'll bring it back up  
8 as we get closer.

9 DIRECTOR JOHNSON: Or you can pass it and  
10 I'll just wait until the valuation is done.

11 MR. PATSY: Okay. Let's do that --

12 DIRECTOR JOHNSON: Because I was going to  
13 bring it back anyway. So we might as well handle  
14 it now.

15 MR. STRONG: We should be able to provide  
16 inputs once we have the data finalized. And we  
17 just recently sent out our census data request  
18 because we collect census data as of July 1 for  
19 the October 1 valuation.

20 So once we get the census data, we can  
21 actually start the process of getting the inputs  
22 sent to Dan probably by October.

23 MR. HOLMES: Excellent.

24 MR. STRONG: Yeah.

25 DIRECTOR JOHNSON: All right.

1           CHAIRMAN TUTEN: That's fine. Okay.

2           We still have a motion and a second. Any  
3 questions?

4           (No responses.)

5           CHAIRMAN TUTEN: All in favor?

6           (Responses of "aye.")

7           CHAIRMAN TUTEN: Any opposed?

8           (No responses.)

9           CHAIRMAN TUTEN: Good. It passed.

10          DIRECTOR JOHNSON: That's my full report.  
11 It's a little longer than I thought it would be,  
12 but I appreciate your patience.

13          CHAIRMAN TUTEN: Always, Director Johnson.  
14 Okay. What do we have? Investment  
15 Consultant Reports. Mr. Dan Holmes.

16          MR. HOLMES: Yes. Good morning still.

17          So I'm not -- I don't have a formal report  
18 other than the Flash Report. I came down for  
19 yesterday's meeting and thought I'd stay over and  
20 cover Flash while I was here in town.

21          This is a preliminary -- first of all, we  
22 have two reports together, the Economic and  
23 Capital Market Update, and then the Flash Report  
24 after that.

25          So the bottom line is on the Flash Report,

1 this is through June 30th, the big picture  
2 take-away without going through all the points  
3 are as follows:

4 First of all, what we saw through the end of  
5 the quarter was continued economic growth, which  
6 basically helped risk assets continue their  
7 strong returns through the quarter.

8 So the economic conditions, especially in  
9 Europe, you had Central Bank continued easing  
10 there. You've got stronger consumer sentiment  
11 there and here in the US. So that helps the  
12 equity markets reach gains seems like every other  
13 week. Or, I'm sorry, all time highs, if you  
14 will, every other week.

15 For the month of June, we saw more job  
16 growth. Basically what we've seen is  
17 unemployment is hovering around 4.2 to 4.3. It  
18 ended June at 4.3. But job growth continues  
19 positive.

20 More importantly, we see wage inflation.  
21 That wage inflation continues to run at an  
22 annualized rate at 2 1/2 percent through June,  
23 and that's good for the economy.

24 Real GDP grew at a 1.4 percent rate for the  
25 first quarter. The second quarter -- that was

1 revised up from the previous estimate at 1.2  
2 percent. And then basically the Atlanta Fed has  
3 forecast the second quarter to come in at about  
4 2.7 percent. So we're expecting second quarter  
5 to be stronger, and then we'll see where the  
6 third quarter goes from there.

7 In terms of the PMI indices, which are  
8 leading economic indicators, the good news is the  
9 manufacturing side, the economic indicators are  
10 picking up. So they had basically been flat.

11 The service sector had always been above 50,  
12 which is an indication that the economy was  
13 growing, but for -- I think it's the seventh  
14 consecutive month, we've seen the manufacturing  
15 side pick up, and that's definitely a positive.

16 In terms of bonds, we've seen rates go up on  
17 the short end so far this year a little bit, but  
18 now appreciably.

19 So how does that translate into returns?  
20 Basically we saw flat equity returns for the  
21 month kind of modestly positive in some spaces,  
22 but, more importantly, for the quarter we saw  
23 stronger returns.

24 So on page 2 of that report, just to kind of  
25 put some numbers on it, where you see on the

1 right-hand side, the blue bar is the month; but,  
2 more importantly, the green bar is the quarter  
3 and the purple bar is the last 12 months.

4 So just for the quarter, to put some numbers  
5 on it, the S&P was up 3.1 percent, small cap  
6 stocks up 2 1/2 percent measured by the Russell  
7 2000.

8 As I mentioned before, internationally, the  
9 international equity returns have been stronger  
10 so far this year and that continues. So you can  
11 see that the EAFE Index was up over 6 percent for  
12 the quarter as well as emerging markets as well.

13 You'll note that the only thing in terms of  
14 growth assets that was negative for the quarter  
15 were MLPs. I've got more comments on that here  
16 shortly, but you can see that the MLP index was  
17 down about 6 1/2 percent for the quarter.

18 And then on the fixed income side, if you  
19 turn one page over very quickly, as I mentioned,  
20 we've seen modest or flat returns for the month,  
21 but, more importantly, some modestly positive  
22 returns for the quarter.

23 So the aggregate was up. The Bloomberg  
24 market was aggregate -- which is a measure of the  
25 investment grade universe for the US -- it was up

1 1.4 percent.

2 You can also see that the Bloomberg Barclays  
3 Global Aggregate Index for the quarter was up 2.6  
4 percent. The declining dollar was the main  
5 determinant and the difference there. The dollar  
6 has been declining so far this year, which has  
7 given an added boost to international equity and  
8 fixed income returns.

9 So that's the quick economic backdrop. Let  
10 me pause for questions, and if not, I'll go into  
11 the Flash Report.

12 MR. ANDERSON: Any sense of long-term rate  
13 movements are just continued sort of the  
14 trajectory that the fed has kind of outlined?

15 MR. HOLMES: Recent comments basically  
16 included the fact that they're not adhering to  
17 hard and fast targets. What they're doing is  
18 kind of watching for the trend.

19 The idea is they don't want inflation to get  
20 out of hand, and they're trying to raise rates to  
21 slow that down. At the same time, if they raise  
22 rates too quickly, it has the potential to stall  
23 off the economy.

24 And so in Janet Yellen's last testimony,  
25 basically her comments were that they're holding

1 off on another rate increase, not doing it  
2 immediately. They'll look towards more at the  
3 end of the year for that.

4 Again, they're going to look at where  
5 unemployment and labor growth -- labor wage rates  
6 are and decide whether or not to raise that. And  
7 the market rallied that particular day on that  
8 news.

9 MR. ANDERSON: And market consensus is a  
10 quarter a point?

11 MR. HOLMES: Yes.

12 MR. ANDERSON: And then, finally -- thank  
13 you, Mr. Chairman, any sense of tax reform and  
14 how that plays into the equity markets? We've  
15 heard different things through the media outlets.

16 MR. HOLMES: I'm laughing because we were  
17 talking about the exact same thing last night.

18 Our view is, is that the equity -- the US  
19 equity market continues to be overvalued. And so  
20 we were kind of talking about why it continues to  
21 kind of go up.

22 And so kind of the term that has been used  
23 is the Trump Bump post-election, that the equity  
24 markets have continued their upward rise in terms  
25 of its trend. The market has kind of discounted

1 or baked in the news that either tax reform or  
2 healthcare reform or both will be passed.

3 The consensus seems to be that if one of  
4 those, specifically, tax reform, is not enacted  
5 before the end of the year, then that would  
6 produce more uncertainty with regard to growth  
7 rates and the equity markets could trade off.

8 Now, how does that translate into action?

9 This Board has never really engaged in  
10 trying to do tactical asset allocation, trying to  
11 guess where the market is going to go over a  
12 short-term time period. But we are cognizant of  
13 where valuations are.

14 As an example, last month the Board approved  
15 rebalancing. So what we did is we've been  
16 overweight to domestic equities relative to  
17 target. So what we did is we took that  
18 overweight off by selling it and moving it into  
19 other asset classes.

20 So trying to sell off what has appreciated.  
21 So it's kind of the methodology that we've used  
22 to deal with that. Okay?

23 MR. ANDERSON: Gotcha. Thank you very much,  
24 Mr. Chairman.

25 MR. HOLMES: Thank you for the good

1 questions.

2 Next on the agenda is the Flash Report.

3 MR. BROWN: Can I just ask you a quick  
4 question on the -- there's a year market implied  
5 inflation -- or ten-year market implied inflation  
6 expectations.

7 Discuss possibly, if you could, the most  
8 recent number on inflation. It's 2016. Has that  
9 been firmed up now six months into this year what  
10 the rate of inflation was last year? Was it  
11 under 2 percent as measured by, like, the CPI  
12 basket of goods or --

13 MR. HOLMES: Yeah. I'm trying to remember  
14 where -- forgive me because I can't remember  
15 where it came in, the final came in for 2016.

16 Rick, but do you recall by any chance?  
17 Joey?

18 MR. PATSY: No, it's from six months ago --

19 MR. BROWN: So it seems like I call it being  
20 quite low --

21 MR. PATSY: You're right --

22 MR. BROWN: -- I thought it was under 2, but  
23 I guess my question would be -- and I know it's  
24 very early on. We really don't even have six  
25 months of information yet with things not being

1 solidified, but are we on track to have a higher  
2 rate of inflation this year?

3 MR. HOLMES: No.

4 MR. BROWN: No.

5 MR. HOLMES: No. As a matter of fact, part  
6 of the corollary to the Trump Bump is -- it's now  
7 being known in our office as the Trump Thump.

8 And so that's basically what happens -- you  
9 know, the market took off in anticipation of a  
10 number of policies being enacted. The thought  
11 is, okay, some of those may not come to fruition  
12 and what would be the result in different sectors  
13 of the market.

14 And so one thing that we have observed is  
15 that inflation has not been as strong as what was  
16 originally anticipated, getting to your point.

17 I'd have to go back and see. The ten-year  
18 break-even is just basically where the markets  
19 implying for inflation over a ten-year period.  
20 And that's determined between the rate on the  
21 ten-year TIPS versus the treasury -- and so right  
22 now it's implying something less than 2.

23 MR. BROWN: Okay.

24 MR. HOLMES: Actually, at the end of June,  
25 it was 1.7.

1 MR. PATSY: Do you have any statistics to  
2 show how accurate that has been in the past?

3 MR. HOLMES: Not very. It's -- I mean,  
4 within one standard deviation --

5 MR. PATSY: That's a problem.

6 MR. HOLMES: -- I mean, it's within one  
7 standard deviation. The Philadelphia Fed's  
8 estimate is within one standard deviation.

9 Right now our ten-year assumption for  
10 inflation is two for the next ten years. But it  
11 kind of -- it seemed stronger at the beginning of  
12 the year. It slowed down.

13 Depending on what happens in the second half  
14 of the year, it could come back up higher. And  
15 so, you know, we review it quarterly, but we  
16 don't necessarily have to change it quarterly.

17 MR. PATSY: Okay. That makes sense.

18 MR. HOLMES: Turning to the Flash Report, I  
19 will note on the cover of the Flash Report it's  
20 marked Preliminary.

21 The reason it's marked Preliminary is when  
22 we sent this out last week for the FIAC meeting,  
23 we still had not received market value and return  
24 information from the real estate managers. That  
25 takes a little bit longer for them to pull their

1 information together.

2 So my anticipation is, is that the official  
3 return for the quarter will probably be slightly  
4 higher. So turning to page 1, the take-aways are  
5 as follows:

6 First of all, if you look at the bottom  
7 left-hand side of the page, market value at the  
8 end of the quarter grew to \$1.9 billion. As I  
9 mentioned before, when you get over that \$2  
10 billion mark, I'll bring a cake and we'll  
11 celebrate it --

12 (Laughter)

13 MR. BROWN: For the week that it will be  
14 over \$2 billion.

15 MR. HOLMES: Yeah. As long as we go over,  
16 that's fine. I can't get guaranteed 2 billion  
17 candles, but we will have a cake.

18 No, all humor aside, we've been very  
19 fortunate in terms of growth assets for last  
20 year, and this year have done fairly well.

21 Patience at the Board level in allowing  
22 underperforming managers to come back has also  
23 paid off in terms of returns above benchmarks.  
24 And then so the bottom line is, we've enjoyed --  
25 we're in our second year of good steady growth.

1           So hopefully market value -- by the end of  
2 the year, market value reaches in the \$2 billion  
3 mark.

4           So turning to our returns, page 2 of  
5 returns, we show composite returns on a  
6 gross-of-fees basis. Page 3 is on a net-of-fees  
7 basis, but I'll use page 2 and its comment on the  
8 net.

9           So for the quarter on a gross-of-fees basis,  
10 the fund was up 3 percent net. That translates  
11 into 2.95 percent. So far this calendar year, as  
12 I mentioned before, the calendar year has been  
13 fairly strong, especially on the equities side.

14           One thing I failed to mention is, is that  
15 we've had a turn-around since last year where we  
16 see growth assets, both large cap and small cap,  
17 doing better than value assets. And to some  
18 extent that's also extended into international  
19 equities as well. And the majority of that is  
20 coming from the technology sector.

21           For the fiscal year so far, the fiscal  
22 year-to-date, on a gross basis, the plan is up  
23 over 10 percent. On the net basis it's about 9.8  
24 percent.

25           And then, finally, I can read the -- I can

1 read a score card with the best of them, can't I?

2 So far this year we're up -- for the  
3 trailing one-year period, up approximately 14.9  
4 percent, and on a net basis that's 14.5  
5 percent -- on a net basis for that trailing  
6 four-month period.

7 So what's kind of the story behind those  
8 returns, those strong returns? Basically it's  
9 if you break down the attribution on an absolute  
10 basis, it's equities and primarily international  
11 equities. International equities have been your  
12 strongest returning sector.

13 And then on a relative basis, relative to  
14 benchmarks, again, it's international equities  
15 and fixed income. Both have been fairly strong  
16 relative to their benchmarks.

17 In international equities, although your  
18 plan is limited to no more than 25 percent in  
19 international securities, that would include  
20 international corporate bonds, or I should say  
21 non-US corporate bonds.

22 The bottom line is, is that the allocation  
23 has remained right around 20 percent. At the end  
24 of the quarter, it was at 20.27 percent. We can  
25 always use more in international -- especially in

1           this market environment, more international would  
2           be preferable.

3           But state statute limits you to 25 percent,  
4           and we've kind of kept the buffer there to make  
5           sure that we don't go over state statute when you  
6           look through and you look at non-US corporate  
7           bonds in the two core-plus portfolios.

8           MR. PATSY: Dan, we allow our fixed income  
9           managers to allocate tactically to non-US bonds?

10          MR. HOLMES: They are allowed -- not all of  
11          them. The two core plus managers, Neuberger  
12          Berman and Loomis.

13          MR. PATSY: Okay. And we cap their limit --

14          MR. BROWN: To make sure it doesn't get over  
15          25.

16          MR. HOLMES: They cap their limit by their  
17          internal process.

18          MR. PATSY: Right. But we're telling them,  
19          hey, you can't go over X amount --

20          MR. HOLMES: Right. And forgive me, because  
21          I can't -- if memory serves, I believe it's 20  
22          percent for Loomis and it might be something a  
23          little bit less for Neuberger Berman.

24          MR. PATSY: And they're both about 2  
25          percent?

1 MR. HOLMES: Bear with me for one second.

2 CHAIRMAN TUTEN: Oh, yeah, we're trying to  
3 figure out how --

4 MR. BROWN: There's no possible way that  
5 could get over 25.

6 MR. HOLMES: No, no. That's where we're  
7 going. No, Loomis is at 5 percent and Neuberger  
8 Berman is at 8.

9 MR. PATSY: So how are we monitoring --

10 MR. HOLMES: Quarterly I look through at the  
11 weight to the non-US bonds. Add that to the  
12 weight to non-US equities and make sure we stay  
13 under 25 percent.

14 MR. PATSY: So who's doing it, Summit --

15 MR. HOLMES: Me.

16 MR. PATSY: -- or is it Northern Trust --

17 MR. HOLMES: Summit.

18 MR. PATSY: Okay.

19 MR. HOLMES: That is based on Northern  
20 Trust's custodian statements.

21 MR. PATSY: Okay.

22 CHAIRMAN TUTEN: Dan, does this allocation,  
23 the 20.27 percent right now, that's including the  
24 bonds that --

25 MR. HOLMES: No.

1           CHAIRMAN TUTEN: That's not?

2           MR. HOLMES: No, that's just equities.

3           CHAIRMAN TUTEN: Okay. So how much wiggle  
4 room do we have under 25 percent in reality, give  
5 or take? In other words, counting the bonds plus  
6 the stock --

7           MR. BROWN: If they were to max out their  
8 ability to invest in non-US bonds.

9           MR. HOLMES: I'd have to go back and do the  
10 math. I'd have to pull the investment policy.

11          MR. PATSY: Back of the envelope, it's less  
12 than 25 percent.

13          MR. HOLMES: Yeah --

14          CHAIRMAN TUTEN: And the reason I asked, I'm  
15 glad you brought it up, because I was thinking  
16 about this, looking at all this stuff.

17                You know, there's always other things to  
18 invest in, but for people like us, we're starting  
19 to hit that limit as far as how we can squirrel  
20 away money. And like you said, we've got 5  
21 percent window here, you know, at least with the  
22 state, you know. We can always change our  
23 investment policy. I mean, but I didn't realize,  
24 you know, the international bonds counted.

25          MR. HOLMES: Yes. International, or non-US

1 bonds.

2 CHAIRMAN TUTEN: Non-US bonds. So I guess  
3 we need to figure out how much wiggle room we  
4 have.

5 MR. PATSY: Clarify. That's non-US  
6 denominated as opposed to dollar denominated?

7 MR. HOLMES: Correct. And it is only  
8 applicable to -- my reading is that it's only  
9 applicable to corporate securities --

10 MR. PATSY: Okay. So if --

11 MR. HOLMES: So non-US governments, in my  
12 reading, would be exempt, but we don't have an  
13 official legal opinion on that.

14 MR. PATSY: Okay. That makes sense.

15 So Neuberger Berman is like 8 percent. So  
16 20 percent of that is 1.6 percent. And Loomis  
17 is --

18 MR. HOLMES: Call it 20 as well. They're at  
19 520. Yeah. So we've got -- we're definitely  
20 within that band. We still have some more wiggle  
21 room, and we're rebalancing and putting some more  
22 into international as part of that rebalancing.

23 MR. PATSY: International equities?

24 MR. HOLMES: Equities.

25 MR. PATSY: Okay.

1 MR. HOLMES: Okay?

2 MR. PATSY: Yeah.

3 MR. HOLMES: So, yeah. I failed to  
4 mentioned that it doesn't apply to --

5 MR. PATSY: Just my experience, we probably  
6 have a much higher allocation in international  
7 equities than our peers in the public pension  
8 arena. But that's not a bad -- obviously that's  
9 not a thing based on the way it performed for the  
10 six months.

11 MR. HOLMES: I think you're slightly higher  
12 than median, but I don't think you're off the  
13 charts. But I'd have to go back. I've seen it  
14 rising relative in the public fund space, but I'd  
15 have to go back and -- well, I'll show you at the  
16 quarter. We'll show the quarterly report.

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

18 MR. HOLMES: Okay.

19 Couple other take-aways. So we know what  
20 the source of returns are. What we've also  
21 noticed or what you can see in terms of results  
22 for the calendar year-to-date and fiscal  
23 year-to-date, all the asset classes are above  
24 their benchmarks.

25 And then on both a net- and a gross-of-fees

1 basis, on a fiscal year-to-date basis, the only  
2 area that is not above the benchmark fiscal year  
3 is MLPs where it's only 2 basis points below the  
4 index. So basically call it flat.

5 CHAIRMAN TUTEN: Now that we're there,  
6 Dan --

7 MR. HOLMES: So not -- okay. Go ahead.

8 CHAIRMAN TUTEN: Well, we know my love  
9 affair with MLPs, but let me ask you a question,  
10 though.

11 With oil being the price that it's been, I  
12 know there's other factors involved, but what's  
13 it going to take for MLPs to get back over the  
14 hump again? I mean, because you can see from the  
15 three-year -- the five-year, 6.9, not bad. You  
16 know what I mean? Not the end of the world by  
17 any means, but you start looking at the three and  
18 then the one.

19 You know, three years is sort of the  
20 beginning of a trend, you know. That's three  
21 years in a pretty good stretch to be sort of  
22 floundering. And I'm just kind of curious as to  
23 what you think or what needs to happen in the  
24 energy sector for them to start picking up again.

25 MR. HOLMES: Great -- I appreciate the

1 question.

2 Just as an informational point, the MLP  
3 index was up 5 percent last week. So we had MLP  
4 day at Summit a couple weeks ago. We invited  
5 in -- we brought our research to the table. Most  
6 of the research folks related to that were at the  
7 meetings and a number of consultants as well.  
8 Our CIO was there as well.

9 We had a number of managers in, including  
10 some long-short managers as well. I found it  
11 very interesting that the long-short managers who  
12 have the ability on a net basis to go anywhere  
13 from 20 net long to 85 percent net long were at  
14 84 percent right now.

15 MR. PATSY: Where?

16 MR. HOLMES: 84 percent long. Yeah.

17 So this is -- and it was amazing because  
18 they're all looking at information on a positive  
19 and negative basis. And the information and the  
20 discussions were fairly similar. And so the  
21 story goes like this.

22 We expect more volatility this year because  
23 of the supply and demand in balance and more rigs  
24 coming on, and then also the -- this is with  
25 regard to the price of commodities. And then

1 the -- and then continued production in the shale  
2 areas and also Canada as well.

3 What is interesting is that shale now --  
4 because of innovation and technology, shale now  
5 can be profitable with the price of oil in the  
6 40s.

7 So before it was in the 50s. Now even in  
8 the 40s it could be profitable. 50, obviously,  
9 is better. But when you think about it -- and  
10 Councilman Anderson, forgive me, are you familiar  
11 with the energy MLP sector?

12 MR. ANDERSON: No. I mean, I know broadly  
13 what you're discussing.

14 MR. HOLMES: Yeah. And so the master  
15 limited partnership is a closed-end fund. It  
16 trades on the New York Stock Exchange like any  
17 other equity security.

18 And if you're familiar with REITs, being a  
19 security backed by a portfolio of buildings or  
20 apartments or shopping malls or real assets, this  
21 is a security that's backed by oil and gas  
22 pipelines, long-haul pipelines, transfer  
23 facilities, holding storage facilities, the hard  
24 assets behind the -- what's called the midstream  
25 space in the energy chain.

1           And so basically end-users, or participants  
2           in this energy chain, have to get the commodity  
3           processed, you know, from pulling it out at the  
4           wellhead, getting it processed, made into  
5           whatever the end product is and holding that and  
6           transferring it to where it's going to go. So  
7           essentially they're paying rent for use of these  
8           types of facilities.

9           So the idea that the price of oil would  
10          affect the rental rate, it really isn't there.  
11          What adjusts the rate and what -- how profitable  
12          these MLPs are is how much product is flowing  
13          through.

14          Unfortunately, a lot of the investors in the  
15          MLP space, I still say the majority, are retail  
16          investors. They use the MLPs for tax advantages  
17          in some of their investments. They see the price  
18          of oil goes down, they get out of MLPs and it  
19          puts artificial pressure there.

20          So in answer to your question, what's it  
21          going to take? A couple weeks, hopefully a  
22          couple months of stable energy prices where the  
23          investors see the yield on these is about 7  
24          percent. So you get the retail space to realize,  
25          okay, the price of oil is not fluctuating that

1 much. There's a 7 percent yield. They need more  
2 capital and you'll see more money go back to the  
3 space. That is -- that's what would help out in  
4 the short term.

5 Longer term, the consensus across all the  
6 managers we've talked with is 2018 and 2019  
7 should be much better. They are anticipating  
8 more distribution growth. They're still  
9 significantly undervalued relative to what that  
10 distribution growth should be.

11 They see better debt situation, and so  
12 that's why, for instance, that the long-short  
13 manager was net long.

14 And so we see continued volatility for the  
15 remainder of this calendar year, but we see a  
16 better picture going forward starting in 2018.  
17 Make sense?

18 CHAIRMAN TUTEN: Yeah. Just curious.

19 MR. HOLMES: Yeah. You know, it's something  
20 that we are looking at. Now, because of that  
21 retail, the more retail sentiment, the  
22 correlation of MLPs, which traditionally had been  
23 very low, they didn't act like equity securities  
24 or they didn't -- you know, they didn't move in  
25 tandem with the equity market. That correlation

1 has been steadily rising since mid-2014, 2015.

2 And, unfortunately, so the diversification  
3 benefit near term is dropping. So it's still a  
4 return enhancer, if you will, but it's more --  
5 it's getting more correlated to equities than it  
6 once was.

7 Yes.

8 MR. PATSY: Dan, about a year ago we were at  
9 10 percent, then we cut it to 6 percent. Do you  
10 envision us going back -- do you envision  
11 somewhat recommending that we go back to 10  
12 percent --

13 MR. HOLMES: No.

14 MR. PATSY: -- or are we just going to play  
15 it out in the asset liability sector and see  
16 where it plays out?

17 MR. HOLMES: Well, right now the target --  
18 yeah, 5 1/2 percent. No, I think given -- well,  
19 I'll tell you what. Let me answer it this way.

20 When we conduct the asset liability study,  
21 we will look at what we think expected returns in  
22 volatility for that asset class will be, like we  
23 would any other asset class.

24 And our view, our philosophy is, is that  
25 markets tend to be micro-efficient and

1 macro-inefficient. And so translated, we're --  
2 the decision of whether to buy Ford or GM has a  
3 lot less to do with future success as opposed to  
4 what our weights are in the various asset  
5 classes.

6 And so what we like to do is, instead of --  
7 when we do our research, instead of classifying  
8 the asset classes according to traditional  
9 stocks, bonds, et cetera, what we like to do is  
10 look at -- we take a risk-first approach and look  
11 at the contribution to volatility that each asset  
12 class or strategy can add.

13 So in other words, equities obviously go in  
14 a growth bucket, but because high-yield bonds or  
15 emerging market debt has a lot of volatility as  
16 well, we would classify those alongside assets  
17 and other strategies in the growth bucket.

18 So what we want to do is avoid 2008, where  
19 traditionally you thought that you were well  
20 diversified by having a little bit in all these  
21 different areas, and then when correlations all  
22 go to one, you realize, hey, wait a minute.  
23 These bonds that I thought diversified me over  
24 here are acting like these equities.

25 So we want to avoid that type of risk. So

1 we're looking at what they bring in the way of  
2 risk to the portfolio first, and then what we  
3 want to do is create the best risk return  
4 tradeoff by making those asset classes basically  
5 compete for self space in our asset allocation.

6 And so we'll look at what it looks like on a  
7 forward-looking basis when we do the A-L study.

8 MR. PATSY: Right. But we don't have  
9 dedicated allocations to high-yield in the  
10 emerging market debt.

11 MR. HOLMES: Not anymore. No, it's  
12 opportunistic in the -- permitted by the core  
13 plus managers, correct.

14 MR. PATSY: Okay. So how would you -- how  
15 do you -- I guess you can't factor that into the  
16 asset liability study, can you?

17 MR. HOLMES: What, MLPs?

18 MR. PATSY: No. High-yield and emerging  
19 market debt if we don't have an allocation to  
20 them.

21 MR. HOLMES: We could do it two ways.

22 Well, first of all, we consider that when we  
23 come up with our core plus assumptions --

24 MR. PATSY: Okay. Okay. I got it.

25 MR. HOLMES: So core plus is modeled

1           differently than, say, a core manager would be,  
2           just investment grade. Or we can do a carve out  
3           and basically approximate what the core plus bond  
4           manager holding, allocate that accordingly and  
5           just allocate the rest of the bonds as core.

6           MR. PATSY: Okay.

7           CHAIRMAN TUTEN: Dan, in the interest of  
8           time, buddy, I'm not trying to cut you off, but  
9           how about just hit the high points, and maybe you  
10          want to talk about some managers that you're  
11          keeping an eye on.

12          MR. HOLMES: Sure. I've kind of covered the  
13          high points with things progressing so far this  
14          year. I've talked about MLPs. That's one area  
15          that we're keeping an eye on.

16          Another manager that I'm keeping an eye on  
17          is Wedge. I met with Wedge about three weeks ago  
18          in our office to review the portfolio.

19          As you'll see, they're a little bit under  
20          the benchmark since inception. It's been a very  
21          short time period. The big penalty or the  
22          penalizing factor for them has been an  
23          underweight to financials. That's according to  
24          their particular process. So the process hasn't  
25          changed. The team still is in place.

1           But given the fact, because of the Trump  
2 Bump, financials have basically taken off. Their  
3 short-term underweight has been a relative  
4 penalty on terms of performance.

5           I'm not worried about them. They continue  
6 to be a good manager. Long-term returns continue  
7 to be very strong.

8           Sawgrass I'll talk about here in a second  
9 under the next bullet point. But basically  
10 Sawgrass came in, made a presentation to the  
11 FIAC. They're consistent with their style. You  
12 can see when things turn negative, they tend to  
13 protect. A single data point is the return for  
14 the month.

15           But the bottom line is, is that they're  
16 consistent with their style. If you look one  
17 year ago, they were above the benchmark over all  
18 the time periods since inception. What's  
19 happened is, is that we've had extremely strong  
20 growth market. That's part of the reason why  
21 Brown turned around and is above the benchmark on  
22 a calendar year-to-date basis.

23           So Pinnacle has done very well. Eagle has  
24 done very well. They're both above the benchmark  
25 by almost 7 percent for both of them. And that's

1 really about it.

2 Would you like for me to continue on to the  
3 last bullet point -- or the last item, Number 3,  
4 on my agenda?

5 CHAIRMAN TUTEN: Sure.

6 MR. HOLMES: So two months ago Sawgrass came  
7 in to discuss their underperformance with the  
8 Financial Investment Advisory Committee. They  
9 made a presentation. At this month's meeting we  
10 discussed it, and the goal of the FIAC was  
11 basically to keep them in the portfolio, not  
12 terminate them.

13 The committee found the presentation  
14 helpful. They noted that it's a lower beta  
15 strategy. It's there to help protect on the down  
16 side. If equity markets do start to deteriorate,  
17 we expect them to hold up better and protect  
18 capital, and they also found that they're  
19 sticking with their particular style and process.

20 So that is the recommendation of the  
21 committee. Does that cover it?

22 DIRECTOR JOHNSON: That's very good. Yeah.  
23 This is one of those instances where we couldn't  
24 bring the recommendation to the Board last month  
25 because we didn't have a quorum. We had that

1 quorum with FIAC in July.

2 You'll see a copy, I believe, of Dan's  
3 recommendation relative to Sawgrass in your --  
4 it's the next item in your Board book.

5 And so we just need a motion to accept the  
6 recommendation that the fund maintain its  
7 allocation to Sawgrass.

8 MR. PATSY: I have a question for you, Dan.

9 On page 8 of the Sawgrass presentation,  
10 you've got the correlations that shows the  
11 relationship between Sawgrass and other equity  
12 managers. You don't have Loomis in here.

13 MR. HOLMES: It's -- if memory serves, I  
14 think it's 0.24. This was an older version. I  
15 did have our staff run it versus Loomis, and it's  
16 still sufficiently low.

17 MR. PATSY: So it's 0.24.

18 MR. HOLMES: I believe that was the number.

19 MR. PATSY: Okay.

20 MR. HOLMES: But I did check, and it is --  
21 it's low. If you want, I can call and get the  
22 exact number.

23 MR. PATSY: No, that's good. That's good.

24 Okay.

25 MR. BROWN: Do you want to make a motion,

1 Rick? Do you believe in that motion?

2 CHAIRMAN TUTEN: We need a motion and a  
3 second we keep Sawgrass?

4 MR. BROWN: I have much greater questions  
5 about Brown than I do Sawgrass, because as it's  
6 been presented to us, six months, is that, you  
7 know, Sawgrass's strategy is to protect against  
8 the downside, which obviously in this market, you  
9 know, is going to mean they're ahead.

10 Brown is still here, but I guess there's a  
11 timeline for their release based on what we voted  
12 for.

13 MR. PATSY: Loomis is replacing Brown,  
14 right?

15 MR. BROWN: Completely, altogether?

16 MR. HOLMES: Yes.

17 MR. BROWN: It's just a roll-off the  
18 timeline. Okay. So they will be -- they will be  
19 completely removed at some point as the timeline  
20 transitions?

21 MR. HOLMES: Yeah, it -- Pedro, do you mind  
22 if I steal your thunder?

23 MR. HERRERA: No. Please go ahead.

24 MR. HOLMES: Pedro has been working hard  
25 with Loomis to finalize an acceptable contract.

1 And I think Lawsikia has been involved as well.  
2 I don't mean to minimize your involvement there.

3 And so my understanding is, is that Pedro  
4 and Lawsikia have come to agreement with Loomis,  
5 and then we should be ready to execute a contract  
6 here shortly.

7 MR. HERRERA: We'll do it today actually.

8 MR. HOLMES: See, I said shortly.

9 So we'll execute the contract, and then I'll  
10 work with -- well, with the Board's permission,  
11 I'll work with Tim and staff to go through a  
12 transition and get the monies transferred over to  
13 Loomis.

14 CHAIRMAN TUTEN: So we've got a motion and a  
15 second to approve the Advisory Committee, keep  
16 Sawgrass.

17 MR. BROWN: Rick's going to make the motion  
18 and I'll second it that we keep Sawgrass.

19 CHAIRMAN TUTEN: Okay. Perfect. Any  
20 questions, comments?

21 (No responses.)

22 CHAIRMAN TUTEN: All in favor?

23 (Responses of "aye.")

24 CHAIRMAN TUTEN: Any opposed?

25 (No responses.)

1           CHAIRMAN TUTEN: Okay. Perfect. Thank you,  
2 Dan.

3           Personnel Committee. Rick, you were there,  
4 Buddy, weren't you?

5           MR. PATSY: Yes.

6           Chris and I met with Tim. We met through --  
7 because this is a first evaluation for him, first  
8 year, to renew the contract, we do have to go  
9 through his contract. We do have to come to a  
10 consensus of his evaluation today so that we can  
11 get it approved and through the system, I think,  
12 by July 31st, Lawsikia?

13          MS. HODGES: Yes. Yes.

14          MR. PATSY: So we put together a simple  
15 performance evaluation, first year, in theory.  
16 Got a lot to go on. I don't envision us getting  
17 much more in-depth in the evaluation going  
18 forward. But this does give us something to work  
19 with.

20           What we did was we sent out the performance  
21 evaluation to each member. The expectation is  
22 they were going to complete all these, get them  
23 back in today.

24          MR. BROWN: Did you do your homework?

25          CHAIRMAN TUTEN: I did, and I left them at

1 home, but I --

2 MR. PATSY: There is one in the package.

3 CHAIRMAN TUTEN: Well, it doesn't matter.  
4 They all said yes. Tim has done a great job. I  
5 don't think I need to write it down.

6 MR. PATSY: And this is the general  
7 consensus.

8 CHAIRMAN TUTEN: Yeah. That's the general.  
9 Yeah, I don't think there's going to be any  
10 question of whether or not Tim --

11 MR. PATSY: My only comments are, Tim, first  
12 year, challenging year with pension reform,  
13 learning a new system, all that coming together  
14 at the same time, he hit the ground running with  
15 little or no necessary guidance from the Board.

16 I think when you look back at the kind of  
17 things we look for when we went through the  
18 vetting process, we're looking for a good  
19 communicator, somebody who was going to help us  
20 build bridges with City Hall and City Council.  
21 Tim has done an excellent job of that.

22 MR. BROWN: Tim has done a good job of, from  
23 a political perspective, I think, winning back  
24 some of the opinions of the public that, to no  
25 fault necessarily to anybody that came before,

1 the opinions have kind of, you know, dropped just  
2 based upon the political climate.

3 But also the massive, monumental changes  
4 that he had to navigate this organization through  
5 and around, I find it very impressive what he did  
6 the first year. I don't even know that he was  
7 aware of what he was getting into.

8 What came out of that meeting is actually  
9 the need, though, to formalize a performance plan  
10 for him with clear objectives, you know, three,  
11 five, whatever, however many objections, that  
12 kind of drive what he's supposed to do over the  
13 next year.

14 That was supposed to happen with that  
15 contract last time and there wasn't one made, but  
16 over the year we have let our expectations be  
17 known and he's done a good job of keeping us  
18 updated with the six-month review and all that.

19 So we kind of did an *ad hoc*, if you will,  
20 performance eval from this last year based on the  
21 performance benchmark we kind of set informally  
22 and he adhered to, but this Board needs to come  
23 up with some official performance plan for the  
24 next year.

25 Not going to get done today, but we'll work

1 with Lawsikia to try and figure out something  
2 standardized that he can have to guide his next  
3 year. I think that's kind of a separate issue.

4 I guess the evaluation last year, there's  
5 really two things that we need to do, are, one,  
6 based on the evaluations that we are submitting,  
7 which is a binary, you know, yes or no, does he  
8 met or exceed these expectations, we need to vote  
9 on whether or not to extent his contract for  
10 another year, and then what any changes or  
11 amendments to that contract would be made.

12 So I think that's kind of where we're at  
13 right now, what we need to do today, since his  
14 contract expires in two weeks.

15 CHAIRMAN TUTEN: I agree. Anybody on the  
16 phone want to speak up? Bill?

17 MR. SCHEU: I would just like to say that I  
18 think Tim has done a superb job. And as Chris  
19 just mentioned, the governance -- the increase in  
20 the positive relationship between particularly  
21 the council and the board, I think, has been a  
22 lot driven by Tim, and I think he's worked hard  
23 to establish relationships.

24 So I just want to commend him on a great  
25 first year.

1 MR. PAYNE: Am I on? This is Willard.

2 MR. BROWN: You are on, Willard.

3 MR. PAYNE: Okay. As I indicated in my  
4 performance review, Tim came in at a tough  
5 position there, and to do what he's done as  
6 smoothly as he has made a difference, I think, to  
7 the police and firemen and for the city and  
8 everything.

9 So I certainly am glad that I can recommend  
10 that we extend the contract and that we do  
11 whatever we can in terms of a raise or what have  
12 you. That's my position.

13 MR. BROWN: So my thought was -- because I  
14 think we all now have expressed that we agree  
15 he's done -- he's worked in mastery fashion over  
16 the last year, really, the one amendment to the  
17 contract would be salary compensation. I think  
18 everything else is pretty standardized when it  
19 comes to health benefits and such.

20 A natural floor would be, you know, a cost  
21 of living adjustment. I'm not quite sure what  
22 the ceiling would be for us to consider.

23 A side note, I think we need to establish a  
24 range that we need to look at going forward each  
25 year that based upon if he hits his benchmarks,

1 he's kind of here, standardized a little more.

2 But as far as last year, with the floor  
3 being, you know, COLA, which to our earlier  
4 discussion, looks to be around 2 percent  
5 inflation rate for this last year, you know,  
6 maybe a natural ceiling of 6 percent. I don't  
7 know.

8 But I do think he should be compensated and  
9 he should receive a raise, but we just need to  
10 figure out what that looks like.

11 CHAIRMAN TUTEN: Well, I'll be the last to  
12 speak.

13 I think Tim has done an excellent job. I've  
14 talked to Tim, as many of you know, probably many  
15 times on the phone concerning various topics. I  
16 had one reservation when we hired him simply  
17 because he wasn't from here. Not because he  
18 wasn't from Florida. It's just he had no  
19 familiarity with the system, with the Florida  
20 Retirement system, with Jacksonville.

21 And I kind of wondered if maybe he didn't  
22 come from a smaller place that maybe wasn't quite  
23 as exciting as this one. But I warned him and he  
24 came anyway.

25 (Laughter)

1           CHAIRMAN TUTEN: So he's done an excellent  
2 job. I think the performance evaluation part,  
3 I've been down this road. It's a fluid situation  
4 with a director. I mean, we can put in some, you  
5 know, make-people-happy-type parameters, like,  
6 you know, smiles at the public and shakes babies'  
7 hands or kisses the babies. Whatever you want to  
8 do.

9           He's got a basic job. He does it. He's  
10 going to do it. You know, things are going to  
11 come up that don't fit that criteria. We're  
12 going to have a manual this thick one day of all  
13 the things we expect him to do, because that's  
14 what this job is. It's crazy.

15           That said, we can come up with something.  
16 That's fine. I think he's passed the evaluation  
17 for the year. Everybody seems to think he did a  
18 great job. I think he did a great job.

19           So let's just get down to what we need to  
20 get down to, which is the money part. I mean,  
21 I'll make the first comment that I think when we  
22 hired him, he didn't make enough money.

23           I don't think \$197,000 a year, knowing  
24 people that I know in the private sector that  
25 make way more than that, is commensurate with the

1 job that he does. He's proved himself.

2 You know, two things I think we need to do  
3 is, is give him a bigger raise besides 3 percent,  
4 and we need to extend his contract to a minimum,  
5 in my opinion, of three years, simply because it  
6 gives him security. It gives us security. We  
7 don't want him walking off the job hopefully to  
8 go somewhere else right in the middle of another  
9 reform agreement, because I can promise you, you  
10 haven't seen the last one.

11 And so me, personally, I think he was  
12 underpaid from the start. I think he ought to  
13 get at least a 10 to 20 percent jump today to put  
14 him in line with what he should be making.

15 I will ask the question. I don't know the  
16 answer. How much does Sam Mousa make a year?

17 MR. ANDERSON: Well, you need to ask Sam  
18 that.

19 CHAIRMAN TUTEN: Does he make 300, I think  
20 it was? How much does Weinstein make?

21 Well, my point is this: They're not  
22 responsible for nearly the amount of people and  
23 benefits and retirees that that man is, and he  
24 does every bit of the political work, PR work,  
25 media work, et cetera work, liaison, that they

1 do.

2 So if they can justify their salary, I think  
3 this Board should be able to justify his salary.  
4 I don't say we go to 300,000 today. Obviously,  
5 that might be a little steep.

6 MR. BROWN: So what -- a three-year  
7 contract. Lawsikia, is that -- everything good  
8 with offering something like that or --

9 MS. HODGES: \$300,000?

10 MR. BROWN: No, no. Three-year contract.

11 MS. HODGES: Yeah, absolutely. You can  
12 totally control the term. And per the contract,  
13 he's making 190-. I thought you said 197- --

14 CHAIRMAN TUTEN: Well, I couldn't remember.  
15 I know it was somewhere around 200. So 190 --

16 MS. HODGES: Right, right. And I'd --

17 MR. SCHEU: I'd like -- I'm sorry, Lawsikia.  
18 When you-all take comments, I'd like to chime in  
19 on that.

20 Lawsikia, I'm sorry I interrupted you.

21 MS. HODGES: No, no. Go ahead.

22 MR. BROWN: I was just looking for  
23 confirmation from her that a three-year contract  
24 is fine. Sounds like it is. The ability for us  
25 to offer Tim a three-year contract.

1 MR. PATSY: I got a question on the  
2 three-year contract, though.

3 If we give him -- increase his compensation  
4 this year, if we lock him into a three-year  
5 contract, does that prohibit us from readdressing  
6 his compensation in each of those three years?

7 MS. HODGES: So through the Chair, so  
8 currently the way that the contract reads, it  
9 states -- this is your contractual terms that I  
10 would recommend that you, you know, adhere to  
11 your contract.

12 But it says, "The Board will evaluate the  
13 executive director each year. The evaluation  
14 will be based on a performance plan with  
15 ascertainable and reasonable goals established by  
16 the Board at the beginning of each contract  
17 year."

18 So that's all it says about evaluation, and  
19 then you have a salary that's set at \$190,000.  
20 So right now you don't have any connection to  
21 performance and increase in compensation. So you  
22 could -- you know, extending it three years  
23 wouldn't stop you from coming back next year  
24 after you do your performance evaluation --

25 MR. PATSY: Okay.

1 MS. HODGES: -- and tinkering with his  
2 compensation. But just know that, you know, city  
3 employees are governed -- when I say -- I'm  
4 sorry. Public employees, not city employees.

5 Public employees in general are governed by  
6 Florida Statutes. So this concept of bonuses,  
7 you can absolutely do, but there's some things  
8 you've got to put in place, which are really the  
9 things that Trustee Brown was taking about.

10 You know, you've got to have a plan that  
11 talks about bonuses that not only addresses the  
12 executive director, but it addresses all your  
13 other employees here so that they also have a  
14 chance. It's got to be a set policy with some  
15 measurables, you know, some clear descriptives.

16 Now, that's a separate -- I mean, so that's  
17 compensation for performance. I mean, so during  
18 the given year, you're doing so great the Board  
19 wants to compensate you for that, whatever that  
20 amount may be.

21 That's separate from his salary. And when  
22 we did the 2015 Reform Agreement, you had  
23 language in the code that was placed in that  
24 addressed this sort of making sure that you did a  
25 market study analysis when you hired this new

1 executive director.

2 And some of you were at the table. I  
3 wasn't. I don't know if that was already  
4 performed or not. At least it should have been,  
5 by ordinance. So presumably the salary that  
6 you're at was based on some analysis.

7 But long story short, today you can increase  
8 his compensation however you'd like.

9 MR. BROWN: Was there a market study done to  
10 determine what his salary should look like based  
11 on peers?

12 MR. PATSY: We did that --

13 MR. BROWN: Because I came in -- I was  
14 elected -- I don't know if it was the month of or  
15 the month -- I think literally my first meeting  
16 we were making that final decision on that.

17 MR. PATSY: Right. We were also taking into  
18 consideration some of the optics from his  
19 predecessor.

20 CHAIRMAN TUTEN: Well, if we did that with  
21 John when the whole salary thing came up and  
22 everybody -- you know, there seems to be this  
23 preconditioned notion that because you're the  
24 director of a pension fund, that somehow you're  
25 supposed to take less money out of the goodness

1 of your heart because you're dealing with  
2 retirees.

3 Well, the JTA's director, hey, we're  
4 transporting people in the public. We're helping  
5 people get from one place to the other. Why  
6 isn't he taking a pay cut?

7 In other words, we've been down this road.  
8 I can tell you, fellows, the salary study will  
9 come back and do nothing but bolster his case. I  
10 can promise, you know --

11 MR. SCHEU: I would like -- could I chime in  
12 when you-all are through?

13 CHAIRMAN TUTEN: Well, the fallout is going  
14 to be, you know, the media. All that was  
15 basically a campaign against John and the pension  
16 at the time for the whole reform thing, et  
17 cetera, et cetera.

18 People should be paid what they're worth.  
19 It doesn't matter who they're working for. You  
20 know, if you want to do the average salary of all  
21 the directors of the independent agencies, be my  
22 guest. But I can promise you, fellas, it's not  
23 going to be come back nearly as cheap as people  
24 think.

25 MR. BROWN: Right. I think that's obvious,

1 too.

2 MR. PATSY: So I like what Lawsikia is  
3 talking about in regards to extending his  
4 contract for one year, address the level of  
5 compensation for this year --

6 MR. BROWN: Okay.

7 MR. PATSY: -- and then come back and do the  
8 study --

9 MR. BROWN: Sure.

10 MR. PATSY: -- and put together a three-year  
11 contract --

12 MR. SCHEU: That's what I support.

13 MR. BROWN: Okay.

14 MR. SCHEU: Mr. Chairman, I really disagree  
15 that the whole reform thing was just about John.

16 Greg Anderson and I and others spent almost  
17 two years working on that, and a lot of it was  
18 the community's feeling that, rightly or wrongly,  
19 that things had gotten out of hand --

20 CHAIRMAN TUTEN: No, I wasn't referring to  
21 the --

22 MR. SCHEU: Let me finish. Let me finish.  
23 Let me finish.

24 CHAIRMAN TUTEN: No, Bill. I wasn't  
25 referring to the reform process as far as the

1 people involved.

2 I was talking about the fact that the salary  
3 John made was part of the media and certain  
4 politicians' plan to go attack the pension fund  
5 because they made such a big deal out of his  
6 salary. As you can see, they took away half his  
7 pension because they didn't like it. Of course,  
8 we're being sued for it. But still --

9 MR. SCHEU: Mr. Chair, if I could just  
10 finish.

11 John was a -- was the face of a lot of that,  
12 but also part of the reform, we -- I remember  
13 talking about -- on the committee of the manner  
14 of which the salary was determined, which was the  
15 average of the other authority members, which  
16 from the perspective of the task force, we  
17 thought that was a little unusual.

18 So I think what I would like to see, and as  
19 I've said, I think Tim has done a great job, but  
20 I think for lots of reasons, including our  
21 improved public relations with the public and  
22 with the council, that I think we ought to do a  
23 comparison market study with our peers, be they  
24 in Florida or whatever. Rick would be much more  
25 competent than I to determine where that is.

1 I just would be very uncomfortable in giving  
2 a significant raise. I don't mind making it  
3 retroactive once we're done, but I do think we  
4 ought to -- we owe an obligation to the public to  
5 do some sort of study.

6 CHAIRMAN TUTEN: But didn't we already do  
7 one when we hired Tim? Didn't we do that when we  
8 hired him, get a salary range?

9 MR. SCHEU: Well, whether we did or not, you  
10 said you want to give him a substantial increase,  
11 and I would vote against that without a market  
12 study because I would like to see where the other  
13 funds are now.

14 MR. BROWN: It does seem a little arbitrary  
15 to just come up with a number without any sort of  
16 comparison.

17 MR. PATSY: Right.

18 CHAIRMAN TUTEN: Well, here's the thing --

19 MR. BROWN: But I also recognize time limits  
20 is an issue.

21 So, Lawsikia, based on what Bill was talking  
22 about, in a retroactive manner, is that a  
23 reasonable -- reasonable move on the Board's part  
24 to commission this study, look at that knowing  
25 that a couple months down the road we'll get the

1 results, and then vote on whatever that raise  
2 would look like and then allow it to go  
3 retroactive to August 1? I don't --

4 CHAIRMAN TUTEN: Let me ask you -- let's  
5 back up for a second. Let's ask the man himself.

6 Director Johnson, what do you want, sir?  
7 Start with the contract itself.

8 DIRECTOR JOHNSON: I'll tell you what I  
9 want. I want a three-year contract --

10 MR. BROWN: Okay.

11 DIRECTOR JOHNSON: -- and I want a 10  
12 percent increase.

13 CHAIRMAN TUTEN: Perfect.

14 MR. BROWN: Is there any support you would  
15 put for the 10 percent? I mean, you've done a  
16 phenomenal job. We're not going to be able to  
17 pay you what you're worth, and I'm not saying  
18 that in a seminal fashion. You really have done  
19 a phenomenal job in the way you've handled your  
20 duties and things beyond that.

21 But anything to support that 10 percent?

22 DIRECTOR JOHNSON: Well, you know, I was  
23 recruited through a national outfit, and that  
24 national outfit, I would imagine, although I did  
25 not engage them, worked to put together a

1 competitive salary for the position they were  
2 recruiting for.

3 In response to the initial contract that I  
4 was offered, I asked for a three-year contract  
5 and a 10 percent higher salary. The money was in  
6 the job to begin with. And it was told to me at  
7 that time that, you know, I'm a new guy, just  
8 like the chairman said, coming down from  
9 Pittsburgh. There's a lot going on. Let's see  
10 how this first year goes and maybe we'll revisit  
11 that.

12 So the first year is up, and I'm requesting  
13 the same thing that I requested when I initially  
14 accepted the job. That was a three-year contract  
15 and a 10 percent higher salary.

16 MR. BROWN: A one-time 10 percent pay  
17 increase, which you're requesting, with three  
18 years of that salary. Is that -- of the  
19 currently salary increased by 10 percent for  
20 three years is what you're asking?

21 DIRECTOR JOHNSON: No. I'm asking for a 10  
22 percent increase today.

23 MR. BROWN: Right.

24 DIRECTOR JOHNSON: Going forward,  
25 compensation will be based on performance, but a

1 three-year contract. All other terms of the  
2 agreement would be the same. There are  
3 sufficient termination clauses in it now, I  
4 think, to protect both parties.

5 MR. SCHEU: I agree with that.

6 MR. PATSY: With the three-year contract,  
7 with the re-eval, as you said, compensation based  
8 on performance evaluated on a annual basis.

9 DIRECTOR JOHNSON: Correct.

10 CHAIRMAN TUTEN: Now, with the contract  
11 itself, the way its written, whether three years  
12 and the current one, might go into your --  
13 performance evaluation, but there has to be  
14 clauses in there for -- moral clauses, you know,  
15 doing the right thing, you know. Termination, in  
16 other words. For cause, not just for without  
17 cause.

18 MR. SCHEU: That's in there. That's in  
19 there.

20 MS. HODGES: That's in there. You have that  
21 termination --

22 MR. HERRERA: It's in paragraph 5. So you  
23 have it as part of your contract term.

24 CHAIRMAN TUTEN: Okay.

25 Well, I think part of this -- and the 10

1           percent I don't think is out of control, because  
2           personally I think that puts him up to the level  
3           where he should have started off in the  
4           beginning.

5           MR. SCHEU: Mr. Chairman, could we get the  
6           advice of the council liaison, if he's still  
7           there?

8           MR. BROWN: He's here.

9           MR. SCHEU: Greg, given our past history,  
10          what's your judgment about doing this without any  
11          kind of market backup?

12          MR. ANDERSON: Well, gee, Bill, thank you.

13          MR. SCHEU: I know. You get the big bucks.  
14          Actually, you get paid to be on the City Council.

15          MR. ANDERSON: I do. So thank you, Bill,  
16          for that question.

17          Number 1, Director, I was telling Joey that  
18          the level of professionalism that is in this  
19          meeting and -- that I saw during some very  
20          difficult discussion through pension reform,  
21          really, you brought to the table.

22          And so from my standpoint, I think you've  
23          done a really wonderful job.

24          DIRECTOR JOHNSON: Thank you.

25          MR. ANDERSON: I think you have created an

1 opportunity to continue what I think is a much  
2 healthier relationship with elected officials,  
3 both the mayor's office and also the City  
4 Council.

5 So I'm in the camp of, Tim, you've done a  
6 great job. Thank you for being here. Thank you  
7 for accepting this job. So thank you.

8 Two: His request seems reasonable to me.  
9 Okay. It seems reasonable. But I do agree that  
10 Mr. Scheu has a good point, given the history,  
11 given the history. And the best way to make sure  
12 that that doesn't come back in a way that could  
13 be perceived as being less than transparent is to  
14 do a study.

15 And so one of the suggestions that you might  
16 consider would be to go ahead and approve this  
17 motion now as requested, but with the  
18 understanding that if the study does not come  
19 back and validate those numbers, that the  
20 director would be willing to make an adjustment.

21 So that would be one way to handle it.

22 The other way would, of course, be just to  
23 wait for two months and have it all done at one  
24 time.

25 So with that, that's my thought. And I

1 would turn it back over to the Chair.

2 MR. PATSY: So based on that, I'll make a  
3 motion that we award Tim an increase in salary of  
4 10 percent for the next fiscal year, construct a  
5 three-year contract to extend his term here, as  
6 well as looking at or re-evaluating his  
7 performance and compensation on an annual basis,  
8 and to do a compensation study going forward.

9 And if we determine that his compensation is  
10 below the market, we will adjust it accordingly.

11 MR. BROWN: Well, let me ask you this on  
12 that. Who would conduct this study, typically?  
13 Lawsikia is that --

14 MS. HODGES: Right. I mean, it says here --  
15 and just to make sure we're talking about the  
16 right study, and this is in the ordinance.

17 "Market analysis of comparably sized public  
18 pension plans." So we're not comparing  
19 independent authorities.

20 MR. BROWN: Right, right.

21 CHAIRMAN TUTEN: Lawsikia, I want to  
22 disagree with you. And I know everybody gets  
23 tired of me ranting and raving, but I don't care.

24 Here's the bottom line, though. This is an  
25 independent agency of Jacksonville, as the

1 General Counsel likes to remind us when they're  
2 telling us what to do, you can't have it both  
3 ways.

4 MR. BROWN: Rich, that's apples and oranges.  
5 You cannot compare this organization to JTA,  
6 JEA -- just -- you can't.

7 CHAIRMAN TUTEN: I'm not comparing the  
8 organization. I'm comparing the leaders.

9 MR. BROWN: You can't compare the job  
10 responsibilities of that person with this.  
11 That's totally different --

12 CHAIRMAN TUTEN: Take away the title,  
13 though, Chris --

14 MR. SCHEU: Point of order. Point of order.  
15 Point of order.

16 CHAIRMAN TUTEN: -- if it's a good leader of  
17 an organization, what difference does it matter  
18 who's leading?

19 MR. PATSY: But --

20 MR. SCHEU: Point of order. The Chairman is  
21 the moderator.

22 CHAIRMAN TUTEN: Go ahead, Rick.

23 MR. PATSY: I do agree with Chris. I think  
24 comparing this agency to other public pension  
25 plans and the compensation that their executive

1 directors get, I think that's a very reasonable  
2 approach.

3 CHAIRMAN TUTEN: I do too. But I also think  
4 it's reasonable to compare to the other  
5 independent agencies of this city. And saying  
6 because -- I'm looking more at the leader and his  
7 responsibilities to the job. I don't care who  
8 he's leading.

9 MR. PATSY: Right.

10 CHAIRMAN TUTEN: He's either good or  
11 he's not.

12 MR. PATSY: I think we can consider that  
13 information in the package, but to me the more  
14 pertinent comparison is to other public pension  
15 plans.

16 CHAIRMAN TUTEN: That's fine. I mean, I'm  
17 not saying we don't do that either, but I want --

18 MR. SCHEU: Mr. Chair, could I make an  
19 amendment, which may go down to flaming defeat,  
20 but I would like to propose that we do work  
21 toward -- that we renew the contract but we  
22 change it to a three-year term, that we wait to  
23 adjust the salary until our August meeting,  
24 during which time a subcommittee of Mr. Patsy and  
25 Mr. Brown will communicate with other Florida

1 pension funds to determine what their  
2 compensation levels for their directors are and  
3 then report back so we can make a decision on the  
4 compensation part at the August meeting.

5 CHAIRMAN TUTEN: Yeah. I don't have a  
6 problem with that, Bill. I think what we're  
7 going to have to do, though, unless you guys feel  
8 like calling every pension fund, is we're going  
9 to have to find somebody to do the consulting.

10 MR. PATSY: There's a consulting firm  
11 called -- I forget the exact name of the firm  
12 that does this kind of thing.

13 CHAIRMAN TUTEN: Okay.

14 MR. PATSY: Public pension plans use them  
15 extensively. I'll get the name. I'll come  
16 back --

17 MR. SCHEU: It's not rocket science. All we  
18 want is the salaries of those -- of maybe the ten  
19 largest Florida funds, plus the Florida  
20 Retirement System.

21 CHAIRMAN TUTEN: Well, and I'm going to  
22 forewarn everybody again. This is the same thing  
23 we're going to run into before.

24 Certain retirement systems and the directors  
25 have certain titles. They don't necessarily do

1 the same thing. That's the problem we've always  
2 had is, how do you quantify someone who has eight  
3 different titles versus one guy who is a  
4 director --

5 MR. BROWN: You are right in that regard.  
6 Absolutely.

7 And I know for a fact that Director Johnson  
8 does take on more responsibilities than a lot of  
9 the directors do. In fact, I know some of the  
10 funds around the state, a lot of the -- there's  
11 responsibilities he takes on now have been, you  
12 know, delegated to another position or positions  
13 created. There's more of a staff. I mean, what  
14 he's able to accomplish with the small staff he  
15 has here is pretty incredible.

16 But I would think that a study would  
17 incorporate an analysis of the job description.  
18 I would think. I don't know, though.

19 MR. SCHEU: Yes. And we can take that into  
20 account when we make our decision.

21 MR. PATSY: And it wouldn't be just Florida  
22 pension plans.

23 MR. HERRERA: I was going to say the same  
24 thing, because you guys are one of the -- you  
25 guys are either the largest or the two top, maybe

1 three, in the state. So you're not going to have  
2 a whole lot of comparison -- you will, but the  
3 other similarly sized funds are going to be --  
4 there's a big drop off, right, between the top  
5 two or three and the majority of the other  
6 pension funds here.

7 So I would agree with the comment of also  
8 looking at, you know, on a national level larger  
9 pension funds.

10 MR. SCHEU: I agree.

11 CHAIRMAN TUTEN: Okay. So salary-wise, are  
12 we approving the increase now until we get -- are  
13 you going to continue --

14 MR. SCHEU: I move that we -- my motion is  
15 to defer that, the salary component till August,  
16 but that has not received a second. So it may go  
17 down to flaming defeat.

18 CHAIRMAN TUTEN: Okay. I'm just trying to  
19 line up the whole contract thing as far as --

20 MR. PATSY: Right, right.

21 CHAIRMAN TUTEN: Okay. So we're just going  
22 to extend it for now until August, until the next  
23 meeting, at the current salary level?

24 MR. BROWN: Lawsikia, can I ask a question?

25 MS. HODGES: Yes.

1 MR. BROWN: If we were to give him the 10  
2 percent increase now, what provision could be  
3 written in there to where that would be undone if  
4 this study brings out a great difference?

5 You know, let's say the study is  
6 commissioned. We find, you know, a number of  
7 directors that do something similar to what he  
8 does, and then adjust it for -- which I think is  
9 another thing to look at. You remember cost of  
10 living differences around the country.

11 Once there's some adjustments made, if we  
12 find that 10 percent was excessive, what can be  
13 done?

14 MS. HODGES: Right. Yeah. I mean, so it  
15 seems like you ought to be able to, if you want,  
16 approve the 10 percent contingent upon that 10  
17 percent being in line with the study. But you  
18 wouldn't want -- I mean, it would just be cleaner  
19 for it to be a retroactive raise as opposed to  
20 you start paying him August 1 with this 10  
21 percent that you don't know is in line or not.

22 So you can certainly do a motion where you  
23 authorize the 10 percent, you authorize the  
24 study. The 10 percent is effective, you know,  
25 subject to the market analysis, you know, backing

1 up that it's line with other comparable public  
2 pension plans.

3 MR. BROWN: What happens if those are out of  
4 line? What happens if they don't agree? Do we  
5 have to come back and rediscuss the numbers?

6 MS. HODGES: Well, if it doesn't agree, then  
7 he wouldn't get the 10 percent. You see --

8 MR. SCHEU: If we're just going to do this  
9 in August, I don't understand the angst about  
10 that, because -- and we make it retroactive to  
11 August 1, but we do it in August. I'm not saying  
12 we go through some elaborate process that's going  
13 to take months.

14 MR. BROWN: Bill, I don't know if we can get  
15 all this done by the August meeting because we're  
16 asking somebody to look -- not just at salaries,  
17 but there's a few other points of analysis  
18 they're going to have to make. I just don't know  
19 that we'll be able to get all that done.

20 MR. PATSY: Yeah. My concern is if it --  
21 you know, you've got to put an agreement in  
22 place. It could take six months before we get  
23 the results of a study back.

24 MR. BROWN: And I don't think he should be  
25 penalized because we haven't -- the Board didn't

1 do it earlier.

2 MR. PATSY: Right. My gut feeling is it's  
3 going to come back and justify -- it's going to  
4 support what we did. So I don't have the  
5 problems with, A, giving him the increase in  
6 compensation either August 1st or October 1st,  
7 however we want to agree to that.

8 I don't have a problem with doing a  
9 three-year contract. I don't have a problem  
10 doing a salary.

11 MS. HODGES: Okay. So just as long as you  
12 understand, if Tim understands, if in six months  
13 you get the market analysis back and it's out of  
14 line or it's too excessive, now you're just  
15 talking about undoing that, or are you not  
16 talking about -- is the intent that you want to  
17 make sure that the 10 percent is in line with the  
18 market? So either it is and it's not, and if  
19 it's not, he's going to have to give that  
20 increase back?

21 MR. SCHEU: You'd have to claw it back.  
22 That's correct.

23 MR. PATSY: 10 percent is not going to  
24 change his -- I mean, it's a meaningful raise.  
25 Don't get me wrong. I don't see it being that --

1 if it is outside the bounds of what -- the  
2 results of the study, it's not going to be hugely  
3 out of the bounds.

4 And if we do see that it is, well, you know,  
5 next fiscal year we may not give Tim a rise.

6 MR. BROWN: Yeah, I think we can adjust it  
7 that way, because I will tell you, I mean, we  
8 know with the loss of one employee here, he's  
9 taken on more duties than the average director is  
10 going to have. So I think there needs to be a  
11 natural weight placed upon that too.

12 MR. HERRERA: Just for numbers purposes, you  
13 guys are -- you know, with a \$19,000 raise, it's  
14 about -- what is it, \$1,500 a month? So it's  
15 about 350 bucks, 360 bucks a week. That's what  
16 you're talking about.

17 MS. HODGES: Okay. So then you're not  
18 really talking about a claw back then. You want  
19 to authorize the 10 percent, but you still want  
20 to get the market study done. That's what I'm  
21 hearing.

22 MR. PATSY: Right.

23 MR. BROWN: Yes, it is.

24 MR. PAYNE: This is Willard Payne.

25 If we have Tim indicating what he'd like to

1 do and we've all agreed that he's doing such a  
2 fantastic job, why are we having this less  
3 expense?

4 MR. BROWN: We're just trying to get right,  
5 Willard. I think just looking -- we want to make  
6 sure that it's not viewed by the public as the  
7 Board, you know, just handing off some -- you  
8 know, a large chunk increase without justifying  
9 it with some sort of research or, you know, other  
10 justification. I think that's it.

11 We all agree he deserves a raise. We all  
12 agree he's done a phenomenal job. We just want  
13 to make sure, not just in our responsibility as  
14 fiduciaries, but making sure the public doesn't  
15 think that there's, you know, anything  
16 inappropriate.

17 MR. PAYNE: Well, what happens if the  
18 information comes back and it's less than what he  
19 would be making? Are we going to take that away  
20 from him?

21 MR. BROWN: I think Rick indicated that we  
22 just would use that information, you know, months  
23 later when we evaluate him, you know, for this  
24 upcoming fiscal year and perhaps adjust things  
25 there.

1 I think we've already indicated that right  
2 away he's doing more responsibilities than a  
3 typical director does, and that isn't going to  
4 really be captured, I don't think, in a study.

5 So I think part of this justification for an  
6 increase now is we know he is taking on  
7 responsibilities of somebody who has left the  
8 organization several months ago. Right away,  
9 that can be your justification for the following  
10 year. I mean, at least my thought is on that.

11 Do you-all disagree?

12 CHAIRMAN TUTEN: No, I don't disagree.

13 MR. BROWN: I mean, he's doing more --

14 MR. PATSY: Yes.

15 MR. BROWN: -- than we even hired him to do.

16 CHAIRMAN TUTEN: Oh, I know he has. But  
17 it's -- like I said, I've been down this road.  
18 And I look at it strictly from an organizational  
19 standpoint. We have an organization to run. It  
20 doesn't matter who they are or what they do, you  
21 need a leader. And if you have a leader that  
22 does a good job that is underpaid, you need to  
23 take care of that.

24 MR. BROWN: Here's my recommendation.

25 I'm going to make a motion that we offer Tim

1 a three-year contract with a 10 percent increase  
2 in his salary, but we also commission this study  
3 that will drive our determinations for future  
4 fiscal years as to how much he'll get then.

5 But I do think based upon, not just his  
6 performance this last year, but the additional  
7 responsibilities he's taken on, I think he's  
8 earned the 10 percent regardless of what  
9 comparable directors are making.

10 But I do think we can use that information,  
11 what we get out of that study three to six months  
12 from now, and we can include that information in  
13 our annual assessment going forward.

14 That's my motion. I don't know if that  
15 jibes with what you were talking about, Bill, or  
16 if you want to take a shot at amending that.

17 MR. SCHEU: No. I think it's clear where  
18 you-all want to go. I'm going to vote against  
19 the motion. So you-all do what you want.

20 But I just think we've come a long way and I  
21 hate to see us go backwards. And that's nothing  
22 against Tim. And I hope Tim and I have a close  
23 enough relationship that he understands that.  
24 But I just think we're going in the wrong  
25 direction.

1 MR. BROWN: Because you think that the 10  
2 percent is just an arbitrary number not supported  
3 by research?

4 MR. SCHEU: Well, I don't know whether it's  
5 supported or not because, you know, this has been  
6 effectively -- well, this is something we've had  
7 no background on in preparation for this meeting.

8 It was moved at this meeting. I have no  
9 statistical comparison. And so I just think our  
10 relationship with the public is very important  
11 and with the council. I just think this is a  
12 mistake. That's all right. It doesn't hurt my  
13 feelings. It's just a matter of principle.  
14 That's what it is. You-all do want you want to  
15 do.

16 MR. BROWN: I mean -- and I actually  
17 understand where he's coming from, and I think  
18 that was part of my, you know, initial talk is  
19 that we are fiduciaries for the fund, but we have  
20 come a long way in the public's eyes.

21 I don't want there to ever seem like there's  
22 something we're doing -- I want everything that  
23 we're doing to appear above board. And getting,  
24 you know, councilmen's perspective on this is  
25 important.

1 I'm torn. I think that if we -- if we get  
2 this study back, I think we can make those  
3 adjustments in the following years, like Rick  
4 said. I think you can accomplish it either way,  
5 but I don't know if what I'm suggesting is ideal.  
6 I don't know.

7 MR. PATSY: I don't know if there is an  
8 ideal. We're talking about --

9 CHAIRMAN TUTEN: Rick has touched on the  
10 problem. The problem is -- this ain't going to  
11 get done in a month. The problem is it's going  
12 to take three, four, five months --

13 MR. BROWN: That's my concern, is that will  
14 be delayed by a number of months. He's been  
15 penalized enough --

16 CHAIRMAN TUTEN: -- and, you know, if --  
17 look, if the study comes back, Bill, and it's  
18 whacked, and the average salary is 120, Tim,  
19 we've got to have a talk. You know, this is the  
20 way it is. But chances are it's not going to  
21 come back this way.

22 MR. BROWN: I think Councilman Anderson has  
23 something --

24 MR. ANDERSON: So what you might be able to  
25 do, listening to the conversation, is talk about

1 effective date.

2 So when are you talking about in terms of  
3 effective date for the salary? What would be the  
4 effective date?

5 MR. BROWN: That's a good point.

6 You know, the contract can start, but an  
7 effective date of an increase could happen, you  
8 know, a month or two down the road.

9 CHAIRMAN TUTEN: Well, I would prefer to do  
10 the fiscal year since we're getting everything  
11 lined up here today with meetings and members and  
12 stuff. I mean, to me, the end of July, unless  
13 somebody else is opposed to it, I would like to  
14 do something --

15 MR. BROWN: Offer him a 15-month contract  
16 this time --

17 CHAIRMAN TUTEN: You know, it lines up  
18 perfectly with the fiscal year. Everything,  
19 blah, blah, blah. It lines up with our contract.  
20 Lines up with everything else.

21 MR. BROWN: Right. Or a 39-month contract  
22 if you want to -- because I think we all agree, a  
23 long-term contract is better for everybody. A  
24 39-month contract could get us on a fiscal year.

25 CHAIRMAN TUTEN: Yeah. We've got -- yeah,

1 36 plus with July, August, September. So we've  
2 got what, a little over two months until October  
3 1? So, yeah, that would be fine with me. Make  
4 it a 39-month contract, whatever we need. Eight  
5 months?

6 MR. BROWN: I think a 39-month contract  
7 would get us in line with the fiscal year and let  
8 him have that longevity he's seeking.

9 We all want -- I think the question here is,  
10 really the only thing we have to resolve is, do  
11 we go with the pay increase now, knowing we're  
12 going to get a study in the future, or do we wait  
13 for the study?

14 My concern on waiting on that study is we  
15 could be penalizing our director, who we want to  
16 reward and I think has demonstrated that he  
17 deserves to make more than what he's making,  
18 given all the duties he's taken on.

19 My concern by waiting is I don't know how  
20 long that will take. And we've already heard  
21 from Lawsikia that the retroactive thing really  
22 isn't a good idea.

23 MS. HODGES: No, no, no.

24 Through the Chair, what I was simply getting  
25 at was you wait for the study to come in, you can

1 approve authorizing the raise, but it's just a  
2 pay that's retroactive. You know, we get this  
3 all the time.

4 So whenever the study comes back in, three  
5 months from now, he'll get a three-month worth of  
6 raise, you know, starting --

7 MR. SCHEU: Yeah. That's not a bonus.  
8 That's a raise. She's talking about bonuses  
9 earlier.

10 CHAIRMAN TUTEN: In other words, you're  
11 saying go ahead --

12 MS. HODGES: No, no. To raise.

13 CHAIRMAN TUTEN: -- approve the rate and  
14 make it retroactive until we get the study --

15 MS. HODGES: Until -- yeah.

16 CHAIRMAN TUTEN: -- that way we don't have  
17 to pay him money and then take it back, or we're  
18 way off in this and that. I don't have a problem  
19 with that.

20 MR. SCHEU: That's what I was saying from  
21 the beginning. Make it retroactive.

22 MR. BROWN: Okay. Bill, do you want to put  
23 all this in an adjusted motion? Mine just died,  
24 I think.

25 MR. SCHEU: No, I think your motion is fine,

1           except that the pay increase would be subject to  
2           receipt and consideration of an appropriate  
3           study --

4           CHAIRMAN TUTEN:   Retroactive to July 31st or  
5           August 1st?

6           MR. SCHEU:   -- and any raise that was then  
7           voted on would be retroactive to October 1st, the  
8           beginning of the fiscal year.

9           CHAIRMAN TUTEN:   Yeah, but he doesn't have a  
10          contract between July 31st and then.

11          MR. BROWN:   He's out of contract at the end  
12          of the month, Bill.   That was one of the other  
13          issues here.

14          MR. SCHEU:   Oh, I know.   Yeah, I'm all  
15          aboard on that, that we extend that for 32 months  
16          or whatever, but that the pay raise be effective  
17          upon review of a market study, and any raise  
18          would be retroactive, as I think the Chairman  
19          said, to October 1st of 2018, to be consistent  
20          with the fiscal year.

21          CHAIRMAN TUTEN:   I think the contract ought  
22          to go for three years, up until October 1st of  
23          2020, or whatever it's going to be.   And this  
24          contract should start August 1st, after this  
25          current one ends at that new pay rate we

1 approved.

2 He'll stay under the current pay rate he's  
3 at now until after the study, as long as it  
4 justifies the number that we have agreed upon.  
5 Back pay, retro pay him back to August 1st --

6 MS. HODGES: Right, right.

7 CHAIRMAN TUTEN: So he'll basically have a  
8 three-year and two-month contract.

9 MR. BROWN: Okay. I think that's probably  
10 the absolute best way to get all of our desires  
11 into one.

12 MR. SCHEU: I agree with that. If what  
13 you're saying, we wait to pay it until we get the  
14 study.

15 CHAIRMAN TUTEN: We pay him the rate --

16 MR. SCHEU: -- but it's retroactive, right.

17 MS. HODGES: And the end date of the  
18 contract would be September 30th, 2020, right?

19 MR. BROWN: That's right. It would be a  
20 39-month contract.

21 MR. PATSY: And there's no issue with  
22 retroactive pay?

23 MS. HODGES: No, we get it all the time.

24 MR. BROWN: Okay. Great. So any further  
25 clarification needed on that motion? I know that

1 was kind of a Frankenstein of phrases --

2 MS. HODGES: No, I know what you're saying.

3 MR. BROWN: Perfect. I just want to make  
4 sure. Okay.

5 MS. HODGES: Right.

6 MR. PATSY: Right. So the motion is a  
7 contract to expire September 30, 2020, to have a  
8 study to evaluate and assess compensation for the  
9 executive director. And based on the results of  
10 that study, we will assign any kind of adjustment  
11 to compensation. Is that accurate?

12 MR. BROWN: Bill.

13 MR. SCHEU: Which will be retroactive to the  
14 commencement of the 2017-18 fiscal year.

15 MR. PATSY: Okay. Just add that retroactive  
16 piece to it.

17 MR. BROWN: Retroactive to August 1 or  
18 October 1?

19 MR. SCHEU: I thought Rick wanted to do it  
20 as of October 1.

21 CHAIRMAN TUTEN: Well, this is going to be  
22 August --

23 MR. BROWN: I would say August 1 because  
24 that's when the contract will start.

25 MR. PATSY: Yes.

1 MR. SCHEU: I have no objection to that.

2 MR. BROWN: Okay.

3 CHAIRMAN TUTEN: But we're still approving  
4 the 10 percent raise retroactive, right?

5 MR. SCHEU: No.

6 CHAIRMAN TUTEN: Are we going to wait --

7 MR. SCHEU: I think --

8 MR. BROWN: No. We're waiting for the study  
9 as --

10 MR. SCHEU: Well, I think we ought to give  
11 the benefit -- yeah, it would be to Tim's benefit  
12 to see if it comes in higher, you know. 10  
13 percent, we don't have to decide that.

14 CHAIRMAN TUTEN: Okay.

15 MR. SCHEU: Now, the question is, is this  
16 okay with Tim? I mean, there's two parties to  
17 this contract.

18 MR. BROWN: Tim, do you want to weigh in?

19 DIRECTOR JOHNSON: Well, I think I made my  
20 case. I -- the competitive salary was determined  
21 when I was recruited. That's when that study was  
22 done.

23 In other words, the national outfit offered  
24 a salary that it felt was necessary to attract  
25 the talent that they were looking for.

1           So I don't support this notion of doing a  
2 competitive salary analysis every year. That  
3 doesn't make a lot of sense to me.

4           CHAIRMAN TUTEN: What was the salary then,  
5 Tim? Do you remember?

6           DIRECTOR JOHNSON: Well, as I said, I asked  
7 for 10 percent more at that time because there  
8 was 10 percent available.

9           CHAIRMAN TUTEN: Right.

10          DIRECTOR JOHNSON: Secondly, I think the  
11 question for this first year seems to be how much  
12 of an increase is palatable by the public?

13          It doesn't sound like the question is how  
14 much of an increase is deserved.

15          CHAIRMAN TUTEN: Right.

16          DIRECTOR JOHNSON: That's what I'm hearing  
17 from you guys.

18          CHAIRMAN TUTEN: Right.

19          DIRECTOR JOHNSON: We started off at cost of  
20 living, 2 percent. That probably would have  
21 worked. You had a cap of 6 --

22          MR. BROWN: It's ambiguous. It's just of  
23 assuming that.

24          DIRECTOR JOHNSON: Well, I'm assuming you  
25 would have supported 6.

1 MR. BROWN: Yeah.

2 DIRECTOR JOHNSON: So it's somewhat about 7,  
3 8, 9, 10 where it starts to get uncomfortable.

4 So what I think we're doing here is  
5 determining whether 7, 8, 9, 10 percent is  
6 palatable by the public, by City Council. And we  
7 need a study to back that up.

8 I believe the performance supports it. This  
9 has been an incredible year from my standpoint.

10 MR. BROWN: Absolutely.

11 DIRECTOR JOHNSON: Going forward, what I  
12 believe we're going to do is we're going to  
13 create some performance criteria so we will know  
14 at the beginning what the compensation is going  
15 to look like at the end if certain performance  
16 measures are met.

17 So truly this first year -- and I think the  
18 question is, is 10 percent justified? I think it  
19 is.

20 MR. BROWN: And I think it is.

21 DIRECTOR JOHNSON: And if a study comes back  
22 and says other directors aren't getting 10  
23 percent increase, I don't know --

24 CHAIRMAN TUTEN: I don't think it's -- Tim,  
25 it's not --

1           DIRECTOR JOHNSON:  -- how you compare what  
2 other people have gotten --

3           CHAIRMAN TUTEN:  Everybody knows where I'm  
4 at.  It's not --

5           DIRECTOR JOHNSON:  -- in exchange for what  
6 we've accomplished here.  It me it seems like  
7 apples and oranges --

8           CHAIRMAN TUTEN:  You're getting paid like a  
9 football player gets paid.  You're getting paid  
10 for past performance, not going forward.

11           They get paid for being a Pro Bowl ten years  
12 in a row even though they're in year 11.  You've  
13 earned the 10 percent, the salary range what it  
14 was, but, unfortunately, not everyone is fearless  
15 of the public and/or the press --

16           MR. BROWN:  It's not about that.  It's about  
17 showing the public that we're not doing something  
18 just completely, you know, whimsical and  
19 saying, you know -- but I will say, listen, study  
20 or not, it's not going to incorporate all of the  
21 stuff that he has done and these extra duties,  
22 because I would challenge anyone to find a  
23 director of a pension fund that is on our scale  
24 that does all that Tim does.

25           I'm telling you, there's going to be more

1 positions than there's places that will do that.  
2 So I don't even know how you would adjust for  
3 that.

4 CHAIRMAN TUTEN: But, see, Chris --

5 MR. BROWN: This is where it's subjective,  
6 and I think he does deserve the pay increase  
7 based on his job description.

8 CHAIRMAN TUTEN: I agree, buddy, and I had  
9 this same conversation back in 2008 and '12 and  
10 '9, with a different director.

11 In other words, it's the same thing that  
12 plays out every time. You're going to have  
13 certain people complain that certain person makes  
14 a certain amount of money, when truthfully nobody  
15 really understands the job as well as we do on  
16 this Board and deals with it on this Board.

17 MR. BROWN: Yes.

18 CHAIRMAN TUTEN: But they will use certain  
19 factors like if the pension plan -- you know, I'm  
20 just personally -- look, 10 percent. That puts  
21 him at 209-. For the job that he does, thousands  
22 of people that he leads, I don't think that's  
23 crazy.

24 MR. SCHEU: Tim, there's one thing to  
25 clarify. I'm not saying the study would show

1           whether a 10 percent raise is what is, quote,  
2           normal, unquote --

3           CHAIRMAN TUTEN:   That's fine.

4           MR. SCHEU:   -- but whether the pay level to  
5           which that would take you would be appropriate.  
6           That's all.   That's the only difference.

7           CHAIRMAN TUTEN:   We have the motion and the  
8           second.

9           MR. PATSY:   Wait a minute.   The motion --

10          MR. BROWN:   Let's make sure we clarify.

11          MR. PATSY:   To be honest with you, I agree  
12          with Chris.   I think the 10 percent increase  
13          makes sense to me.

14          MS. HODGES:   Okay.

15          MR. BROWN:   Outside of comparing, I think  
16          his duties and responsibilities have increased.

17          CHAIRMAN TUTEN:   I agree.

18          MR. PATSY:   I've been in this business long  
19          enough to know that whatever study we do is going  
20          to come back and verify and substantiate what  
21          we've done.   I get it.

22          MR. BROWN:   And I don't know where we're at  
23          on the motion thing.   But I -- look, I'm going to  
24          reiterate what I said earlier.

25                 39-month contract with a 10 percent raise,

1 but commission -- commission this comparison that  
2 we can use in the future for when we revisit his  
3 salary.

4 MR. PATSY: I'll second that. I agree with  
5 that.

6 MR. BROWN: All right. So that's what's out  
7 there.

8 CHAIRMAN TUTEN: Okay. We've got a motion  
9 and a second. We're moving forward.

10 Bill, got any comments, concerns?

11 MR. SCHEU: I'm just going to vote. We'll  
12 vote like we want.

13 CHAIRMAN TUTEN: Okay. Willard, you still  
14 there?

15 MR. PAYNE: I'm here. I'm certainly for  
16 doing whatever we need to do (indiscernible)  
17 because as we said, Tim has done an excellent  
18 job. And many places, you can't be comparative.  
19 He's done a job -- come here, the whole city had  
20 problems, and we've smoothed them in a great way,  
21 I think.

22 CHAIRMAN TUTEN: Okay. We have a motion and  
23 a second. We've discussed it *ad nauseam*.

24 Any further questions or comments before I  
25 call the vote?

1 (No responses.)

2 CHAIRMAN TUTEN: Okay. Everyone in favor,  
3 say aye.

4 (Responses of "aye.")

5 CHAIRMAN TUTEN: Everyone opposed?

6 (One response of "aye.")

7 CHAIRMAN TUTEN: Okay. We have a 4-to-1  
8 vote.

9 Congratulations, Director.

10 DIRECTOR JOHNSON: Thank you.

11 CHAIRMAN TUTEN: I'm assuming you'll have  
12 Lawsikia officially draw up your official  
13 thingamajig?

14 DIRECTOR JOHNSON: Uh-huh.

15 CHAIRMAN TUTEN: Personnel Committee, are we  
16 still doing the study?

17 MR. PATSY: Yes.

18 CHAIRMAN TUTEN: Okay. Are you all two  
19 handling that, Personnel Committee?

20 MR. PATSY: Yes. We'll coordinate with Tim  
21 and Lawsikia.

22 CHAIRMAN TUTEN: Perfect.

23 MS. HODGES: Through the Chair -- oh, I'm  
24 sorry. Go ahead.

25 MR. ANDERSON: I just want to make sure.

1           So I've seen this on other boards, that it  
2           seems to work, that the Personnel Committee would  
3           actually make the recommendation to the full  
4           Board.

5           And so these things, Tim's a veteran. He's  
6           been around, so he understands that these are not  
7           fun discussions. It's just in the public eye  
8           you've got to do it this way. But one of the  
9           ways that I've seen other boards handle it is the  
10          Personnel Committee to make a recommendation to  
11          the full Board to be voted up or down or amended  
12          at that time.

13          And I think going forward --

14          MR. BROWN: Yes.

15          MR. ANDERSON: -- based on what you-all have  
16          just been through and what you're getting ready  
17          to put in place, that might be something for the  
18          Chair to consider.

19          MR. PATSY: Going forward.

20          CHAIRMAN TUTEN: Hey, I don't want to be the  
21          you-know-what guy at this meeting. But when  
22          we're debating over whether or not to give the  
23          man how much money we're giving him, \$19,000 a  
24          year? The school board just said they couldn't  
25          figure out where \$21 million went. Please put

1           that on the record.

2           So I don't worry about such trivial matters  
3           or what people think, because the truth of the  
4           matter is there's enough money being blown on a  
5           daily basis in this town to dad-gum blow up a  
6           ship at Blount Island.

7           MR. BROWN: Well, I stand by what I said  
8           earlier. I don't think we can pay -- I don't  
9           think we pay Tim enough.

10          Lawsikia was going to say something, I  
11          think.

12          MS. HODGES: Yes. I just wanted to make  
13          sure, are you going to take the lead on working  
14          on the --

15          (Simultaneous speech)

16          THE REPORTER: I'm not hearing this --

17          MR. BROWN: Rick, her question was if I'm  
18          going to take the lead on the measurables for the  
19          following year. Honestly -- I'm -- I'm just not  
20          really qualified in that area. I don't mind  
21          doing the research. But if we can use something  
22          that currently exists elsewhere or just --

23          MS. HODGES: Okay.

24          MR. BROWN: -- a standardized process, I  
25          would lean on whomever could give us that.

1 MR. PATSY: Right.

2 MR. BROWN: I don't want to reinvent the  
3 wheel.

4 MS. HODGES: Okay.

5 MR. BROWN: I don't -- because I don't  
6 really know as far as evaluating a director what  
7 are really good standard categories for that.

8 MS. HODGES: So let me get that information  
9 and maybe I can give it to you --

10 MR. BROWN: Yes, to the subcommittee --

11 MS. HODGES: -- and then you can have a  
12 meeting, yes.

13 MR. BROWN: That will work. Okay.

14 MR. PATSY: Good. Okay. We'll talk.

15 MS. HODGES: Okay.

16 CHAIRMAN TUTEN: And just as a point of  
17 reference, you know, you might want to be able to  
18 check the archives with Tim and you -- at least  
19 to kind of get an idea of where they check from  
20 the last study we did with JJ, you know.

21 MR. PATSY: Right, right.

22 CHAIRMAN TUTEN: I think Siegel did that,  
23 though.

24 MR. PATSY: Well, Tim's correct. ELF did an  
25 analysis --

1           CHAIRMAN TUTEN: Right.

2           MR. PATSY: -- and they came back and said,  
3 we think that this level of compensation is  
4 appropriate, and we went with that.

5           CHAIRMAN TUTEN: Right.

6           MR. PATSY: And so that's -- that was an  
7 input. I don't remember -- I don't throw  
8 anything away, so I know I have it someplace.

9           CHAIRMAN TUTEN: God help us.

10          MR. PATSY: But I don't know where. So if  
11 you can go through your archives and see if you  
12 can find that, or call EFL. They ought to have  
13 it.

14          CHAIRMAN TUTEN: Well, call Siegel too and  
15 ask them to do the one -- because that will help  
16 show you at least which pension plans they looked  
17 at.

18          Director Johnson, do you have anything else  
19 further for the meeting?

20          DIRECTOR JOHNSON: I have nothing else.

21          Do we have anything else, Stephen?

22          MR. LUNDY: That's it.

23          CHAIRMAN TUTEN: Everybody done? Anybody  
24 else?

25          MR. ANDERSON: Just really quickly.



## 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 138, 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 3rd day of August, 2017.

12  
13  
14 \_\_\_\_\_  
15 Denice C. Taylor, FPR  
16 Notary Public in and for the  
17 State of Florida at Large

18 My Commission No. FF 184340  
19 Expires: December 23, 2018  
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24  
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