

JACKSONVILLE POLICE AND FIRE PENSION FUND
BOARD OF TRUSTEES' MEETING AND WORKSHOP

DATE: November 20, 2015

TIME: 9:00 to 11:14 a.m.

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

BOARD MEMBERS PRESENT:

Larry Schmitt, Board Chair
Richard Tuten, III, Secretary
Nathaniel Glover, Jr., Trustee
William E. Scheu, Trustee

ALSO PRESENT:

John Keane, Consultant
Paul Daragjati, Board Counsel
Debbie Manning, Executive Assistant
Joey Greive, Fund Treasurer
Dan Holmes, Summit Strategies
Devin Carter, Fund Controller

Tommy Hazouri, City Council Liaison
Beth McCague
Richard Patsy

These agenda matters of the JPFPP Board of Trustees Regular Meeting and Workshop came on to be heard at the time and place aforesaid, when and where the following proceedings were reported by:

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P R O C E E D I N G S

November 20, 2015

9:00 a.m.

- - -

CHAIRMAN SCHMITT: It's 9:00. We'll call the meeting to order.

MR. KEANE: Everyone please rise and join me in a moment of silence for our following deceased members: John W. Conner, Jr., retired firefighter; Gilbert D. Cannon, Jr., retired police officer; Larry F. Downey, retired police officer.

These retired members have died since our last meeting.

(Please)

Amend. Please remain standing and join me as we, pledge of allegiance, to the flag of the United States of America, and to the Republic for which it stands, one nation, under God, indivisible, with liberty and justice for all.

Thank you very much. Please be seated.

Mr. Chairman and Trustees, as noted on the agenda, Dr. Herbert is excused from the meeting. He is traveling today.

First item on the agenda is the Consent Agenda.

1 MS. MANNING: Do you want to do public
2 speakers?

3 MR. KEANE: We're going to do public
4 speaking. I'm sorry. Went right on by that.

5 CHAIRMAN SCHMITT. We have two public
6 speakers, Curtis Lee.

7 MR. LEE: Hello. My name is Curtis Lee. My
8 address is of record.

9 Jacksonville's taxpayers pay a hundred
10 percent of the costs of the Police and Fire
11 Pension Fund because they have to pay over 90
12 percent of the annual contributions to the fund,
13 and as for the remaining less than 10 percent
14 paid for by the police and firemen out of their
15 salaries, the taxpayers pay those employees'
16 salaries.

17 Therefore, it's crucial that the five
18 trustees not be policemen or firemen or retired
19 ones. It's an issue of fundamental fairness,
20 economic fairness as discussed.

21 Plus, policemen and firemen, even if
22 retired, have divided loyalties. It's also an
23 issue of perception. If policemen and firemen
24 want to ensure at the general public continues to
25 hate and mistrust the Police and Fire Pension

1 Fund with its demonstrated history of abuse of
2 administration, there is no surer way to do this
3 than to try to have the fifth trustee be a
4 retired JSO employee.

5 The public will react negatively, hurting
6 the other objectives of the JSO and JFRD. To
7 have the trustees receive pensions from the
8 Police and Fire Pension Fund is to introduce
9 conflicts of interest and divided loyalties.

10 Conflicts of interest and divided loyalties
11 should not control the Police and Fire Pension
12 Fund. Look at history. Three/fifths of the
13 trustees have had Police and Fire Pension Fund
14 entitlements for many years, which include
15 Sheriff Glover. He gets a pension.

16 What did we get from this divided loyalties?
17 We've got Mr. Keane and his demonstrated records
18 of abuse. We have a \$2 million pension for
19 Richard Cannon, convicted felon and child
20 molester, JSO retiree. I still hear complaints
21 about that.

22 Again, it's a matter of conflicts of
23 interests and divided loyalties. External people
24 must have three of the five seats on the Board of
25 Trustees, which should govern your consideration

1 of who the fifth trustee is. Please don't fall
2 into this trap. The fifth trustee should not be
3 a JSO or a JFRD alumnus.

4 Also, I just wanted to oppose the current
5 proposal to have an employment agreement for
6 Mr. Keane. Everybody knows my position on
7 Mr. Keane. I believe he has been disloyal and
8 helped his way to millions of dollars.

9 Thank you.

10 CHAIRMAN SCHMITT: Mr. Bill Gassett.

11 MR. GASSETT: Good morning. I'm Bill
12 Gassett. Address is on the record.

13 I'm here to talk about some investment
14 situations. If you would turn to the second
15 page, and what this tries to show you is, and it
16 was announced on October 31, 2012, that there was
17 a \$1.6 billion unfunded future liability, we knew
18 on November 1 that the true discounted cash flow
19 was (inaudible) \$307 million in cash to take care
20 of the fund over the next 23 years.

21 It was done on a 23-year basis, but we've
22 waited three years, so the interest expense is
23 carried up to 376-. What that means is we've
24 dropped in \$376 million this year, and based on a
25 7 percent compounded growth rate (inaudible) to

1 fund the \$1.6 billion.

2 If you'll turn to the next page -- I'm
3 sorry. I gave you a bump steer. Yeah. If you
4 turn to this page, it should have been the first
5 one.

6 What I did was I went back and said, Okay,
7 using the June 30 statement provided by the
8 Summit guys and recalculated, had you not had
9 that requirement of 20 percent in fixed income,
10 that would have given you, in effect, about a
11 \$519 million value as of June 30.

12 The way we did it, quite simply, was we took
13 the \$3.85 million, backtracked it on the growth
14 rate at that time, reapplied it to the existing
15 investments and came forward. This is, in
16 effect, about \$126 million that it has cost the
17 fund in performance

18 Now, that's a lot of cash. And it's even
19 more important because when you take the \$307
20 million that was projected needed at the start on
21 October 31, 2012, subtract out what you would
22 have had in the fund because you didn't have that
23 silly rule, you would only have unfunded
24 liability net cash flow of this, or basically had
25 to fund the unfunded liability of about \$950

1 million.

2 Now, I ask Mr. Hazouri, City Councilman,
3 which would you rather try to raise taxes on, the
4 \$1.6 obligation -- 1 billion dollar. It's a
5 rhetorical question, please understand.

6 So this is something that I want you to --
7 you're still in bonds. You should be out of
8 bonds. The next several years are bad for bonds,
9 and I hope what has happened just in the last ten
10 years will demonstrate to this Board the need to
11 change investments.

12 I would suggest that when you establish the
13 new council or committee, that they take a hard
14 look at this approach. I will tell you the
15 mathematics is correct, but definitely you can
16 check me on all the logistics, the logic of it --
17 make sure I did it correct this time with the
18 cash flow analysis, but I'm willing to stand
19 alone and said it's probably pretty solid.

20 Now, getting back to the first page, what
21 does all this boil down to? This 1/2 percent
22 page, if you look it this real quickly, the top
23 page, when you get passed out your Summit Flash
24 Report, which I understand just came in by
25 airmail, you can take this and put it right

1 beside the results of the total fund performance
2 and add this percentage to it.

3 So if you're doing 7 1/2 percent, had you
4 not had this silly rule even ten years ago, you
5 would have had average returns for the ten-year
6 period of 8. That says a lot, and I hope it
7 provides, just really quickly, some defense for
8 the questions about how you are, how the
9 performance has been.

10 The question is, why did you get to have
11 this rule, because Florida Rule 215.7 mandated,
12 incorrectly, poorly, that this kind of fund do
13 that sort of thing.

14 Thank you very much.

15 CHAIRMAN SCHMITT: Thank you.

16 No other public speakers? The public
17 speaking is closed.

18 And before we move on to the next item here,
19 I just want to thank Devin for rearranging your
20 travel schedule. I had asked Devin to change his
21 travel plans so he could be here today in case we
22 have my questions of the controller.

23 MR. KEANE: Consent Agenda, Mr. Chairman and
24 Trustees, ones 1 through 10.

25 CHAIRMAN SCHMITT: Motion?

1 MR. SCHEU: I'll move it, but I have some
2 questions as a new person.

3 MR. TUTEN: I'll second.

4 CHAIRMAN SCHMITT: Discussion.

5 MR. SCHEU: Yeah. I just think that as a
6 new member, in looking at the Application for
7 Time Connections, what are -- is the policy that
8 we connect those prior service? Is that the
9 policy? This isn't unusual?

10 CHAIRMAN SCHMITT: No. This is part of the
11 plan. If we have say, for instance, a
12 corrections officer who is a corrections officer
13 for three years and then crosses over -- and
14 they're in the correction officers' pension plan.

15 When they cross over to -- as a police
16 officer, their time of service also crosses over.

17 MR. SCHEU: Crosses over. So, then, does
18 everything transfer to the new plan or do they
19 stay in the old plan?

20 CHAIRMAN SCHMITT: No, they come under the
21 new plan.

22 MR. SCHEU: They come into the new plan.
23 Okay.

24 And then the same thing on the Application
25 for Vested Retirement, this is what --

1 we're setting the vesting date so that we know in
2 20 years, 21 years, that's when their pensions
3 will start?

4 CHAIRMAN SCHMITT: Correct.

5 MR. SCHEU: I'm just trying to understand.

6 MR. TUTEN: Right.

7 CHAIRMAN SCHMITT: Under the old plan, when
8 an officer vests but they leave the sheriff's
9 office before they have 20 years, they can't
10 start collecting that -- what they earned in the
11 pension until they reach that 20-year mark.

12 MR. SCHEU: 20-year mark. Okay.

13 CHAIRMAN SCHMITT: So that's what those
14 applications are.

15 MR. SCHEU: Okay. Thank you.

16 MR. KEANE: And as a further clarification,
17 Mr. Scheu, military, war-time military service,
18 state law requires that we offer to let the
19 people buy that time.

20 MR. SCHEU: That was my question.

21 MR. KEANE: Statutory requirement.

22 MR. SCHEU: Okay. Good. Thank you.

23 CHAIRMAN SCHMITT: Any other discussion on
24 that?

25 Motion is to accept those Consent Agenda

1 items.

2 All in favor?

3 (Responses of "aye.")

4 CHAIRMAN SCHMITT: Opposed?

5 (No responses.)

6 CHAIRMAN SCHMITT: Passes.

7 MR. KEANE: Next item, Mr. Chairman and
8 Trustees, is the Old Business of connection of
9 the application for Bryan MacDonald. It's
10 previously been approved. This is just
11 correcting the application.

12 MR. TUTEN: I make a motion to accept it.

13 MR. GLOVER: I'll second.

14 CHAIRMAN SCHMITT: Okay. A motion and a
15 second. Discussion?

16 All in favor?

17 (Responses of "aye.")

18 CHAIRMAN SCHMITT: Opposed?

19 (No responses.)

20 CHAIRMAN SCHMITT: Passes.

21 MR. KEANE: Moving on down the list, the
22 next is Application for Membership, Clear and
23 Unrestricted.

24 The first individual had previously been
25 admitted to the plan under Trustee Rule 13.3

1 pending clearance from the medical director.
2 That's now been received. So this individual has
3 changed from pending to a cleared status.

4 The second individual is a correction on the
5 spelling of the name. Ordinance code requires
6 Board approval before any member can be enrolled
7 in the pension plan, and we're correcting the
8 spelling to make sure that we have the right
9 enrollment.

10 MR. TUTEN: I'll make a motion.

11 MR. GLOVER: Second.

12 CHAIRMAN SCHMITT: Any discussion?

13 All in favor?

14 (Responses of "aye.")

15 CHAIRMAN SCHMITT: Opposed?

16 (No responses.)

17 CHAIRMAN SCHMITT: Passes.

18 MR. KEANE: Next one is the Consulting
19 Services Agreement.

20 CHAIRMAN SCHMITT: I want to take this one a
21 little out of order because I think it's directly
22 connected and related to the first item under New
23 Business. So I'm going to move that one down and
24 we'll connect with the New Business, 215-11-1,
25 for the motion to hire a search firm; and

1 215-11-2, motion to appoint an Interim Plan
2 Administrator.

3 So I'd like to skip that one for now and
4 we'll go on to the other two items in this
5 section.

6 The first one will be the Amendment to the
7 Investment Agreement with Tortoise Capital
8 Advisors.

9 MR. KEANE: This was discussed last month.
10 We have Mr. Holmes here. Any additional
11 discussion on it?

12 MR. HOLMES: Sure.

13 The number of master limited partnerships
14 publicly issued in the industry has -- or in the
15 market, rather, has increased. The manager wants
16 to have the ability to hold ten more securities
17 in the portfolio. So they requested that the
18 maximum number of securities in the portfolio be
19 moved from 30 to 40.

20 That goes towards diversification;
21 additional diversification being better. The
22 city's plan approved the amendment yesterday, and
23 it's our recommendation to the Board that they
24 approve the amendment.

25 MR. TUTEN: Which one is this, Dan?

1 MR. HOLMES: Tortoise.

2 MR. TUTEN: Tortoise.

3 CHAIRMAN SCHMITT: And just some
4 clarification on these investments.

5 They're traded on the regular exchanges,
6 correct?

7 MR. HOLMES: Yes. They're fully publicly
8 traded on the New York Stock Exchange.

9 MR. SCHEU: I just have a couple questions.
10 I wanted to know what Joey felt about it.

11 MR. GREIVE: Yeah. I definitely support
12 this amendment. If they were asking to go the
13 other way, move from 30 security cap down to 20,
14 that would bring to light some, you know,
15 diversification or over-concentration concerns.

16 But anytime you're allowing for more
17 diversification is generally a good thing. So we
18 did adopt this yesterday at the general
19 employee's system.

20 MR. SCHEU: So can you talk just a little
21 bit about MLPs generally? I know Rich educated
22 me one day about them. These are Master Limited
23 Partnerships in energy, and you had some concerns
24 about them.

25 So could you just give us a little

1 background about that?

2 MR. HOLMES: Sure. Myself or Joey?

3 MR. SCHEU: Either one.

4 MR. HOLMES: Energy Master Limited
5 Partnerships are publicly traded securities that
6 are backed by energy infrastructure, primarily
7 midstream. So we're talking about long-haul
8 pipelines for both natural gas and oil storage
9 facilities, transfer facilities, things of that
10 nature; basically hard assets that support the
11 midstream energy chain.

12 By midstream, I'm talking about the part
13 between pulling the commodity out of the ground
14 and getting it to the end consumer.

15 MR. SCHEU: And by security, you mean the
16 partnerships own the facilities or they're
17 encumbered by debt that is secured --

18 MR. HOLMES: No, sir. Are you familiar with
19 REITS, Real Estate Investment Trusts?

20 MR. SCHEU: Uh-huh.

21 MR. HOLMES: Think of this as a REITS, but
22 instead of being backed by a shopping mall, it's
23 backed by pipelines.

24 MR. SCHEU: Pipelines.

25 MR. HOLMES: Exactly.

1 MR. SCHEU: Okay. Thank you.

2 CHAIRMAN SCHMITT: We're going to get into
3 this more later on what your investment part of
4 it --

5 MR. HOLMES: Sure.

6 CHAIRMAN SCHMITT: -- but real quickly, I
7 know the MLPs were down at 9/30. Has there been
8 a change of that since then?

9 MR. HOLMES: Yeah. They were up -- yeah,
10 about 9 or 10 percent in the month of October.

11 CHAIRMAN SCHMITT: Any further discussion on
12 that one? Okay.

13 Again, the amendment, it's for the -- the
14 Amendment to the Investment Agreement with
15 Tortoise Capital Advisors, all in favor?

16 MR. KEANE: Who moved that, Mr. Chairman?

17 MR. GLOVER: I move it.

18 CHAIRMAN SCHMITT: And we had a second?

19 MR. TUTEN: Second.

20 CHAIRMAN SCHMITT: Any further discussion?

21 (No responses.)

22 CHAIRMAN SCHMITT: All in favor?

23 (Responses of "aye.")

24 CHAIRMAN SCHMITT: Opposed?

25 (No responses.)

1 CHAIRMAN SCHMITT: Passes.

2 MR. KEANE: The next item on the agenda,
3 Mr. Chairman and Trustees, is resolution to
4 appoint the fifth trustee to the Board of
5 Trustees, replacing former Sheriff Nat Glover.

6 The resolution is to appoint Richard
7 L. Townsend.

8 CHAIRMAN SCHMITT: And there was some
9 question on this one. What it takes is the
10 majority of the four to appoint a new fifth.

11 Right now we have Rick Townsend. And he's
12 got a lot of experience here with the pension
13 fund. He's been on the advisory committee for
14 many years, both as an active employee and as a
15 retiree.

16 In discussion about conflicts, the greater
17 conflict in my mind is when you have a plan
18 sponsor who decides on their own how much money
19 they're going to put into a plan. That is a
20 built-in conflict. And without the checks and
21 balances in place, inevitably, most the time
22 those plan sponsors choose to not put enough
23 money in.

24 So it's very important for the fund and
25 especially the members to have a Board in place

1 that's going to stand up and say, Hey, Plan
2 Sponsor, you're not putting enough money into
3 this plan.

4 And they have a vested interest in -- a
5 personal vested interest in the investments and
6 the returns and watching the budget related to
7 those plans.

8 It's their personal livelihood that's
9 dependent on the results of those efforts. So
10 when we talk about conflicts, I think the huge
11 conflict, the greater conflict, is allowing the
12 plan sponsor to be unchecked and determine how
13 much money they will or will not put into a plan.

14 Open for further discussion.

15 MR. SCHEU: By point of order, I don't think
16 it's legal for the group here -- since the four
17 trustees, excluding Sheriff Glover, he can't
18 vote, and the charter provides that the fifth
19 trustee is elected by a majority of the remaining
20 four trustees.

21 And that means it would still take a vote of
22 three --

23 CHAIRMAN SCHMITT: Correct.

24 MR. SCHEU: -- three of us plus Adam.

25 So I would move to defer this until

1 Mr. Herbert returns.

2 CHAIRMAN SCHMITT: And I can get some
3 clarification from legal, but in order to pass,
4 it would take three out of four. So it would
5 take all three of us to vote on it.

6 MR. SCHEU: Correct. If we did that.

7 CHAIRMAN SCHMITT: Correct.

8 MR. SCHEU: But I intend not to vote for it.
9 So I think it would be better if we waited until
10 Adam came back to consider.

11 In the meantime, I want to propose another
12 candidate.

13 CHAIRMAN SCHMITT: And we've talked about
14 this now for two months, and we knew about it a
15 month in advance of that.

16 So my point in putting this on the agenda
17 again is to get moving on this. Obviously
18 Sheriff Glover has been gracious enough to
19 continue to attend at our request at times so we
20 could have a quorum. But I think dragging this
21 out even further is detrimental to the operation
22 of the Board.

23 MR. SCHEU: I appreciate that, and you said
24 that the last time. But, remember, we thought
25 that we would not even have a meeting in

1 November, waiting for Adam to come back so that
2 we could consider it then.

3 MR. TUTEN: Just a quick answer, Paul, yes
4 or no. Is there anything that prevents us from
5 voting on the fifth trustee, even without the
6 other fourth member?

7 MR. DARAGJATI: Florida Statutes is clear.
8 You can vote, but Mr. Scheu is correct. All
9 three of you would have to be in agreement.

10 MR. TUTEN: In agreement. Okay. So we
11 could vote if we want to?

12 MR. DARAGJATI: If you wanted to, yes.

13 MR. TUTEN: Okay. That's step one.

14 Step two is, the last meeting, you know, has
15 there been -- has Adam nominated anybody?

16 MR. SCHEU: I'm prepared to nominate someone
17 today.

18 MR. TUTEN: Okay. So you are.

19 So does this person have pension experience
20 or background in pensions?

21 MR. SCHEU: He qualifies. It's Frank
22 Mackesy, the former undersheriff.

23 On the legal, I think that the Office of
24 General Counsel is our primary legal advisor for
25 matters related to governance.

1 I've asked Steve Durden, and he and I
2 discussed the procedure yesterday and he
3 discussed it with the General Counsel.

4 So to the extent we need legal advice, I
5 would prefer that we -- nothing against Paul, but
6 I think the charter requires us to go to the
7 General Counsel first, and Steve is prepared to
8 talk about the process.

9 But I do intend to nominate, and I do have
10 his bio here, the former Undersheriff Frank
11 Mackesy.

12 CHAIRMAN SCHMITT: Okay. And we disagree on
13 who is our primary legal counsel. I think we
14 will continue to disagree on that, but the
15 current agreement reiterates and reconfirms the
16 fact that anything specifically pension related,
17 which this is, our primary legal counsel has been
18 and will continue to be that legal counsel that
19 is chosen by the Board.

20 MR. SCHEU: Yes, sir. I respectfully
21 disagree, that this is a governance issue.

22 But in any event, I do not intend to vote
23 for Mr. Townsend, and I would like to nominate
24 the former undersheriff.

25 CHAIRMAN SCHMITT: Let's get through this

1 one first and then we'll let you make your
2 nomination.

3 MR. SCHEU: Sure.

4 CHAIRMAN SCHMITT: All right. So do we have
5 a motion to vote for a replacement trustee, Rick
6 Townsend?

7 MR. TUTEN: Yeah, I'll make a motion.

8 CHAIRMAN SCHMITT: I'm assuming we do not
9 have a second.

10 MR. SCHEU: (Nods head.)

11 CHAIRMAN SCHMITT: Okay. So that one is
12 closed. No vote on that.

13 I'd like to open up for you to make another
14 motion.

15 MR. SCHEU: Yes, sir. I would like to
16 nominate former undersheriff Frank Mackesy. I do
17 not think it would be proper to vote on this
18 today. Adam, unless he's seen -- well, it
19 wouldn't have been in the minutes.

20 I think you-all know Frank. His bio shows
21 that he's got the requisite qualifications as set
22 forth in the revised legislation. He has got
23 experience as the undersheriff. He has got a
24 Master's in Business Administration in Finance
25 from UNF.

1 He is familiar with the pension-related
2 issues, having been undersheriff, and he
3 presently serves on the airport authority and
4 would resign from that to serve here.

5 He has also spoken with President Delaney,
6 who is his boss since Frank is now charged with
7 security at UNF, and President Delaney concurs
8 that he would have no issue with this.

9 CHAIRMAN SCHMITT: Discussion? Just a point
10 of clarification.

11 The requirements for the fifth member are
12 not the same as the requirements for the City
13 Council appointees. But I believe what you're
14 saying is he would meet or exceed even those
15 requirements.

16 MR. SCHEU: Yeah. I went back and checked
17 that, and I think what it says -- if I can find
18 it. I've underlined it, but now --

19 MR. KEANE: "Community and business
20 experience" is the words they use.

21 MR. SCHEU: But, also, I think it applies to
22 both the fifth trustee and the council. The only
23 difference is that the fifth trustee can be a
24 recipient of the pension. That's the only
25 difference.

1 But all of the educational or community, all
2 those requirements apply to both of them. And
3 I'll be glad -- as soon as I can find it, I'll be
4 glad to read it to you.

5 CHAIRMAN SCHMITT: Any other discussion on
6 this?

7 MR. TUTEN: Well, the only comment I was
8 going to say, reading this real quick, he's never
9 been on the advisory committee or anything, has
10 he?

11 MR. KEANE: (Shakes head.)

12 MR. TUTEN: Okay. I mean, he's got the
13 education and the background. I have no problem
14 with that. But, once again, we're looking for a
15 new director, hopefully an assistant director,
16 and other things involved with the pension plan,
17 and having somebody come in cold turkey -- I have
18 no doubt he has the intelligence and the
19 background and all that good stuff.

20 But as far as knowing what really goes on
21 here and what we're looking for and how the whole
22 fund works and the members and all that, from the
23 outside, just knowing Rick and his background,
24 he's the better fit, in my opinion, you know.

25 But we're obviously not going to vote for

1 anybody today. So do we know to interview Mr. --
2 how do you pronounce his name, Mackesy?

3 CHAIRMAN SCHMITT: Mackesy.

4 MR. TUTEN: I mean, is that what the Board
5 wants to do? When is Adam going to be back?

6 MR. SCHEU: I think he said November 28th,
7 and I would anticipate that we take this up at
8 our regular December meeting.

9 CHAIRMAN SCHMITT: And I would encourage --
10 if you would like to meet with him between now
11 and then, I would definitely encourage that.

12 I know Sheriff Mackesy from his time at the
13 sheriff's office. I have a great deal of respect
14 for him. I think he would be fantastic on the
15 Board. His experience, not just at the sheriff's
16 office but the other entitles that he's been
17 involved in, I think would be a great asset to
18 us.

19 MR. TUTEN: Well, I mean, whatever you guys
20 want to do. If you want to bring him in or
21 whatever beforehand, that's fine with me.

22 MR. SCHEU: I first got to know Frank years
23 ago when we served on the Hubbard House Board
24 together, and we both were young and learning and
25 stuff. And he has developed a lot of leadership

1 capacity.

2 MR. TUTEN: Well, I have no problem with it.
3 And I want to state something on the record, sort
4 of let's just get this over with and out of the
5 picture. You know, and it's been perpetuated by
6 the media and by certain members of the council
7 and the general public.

8 The pension fund Board of Trustees is out of
9 the benefits business --

10 MR. SCHEU: Correct.

11 MR. TUTEN: -- so if it's a retired
12 policeman or retired fireman or retired
13 astronaut, it doesn't matter.

14 We're looking for someone who could help
15 with the administration of this fund, with
16 keeping this fund running the way it's supposed
17 to with investments, et cetera, et cetera.

18 There's still this overtone from certain
19 people that the Board is still trying to slide
20 one of theirs into this fifth spot, like we did
21 so well with our buddy, Sheriff Glover here,
22 allegedly.

23 So can we just put that to rest once and for
24 all? Because as we've noticed, we don't have
25 people jumping through hoops to sit here, even

1 though we're done with the tough stuff.

2 So I just want to get that out there, that
3 we're looking for the best person to help run
4 this fund with the rest of this Board. We're not
5 looking for someone who's a, quote, crony, to
6 help us enhance our benefits because we're done
7 with that.

8 MR. SCHEU: Well said. And that's very
9 important that we're not about benefits anymore,
10 except to pay them --

11 MR. TUTEN: Well, sure.

12 MR. SCHEU: -- and get somebody to get them
13 pay. But that's one reason from Frank's
14 management experience, I think he would be ideal
15 for this position.

16 I don't agree that just because you're a
17 former policeman or fireman you shouldn't be the
18 fifth trustee. I don't think that that's -- I
19 think you're looking for people who know the
20 community and have experience and management.

21 CHAIRMAN SCHMITT: I think that's a great
22 point. And you touched on some of the other
23 things related to governance.

24 We have five members on this Board. We also
25 have an executive director. We have a

1 controller. We have a treasurer. We have a
2 pension advisor. We have money managers.

3 There's a lot of oversight. Part of that
4 oversight is to have individuals on this Board
5 who have the management experience who can assist
6 with that oversight. There's a lot of checks and
7 balances in there. It's not just one person can
8 do it all or do nothing.

9 It's a concerted effort amongst all with
10 that oversight. And I think if we add somebody
11 like Undersheriff Mackesy to that team, that
12 could only benefit us.

13 MR. SCHEU: Thank you.

14 MR. KEANE: Mr. Chairman, for the record, is
15 he nominating him right now? Is this going to be
16 a motion?

17 MR. SCHEU: I nominate him, but --

18 CHAIRMAN SCHMITT: I don't think we need a
19 motion.

20 MR. SCHEU: Well, I'll move it, then I'll
21 move to defer the motion.

22 MR. KEANE: That's what I'm saying, we need
23 to get a motion and second before --

24 MR. TUTEN: I'll second.

25 MR. SCHEU: And then I'll move that it be

1 deferred until the December -- until the next
2 regular meeting when the four of us are
3 available.

4 It's just like I thought with Mr. Townsend.
5 I don't think it would be fair to Adam to do it
6 today either.

7 MR. KEANE: Just trying to keep the record
8 straight.

9 COUNCILMAN HAZOURI: Mr. Chairman, just for
10 my edification.

11 So is Mr. Townsend out, or are you-all
12 looking at both of them now? I didn't hear a
13 second awhile ago and I didn't know.

14 CHAIRMAN SCHMITT: Right. We did not vote
15 on Mr. Townsend again because we didn't have a
16 second.

17 COUNCILMAN HAZOURI: Right. So you're just
18 considering one person now?

19 CHAIRMAN SCHMITT: That's what it looks like
20 because we're not going to get a vote on Rich
21 Townsend, it looks like.

22 So the new nomination, which we've had a
23 motion and a second to accept, and the deferral
24 on the vote until our next meeting.

25 So that's what we have.

1 MR. KEANE: The Townsend nomination is still
2 before you. It was just not moved today.

3 CHAIRMAN SCHMITT: Okay.

4 MR. KEANE: It didn't die.

5 MR. SCHEU: Well, it died for lack of a
6 second.

7 MR. KEANE: His motion to approve it today
8 died for lack of a second. The application is
9 still pending. That's what I'm saying.

10 COUNCILMAN HAZOURI: That's what I was
11 wondering.

12 CHAIRMAN SCHMITT: Okay. So point of
13 clarification, that is still available.

14 MR. SCHEU: Sure.

15 MR. KEANE: That's what we're trying to get
16 straight here.

17 CHAIRMAN SCHMITT: Okay. So that nomination
18 is still available. It hasn't been completely
19 closed out, but we don't have a second to vote on
20 it today.

21 This new proposal is for Undersheriff
22 Mackesy, with the vote moved to -- or deferred
23 until the next meeting.

24 MR. SCHEU: Yes, sir.

25 MR. TUTEN: Can we -- with Adam, if for some

1 reason he comes up with someone, can we relay to
2 him to have -- maybe bring that people to the
3 meeting with the sheriff? That way we can talk
4 to him at the same time, and then we'll just make
5 our final vote. We all know Rick, so that's not
6 a problem there.

7 MR. KEANE: Sure. We'll take care of that.

8 MR. SCHEU: Thank you.

9 CHAIRMAN SCHMITT: Any further discussion on
10 that item? Can we vote on the proposal and the
11 deferral?

12 All in favor?

13 (Responses of "aye.")

14 CHAIRMAN SCHMITT: Opposed?

15 (No responses.)

16 CHAIRMAN SCHMITT: Passes.

17 MR. KEANE: The deferral passed?

18 CHAIRMAN SCHMITT: Correct.

19 MR. KEANE: Let's keep the record straight
20 here.

21 CHAIRMAN SCHMITT: Okay. The next item is
22 the -- a motion to hire a search firm. Let's
23 skip over that for a second and discuss the
24 motion to appoint Executor McCague as Interim
25 Plan Administrator.

1 MR. SCHEU: That's my motion. And Beth is
2 here.

3 Beth, would you stand up?

4 MS. McCAGUE: Certainly.

5 MR. SCHEU: I think she's met the Chair.

6 CHAIRMAN SCHMITT: Yes.

7 MR. SCHEU: I don't think she's met
8 Mr. Tuten yet.

9 MR. TUTEN: I have.

10 MS. McCAGUE: How are you?

11 MR. SCHEU: I would just like to say, in a
12 way, I felt this was providential. When Beth and
13 I met last week on something entirely unrelated,
14 she said that she had something else to talk
15 about, and that was that she thought she could
16 bring some gifts and leadership acting as the
17 interim administrator for the Police and Fire
18 Pension Fund.

19 I was very surprised but grateful. And I've
20 known Beth for 25 or 30 years. By coincidence,
21 my secretary that used to work at First Union was
22 Beth's secretary 30 years ago. So she's trained
23 us both without our really knowing it.

24 Beth has -- as you've seen from her bio, she
25 has been a leader in banking since she first went

1 to work for Atlantic Bank. I remember as a young
2 lawyer working with Beth along the way.

3 COUNCILMAN HAZOURI: Borrowing money?

4 MR. SCHEU: Yes.

5 Well, back in those days they taught young
6 lawyers that are representing banks that you
7 needed to go walk the offices so you got to meet
8 everybody. You don't do that anymore, but that's
9 the way they used to do it.

10 But she -- the thing that makes her
11 particularly adept to this interim appointment is
12 her managerial experience.

13 If you look at her résumé, she managed the
14 Wealth Management Department for -- well, I get
15 First Union and Wachovia mixed up, but it was
16 Wachovia, I believe.

17 And she then advised -- one of the greatest
18 in terms of her management, that and her
19 experience managing, she was the Jacksonville
20 President for Atlantic, I believe.

21 MS. McCAGUE: And First Union.

22 MR. SCHEU: And First Union. She was the
23 head of the entire statewide operations for First
24 Union in Tennessee.

25 She also -- so the management type stuff is

1 really what we need. We need someone -- again,
2 we don't -- we're not negotiating benefits
3 anymore. We need someone that can manage the
4 organization that has experience with that.

5 But the thing that really sold me also was
6 her long relationship with the president of
7 Wachovia Corporation, reported directly to that
8 person to improve the quality of services
9 nationwide for Wachovia in their operations.

10 And she was in charge of that for how many
11 years?

12 MS. McCAGUE: Four years.

13 MR. SCHEU: Four years. And as you see from
14 the bio, Wachovia -- and I remember the
15 advertisements on TV that Wachovia was uniformly,
16 year after year, acknowledged as the Number 1 in
17 customer service for all the banks in the
18 country.

19 So that means that for our members, she will
20 make them, number one, know what we're doing and
21 be glad that they know what we're doing and that
22 we're doing a good job of it.

23 Finally, this isn't about John. John and I
24 have a good relationship. We didn't know each
25 other before until the task force got going.

1 But John, for one reason or another, pick
2 your poison, he has become a lightening rod. And
3 until we can move on, we're not going to get our
4 work done. We're going to be talking about the
5 things that you just alluded to, Rich.

6 So it seems to me if we can get a capable,
7 qualified, recognized community leader, it will
8 change the emphasis on what our public
9 credibility is. Rightly or wrongly, that's just
10 the way it is.

11 I do not see John just walking away, saying
12 good-bye and never turning back. We're still
13 going to need John's help.

14 So I would think that if we do approve Beth,
15 John, hopefully, would make himself available on
16 a consulting arrangement that wouldn't be, quote,
17 full time; but as we needed him or Beth needed
18 him, I assume that John would be willing to help
19 out as a consultant. He's always said that he
20 would be willing to do that.

21 So I think the time is right for an interim
22 director. Hopefully we will find a new permanent
23 director in the next three to six months, using
24 the search processes that the chairman, I think,
25 wants to do. And it just gives us a breath of

1 fresh air. I think this will be very
2 well-received in the community and by our
3 participants.

4 Thank you.

5 CHAIRMAN SCHMITT: So the motion is to
6 appoint Ms. McCague as Interim Plan
7 Administrator. Do we have a second?

8 MR. GLOVER: I'll second.

9 CHAIRMAN SCHMITT: Additional discussion.

10 And I met her yesterday for coffee. Very
11 impressed, not just with her background, but how
12 she presents herself, what she can bring to the
13 image of the Police and Fire Pension Fund Board.
14 And as you stated, right or wrong, that's what
15 we're dealing with.

16 A few questions I have for you on that
17 arrangement. Do you see it as -- again, as a
18 contractual employee?

19 MR. SCHEU: Yes. And the implication would
20 be that you would negotiate a contract with her
21 as the chairman of the Board, and we would ratify
22 that. She has indicated that she would be
23 willing to start December 1.

24 And just like we did with John's consulting
25 contract, we authorized you, and then we ratified

1 it so he could get started and that she could get
2 started too.

3 But it's not a volunteer. You would have to
4 negotiate a contract.

5 CHAIRMAN SCHMITT: We might need a contract
6 committee chair.

7 MR. SCHEU: Well, I'm happy to serve in
8 whatever way that you want me to. And I would
9 certainly get the help of the General Counsel's
10 office.

11 CHAIRMAN SCHMITT: Okay.

12 MR. TUTEN: What length of time is she
13 looking -- I feel weird saying this because she's
14 sitting right there.

15 But what length of time is she willing to
16 stay, or is she, in her mind, prepared to stay or
17 expecting to stay three months, six months, nine
18 months?

19 MS. McCAGUE: May I speak?

20 CHAIRMAN SCHMITT: Yes.

21 MS. McCAGUE: I'm not at the main table.

22 Thank you very much, and thank you for
23 considering me.

24 The intention is to step in to help, to give
25 some breathing space to the organization, to help

1 with the search for the permanent director. And
2 so as Bill said, you know, in my mind that
3 probably would be three to six months.

4 I talked with the company that I currently
5 work for, and they are very willing to support me
6 in this community service effort to allow me to
7 leave for six months, and then they would
8 consider bringing me back in.

9 So I told Bill from the beginning, I'm not
10 vying for the permanent job. I think you need a
11 different skill set than I have for the long-term
12 job; but for the interim, to step in and help.

13 As you've all said, for whatever reason,
14 there is a credibility issue with this fund, and
15 I believe I can help with that, and that is not a
16 long-term position. But I'm happy to stay for
17 three or -- I would be very happy to stay for six
18 months.

19 And as I said to Larry yesterday, this fund
20 is an important fund. The director of this --
21 this is an extremely good job. And I'm very
22 sorry that the woman was that targeted and hired
23 for the position decided not to take the
24 position.

25 But that's not to say that there aren't many

1 people who have the experience, both technical
2 and strategic experience, that you-all need to go
3 forward on the long-term basis.

4 This is a great job, and I'm sure you'll
5 have many qualified candidates who would be
6 willing to make a very long-term commitment.

7 So six months is the answer. And, you know,
8 I would think we could have everything in place
9 by then. But my goal is to help here. So I
10 would not leave the organization in a lurch if it
11 was not -- six and a half months or whatever.

12 MR. TUTEN: Okay.

13 MR. GLOVER: Well, Beth, what about if it
14 turns out to be nine?

15 MS. McCAGUE: I can live with nine months.
16 Frankly, I could live with a year. But beyond a
17 year, I think we would have to look at each other
18 and say, Well, why is it we don't have a
19 permanent director in place? There's something
20 else going on.

21 COUNCILMAN HAZOURI: Yeah. I wouldn't push
22 that.

23 MR. SCHEU: I might say, and you've probably
24 been through this too, when they asked me to be
25 the interim president of Columbia Seminary, those

1 searches for the president had taken -- the last
2 two had taken about six months each. They said
3 it might be 18 months. So really what -- and it
4 ended up being about six months -- nine months.

5 But the real answer is that you pray for the
6 shorter side than the longer side.

7 MR. GLOVER: No, I think the answer was
8 appropriate. If we can't find somebody within a
9 year, something else is going on.

10 So I would support it with the year maximum.
11 And I think that's fitting and proper for this
12 Board.

13 I would like to also add that, you know, the
14 notion that John has been a lightning rod, I
15 would say that the position that John holds has
16 been in the news significantly, and the fact that
17 he has been the lightning rod is unfortunate
18 because I always thought this Board acted
19 appropriately in every situation. Even with all
20 of the controversy, we acted in the best interest
21 of the fund.

22 So I don't want to shift this: We're acting
23 now because we want to get John out of here.
24 That's not why I'm acting. I'm supporting it
25 because I think this is the best way to go during

1 this transition period.

2 But we don't want to shift that we're
3 reacting to sometime public opinion and media
4 pressure. So if you're in these kinds of
5 positions, sometime there will be what we call in
6 the common vernacular, heat.

7 But we've not done anything illegal. We've
8 not done anything inappropriate. And as a matter
9 of fact, I would challenge anybody to say this
10 Board has acted not only appropriately but
11 courageously with all of this going on.

12 MR. TUTEN: I would like to back up the
13 sheriff for just a second.

14 First of all, Beth, I do want to thank you
15 for being out here. This is the part -- I
16 brought this up to Lynn, the previous applicant,
17 who was from Fort Lauderdale who turned us down.

18 And I understand what you're saying, Bill.
19 John has been a lightening rod. But to be
20 truthful, to back up sort of what the sheriff was
21 saying, if you remember, right after the alleged
22 financial audit came out, which was then changed
23 to a financial investigation of the pension fund,
24 the paper, local paper, had an opinion piece that
25 basically said, in no short words, John, the

1 Board, the entire pension fund, was corrupt.
2 I've got the article still if you want to see it.

3 That's aside, I don't think that necessarily
4 pushing John to the side and having a new face is
5 going to change that attitude. And I'm saying
6 this as a warning to you, like I did to Lynn who
7 was here.

8 I think there might be a period of goodwill,
9 but at the end of the day, the public perception,
10 because of things that have been printed, said,
11 et cetera, is that fire and police make too much
12 money, their pensions are too rich, the Board has
13 been covering up for them and the select few
14 favorites to get all these crazy, \$5 million
15 policemen out there.

16 And my question to you is, are you prepared
17 for that sort of scrutiny? Is that something
18 that you're prepared to live with? It may not
19 take a month or two or three before they start
20 looking at you and saying, Well, why is she
21 really wanting to do this? Is she part of the
22 grand corruption at the pension office? And I
23 don't mean to be -- this is not an attack on you.

24 MS. McCAGUE: I understand.

25 MR. TUTEN: But this is just the way it is.

1 And I want to make sure that you know what you're
2 getting into, even if it's for a temporary basis,
3 because like you said, you made a point of, this
4 is a good job.

5 MS. McCAGUE: Very good job.

6 MR. TUTEN: We had a search last time that
7 we had about 28 people that actually passed
8 whatever. Only two of them had pension fund
9 experience.

10 I've asked a lot of very smart people, Why
11 did we not attract more pension professionals? I
12 think I already answered that question with the
13 first opening part of my statement.

14 My fear is even if we hire a headhunter,
15 somebody that targets specifically pension
16 professionals, they're going to Google
17 Jacksonville Police and Fire Pension Fund and
18 what they're going to see is a hailstorm of
19 criticism, unfunded criticism, accusations.

20 As the sheriff is saying, if we're corrupt,
21 where's Larry's cohorts to come put me in
22 handcuffs and take me to jail? Where is all this
23 illegal activity taking place?

24 Why isn't someone showing up to shut us down
25 because of all this illegal activity? It's a lot

1 of unfounded rumors, a lot of accusations with no
2 substance.

3 And I don't -- if I sound serious, I am. I
4 don't want you to have any misconceptions that
5 it's not just John. It's not just this Board.
6 It's every single person involved with the police
7 and fire departments that have been put under the
8 microscope for years now, unfairly, as the blame
9 for the city's financial woes, for the reason the
10 city can't pave its streets or can't whatever it
11 is.

12 And you're going to be stepping into it,
13 whether it's three months, six months, nine
14 months. Make no mistake. You are going to be
15 the current tip of the sphere. John might be a
16 consultant and stay on the side, but understand
17 something. You're going to be the face of this
18 pension fund. You're the one that's going to be
19 attached to any and everything that comes down
20 the pike, and I just want you to be comfortable
21 with that. That's it.

22 MS. McCAGUE: Well, I said this was a good
23 job. I didn't say it was an easy job. And I
24 don't think the temporary post is an easy job.

25 MR. TUTEN: Oh, I don't think you do at all.

1 I just want you to be sure that you understand
2 what's coming.

3 MS. McCAGUE: And I appreciate that.

4 And building the confidence of all the
5 constituencies in the community would be my
6 highest priority.

7 And there are steps to take that the
8 governing board here as already begun to take in
9 reviewing the consulting agreements and reviewing
10 of the policies and procedures. And I think the
11 answer ultimately is that we just be as open and
12 transparent and gain back the confidence. It
13 doesn't happen overnight, but I have confidence
14 in this Board.

15 And I have no understanding and no belief
16 that there's anything other than above-board
17 activities that have gone on here.

18 But I'm looking forward. I'm not looking
19 backward. I'm looking forward.

20 CHAIRMAN SCHMITT: Councilman, you want to
21 comment?

22 COUNCILMAN HAZOURI: Thank you.

23 Just from my own perspective about Beth,
24 first of all, I was surprised. I didn't even
25 know that she would be interested in something

1 certainly is not ahead of us anymore. We know
2 what needs to be done. We know what needs to be
3 addressed.

4 Beth brings, I think -- talking to the
5 editorial board, she's out in the community.
6 It's going to be a little bit different than what
7 perhaps John has done. She's more into the
8 community. And I think that's important for this
9 Board to know that when they see Beth, they see
10 the pension board or whatever, the bank before
11 that.

12 And her involvement, I think, would add a
13 lot of credibility to what we're trying to do.
14 And with your new additions that you have on the
15 Board and coming on the Board, I think, again,
16 adds more credence to what you're trying to
17 accomplish, what we would like to see.

18 It's a fresh approach, but you've still got
19 your same job that you need to do and we all
20 recognize that.

21 I'm excited for her. And I hope that when
22 someone looks at -- on this national search looks
23 at this body and see the work that's out there
24 that maybe Beth can participate, but she'll have
25 a month or two behind her to kind of get a handle

1 on what has taken place other than what she's
2 read, and what will be taking place.

3 And I think that you'll see more acceptance
4 of wanting to come to Jacksonville. You know,
5 you can't keep putting these parade of horrors
6 out there and then everyone says, Well, I'm not
7 going to Jacksonville, look at them, you know,
8 they have a smokestack there that smells, they
9 have tolls there.

10 You know, you can eradicate all that stuff,
11 but you do it with leadership. And I think
12 that's what Beth is going to bring. With you as
13 chairman and with the new Board members, that's
14 what you're going to get.

15 And I'm exited for this Board, quite
16 frankly. And I've been here five months and
17 we've talked all the time. I'm getting a handle
18 of it, even though I know I'm just a liaison.

19 But I look at it now -- you know, I've seen
20 the press. I know how that works. But you can't
21 keep going back and trying to be an apologist to
22 what they put in the paper because you're not
23 going to be able to erase any of that.

24 Good, bad or ugly, it's there. Now you have
25 to move forward and they have to see us, see this

1 Board, rather, the trust fund, move forward, not
2 with just the investments, but -- and also at the
3 same time, your police and fire.

4 Your people that you represent have to know
5 that you are hiring someone, on as temporary
6 basis as it is, that's going to not replace John,
7 because I know he's loved by the rank and file.
8 It's not replacing him. It's time -- he's
9 retiring. I'm sure he wants to retire.

10 You're not here, John. I'm just talking
11 about you.

12 But, you know, that he's ready to retire.
13 He's not -- and he has stayed on and I give him
14 credit for doing that, but those arrows keep
15 coming and you can't avoid it. And it's going to
16 keep coming.

17 And when John leaves, it's not going to
18 end -- be the end all to end all, but it does
19 show that you-all are moving forward and you're
20 not going to be lingering and saying, Well, look
21 at all these problems you've got -- you know,
22 you've got in front of you.

23 I think Beth recognizes them. I think we
24 all do. But I feel like this is not just a
25 breath of fresh air, but it's one that's going to

1 add credibility to this Board. It's going to
2 have credibility by the rank and file.

3 And I know they have a fear of what's
4 happening. I see it. I see it in teachers, that
5 they're ready to rock and roll and leave. And I
6 think if they get that security back and you-all
7 can give that to them, the new Board can and Beth
8 can, that all is not rotten in Denmark, that
9 there's some good things happening and you-all
10 are going to continue to make it happen.

11 And I think you need to let the rank and
12 file know that, look, John -- just because John
13 leaves, that doesn't mean there is not someone
14 who is going to be able to replace him one day.
15 But he's done his job, and now you move on.
16 Whether you're a mayor, whether you're president
17 or whether you're governor, it's not going to
18 stop because that person leaves office. It's
19 going to continue and you build on the successes
20 that you had.

21 And I'm excited about it. I'm just speaking
22 as a citizen, but also as a council person. So I
23 know. I've had to listen to some of the stuff on
24 the council that I don't like to hear because I
25 don't think they're privy to some of the stuff

1 that I hear here. And I try to tell some of them
2 the same thing.

3 I said, you know, Don't prejudge some of
4 things that's going on unless you're there to
5 listen and see. And I think Scheu tells them the
6 same kind of thing. And that makes a big
7 difference.

8 MR. SCHEU: Just for clarification, as a
9 look at the agenda, "A search firm to assist with
10 the selection of a new Executive Director; motion
11 to appoint Beth McCague as Interim Plan
12 Administrator."

13 It's my intention that she be the Interim
14 Executive Director and Plan Administrator. And I
15 want to get the naming right.

16 So that would be an appropriate amendment to
17 my motion, to make it Interim Executive Director
18 and Plan Administrator. I think that's the way
19 to word it.

20 CHAIRMAN SCHMITT: Any discussion or
21 questions?

22 MS. McCAGUE: Thank you.

23 CHAIRMAN SCHMITT: And just to touch a
24 little bit of what was said by the councilman,
25 we, the Board, really appreciate that we've got

1 you as liaison --

2 COUNCILMAN HAZOURI: Thanks.

3 CHAIRMAN SCHMITT: -- sticking to the facts
4 and presenting those facts to the other council
5 members. It's so easy for them to only read
6 certain articles and get the totally wrong
7 impression that's based on opinions, nothing to
8 do with facts.

9 So it's refreshing to see somebody go to
10 them with the facts.

11 COUNCILMAN HAZOURI: Thanks.

12 CHAIRMAN SCHMITT: And I, for one, really
13 appreciate that.

14 COUNCILMAN HAZOURI: And I appreciate our
15 relationship.

16 CHAIRMAN SCHMITT: So the motion is to
17 appoint Ms. McCague as Interim Executive Director
18 and Plan Administrator, effective December 1,
19 assuming that we can work out contract
20 negotiations with her.

21 Basically, the exact same thing that we have
22 with Mr. Keane, the amount. The hourly rate will
23 most likely be different, but that's what I
24 understand.

25 MR. TUTEN: I just want to say just do it

1 month to month. I mean, like I say, it could be
2 three, it could be six, it could be nine. I
3 don't want to lock somebody after a six-month
4 deal, have somebody fall into our lap three
5 months from now. You know, as far as the cost
6 from our perspective. Just whatever she's
7 comfortable with.

8 CHAIRMAN SCHMITT: I believe that's what we
9 have now, is month to month.

10 Any further discussion?

11 (No responses.)

12 CHAIRMAN SCHMITT: All in favor?

13 (Responses of "aye.")

14 CHAIRMAN SCHMITT: Opposed?

15 (No responses.)

16 CHAIRMAN SCHMITT: Unanimous.

17 MR. SCHEU: Can I just make a -- I want to
18 thank you-all for this. And I think the
19 community would be well-served, the fund would be
20 well-served by this. Thank you.

21 Councilman Hazouri and Rich alluded to this
22 forensic, whatever it was. It was more like a
23 mat that you walk on. It's about worth that
24 much.

25 I don't think we need a motion, but I think

1 there might be a spirit of the Board when we ask
2 our councilman liaison to ask the Council to
3 really look at time records and everything else
4 as to why they're paying this guy \$85,000.

5 I think we need to say to the Council, the
6 work that was done by that consultant basically
7 was cutting clippings from the newspaper, cutting
8 clippings from the task force board. There was
9 some, I don't want to say that; but it is
10 embarrassing to me as a citizen that the City
11 Council would spend \$85,000 to pay that
12 consultant for that quality of work.

13 And I think that's what you were alluding to
14 and you were alluding to. I think it would be
15 appropriate for your finance committee or rules
16 committee or whoever would do it, to really take
17 a look and say, you know, was this money well
18 spent?

19 COUNCILMAN HAZOURI: Mr. Chairman.

20 CHAIRMAN SCHMITT: Yes.

21 COUNCILMAN HAZOURI: I think Larry knows
22 when we had that Sunshine meeting at the Board
23 Room, Larry was really having to respond to
24 everything because he was by himself.

25 MR. SCHEU: I was there.

1 COUNCILMAN HAZOURI: You were on the
2 conference call.

3 And I brought this up to Mr. Gulliford. You
4 know, it was done before I became a councilman.
5 But I did mention to him that I didn't -- and I'm
6 not -- and I wasn't taking sides on the issue
7 because -- I mean, I read what you read and I
8 agree with a lot of what you said. The way it
9 was done; how much of it is truth and fiction?
10 You know, I don't know what's nonfiction or
11 fiction. I don't know, but I'm asking after
12 hearing all this stuff what is and what isn't.

13 But I think you remember when I said to him,
14 Larry, I said, Why did you-all do this as the
15 sole source? And they said, Well, he was the
16 best one out there. We heard he was the best one
17 out there.

18 Well, to me, that's still -- I mean, that's
19 not what we're about as public officials. And I
20 get criticized one time for the Sunshine thing.
21 But that's not -- you don't do it intentionally.

22 But when you have -- and I have the same
23 issue with JTA that I'm liaison with. They're
24 letting out a million-dollar contract and they
25 said, This is the only one that can do this.

1 Well, how do you know that, you know? And
2 they didn't. They just assumed that no one else
3 could do that particular job.

4 Then if that's what Mr. Gulliford and others
5 thought, then shame on them because whether they
6 ended up getting that project or not, it should
7 have been out on the streets and it should
8 have -- you should have enumerated what you
9 wanted them to look at.

10 And we called it a forensic --

11 MR. SCHEU: Audit.

12 COUNCILMAN HAZOURI: -- audit, and then it
13 changed over to the forensic investigation,
14 because it really wasn't an audit per se.

15 So I will reiterate that again to them, and
16 hopefully one day maybe you can come to the
17 council at the beginning of a meeting and
18 address not just to the finance committee, but to
19 the council itself, because I think it needs to
20 be -- because you'll get some demagoguery on it,
21 and without rhythm or reason.

22 The same thing about the ten people that
23 were out there that Larry -- I called Larry right
24 after we had a rules committee meeting and I
25 said, They said that there are ten more people

1 applying for this job.

2 Well, Larry hadn't heard anything and he
3 didn't know if anybody had heard anything. HR
4 didn't give him anything, but yet one of the
5 councilman got it. And that's not the way you do
6 business.

7 You know, you-all are the ones that look at
8 it and we expect them to bring those, or however
9 you-all get them, to anybody that's applying, and
10 it shouldn't be one person finding out by calling
11 or however they got it.

12 And I feel -- you know, I feel like I -- I
13 said, I'm not going to defend the Board, but I'm
14 not going to defend us for doing things that
15 aren't really the way they should be done.

16 And when he -- you know, I said that I
17 called Larry. And I said, Larry, do you-all have
18 these things? He said, I don't know anything
19 about it.

20 And for HR not to give them to you -- and,
21 of course, they're right on the cusp. But
22 hopefully the second go-round of hiring
23 somebody -- you-all were.

24 But for the same reason she didn't end up
25 coming is exactly what you said awhile ago. You

1 know, it just got a little bit too much. And
2 that's where I hope Beth can kind of open the
3 doors up and let them see that it's not -- you're
4 not walking into Charlotte's Web or something and
5 being trapped. It's not like that.

6 And I will share that with them. And this
7 national search, when you discussed it, I like
8 how you're going to do that.

9 CHAIRMAN SCHMITT: I've got on the agenda
10 here a little bit later talking about the
11 response to that report. So we can talk about
12 that more a little bit later. But I want to get
13 back on track with the current agenda items.

14 We just passed the motion for hiring the
15 Interim Executive Director. Relating to that and
16 to be connected to that is the consulting
17 agreement with Mr. Keane.

18 It expires November 30. So I would like to
19 have a motion and a second to that amendment and
20 further discussion.

21 MR. SCHEU: I would like to just suggest
22 that we look at the rates and amounts, because
23 he's not going to be performing at the same level
24 of service. It would be more of a true
25 consultant. And whatever you negotiate is going

1 to be fine, but I do think it's not going to be
2 as fulsome as it was. And I'll leave that in
3 your -- I think we should leave that to your
4 discretion, but I do think it's going to be a
5 different role.

6 CHAIRMAN SCHMITT: Right now I'm looking for
7 a motion.

8 MR. SCHEU: I move we authorize you to
9 negotiate an appropriate consulting agreement
10 with Mr. Keane and consulting with Beth to see --
11 she's not going to know right away, but she could
12 be of help to you on that.

13 MR. GLOVER: Why don't we call it the
14 Transition Agreement?

15 MR. SCHEU: Sure. That's great.

16 MR. GLOVER: And I'll second it.

17 CHAIRMAN SCHMITT: And in discussion on the
18 Transition Agreement, what would you-all like to
19 see as parameters to that?

20 MR. TUTEN: I think financials are pretty
21 easy to figure out.

22 Me, personally, what I would like to see --
23 and this is where John comes in -- there needs to
24 be some sort of -- and this isn't just for Beth,
25 but for the future director too.

1 I mean, we all know that an audit's due and
2 the budget is due and all that, but there really
3 needs to be a visible framework or -- you know,
4 we've had the job duties printed up in the past,
5 but I want an official framework form detail of
6 what the duties are for the director.

7 You know, John, obviously, you can help us
8 with that.

9 It would help Beth, I think, immensely, you
10 know, This is what has to be done, needs to be
11 done. You know, you delegate, et cetera.
12 Because I think a lot of the confusion comes in
13 as to, you know, what the job duties are expected
14 of this new director.

15 I want the person not to have any confusion
16 as to, This is what your job entails, to the T.
17 You know, and hopefully, John, we'll get to work
18 on that because I think that will also help us in
19 the future when we interview with these people,
20 we can give them this list and say, This is what
21 is your job; you're going to be a liaison to the
22 council on occasions, to the media; you're going
23 to have to draft ordinances; you're going to have
24 to review state law, federal law. You're not
25 going to be able to hand it off to somebody.

1 You know, I think that was one of the things
2 with Lynn, who interviewed here, I -- she wasn't
3 taken aback, but I think she was probably a
4 little surprised at just how much more work was
5 involved here with John's position than it was
6 down in her spot because she came, she had a
7 staff of two, and most of the other stuff was,
8 you know, transitioned out to the city and they
9 handled a lot of the stuff. Whereas for here,
10 it's a lot more involved.

11 And I think it would help Beth to kind of
12 get a feel for, you know, what's going to be
13 expected of her besides just the media relations
14 and the PR stuff and all that good stuff. That's
15 just me.

16 MR. SCHEU: As it relates to the consultant
17 of the Board, the transition, rather, I mean, she
18 hasn't had a chance to even think about it.

19 Just so you have kind of a sense of the
20 matter, it would be like -- as you step into
21 this. And I do think we ought to clap for -- we
22 made an important decision, so I would like to
23 say thank you.

24 (Applause)

25 MR. SCHEU: She's going to give us some --

1 you have a rough idea, I'm sure, of what the need
2 is.

3 MS. McCAGUE: Well, it is a rough idea. So
4 thank you for your comments, Mr. Tuten, about
5 what exactly the role and responsibilities are of
6 this position.

7 But it would be very important to have that
8 listing, you know, Okay, what is due this month
9 in terms of the funds' meeting all the legal
10 requirements of the fund? I'm sure you-all have
11 that down and that is the process going on right
12 now.

13 But the institutional knowledge that's in
14 John Keane's head, you know, we can't pull out
15 all at once. But he will certainly need to be
16 available because at this point I don't know what
17 I don't know. And I would love to have him
18 available to me and to the fund to answer those
19 questions.

20 But I thank you for stepping into the role.
21 We need to look at what needs to be done right
22 now, and communication is a piece of that. But
23 what needs to be done from the legal standpoint
24 and then what do we need to do so we will be
25 meeting all the requirements now and what we need

1 to do to start building the fund and building the
2 confidence in the community.

3 But if I'm Interim -- as Interim Director, I
4 would expect to be at your support to be the
5 director and to do what needs to be done.

6 CHAIRMAN SCHMITT: There is a job
7 description for the Interim Executive Director.
8 The application process listed many, many
9 responsibilities of that position.

10 I don't like to get to a point where it's
11 almost like a checklist and then if it's not on
12 that checklist, they think it's not their
13 responsibility.

14 I like to be a little more all encompassing
15 with that position, saying, You will do what is
16 necessary as Executive Director to lead the fund
17 in a manner appropriate for the best interest of
18 the members.

19 MR. TUTEN: Well, yeah. I understand what
20 you're saying. No, I'm not looking for her to
21 come in every day and sign her name to the
22 checklist that she accomplished.

23 I'm looking for the -- you know, when you
24 become a fireman, you've got to squirt water,
25 you've got to raise ladders, you've got to know

1 how to use the extinguishers. That's my job
2 description. That's being a fireman.

3 That's what the -- the point I'm trying to
4 get with John, is that he gives here that part of
5 the job outside of the, you know, what you're
6 talking about, make sure that she understands
7 that's what needs to be done. This is how I do
8 it. This is how you may want to do it, that type
9 of thing. It's not really formal per se, but
10 it's still vital to the job.

11 CHAIRMAN SCHMITT: So, again, parameters to
12 the transition with Mr. Keane.

13 Do we want to lengthen the number of hours?
14 Do we want to make it specific on, does he come
15 to the office? Do we contact him? How do we
16 want to do that?

17 MR. SCHEU: I think that's a managerial
18 issue and leave that in the discretion of the
19 Interim Executive Director. She could use her
20 discretion with the chairman and working with
21 Mr. Keane.

22 MR. TUTEN: Yeah. I think it's up to Beth.
23 I mean, I think she'll kind of know -- she is
24 obviously going to have to talk to John for
25 awhile because, I mean, you know, there are some

1 things that need to be done, like we said, before
2 John was supposed to leave, I think, ten times
3 ago now. I'm not sure, you know. We're in the
4 middle of stuff all the time. We're always going
5 to be in the middle of stuff.

6 So she needs to be caught up, et cetera, et
7 cetera, et cetera. So, I mean, if she wants to
8 meet every Tuesday and Thursday, if that's okay
9 with John; if he's Monday, Wednesday, that's -- I
10 let them decide what they want to do.

11 MR. SCHEU: Yeah. Just looking at the
12 agreement right here, we could use this same
13 form. I mean, he's -- Number 5, he's going to
14 have -- performance of the Fidelity bond. He's
15 not going to be doing the same sort of stuff. He
16 shall report to the Board of Trustees.

17 I think you've got to insert the Interim
18 Executive Director in there. But he's going to
19 report to her and he'll assist her in issues that
20 she raises. He'll advise her on an as-needed
21 basis. And I think you can follow this pretty
22 easily without a whole lot of changes.

23 MR. TUTEN: And I want to make the
24 statement, too, that, you know, as far as I'm
25 concerned with Beth, as long as you need John

1 around, that's up to you, you know. I don't
2 expect somebody to come in right away.

3 Now, I will make the obviously cynical
4 statement that what's -- I see the future, a
5 Times-Union headline: "Why is the Police and
6 Fire Pension Fund paying for two directors at the
7 same time?" I can see it coming in the future.

8 MR. SCHEU: We're not doing that.

9 MR. TUTEN: But take as long as you need
10 with him and that's fine by me, you know.

11 MR. SCHEU: She's got to exercise managerial
12 judgment, is what she's got to do.

13 CHAIRMAN SCHMITT: And one important
14 component of this is whether Mr. Keane would
15 entertain the idea of continuing on as
16 consultant.

17 MR. KEANE: Sure. I want a maximum time of
18 six months. I've been trying to retire,
19 regardless of what The Times-Union says, for four
20 years. And so by setting a maximum of six
21 months, that's going to force this process to
22 continue on.

23 MR. SCHEU: And just so it gets reported
24 correctly, I want to inform that this is not six
25 months as an executive director.

1 It's six months as a consultant, as needed,
2 by the interim executive director. There's no
3 ifs, ands or buts. We're not hiring two
4 executive directors. We're getting institutional
5 knowledge. I want that absolutely clear.

6 MR. KEANE: You can say all that. It will
7 not appear in print that way.

8 MR. TUTEN: I know it's coming. I know it's
9 coming.

10 MR. SCHEU: That way -- well, there has to
11 be integrity. I trust the press. I don't always
12 agree with the press. But they've got a job to
13 do, and I trust that they have integrity. And
14 that's how they keep their credibility, is being
15 factual and accurate.

16 MR. TUTEN: That's why he's a preacher.
17 Seriously, I'm coughing.

18 CHAIRMAN SCHMITT: I'm more concerned and
19 confident that we will get it right, so I just
20 want to make sure. This consulting contract with
21 Mr. Keane, the amended contract, is for a maximum
22 of six months, as determined by the interim
23 executive director as needed up until six months.

24 MR. SCHEU: Correct.

25 CHAIRMAN SCHMITT: Any further discussion on

1 that?

2 MR. GLOVER: I just say take the appropriate
3 time and get it right. If he comes as a result
4 of that, we have to end the position and you have
5 to just get it right. That's all I say.

6 MR. KEANE: We need a motion and a second.

7 MR. SCHEU: So moved.

8 CHAIRMAN SCHMITT: Motion?

9 MR. TUTEN: Motion. You second the motion?

10 MR. SCHEU: I'll second the motion.

11 CHAIRMAN SCHMITT: All in favor?

12 (Responses of "aye.")

13 CHAIRMAN SCHMITT: Opposed?

14 (No responses.)

15 CHAIRMAN SCHMITT: Motion passes.

16 Would you like to take a five-minute break?

17 MS. MANNING: Larry, before you do that,
18 real quick, we need to -- there were a few
19 changes made to his original contract -- explain
20 what's in effect. So we need to finalize that.
21 That goes back to the October meeting. Remember,
22 there was some wording. So we can finish that
23 and move on.

24 CHAIRMAN SCHMITT: Thank you, Debbie.

25 MR. SCHEU: I move that we ratify the

1 contract that currently ends November 30.

2 CHAIRMAN SCHMITT: So the motion is to
3 ratify the contract currently in place with
4 Mr. Keane that currently expires November 30.
5 That's the motion.

6 Do we have a second?

7 MR. TUTEN: Second.

8 CHAIRMAN SCHMITT: Any discussion?

9 All in favor?

10 (Responses of "aye.")

11 CHAIRMAN SCHMITT: Opposed?

12 (No responses.)

13 CHAIRMAN SCHMITT: Motion passes.

14 Thank you, Debbie. So we will adjourn for
15 five minutes.

16 (A break was taken; thereafter, the Board
17 meeting continued as follows:)

18 CHAIRMAN SCHMITT: Just want to remind you,
19 please speak up for the benefit of the court
20 reporter so she can hear you.

21 THE REPORTER: Thank you.

22 CHAIRMAN SCHMITT: Before we get to the next
23 item on the agenda, I just want to take a second
24 here to introduce the next board member. He will
25 be replacing Dr. Herbert.

1 Richard Patsy, if you would like to
2 introduce yourself.

3 I'm Rick Patsy, and as I said earlier
4 (inaudible) and if the City Council votes the way
5 I think they will, then I'll be replacing
6 Dr. Herbert on the Board sometime the first of
7 January.

8 I'm currently the APB for Pensions and
9 Investments for CSX. I've been there for six and
10 a half years now. I currently serve on the City
11 of Jacksonville's Employee Retirement System
12 Board.

13 That's been roughing the last 20 years I've
14 been involved with pensions, mostly on the
15 investment side. I'm looking forward to it. I
16 really do.

17 CHAIRMAN SCHMITT: Thank you.

18 MR. PATSY: Thank you.

19 CHAIRMAN SCHMITT: And just a point,
20 Mr. Scheu will have to be leaving the meeting to
21 catch a plane. We'll still have a quorum at that
22 point, but a little after 11, Sheriff Glover will
23 have to leave and we'll have to switch the
24 meeting to a workshop. So I'm trying to get to
25 all the items that we have to vote on before

1 then.

2 MR. KEANE: Mr. Chairman, taking up New
3 Business, 2015-11-1, that's a motion to hire a
4 search firm.

5 As Councilman Hazouri pointed out, they have
6 one more application they haven't sent over here.
7 I've asked them to send all applications over
8 here, send them out to the Board members so you
9 can look at them. There may be something in
10 there you can find before we go to this
11 nationwide search.

12 CHAIRMAN SCHMITT: And having gone through
13 this process once already now, it is very, very
14 time consuming for all the Board members.

15 I think our time could be better spent
16 focused on the business of the Board and hire a
17 search firm to go through those applications and
18 as well as open up that search nationwide
19 specifically for individuals with pension
20 experience.

21 It's fairly expensive, but we can get it
22 done in a timely manner. I'm thinking 60 to 90
23 days. And, again, would allow us to remain
24 focused more on the administration of the funds
25 instead of the personnel issues.

1 MR. SCHEU: I'll move.

2 MR. TUTEN: Second.

3 CHAIRMAN SCHMITT: A motion and second.
4 Further discussion?

5 MR. SCHEU: I learned that there's -- I
6 don't have the names written down. I've got them
7 in my office in North Carolina. There are two
8 search firms that really are preeminent in this
9 area. I guess I can send those to you -- can I
10 send those to you by email?

11 MR. GREIVE: Probably send to staff.

12 MR. TUTEN: Well, we can also -- with the
13 ten that are still over there, can we just maybe
14 give them to the search firm and let them review
15 their qualifications? If they like them, they
16 can put them in there. If they don't, then . . .

17 CHAIRMAN SCHMITT: And it's probably the
18 same two firms that I'm aware of.

19 MR. SCHEU: I'll send those to you as soon
20 as I get back.

21 CHAIRMAN SCHMITT: Any further discussion?

22 MR. KEANE: The motion is?

23 CHAIRMAN SCHMITT: The motion is to hire a
24 search firm to assist in the search for a new
25 executive director of the pension fund, by

1 Mr. Scheu, seconded by Mr. Tuten.

2 MR. KEANE: Thank you.

3 CHAIRMAN SCHMITT: All in favor?

4 (Responses of "aye.")

5 CHAIRMAN SCHMITT: Opposed?

6 (No responses.)

7 CHAIRMAN SCHMITT: Passes.

8 The next item on the agenda is the motion to
9 confirm the five members of the financial
10 advisory committee. I think there are six names
11 on that list.

12 MS. MANNING: There are.

13 CHAIRMAN SCHMITT: So we will send all six
14 of those names for confirmation.

15 Now, I'm trying to remember specifically
16 what the agreement says regarding the investment
17 committee. I believe we can have more than five.

18 MR. KEANE: Five.

19 MR. SCHEU: Five is it.

20 CHAIRMAN SCHMITT: Five. Okay.

21 MR. KEANE: The bottom five attended the
22 briefing and training that Mr. Klausner had.
23 Jeffrey was unable to attend.

24 MR. GREIVE: Mr. Chair, you may want to
25 reach out to Mr. Bernardo to see if he's

1 interested in still being on the advisory
2 committee. He's since been nominate for
3 replacing Mr. Patsy at the city (inaudible).

4 CHAIRMAN SCHMITT: So that may drop us down
5 to five.

6 MR. KEANE: As a matter of form, if you do
7 the bottom five, we can send them on to the City
8 Council and kick that in.

9 CHAIRMAN SCHMITT: Do we have a motion to
10 send these five names to the City Council for
11 confirmation?

12 MR. TUTEN: I'll make a motion.

13 MR. GLOVER: Second.

14 CHAIRMAN SCHMITT: Further discussion?

15 (No responses.)

16 CHAIRMAN SCHMITT: All in favor?

17 (Responses of "aye.")

18 CHAIRMAN SCHMITT: Opposed?

19 (No responses.)

20 CHAIRMAN SCHMITT: Vote passes.

21 MR. SCHEU: In paragraph 22 of the agreement
22 with the city, it says that the Financial
23 Advisory Investment Committee is five persons
24 (inaudible).

25 MR. KEANE: And we just did.

1 CHAIRMAN SCHMITT: The next item on the
2 agenda.

3 MR. KEANE: The resignation letter from
4 Dr. Herbert. We will show that received as
5 information, Mr. Chairman, to keep the items
6 going.

7 The next item, the Board has already handled
8 by authorizing me to take that action.

9 The next item is a News Release that you
10 issued following your meeting over at the City
11 Hall.

12 CHAIRMAN SCHMITT: And I will have a
13 discussion on this. I know it's for
14 informational purposes.

15 These are basically my notes from the
16 meeting with Councilman Gulliford. And we're
17 working on a response to each of the items in the
18 opinion report that was released by Mr. Siedle,
19 but there are a few points in here I just wanted
20 to make while we have this in front of us.

21 One of them we talked about already is the
22 management of the plan includes not just this
23 Board, but a fund treasurer, controller, a trust
24 company, independent auditor, actuary
25 professional, pension consultant, professional

1 money managers and, of course, attorneys.

2 This is not something that we take lightly.
3 It's something that is structured intentionally
4 to have a lot of governance and oversight, and we
5 take those responsibilities very seriously.

6 I handed out three documents when I met with
7 Mr. Gulliford, and just to go over a few of them
8 very quickly.

9 The first one is a graph, and it's just a
10 visual to show just kind of from a common sense
11 perspective, if you have a payroll at one level,
12 and in this case, almost, you know, over \$70
13 million and rising year after year, and you only
14 contribute a small portion, \$10 million, year
15 after year to a pension plan, common sense will
16 tell you in 20 to 25 years, you are not going to
17 have enough money in that pension plan to fund
18 those retirees.

19 That's really the bottom line in all of
20 this, and it relates to the condition of the
21 unfunded liability is the level of funding does
22 not -- did not and has not made any sense
23 compared to the total payroll.

24 No matter how you slice it, no matter how
25 much you think investments enter into it, you

1 cannot cover that gap between what payroll is and
2 the amount that is going into a pension plan --
3 over an extended period of time you cannot fund
4 that gap with pension returns, investments
5 returns, when the salaries are at the level.
6 It's just not possible.

7 On then the next two are just a summary of
8 that, and I think I'll point out on that, again,
9 we look at the city contribution is a percentage
10 of payroll. We're going back to go 1990, and
11 this is for the last 25 years.

12 Historically, up until about 2000, it's been
13 below or capped at about 20 percent of payroll.
14 And, again, just from a basic financial
15 perspective, when you're funding a pension fund,
16 only putting in 20 percent of what the employees
17 are earning is not enough to sustain a pension
18 fund. It's just basic economics. It's
19 impossible.

20 And now we're seeing the effects of that.
21 And to coincide with that, starting in 1995 and
22 13 years in a row, the mileage rate was lowered,
23 and they want to argue that there's no
24 correlation. I don't understand how they can't
25 see the correlation when you continue to lower

1 the amount of revenues that come in and then
2 continue to lower the funding that you pay into a
3 pension plan.

4 It's directly related. And it's a direct
5 correlation. And it's pretty easy to see. Year
6 after year, as the mileage rate continues to
7 decrease, and the unfunded liability of this
8 pension plan continues to be increased.

9 COUNCILMAN HAZOURI: I just want you to know
10 before I leave here that in 1991, we were 102
11 percent funded.

12 CHAIRMAN SCHMITT: I was going to point that
13 out.

14 COUNCILMAN HAZOURI: That's when it was
15 considered totally funded as well.

16 Ed Austin and I --

17 MR. SCHEU: Did you know the mayor then?

18 COUNCILMAN HAZOURI: He was a fine mayor.

19 MR. TUTEN: Yeah. It must have nice to have
20 a lot of retirees not making much of a pension
21 back then.

22 COUNCILMAN HAZOURI: We hired 300 new police
23 officers too on top of that.

24 MR. TUTEN: They couldn't afford to leave,
25 but thanks, Mayor.

1 CHAIRMAN SCHMITT: And you can see the
2 investment returns on there. And if you make any
3 comparisons to other pension plans, the returns
4 of this pension fund are usually in the upper at
5 least half, if not the upper percentile in
6 pension fund returns.

7 Combine that with the assumption rate that
8 was used for many of those years, finally going
9 down to 7 percent in 2013, having that higher
10 assumption rate all those years only masked the
11 true unfunded liability during all those years.

12 Now, dropping it down to 7 percent, which is
13 more along the lines of where it should be,
14 creates a more true look at what the actual
15 unfunded liability is. And those are the things
16 I wanted to point out on that.

17 MR. SCHEU: On the return rate, John may
18 know the answer to this. If you look at 2012,
19 2013, 2014, the PFPF investments rate, 18 of the
20 (inaudible), does that -- is that what the
21 so-called forensic consultant -- did he -- he
22 didn't quote those numbers, did he?

23 MR. HOLMES: No.

24 MR. KEANE: No.

25 MR. SCHEU: So where did he drag his numbers

1 out of, magic?

2 Because our actual returns were 18
3 1/4 (inaudible) 10.73.

4 So he didn't call you, did he?

5 MR. HOLMES: He did. And I gave him the
6 second quarterly report which showed the plan in
7 the top third, the top 15 percentile.

8 What he tried to do was -- or what was shown
9 was performance for different pieces that were
10 underperforming over discrete time periods.

11 MR. SCHEU: Thank you.

12 CHAIRMAN SCHMITT: Any other comments on
13 that? I just want to show that for information
14 purposes.

15 MR. KEANE: Mr. Chairman, since we're going
16 to lose the quorum shortly, there are three items
17 that need to be voted on.

18 Down under Investment Reports starting with
19 2015-11-12, the Addition to the Investment Policy
20 Statement.

21 CHAIRMAN SCHMITT: We'll take that one up
22 next.

23 MR. KEANE: Dan.

24 MR. HOLMES: The Investment Policy
25 Statement. I was asked by the chairman and by

1 John to make an amendment to the Investment
2 Policy Statement regarding review of fees and
3 aggregating fees across the investment managers
4 common to both the city's plan and the police and
5 fire plan under the possibility of doing that in
6 conjunction with amending the investment policy
7 to reflect the new ordinance.

8 The whole investment policy is a fairly
9 massive document. And so I don't have the final
10 product. Next month I'll have a redline version
11 for you.

12 But as I mentioned before, the language is
13 stating basically that this Board will conduct an
14 annual review of fees. Part of that annual
15 review of fees will be an opinion regarding the
16 unreasonableness of the fees and also providing
17 perspective so you get an idea about whether they
18 are reasonable and what others pay in that area.

19 And, finally, a statement that says that the
20 Board will make every effort to aggregate the
21 assets of both plans where managers are common
22 and get a lower break point; therefore, a lower
23 fee for both plans.

24 Speaking of the audit, that was something
25 that was mentioned that we had started doing last

1 year. And more recently Joey and I have been
2 working on further reducing fees with a couple of
3 the managers. Because of consolidation of the
4 city's plan, that gives benefits to this plan as
5 well.

6 CHAIRMAN SCHMITT: And just for
7 clarification, this is not something new that
8 we're doing. We just documenting now and making
9 it officially part of the policy?

10 MR. HOLMES: Exactly.

11 MR. TUTEN: Dan, can I ask a question?

12 CHAIRMAN SCHMITT: Go ahead.

13 MR. TUTEN: One of the many accusations from
14 this audit -- sorry, investigation -- was the
15 fact that we paid too much in fees.

16 Is there a way as a consultant that you can
17 compare the fees that we pay to other pension
18 plans around the country as an average? You
19 don't need to get specific, every fund or every
20 investment, but -- or just to make a comment now
21 as far as, in relative terms, we do pay more than
22 other pension plans pay as far as investment
23 management fees go?

24 MR. HOLMES: I can't make that statement,
25 and here's the reason why.

1 Depending on asset size, you may pay higher
2 or lower compared to other plans. And then in
3 addition to that -- well, I can tell you that you
4 pay lower than what the managers normally charge
5 because we've negotiated the fees down.

6 The fee -- the list of fees compared to the
7 universe average is of -- you can call it the
8 rack rate, but basically the manager's stated
9 fees are significantly lower than those -- than
10 the universal stated fees.

11 And what we're done is we've looked at fees
12 in conjunction with the manager's style. So we
13 adjust for style and we adjust for account size
14 and we adjust for the type of investment vehicle,
15 whether it be a separate account, a mutual fund
16 or -- something along those lines.

17 And so all but maybe one or two of the
18 managers are about top quartile in terms of
19 managers. With regard to one existing database,
20 that is accurate. Showing what stated fees are,
21 I don't know of any such one.

22 What was cited in the audit was something
23 from 2004, but there was no information there
24 showing how that information was applied. So I
25 don't know the origin of the estimate about

1 overpayment for fees.

2 MR. TUTEN: Correct. Just curious.

3 MR. KEANE: Mr. Chairman, that information
4 Mr. Holmes gave to Ted Siedle and told them, This
5 is the published fee; there is how much they say
6 they're going to charge; this is how much we're
7 paying because we were already getting those
8 discounts, and he went off and said something
9 else. We did that study for him.

10 CHAIRMAN SCHMITT: And that will be part of
11 the response, the office's response.

12 MR. GREIVE: Mr. Chairman, if I may, while
13 we're on the topic of fees, just yesterday the
14 city retirement system, we adopted two --
15 Pinnacle and Brown, both of whom you share in
16 common with us.

17 The few weeks ago I had passed along to
18 staff for discussion with your law firm to do the
19 same for this month. I don't know if it made the
20 agenda here today, but if not, the December
21 meeting will be fine.

22 But we negotiated the -- because we're
23 consolidating assets of the city, adding more
24 money to them; and as you'll see later, we
25 suggested doing the same here with the money that

1 the city will be sending you in a few weeks for
2 the contribution for the year -- just have become
3 successful, but Dan will talk more about that.

4 MR. HOLMES: The specific language that will
5 be included is as follows:

6 "The Board shall review investment
7 management fees on an annual basis. As part of
8 such fee review, the investment consultant shall
9 provide perspective and opinion as to the
10 reasonableness of such fees. Where investment
11 managers are retained by both the City of
12 Jacksonville Police and Fire Pension Plan and the
13 City of Jacksonville Retirement System, the Board
14 shall make every effort to aggregate assets
15 between the two for purposes of fee calculation."

16 MR. KEANE: That's the motion.

17 MR. SCHEU: I'll move unless you already
18 did.

19 CHAIRMAN SCHMITT: I have a notion.

20 MR. TUTEN: I'll second it.

21 MR. SCHEU: And with the caveat that this is
22 something we're looking at already. You're
23 already looking at the fees. This is just the
24 document clarify it formally.

25 CHAIRMAN SCHMITT: Any further discussion?

1 All in favor?

2 (Responses of "aye.")

3 CHAIRMAN SCHMITT: Opposed?

4 (No responses.)

5 CHAIRMAN SCHMITT: Passes.

6 MR. KEANE: We have this other
7 recommendation. Do you have that ready or do you
8 want to wait till we get to the big report?

9 MR. HOLMES: I'll wait until we get to the
10 big report.

11 MR. KEANE: The last item that's going to
12 require a vote, then, is the Renewal Professional
13 Service agreement for Dr. Scott Baker.

14 All the -- the majority of our professional
15 contracts are from October 1 through September
16 30, two years later. Three are not: The
17 attorney, the actuarial, and the medical
18 director. They are January. We don't know how
19 they ever got out of sync, but we're going to get
20 them back in sync with this.

21 CHAIRMAN SCHMITT: And Dr. Baker does the
22 assessments for those applying for disability.

23 MR. KEANE: As well as all the new
24 applicants.

25 MR. SCHEU: There's no change, no economic

1 change?

2 MR. KEANE: Economic terms are the same.

3 MR. SCHEU: I'll make a motion.

4 MR. TUTEN: Second.

5 CHAIRMAN SCHMITT: Any further discussion?

6 (No response.)

7 CHAIRMAN SCHMITT: All in favor?

8 (Responses of "aye.")

9 CHAIRMAN SCHMITT: Opposed?

10 (No responses.)

11 CHAIRMAN SCHMITT: Passes.

12 MR. KEANE: Mr. Chairman, that's the only
13 thing that's going to take a vote.

14 MR. HOLMES: Before we lose the quorum,
15 we've got a recommendation.

16 MR. KEANE: Okay.

17 MR. HOLMES: So in December, beginning in
18 December, the city is going to contribute \$153
19 million to the system.

20 We're proposing that that -- by we, I'm
21 talking about Joey and myself. We've looked at
22 this. And we're proposing that that 153 million
23 be contributed to the following managers:

24 In large-cap value equity, Eagle. It's
25 \$22.5 million. Obviously there's more -- you

1 know, more dollars behind it, but I'll give John
2 the schedule.

3 Brown Investment Advisory, \$14.4 million.
4 Pinnacle, \$15.1 million. So that's \$52 million
5 in equity. In international equity, \$17 million
6 to the International Equity Index Fund.

7 And then in Fixed Income, an additional
8 \$29.8 million that goes to the fixed income index
9 point.

10 That's a parking spot for further manager
11 recommendations that we are in the process of
12 making. And I'll give -- do you need specific
13 numbers for motions.

14 MR. KEANE: No, that's good enough.

15 This is going to happen when we get the
16 city's check here in a couple weeks. So we're
17 bringing this to you so that when we get the
18 money, it can immediately be disbursed.

19 CHAIRMAN SCHMITT: Do we have a motion?

20 MR. SCHEU: I'll move it. I have a
21 question, though.

22 CHAIRMAN SCHMITT: Go ahead.

23 MR. SCHEU: And this falls within the
24 allocation parameters of our policy?

25 MR. HOLMES: It does.

1 CHAIRMAN SCHMITT: We have a motion. Do we
2 have a second?

3 MR. TUTEN: Second.

4 CHAIRMAN SCHMITT: Just to expand on that
5 just a little bit, the investment parameters and
6 the allocation percentages are bordered -- some
7 of the facets are included in how to invest these
8 funds; also based on the amount of risk that we
9 want to take within those categories, I assume?

10 MR. HOLMES: It's -- the allocation is
11 within the permissible ranges around the target
12 asset allocation as being spread between both
13 stocks and bonds. It's being spread between both
14 U.S. and International Equities.

15 And so it's being more diversified. It's
16 basically along the lines of asset allocation
17 being your investment plan.

18 MR. SCHEU: And I think I heard you say that
19 the international was going to go into an index.

20 MR. HOLMES: The index.

21 MR. SCHEU: So that's passively managed, so
22 that fee should be lower?

23 MR. HOLMES: Yes, exactly.

24 MR. SCHEU: And the general fund is doing
25 the same?

1 MR. GREIVE: Yes.

2 CHAIRMAN SCHMITT: And we have about 24, 25
3 percent in index funds?

4 MR. HOLMES: It's about, oh, approximately
5 20 percent the last time I checked.

6 CHAIRMAN SCHMITT: Any further discussions
7 on that?

8 (No responses.)

9 CHAIRMAN SCHMITT: All in favor?

10 (Responses of "aye.")

11 CHAIRMAN SCHMITT: Opposed?

12 (No responses.)

13 CHAIRMAN SCHMITT: Passes.

14 MR. GREIVE: Mr. Chair, if I could elaborate
15 for a moment.

16 You know, as Dan and I were thinking about
17 where to allocate the money, you know, we're
18 operating with a couple of minor handcuffs in
19 that within fixed income, within bonds, where the
20 \$29.8 million is being allocated to the index
21 account, I think in an unconstrained world, we
22 probably would have allocated with something
23 more -- more high-yield, global bond exposure.

24 We don't have that tool in the tool kit
25 right now (inaudible) for over a year. I've

1 supported that discussion.

2 Within real estate, we would have made a
3 bigger allocation, we would have made an
4 allocation in real estate as part of this \$57
5 million had we had the tool.

6 But right now the Board is operating with
7 the constriction that Principal is not taking any
8 money. JP Morgan is not taking any money. And
9 you don't have any other options.

10 So as you think about what's next on the
11 portfolio on the investment side, you may want to
12 give some thought to adding a noncore
13 valued-added type real estate shop so that when
14 you have these types of events going forward, you
15 have an extra tool in the tool kit to allocate
16 money to. That's on the real estate side.

17 And on the fixed income side, you should
18 give some consideration to global credit,
19 high-yield stuff. Not that you want to have a
20 big exposure on any of that by any means, but
21 having some, just having that tool in the tool
22 kit would be good. That's just my two cents.

23 MR. SCHEU: Dan, if the Federal Reserve does
24 start increasing the interest, that would tend to
25 have a down-bearing on the value of the funds,

1 the bonds.

2 MR. HOLMES: Correct.

3 MR. SCHEU: So has that already been put
4 into play in the market?

5 MR. HOLMES: I think a lot of that -- yeah.
6 I think a lot of that has been discounted in the
7 market already. I think there will be -- or we,
8 our firm, thinks there will be a near-term bump.
9 I don't think it's going to be -- we don't think
10 it's going to be as big as everybody fears it
11 will be. And, you know, longer term, like I
12 said, it's already priced in.

13 I think there's also going to be a series of
14 (inaudible) over the next couple of years.

15 MR. GREIVE: And then just going back to my
16 point, to answer your question.

17 As interest rates rise, it impacts
18 government bonds more negative than it impacts
19 corporate-type bonds. So that's one of the
20 theories that I have, is that things that have
21 historically been deemed safe, government bonds.

22 The first step would be, you know, the
23 environment facing us the next five to ten years,
24 as we think about our fixed income portfolio, you
25 may want to try to reduce government bonds

1 exposure. You don't have to go high yield, but
2 more corporate-type bonds.

3 COUNCILMAN HAZOURI: Thank you.

4 Happy Thanksgiving to everybody.

5 (Councilman Hazouri leaves the Board
6 meeting.)

7 MR. KEANE: And then the public records
8 update, Mr. Chairman.

9 CHAIRMAN SCHMITT: All right. On the agenda
10 is 2015-11-8. There was a question presented to
11 the Board regarding fees paid to the Klausner Law
12 Firm.

13 One in particular was an email that was sent
14 to former Chairman Bussells in reference to
15 discounting the month of -- I believe it was
16 April 2014. They discounted that, sent \$5,000,
17 but it was actually in excess of \$5,000, and they
18 also said they would discount an additional
19 \$20,000.

20 That discount did not show up on any of the
21 invoices because Mr. Klausner actually sent a
22 check for \$20,000 in May of 2014. That check
23 was, in fact, deposited and I have a copy of it,
24 if anybody would like it, showing the funds
25 actually coming into the Police and Fire Pension

1 Fund account for the full \$20,000 discount.

2 I just want to present that as informational
3 purposes, clear up any questions on the
4 discounted \$20,000 legal fee invoice.

5 MR. KEANE: We will show that received as
6 information, Mr. Chairman.

7 CHAIRMAN SCHMITT: The next item has to do
8 with frequent flyer mileage; again, another point
9 that was brought to the Board.

10 The policy regarding employees using their
11 own credit card to purchase airline tickets for
12 business travel, fund travel.

13 The Board currently does not have a policy
14 in place and, therefore, there is no policy
15 violated.

16 I asked Devin to check into this a little
17 bit, and what he found was that the city also
18 does not have a policy preventing city employees
19 who purchase airline tickets on their personal
20 credit card that are traveling on city business
21 to use the frequent flyer miles that are earned
22 for those flight purchases.

23 So -- he also checked with the State of
24 Florida. And I'm not sure -- Devin, which entity
25 within the state had this policy?

1 MR. CARTER: The governor's office, Code of
2 Ethics.

3 CHAIRMAN SCHMITT: Under the -- there's a
4 Code of Ethics under the governor's office.
5 Their policy is on,

6 "The frequent flyer miles earned through
7 state business travel, employees may sometimes be
8 required to travel on state business, require
9 them to spend evenings and weekends away from
10 their homes and family, the per diem -- reimburse
11 employees out-of-pocket flyer expenses.

12 "As a matter of general policy, any frequent
13 flyer miles, bonus miles, awarded to an employee
14 as a result of state-reimbursed travel, may be
15 used for personal use by the employee."

16 So that's one of the options for policy. In
17 a draft here -- I don't expect us to vote on this
18 this month -- but I wanted to present this
19 information for you-all to review, and we can
20 vote on it next month if we want to actually
21 implement a specific policy related to frequent
22 flyer miles on the purchase of airline tickets
23 with a personal credit card for business travel.

24 MR. SCHEU: I also asked the General
25 Counsel's Office to look into this. They

1 couldn't find anything in any department, and
2 they looked. And so there really is no policy.

3 In the City Finance Department where Steve
4 Durden thought that would be addressed, they
5 didn't have anything.

6 So I think seeing what the state does is
7 helpful, but I think this is good to bring this
8 to us.

9 MR. KEANE: This is our current policy that
10 you have here, and what we're going to present to
11 you next month is take the words from the
12 governor's office and move them over there so
13 that you can see that.

14 CHAIRMAN SCHMITT: My intention for bringing
15 it this month is to give you-all a chance to
16 review it.

17 MR. TUTEN: Well, you know, I mean, you
18 can't monetize frequent flier miles. That's the
19 whole thing. I mean, the truth of the matter is,
20 it's not going to apply to the Board. It's going
21 to apply to the director.

22 Well, that's, in my opinion, a perk to
23 attract, hopefully, someone this time around and
24 say, Look, you know, if you do travel, you know,
25 it's not a lot, but it's something.

1 But at least they know that if there is
2 scrutiny, this is what the law is, this is what
3 our plan is, and then that will be the end of
4 that.

5 MR. SCHEU: And it's just not unusual in any
6 other place.

7 MR. TUTEN: No, it's not. Of course not.

8 MR. DARAGJATI: Mr. Chairman, just for the
9 record, we looked into this and the IRS has
10 actually looked at this issue and it's not
11 considered principal income. It's not income for
12 the flyer miles.

13 CHAIRMAN SCHMITT: Okay. Copies of those
14 are available for anybody who would like them.

15 Please let the record show that Trustee
16 Scheu has to leave the meeting and catch a
17 flight. We thank you for your attendance.

18 MR. KEANE: Safe travels.

19 MR. SCHEU: Thank you.

20 MR. KEANE: Happy Thanksgiving.

21 (Mr. Scheu leaves the Board meeting.)

22 CHAIRMAN SCHMITT: We have the
23 Administrative Reports, the next item is the
24 budget, 2014-11-1. Should be 2015-11-1. 2014 is
25 last year's.

1 MR. CARTER: Yes, that's last year's.

2 Pretty much I presented this report because
3 I didn't have one at the last meeting because we
4 were currently in the middle of audit.

5 And this is based on the year-end results.
6 I put some notes out beside a quarterly meeting,
7 two meetings that pretty much caught our
8 attention.

9 For example, Number 1 (inaudible) was over
10 budget based on the DROP engagement that we have
11 performed.

12 2: Pretty much was for the (inaudible)
13 hired for medical.

14 3 was for ITT development upgrades
15 (inaudible) for pension reform, and which we're
16 still currently working on.

17 And 4 was for the lawsuit settlement.

18 And for the money manager fees, pretty much
19 we're on the budget by at least a million, but I
20 won't have that actual figure probably until the
21 next meeting. And what I plan on doing is
22 presenting the schedule showing what was the
23 actual for the fiscal year.

24 CHAIRMAN SCHMITT: We'll show both of those
25 for informational purposes.

1 Anybody have any comments for discussion?

2 (No responses.)

3 CHAIRMAN SCHMITT: We'll move on to the next
4 item, which is the Summit Flash Report.

5 MR. HOLMES: Okay. The performance in
6 October for both the market and the plan was
7 significantly better, both from an economic
8 standpoint as well as the capital markets
9 standpoint.

10 So briefly giving you the economic
11 background, what we saw were positive events in
12 both payroll numbers, wage gains and financial
13 performance.

14 So first of all, more jobs were created than
15 expected during the course of the month. As a
16 result, the unemployment rate now has dropped to
17 5 percent, which is the lowest level since April
18 of 2008.

19 In addition to that, one thing that we have
20 not seen in quite some time is wage growth. And
21 so for the 12 months ending in October, the
22 hourly earnings grew by 2 1/2 percent, which is
23 getting up towards the Feds' target.

24 In addition to that, we saw the GDP number
25 come in at 1.5 percent annualized rate during the

1 third quarter. It's positive. It's on the backs
2 of a 3.8 percent GDP number for the second
3 quarter.

4 So as a result, it's now giving the Fed
5 reason to raise rates at the December meeting.
6 And so that's what the market's anticipating with
7 about 70 percent of participants in the survey
8 saying they think they'll raise -- the Fed will
9 raise in December.

10 So you put all that together, you also put
11 together basically no change of interest rates,
12 so what we saw in October were basically flat
13 returns for bonds and stronger returns in stocks,
14 especially international stocks, given the fact
15 that the Chinese market had a recovery during
16 October.

17 So the same way that August and September
18 were risk-off periods, October as very much of a
19 risk-on period.

20 The S&P was up almost 8 percent, 7.6
21 percent -- I'm sorry. 8.4 percent. I was on the
22 wrong line.

23 S&P was up 8.4 percent for the month.
24 Small-cap stocks up over 5 percent. EAFE up
25 almost 8 percent. Merging markets up almost 10

1 percent. And then, finally, MLPs were up as
2 well, almost 10 percent as well.

3 So the bottom line is it will reverse a lot
4 of the setbacks that we saw in early parts of the
5 quarter, or at least starting to reverse that.

6 For the system, for the plan, you see the
7 Flash Report before you. For the month of
8 October, the plan was up 5.3 percent on a rounded
9 basis. That's on a gross-of-fees basis.

10 Calendar year-to-date is off 18 basis
11 points, a little bit below the benchmark. On a
12 net basis, it's off 49 basis points, calendar
13 year-to-date.

14 And for the trailing one-year period, the
15 plan is up 63 basis points, whereas on a net
16 basis, it's up about 30 basis points.
17 Longer-term returns continue to be competitive.

18 In terms of some of the big turn-arounds
19 since the last quarter, at least September, MLPs,
20 as we mentioned before, were up 9.8 percent.
21 That was just for the index.

22 For your MLP managers, they were up 9.4 and
23 10.2 percent respectively. So a good turn-around
24 there for their performance during the course of
25 the month. Real estate was also positive.

1 So basically what you had in the quarter,
2 you had real estate being up the most out of all
3 the asset classes, and you had bonds up between 3
4 and 4 percent. And then you had bonds up a
5 little over 1 percent. Everything else was
6 negative. Both domestic and international equity
7 indices were negative.

8 So you see the reversal here. Your total
9 equity portfolio during the course of the month
10 was up 7.7 percent. The international portfolio,
11 again, was up 7.7 percent.

12 Fixed income was up about 9 basis points.
13 And then real estate -- that's a preliminary
14 number because not all the managers have priced
15 the portfolio. A couple of the managers only
16 price on a quarterly basis as opposed to a
17 monthly basis.

18 So that return represents Pinnacle -- I'm
19 sorry, Principal more than anything else. Then
20 finally the MLPs.

21 In terms of individual managers, the
22 comeback of Brown slowed down a little bit. They
23 underperformed the benchmark during the last
24 month and three months. But as we had mentioned
25 before over the last year, the markets turned,

1 assets have moved back into sustainable growth
2 companies, and you see that Brown's performance
3 has picked up accordingly.

4 They still have more to go to be positive to
5 the index since inception, but we think they're
6 well on their way.

7 In addition to that, Pinnacle had a tough
8 quarter. Their return turn-around during the
9 course of the month, they were up over 10 percent
10 for the month as well.

11 Finally with regard to manager turn-arounds,
12 Baillie Gifford also was a manager that had
13 underperformed their benchmark during the course
14 of the quarter and then had a low negative return
15 during the course of the quarter. That was
16 primarily attributed to the fact that 15 percent
17 of the portfolio was invested in China, Chinese
18 stocks.

19 That turned around and you can see that they
20 were up 9.7 percent during October. And so
21 calendar year-to-date, they are still behind, but
22 since September, they are in front of their
23 index. The bottom line is that they will move in
24 and out of favor. And then we also had the
25 extremely volatile period over the past, say, mid

1 year through October. So we expect some of that
2 volatility to continue.

3 Any questions with regard to managers or
4 performance?

5 CHAIRMAN SCHMITT: What about Sawgrass?

6 MR. HOLMES: Sawgrass. They are a quality
7 growth manager. Sustainable growth is rotating.
8 They're behind their benchmark for the last 12
9 months and since inception. We still think that
10 they're a quality manager. They still continue
11 to be in our top tier, but recent performance has
12 pulled them down.

13 And it hasn't been that they've
14 underperformed during the entire period. They
15 just have had a bad 12 months and it's pulled
16 their longer-term periods down.

17 Joey and I are both looking at the portfolio
18 towards possible consolidation, just to
19 streamline the manager lineup and also look for
20 possibilities to reduce fees the same way we did
21 at the city's plan. And so we're looking at
22 GAMCO along those lines and possibly Sawgrass or
23 Brown.

24 CHAIRMAN SCHMITT: Any other comments?

25 MR. KEANE: Received as information.

1 CHAIRMAN SCHMITT: Received as information.

2 MR. TUTEN: Dan, how much longer do you
3 think it will be until you're done with the
4 investment plan summary?

5 MR. HOLMES: I'll have it for December. And
6 depending on -- I'm not currently scheduled to be
7 here for December, but --

8 CHAIRMAN SCHMITT: So, Dan, if I could
9 interrupt for just one second. We're going to
10 have to switch for a workshop because we just
11 lost the quorum. Sheriff Glover has to leave the
12 meeting. So we will end this meeting. We'll
13 show it adjourned at 11:09 and readjourn as a
14 workshop.

15 (Mr. Glover leaves the Board meeting.)

16 CHAIRMAN SCHMITT: Go ahead.

17 MR. HOLMES: Okay. Thanks.

18 The third or the -- yeah. The third
19 Thursday of December I'm going to be at a meeting
20 down the Gainesville. So depending on the
21 meeting in December for your Board, I possibly
22 can come up later that day if the meeting is on
23 Friday and take care of a lot of this in person.

24 MR. TUTEN: John can try to work out the
25 details of that meeting.

1 MS. MANNING: We're already scheduled for
2 the 17th, but in the morning and he can't do it
3 then. So we need to be -- then we've got the
4 holiday. Friday is the 18th. If you want to
5 make it the next day.

6 MR. TUTEN: That's fine with me.

7 MR. GREIVE: It's a Friday, what we're used
8 to.

9 MR. KEANE: You're going to be in
10 Gainesville Thursday morning?

11 MR. HOLMES: Yeah. And then I'll drive up
12 Thursday afternoon. I mean, if your meeting was
13 Thursday afternoon, I can drive from Gainesville
14 up here for Thursday afternoon or I can stay over
15 and do it Friday morning. Whatever works for
16 your schedule.

17 CHAIRMAN SCHMITT: Well, are we needing a
18 workshop to go through this or do we need it as
19 part of the actual meeting?

20 MR. HOLMES: It would be to adopt the --
21 well, I'm going to give you a redline version of
22 the investment policy.

23 CHAIRMAN SCHMITT: Okay.

24 MR. HOLMES: If there are questions, I would
25 like to be here to answer the questions for

1 points of clarification or explanation. It's
2 hard to do that over the phone, and I would
3 rather not send one of my assistants to do it.
4 I'd rather be here in person so that we get it
5 done.

6 CHAIRMAN SCHMITT: Can we do it during the
7 meeting on Friday, the 18th?

8 MR. KEANE: Right. And then once approved,
9 then you can vote on it and he goes back and
10 formalizes it.

11 CHAIRMAN SCHMITT: But if possible, I would
12 like to get that out to the trustees ahead of
13 time so we can review it and have our questions
14 ready.

15 MR. HOLMES: Exactly.

16 MS. MANNING: So 9:00 on the 18th?

17 CHAIRMAN SCHMITT: Yes. 9:00 on Friday,
18 December 18th.

19 MR. HOLMES: And I won't keep you because I
20 have to get back for our Christmas party that
21 night.

22 CHAIRMAN SCHMITT: Okay. Any other comments
23 on the Summit Flash Report? Has that already
24 posted on the website?

25 MS. MANNING: (Nods head.)

1 CHAIRMAN SCHMITT: It's already on the
2 website.

3 The last item I show on the agenda is the
4 Records Retention project. Any update on that?

5 MS. MANNING: Well, we met with another
6 firm. We have an estimate. We have a cost from
7 them, and I gave you the brochure so we can kind
8 of look it over and we can have another meeting
9 with them if need be.

10 CHAIRMAN SCHMITT: Again, for clarification
11 on the record, these are not the financial
12 records of the fund. These are not the member
13 records. The financial information is all in the
14 accounting system that -- it's actually the
15 city's accounting system. The financial
16 reporting systems, all of those records are
17 electronic.

18 These records are copies of various reports
19 and pieces of information that have been sent to
20 the fund over the years by money managers and the
21 pension consultant. They're not the actual
22 financial records of the fund.

23 Any other discussion or comment on that?

24 (No responses.)

25 CHAIRMAN SCHMITT: Any other items for the

1 good of the order?

2 MR. GREIVE: Mr. Chair, if I may just ask a
3 question.

4 Regarding the actuarial evaluation for
5 10/1/15, how is that coming along? Do you have
6 any drafts yet?

7 MR. CARTER: It's coming along great. I
8 spoke with Jarmon on it. It should be ready by
9 then.

10 MR. GREIVE: By December 31st. So at the
11 next meeting, I take it?

12 MR. CARTER: Hopefully, but at least by
13 December 31. I spoke with him yesterday about
14 it. Auditors will be here on-site next week.

15 MR. GREIVE: Okay. So worst case scenario,
16 we'd have to have some kind of a separate meeting
17 after the holidays.

18 MR. CARTER: Exactly.

19 MR. GREIVE: We'll cross that bridge when we
20 get there.

21 MR. CARTER: Yes.

22 CHAIRMAN SCHMITT: Any other items?

23 It is 11:14. We are adjourned.

24 (The workshop meeting concluded at
25 11:14 a.m.)

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CERTIFICATE OF REPORTER

I, Denice C. Taylor, Florida Professional Reporter, Notary Public, State of Florida at Large, the undersigned authority, do hereby certify that I was authorized to and did stenographically report the foregoing proceedings, and that the transcript, pages 3 through 110, is a true and correct computer-aided transcription of my stenographic notes taken at the time and place indicated herein.

DATED this 11th day of December, 2015.

Denice C. Taylor, FPR
Notary Public in and for the
State of Florida at Large

My Commission No. FF 184340
Expires: December 23, 2018