

**JACKSONVILLE POLICE AND FIRE
PENSION BOARD OF TRUSTEES
MEETING MINUTES – JULY 25, 2014
RICHARD “DICK” COHEE BOARD ROOM**

NOTE: If any person decides to appeal any decision made with respect to any matter considered at this public meeting such person will need a record of proceedings, and for such purpose such person may need to ensure that a verbatim record of the proceedings is made at their own expense and that such record includes the testimony and evidence on which the appeal is based. The public meeting may be continued to a date, time, and place to be specified on the record at the meeting.

PRESENT

Walter Bussells, Chairman
Dr. Adam Herbert, Trustee
Asst. Chief Larry Schmitt, Police Trustee
Lt. Richard Tuten III, Fire Trustee

STAFF

John Keane, Executive Director-Administrator
Kevin Stork, Controller
Debbie Manning, Executive Assistant
Dan Holmes, Summit Strategies – *via phone*

EXCUSED

Nathaniel Glover Jr., Board Secretary

CITY REPRESENTATIVES INVITED

C. Ronald Belton, Director of Finance & Chief Financial Officer, City of Jacksonville – *not in attendance*
Council Member Richard Clark, City Council Liaison – *not in attendance*
Joey Greive, Fund Treasurer – *not in attendance*
Kirk Sherman, City Council Auditor – *not in attendance*

GUESTS

Steve Amos, President FOP
Randy Wyse, President, Jax. Assoc. of Fire Fighters
Mark Muchowitz, Police Officer
David Bauerlein, Reporter, FL Times Union
Curtis Lee

NOTE: Any person requiring a special accommodation to participate in the meeting because of disability shall contact the Executive Director-Administrator at (904) 255-7373, at least five business days in advance of the meeting to make appropriate arrangements.

CHAIRMAN BUSSELLS BROUGHT THE MEETING TO ORDER AT 9:00AM

A moment of silence was observed for the following deceased members:

Perry E. Gibbs, Retired Police Officer
Raymond "Red" E. Brinson, Retired Fire Fighter Engineer

The Board of Trustees recited the Pledge of Allegiance.

PUBLIC SPEAKING PERIOD

NO REQUESTS. PUBLIC SPEAKING PERIOD CLOSED

CONSENT AGENDA - ITEMS 2014-07-(1-11)CA

2014-07-1CA MINUTES TO BE APPROVED

1. Minutes of the Board meeting held June 27, 2014. Copy held in the meeting file.

2014-07-2CA DISBURSEMENTS

The listed expenditures have been reviewed and deemed payable. The Police and Fire Pension Fund Controller certifies that they are proper and in compliance with the appropriated budget.

DISBURSEMENTS A

| | | | |
|-----|--------------------------------------|----|------------|
| 1. | John Keane | \$ | 698.74 |
| 2. | Klausner, Kaufman, Jensen & Levinson | \$ | 56,453.91 |
| 3. | Lowenstein Sandler LLP | \$ | 703.50 |
| 4. | Deprince Race & Zollo | \$ | 222,913.00 |
| 5. | Pension Board Consultants | \$ | 22,500.00 |
| 6. | Sawgrass Asset Mgm. LLC | \$ | 46,234.00 |
| 7. | Summit Strategies Group | \$ | 61,466.00 |
| 8. | Northern Trust Co. | \$ | 56,614.76 |
| 9. | Brown Advisory | \$ | 26,959.43 |
| 10. | Thompson, Siegel & Walmsley | \$ | 54,004.01 |

| | | |
|-----|------------------------------|----------------------|
| 11. | Eagle Capital Management LLC | \$ 151,901.60 |
| | TOTAL | \$ 700,448.95 |

DISBURSEMENTS B

| | |
|---|----------------|
| Transaction list of Accounts Payable distributions. | (\$ 81,004.83) |
|---|----------------|

2014-07-3CA PENSION DISTRIBUTIONS

| | | | |
|----|----------------------|--------------------|----------------|
| A. | July 3, 2014 | Regular Gross | \$4,249,004.59 |
| | | Regular Lumpsum | \$ 8,248.98 |
| | | Regular DROP Gross | \$ 788,743.35 |
| | | DROP Lumpsum | \$ 52,423.13 |
| | | DROP Rollover | \$ 271,083.13 |
| | | | TOTAL |
| B. | July 18, 2014 | Regular Gross | \$4,280,026.98 |
| | | Regular Lumpsum | \$ 19,172.58 |
| | | Regular DROP Gross | \$ 802,562.60 |
| | | DROP Lumpsum | \$ 463,977.28 |
| | | DROP Rollover | \$ 97,323.18 |
| | | | TOTAL |

ALL CALCULATIONS AND DOLLAR AMOUNTS HAVE BEEN AUDITED IN ACCORDANCE WITH ACCEPTED PROCEDURES.

2014-07-4CA TIME CONNECTIONS

1. **PFISTER, Gerald W.**, Prior Florida Service (2 yrs., 1 mth.).
2. **RICHARDSON, Michael D.**, Prior Florida Service (11 mths.).

2014-07-5CA REFUND OF PENSION CONTRIBUTIONS

1. **BLACK, Ryan D.**, resignation/termination on July 3, 2014, will be issued a refund of his pension contributions. Police Officer
2. **VANNELLI, Toni L.**, resignation/termination on July 3, 2014, will be issued

a refund of his pension contributions. Police Officer

2014-07-6CA APPLICATION FOR VESTED RETIREMENT

1. **NATALZIA, Michael P.**, date of vesting June 27, 2014, to be placed on pension June 26, 2026. Police Officer

2014-07-7CA APPLICATION FOR SURVIVOR'S BENEFITS

1. **HUGHES, Walter D.**, widower of Denise L. Hughes who died June 20, 2014.
2. **PETTY, JOAN H.**, widow of Frederick K. Petty who died June 10, 2014.
3. **WIMPEE, Janice E.**, widow of Frank K. Wimpee who died June 9, 2014.

2014-07-8CA APPLICATION FOR SURVIVOR OF DROP PARTICIPANT

1. **HUGHES, Walter D.**, widower of Denise L. Hughes who died June 20, 2014, her DROP account paid to him bi-weekly over the next 20 years.

2014-07-9CA DROP PARTICIPANT TERMINATION OF EMPLOYMENT

1. **BEEBE, Mark C.**, DROP commencement date of January 22, 2010, termination of employment date effective July 18, 2014. Police Officer
2. **BRANTLEY, Leroy A.**, DROP commencement date of July 24, 2009, termination of employment date effective July 4, 2014. JFRD Compliance Manager
3. **COOPER JR., Dewitt L.**, DROP commencement date of July 24, 2009, termination of employment date effective July 4, 2014. Fire Fighter
4. **DEAL, Bobby L.**, DROP commencement date of July 24, 2009, termination of employment date effective July 4, 2014. Assistant Police Chief
5. **EDWARDS, Micheal P.**, DROP commencement date of January 22, 2010, termination of employment date effective July 18, 2014. Director of Patrol & Enforcement
6. **FLOWERS JR., Robert L.**, DROP commencement date of April 15, 2011, termination of employment date effective July 4, 2014. Fire Fighter Engineer

7. **GRIFFIN, Cathy A.**, DROP commencement date of July 24, 2009, termination of employment date effective July 4, 2014. Police Officer
8. **JENKINS, Ronald L.**, DROP commencement date of July 24, 2009, termination of employment date effective July 4, 2014. Police Officer
9. **LEE, Stephen D.**, DROP commencement date of July 24, 2009, termination of employment date effective July 4, 2014. Fire Lieutenant
10. **MAKAUSKAS, David J.**, DROP commencement date of July 24, 2009, termination of employment date effective July 4, 2014. Police Officer
11. **MILLER, Wayne**, DROP commencement date of July 24, 2009, termination of employment date effective July 4, 2014. Fire Lieutenant
12. **PALMER, Glen E.**, DROP commencement date of July 24, 2009, termination of employment date effective July 4, 2014. Fire Fighter Engineer
13. **SMITH, Bobby T.**, DROP commencement date of July 23, 2010, termination of employment date effective July 4, 2014. Fire Battalion Chief
14. **SMITH, William T.**, DROP commencement date of July 24, 2009, termination of employment date effective July 4, 2014. Fire Fighter Engineer
15. **STAPLES, Thomas L.**, DROP commencement date of July 24, 2009, termination of employment date effective July 4, 2014. Fire Lieutenant
16. **STULL JR., William R.**, DROP commencement date of July 24, 2009, termination of employment date effective June 27, 2014. Police Sergeant
17. **THOMAS, Timothy W.**, DROP commencement date of July 24, 2009, termination of employment date effective July 4, 2014. Fire Fighter Engineer
18. **THOMPSON, Ronald P.**, DROP commencement date of July 24, 2009, termination of employment date effective July 4, 2014. Police Sergeant

2014-07-10CA DROP DISTRIBUTIONS

1. **BEEBE, Mark C.**, the entire value of his DROP account paid to him bi-weekly over the next 30 years.
2. **BRANTLEY, Leroy A.**, the entire value of his DROP account paid to him bi-weekly over the next 30 years.

3. **COOPER JR., Dewitt L.**, the entire value of his DROP account paid to him bi-weekly over the next 25 years.
4. **DEAL, Bobby L.**, a portion of his DROP account paid in a lump sum; the DROP balance paid to him bi-weekly over the next 25 years.
5. **EDWARDS, Michael P.**, a portion of his DROP account paid in a lump sum; the DROP balance paid to him bi-weekly over the next 30 years.
6. **FLOWERS JR., Robert L.**, the entire balance of his DROP account paid to him in a lump sum.
7. **GRIFFIN, Cathy A.**, the entire value of her DROP account paid to her bi-weekly over the next 35 years.
8. **JENKINS, Ronald L.**, a portion of his DROP account paid in a lump sum; the DROP balance paid to him bi-weekly over the next 30 years.
9. **LEE, Stephen D.**, the entire value of his DROP account paid to him bi-weekly over the next 30 years.
10. **MAKAUSKAS, David J.**, a portion of his DROP account paid in a lump sum; the DROP balance paid to him bi-weekly over the next 15 years.
11. **MILLER, Wayne**, a portion of his DROP account paid in a lump sum; the DROP balance paid to him bi-weekly over the next 20 years.
12. **PALMER, Glen E.**, the entire value of his DROP account paid to him bi-weekly over the next 25 years.
13. **PERRY, Willie L.**, the entire balance of his DROP account paid to him in a lump sum.
14. **SMITH, Bobby T.**, a portion of his DROP account paid in a lump sum; the DROP balance paid to him bi-weekly over the next 42.6 years.
15. **SMITH, John G.**, the entire balance of his DROP account paid to him in a lump sum.
16. **SMITH, William T.**, a portion of his DROP account paid in a direct rollover to Edward Jones; the DROP balance paid to him bi-weekly over the next 20 years.
17. **STAPLES, Thomas L.**, the entire value of his DROP account paid to him bi-weekly over the next 30 years.

18. **STULL JR., William R.**, a portion of his DROP account paid in a lump sum; the DROP balance paid in a direct rollover to Raymond James & Assoc.
19. **THOMAS, Timothy W.**, the entire value of his DROP account paid to him bi-weekly over the next 25 years.
20. **THOMPSON, Ronald P.**, the entire value of his DROP account paid to him bi-weekly over the next 36 years.

2014-07-11CA EDUCATIONAL OPPORTUNITIES

1 Global Forum – 11th Real Estate Private Equity Summit – October 15, 2014

Financial Research Assoc. – Winning and Retaining Institutional Mandates Conference – Nov. 17-18, 2014 – Boston, MA

44th Annual Police Officers' & Firefighters' Pension Conference – Nov. 17-19, 2014 – Orlando, FL

MOTION MADE BY TRUSTEE HERBERT TO APPROVE THE CONSENT AGENDA 2014-07-(1-11)CA, SECONDED BY TRUSTEE SCHMITT.

CHAIRMAN BUSSELLS ASKED IF THERE WERE ANY QUESTIONS OR COMMENTS ON THE CONSENT AGENDA. TRUSTEE TUTEN ASKED JOHN KEANE WHY THE DRZ WAS SO HIGH IN COMPARISON? ANY PARTICULAR REASON? JOHN STATED THIS PARTICULAR GROUP OF MANAGERS HAS THE MOST MONEY, AND THEY ARE A SMALL CAP AND HAVE A HIGHER FEE.

NO FURTHER QUESTIONS. VOTE WAS UNANIMOUS

OLD BUSINESS

2012-06-13 2013/2014 Budget – June, 2014 review - *attachment*

REVIEW OF THE 2013/2014 BUDGET MADE BY KEVIN STORK. WE CONTINUE TO PAY MORE IN MONEY MANAGER FEES. SIZE OF THE PORTFOLIO HAS GONE UP. LEGAL FEES CONTINUE TO BE HIGH DUE TO PENSION INQUIRIES. ACTUARY WAS OVER BUDGET DUE TO TWO STUDIES REGARDING PENSION REFORM.

CHAIRMAN BUSSELLS ASKED IF THERE WERE ANY QUESTIONS OR COMMENTS REGARDING THE BUDGET?

CHAIRMAN BUSSELLS ASKED IF JOHN OR KEVIN WOULD UPDATE THE BOARD REGARDING THE FY2014/2015 BUDGET. PER JOHN THE BUDGET WAS SUBMITTED A WEEK AGO BY THE MAYOR. WE HAVE NOT RECEIVED FROM THE COUNCIL AUDITOR THE SCHEDULE FOR HEARINGS. NO HEARING DATE HAS BEEN SET AS OF THIS TIME.

2013/2014 BUDGET REVIEW RECEIVED AS INFORMATION.

NEW BUSINESS – ITEMS 2014-07-(1-5)

2014-07-1 Actuarial Impact Statement Proposed Ordinance 2014-377 – *attachment*

THIS IS THE ORDINANCE INTRODUCED BY FORMER COUNCIL PRESIDENT GULLIFORD AND COUNCILMAN CRESCIMBENI TO PUT A QUESTION ON THE BALLOT SHOULD THE MAYOR HAVE THE AUTHORITY TO APPOINT THE FIFTH TRUSTEE TO THE PENSION BOARD.

WE RECEIVED A COMMUNICATION FROM THE CITY LEGAL OFFICE ASKING US TO OBTAIN AN ACTUARIAL IMPACT STATEMENT WHICH WE DEVELOPED AND FORWARDED TO THEM. JOHN ADVISED THAT THERE IS NO ACTUARIAL IMPACT AS LONG AS IT DOES NOT IMPACT THE RECEIPT OF THE 175 AND 185 MONEY. HOWEVER, WE HAVE SENT A COMMUNICATION TO THEM THRU BOB KLAUSNER WHICH HAS BEEN DEFERRED PENDING OTHER DEVELOPMENTS.

ACTUARIAL IMPACT STATEMENT PROPOSED ORDINANCE 2014-377 RECEIVED AS INFORMATION.

2014-07-2 Letter to Office of City Council Auditor regarding 2015 Budget Language – *Attachment*

JOHN EXPLAINED THAT IN THE LAST SEVERAL BUDGETS, UNDER THE APPROPRIATION FOR PENSION CONTRIBUTIONS, THE CITY COUNCIL HAS USED CERTAIN WORDING STATED IN THE LETTER. HOWEVER, IN THIS YEARS BUDGET, THERE WAS A SLIGHT CHANGE, BUT A FISCALLY IMPORTANT CHANGE THAT WE DISCUSSED WITH THE ACTUARY. WE HAVE RECOMMENDED TO BRIAN PARKS, THE COUNCIL AUDITOR'S PUBLIC ACCOUNTS AUDITOR III, THAT THE CITY GO BACK TO THE PREVIOUS LANGUAGE AS STATED IN THE LETTER.

2015 BUDGET LANGUAGE LETTER RECEIVED AS INFORMATION

EXECUTIVE DIRECTOR'S REPORT

Legal

2014-07-5 Board of Trustees vs Curtis Lee – *attachment*

JOHN STATED THE APPEAL HAS BEEN FILED WITH THE FLORIDA SUPREME COURT.

CHAIRMAN BUSSELLS ASKED IF WE HAVE ANY SENSE OF WHAT THE TIME FRAME WOULD BE IN THE SUPREME COURT? JOHN STATED LONG, MAYBE A YEAR. THE BASIS OF THE APPEAL IS CONFLICTING OPTIONS FROM THREE DIFFERENT DISTRICT COURTS OF APPEAL OPINION.

2014-06-7 Final Administrative Order Forfeiting Benefits – Hamlin - *attachment*

HAMLIN WAS NOT PRESENT AT THE BOARD MEETING BUT WAS NOTIFIED OF THE MEETING. HE IS A NOW RETIRED POLICE OFFICER WHO WAS CHARGED BY THE STATE ATTORNEY WITH A NUMBER OF ALLEGATIONS. HE PLEAD NO CONTEST TO ONE COUNT OF GRAND LARSENY AND SEVERAL COUNTS OF FALSIFYING OFFICIAL RECORDS. UNDER THE STATUE THIS CONSTITUTES OFFICIAL MISCONDUCT AND AS A RESULT OF THIS, HE WAS CONVICTED, BUT ADJUDICATION OF GUILT WAS WITHHELD. UNDER THE SPECIAL STATUATORY SCHEME FOR PUBLIC EMPLOYEES, CHAPTER 112, SAYS YOU'RE GUILTY. IN THIS CASE, THIS CALLS FOR THE REVOCATION OF HIS PENSION. HE WILL BE ENTITLED TO A REFUND OF HIS UNDISTRIBUTED CONTRIBUTIONS.

TRUTEE HERBERT ASKED FOR THE RECORD, HE HAS FAILED TO RESPOND TO THE NOTICE OF PROPOSED AGENCY ACTION AS OF TODAY? JOHN SAID YES. LAST MONTH THE BOARD ADOPTED THE NOTICE OF PROPOSED ACTION. HE SIGNED FOR THE CERTIFIED MAIL. WHEN THE BOARD MEETING FOR JULY WAS RE-SCHEDULED, JOHN CONTACTED HIM. HE WROTE US A LETTER AND ACKNOWLEDGED THAT THE BOARD MEETING WAS RE-SCHEDULED. WHILE HE DID NOT DISPUTE THE FINDINGS, HE ASKED FOR MERCY AND LENIENCY.

CHAIRMAN BUSSELLS SAID THERE WAS NOTHING IN THIS ORDER THAT WAS DIFFERENT STATED HERE FROM OUR PREVIOUS DISCUSSIONS. JOHN CONFIRMED THAT THE BOARD IS IN A LEGAL STRAIGHT JACKET ON THIS ISSUE, IT'S THE LAW.

MOTION MADE BY TRUSTEE TUTEN, SECONDED BY TRUSTEE HERBERT. VOTE WAS UNANIMOUS.

Administrative Report

2014-03-4 Board Meeting Action List for July, 2014 – *attachment*

JOHN CALLED THE BOARD'S ATTENTION TO ITEM'S AT THE BOTTOM, ITEM "L" (JOHN HAS BEEN MEETING WITH TRUSTEE HERBERT MAKING THE FINAL REVIEW), AND "M" (THE ANNUAL STAFF EVALUATIONS ARE UNDERWAY). WE WILL HAVE THE EVALUATION INSTRUMENT PUBLISHED TO THE BOARD BEFORE JULY 30TH.

GOING UP THE ACTION LIST TO "K", WE ARE CONTINUING TO SPEAK WITH PEOPLE WHO MAY BE INTERESTED IN SERVING ON OUR NEW INVESTMENT ADVISORY COMMITTEE.

REGARDING "K", CHAIRMAN BUSSELLS WANTS TO MAKE SURE IT IS CLEAR TO THEM AS TO WHAT THEIR OBLIGATIONS ARE IN TERMS OF HAVING A PUBLIC POSITION IN TERMS OF EXPOSURE. JOHN SAID WE HAVE A HAND OUT THAT BOB KLAUSNER PREPARED THAT WE SEND TO THEM AND IT ALSO RECOMMENDS TO THE INDIVIDUAL APPLICANT THAT THEY FORWARD THE INFORMATION TO THEIR COMPLIANCE DEPARTMENT FOR REVIEW AND OVERSIGHT.

TRUSTEE HERBERT ASKED IF THE CITY COUNCIL HAS TO APPROVE ALL OF THE CANDIDATES WE APPROVE OR IS IT STRICTLY OUR DECISION? CHAIRMAN BUSSELLS RECALLS IT IS OUR DECISION. JOHN ADVISED THAT THE BOARD PICKS THEM AND SENDS THEM TO CITY COUNCIL FOR CONFIRMATION UNDER THE PROPOSED ORDINANCE.

CHAIRMAN BUSSELLS ASKED IF WE COULD PICK A TARGET MEETING WHEN WE COULD GET TOGETHER WITH A LIST AND BEGIN TALKING ABOUT PEOPLE ONCE THE PROCESS IS DONE. JOHN SAID A REASONABLE TIME FRAME ON OUR SIDE WOULD PROBABLY BE A DATE EARLY IN OCTOBER.

CHAIRMAN BUSSELLS SAID WE ARE SHOOTING FOR A TARGET DATE IN OCTOBER.

CONTINUING TO POST REPORTS AND NEW INFORMATION ON THE WEBSITE.

BALDWIN BILL HAS BEEN REFERRED OVER TO THE OFFICE OF GENERAL COUNCIL. THEY ARE WORKING ON DRAFTING THE BILL FOR BALDWIN CITY COUNCIL ENACTMENT.

BOB KLAUSNER GOING TO BE IN JACKSONVILLE TO MEET WITH THE POLICE AND FIRE MEMBERS ON AUGUST 4TH AND 5TH AS PART OF THE EDUCATIONAL PROGRAM THE BOARD DISCUSSED AT THE PREVIOUS MEETING.

SUCCESSION PLANNING. JOHN SAID WE ARE GATHERING JOB NOTICE AND POSTINGS FROM VARIOUS OTHER PUBLIC PENSION EMPLOYMENT SITES AND COMMUNICATIONS FROM SEARCH FIRMS AS RESOURCE MATERIALS.

GOAL TO REACHING THE TOP QUARTILE FOR INVESTMENT EARNINGS. OUR QUARTERLY REPORTS WILL SHOW CONTINUING IMPROVEMENT IN THE INVESTMENT PERFORMANCE WITH OUR REVISED MONEY MANAGER LINE UP. WE ARE AWAITING COUNCIL ACTION ON THE EXPANSION OF OUR INVESTMENT AUTHORITY.

PENDING LEGAL ACTIONS. ONE LEE CASE IS PENDING BEFORE THE FLORIDA SUPREME COURT AS PREVIOUSLY DISCUSSED ON THE AGENDA, WITH OTHER LEE CASES IN VARIOUS STAGES OF HEARINGS AND APPEALS.

COMPREHENSIVE PENSION REFORM LEGISLATION IS PENDING BEFORE THE CITY COUNCIL.

JOHN SAID WE'VE CONSULTED WITH NORTHERN TRUST CONCERNING OUR EXTENSIVE RELATIONSHIP WITH THEM. THEY HAVE AGREED TO REDUCE THE FEES ON OUR FOUR ACCOUNTS. THE BOARD HAS ALREADY AUTHORIZED US TO GO BACK AND TO OVERHAUL SECURITY LENDING, WE WOULD SWITCH THOSE ACCOUNTS TO SECURITY LENDING ALSO. NORTHERN TRUST PROJECTS WE COULD SAVE \$50,000 PLUS IN ANNUAL FEES. SO, WITH THE APPROVAL OF THE BOARD, WE ARE GOING TO CONTINUE THE SECURITY LENDING ACTIVATION OVER TO THE INDEX ACCOUNTS. THIS WILL TAKE A MOTION.

MOTION MADE BY TRUSTEE HERBERT, SECONDED BY TRUSTEE SCHMITT. VOTE WAS UNANIMOUS.

TRUSTEE HERBERT HAD A QUESTION REGARDING "E" ON THE ACTION LIST. ESTABLISH A GOAL AND "THE STRATEGY RELATED TO REACH THAT TOP QUARTILE INVESTMENT PERFORMANCE LEVEL". IS JOHN WORKING ON THAT ALSO AND HOW TO GET THERE? JOHN STATED THAT IS A COMBINATION OF THINGS: ENHANCING OUR AUTHORIZED INVESTMENTS; THE CITY; AND INTERNATIONAL BONDS. ONCE WE GET THIS CLARIFICATION LANGUAGE FROM THE CITY COUNCIL, WE'LL BE WELL ON THE WAY TO GETTING INTO THE TOP QUARTILE. JOHN SAID THE BOARD SHOULD BE PLEASANTLY SURPRISED NEXT MONTH WHEN THEY SEE THE PERFORMANCE FOR APRIL, MAY, AND JUNE. WE'VE SHOWN SOME DRAMATIC IMPROVEMENT.

CHAIRMAN BUSSELLS ALSO ADDED, MAYBE ADD A SENTENCE TO "E" AS PART OF THAT INVESTMENT PERFORMANCE IMPROVEMENT WE DISCUSSED HAVING THE BOARD FOCUS MORE ON ASSET ALLOCATION STRATEGY. ADD THAT TO "E" "CONTINUE TO IMPROVE OUR OVERALL PERFORMANCE".

WE ARE NOW GOING TO DISCUSS THE INVESTMENT REPORT WITH DAN HOLMES VIA PHONE @ 9:30AM.

NOTE: WE JUST HEARD FROM LAURIE FRENCH FROM THE GENERAL COUNCIL'S OFFICE. THEY ARE WORKING ON THE INTERLOCAL AGREEMENT ON THE BALDWIN ORDINANCE. THEY WILL BE IN TOUCH...

Investment Report

2014-07-3 Summit – Flash Report – June 30, 2014 - *attachment*

2014-07-4 Summit Monthly Economic & Capital Market Review – June, 2014 – *attachment*

CHAIRMAN BUSSELLS SAID WE HAVE THE LATEST FLASH REPORT FOR REVIEW. START WITH THAT, AND THEN IF THERE ARE ANY QUESTIONS ON THE ECONOMIC REVIEW, WE CAN GO BACK TO THAT. LET'S DISCUSS THE INVESTMENT PERFORMANCE RESULTS HERE TO DATE FIRST.

DAN SAID WE SAW EQUITIES DO BETTER IN THE SECOND QUARTER. RISK ASSETS BY AND LARGE DID WELL. AS A RESULT, OUR PORTFOLIO BENEFITED APPROPRIATELY.

THE FLASH REPORT FOR THE JUNE 30TH PERIOD, THESE ARE PRELIMINARY RETURNS, WE DON'T HAVE THE FULLY AUDITED RETURNS HERE. I THINK WE ARE IN FAIRLY GOOD ORDER FOR HAVING FINAL NUMBERS. LOOKING AT ASSET ALLOCATION AT THE END OF THE QUARTER, WE SEE THAT THE FUND IS SOMEWHAT OVERWEIGHT, 4% FOR U.S. EQUITIES, AND 2.4% FOR INTERNATIONAL EQUITIES. A LITTLE BIT UNDERWEIGHT IN FIXED INCOME AND REAL ESTATE AND THAT'S ALL RELATIVE TO TARGET. NOTE THIS IS ALL WITHIN THE PERMITTED POLICY RANGE. CONSISTENT WITH THE INVESTMENT POLICY. THOSE OVER AND UNDERWEIGHTS DID NOT HURT PORTFOLIO PERFORMANCE.

LOOKING AT THE RETURN FOR THE QUARTER, THE TOTAL PLAN WAS UP ALMOST 4½%, ABOUT 17 BASIS POINTS ABOVE THE POLICY INDEX. FOR FISCAL YEAR TO DATE PERIOD, THE PLAN IS UP OVER 12½%. STILL FAIRLY GOOD RELATIVE AND ABSOLUTE PERFORMANCE.

BREAKING DOWN THE RETURNS FOR THE TWO PERIODS, WE'LL NOTE ON A RELATIVE BASIS, THAT U.S. EQUITY UNDERPERFORMED BOTH FOR THE QUARTER AND THE FISCAL YEAR TO DATE RELATIVE TO THE BENCH MARKS. BUT, ON A FISCAL YEARTO DATE BASIS, THE EQUITY PORTFOLIO IS UP OVER 15%, AND FOR THE QUARTER ALMOST 3½%.

INTERNATIONAL EQUITIES, WHAT WE SAW OVER THE QUARTER WAS THE COMBACK OF EMERGING MARKETS. WE SAW INTERNATIONAL STOCKS, BOTH

DEVELOPED COUNTRY AND EMERGING MARKET COUNTRIES, DO BETTER THAN DOMESTIC SMALL CAPS. SO, INTERNATIONAL WAS UP 4.6% FOR THE QUARTER.

BONDS. INTEREST RATES HAVE BEEN MOVING AROUND OVER THE COURSE OF THIS YEAR. THEY STARTED MOVING UPWARDS IN THE FIRST QUARTER. THEY HAVE NOW MOVED DOWN DURING THE SECOND QUARTER. LOOKING AT THE RETURNS FOR THE FIXED INCOME PORTFOLIO, IT WAS UP ALMOST 2% FOR THE QUARTER. EXPOSURE OUTSIDE OF THE INDEX AREAS HAS BEEN GOOD, BUT WE NEED TO GET MORE OF IT IN THE PORTFOLIO.

REAL ESTATE PORTFOLIO HAS DONE VERY WELL ON AN ABSOLUTE AND RELATIVE BASIS. YOU'LL NOTE ON PAGE 2, THE ODESEY INDEX THAT'S SHOWN THERE, HAS NOT BEEN MARKET TO MARKET, THAT'S WHY IT'S 0.0. IT TAKES A WHILE FOR THAT INDEX TO BE CALCULATED. IT WILL BE READY ON THE FULL QUARTERLY REPORT.

THE MANAGER AND PORTFOLIO IN GENERAL UP 3.2% AND ALMOST 9% ON A FISCAL YEAR TO DATE BASIS. DAN NOTED OUR CONCERNS ABOUT REAL ESTATE BEING SOMEWHAT OVER VALUED HAVE BEEN SOMEWHAT ABATED. WE STILL THINK THAT CORE REAL ESTATE WILL CONTINUE TO PERFORM WELL THROUGHOUT THIS YEAR AND INTO NEXT YEAR. NET OPERATING INCOME INCREASE FOR THESE TYPES OF PROPERTIES THAT THESE MANAGERS HOLD.

MLP'S HAVE BEEN ON FIRE. THEY'VE DONE VERY, VERY WELL, UP 16% FOR THE QUARTER, AND UP OVER 34%, AND 8% ABOVE THE BENCHMARK. WE DO HAVE SOME CONCERNS THAT THEY ARE GETTING EXPENSIVE. AND AS A RESULT, SUMMIT IS IN THE PROCESS OF TAKING THE EXPECTED RETURN FOR MLP'S DOWN A LITTLE BIT. HASN'T BEEN FINALIZED AS YET, BUT POSSIBLY IN AUGUST, DAN WILL BE MAKE A RECOMMENDATION TO REDUCE THAT WEIGHT SOMEWHAT AND DO SOME RE-BALANCING.

CHAIRMAN BUSSELLS DISCUSSED TECHNOLOGICAL INNOVATIONS. WHAT HE'S HEARING FROM INSIGHTFUL SOURCES, IS THAT THIS IS THE BEGINNING OF THE U.S. BECOMING THE DOMINATE ENERGY PRODUCER OF THE WORLD IN THE NEXT DECADE. THIS MAY BE THE MIDDLE INNING OF A LONG RUN LIKE IT WAS IN THE 30'S AND 40'S.

MOVING TO THE MANAGER'S PORTION ON PAGE 3. LOOKING AT THE MAJORITY OF THE U.S. MANAGERS, ON A RELATIVE BASIS, IT'S BEEN A TOUGH QUARTER FOR MOST OF THEM. THERE'S BEEN A LOT OF SHIFTING WITHIN THE SECTORS OF THE DOMESTIC EQUITY. THERE'S STILL A LOT OF FEAR ABOUT WHETHER OR NOT THE ECONOMY CAN STAND ON ITS OWN TWO FEET, AS THE FED TAPERS BACK ON BOND BUYING. THERE IS DOUBT THAT

THE ECONOMY IS GROWING ON A VERY REAL BASIS. COMES ON THE HEALS OF THE BAD GEP NUMBER FOR THE FIRST QUARTER, AND BAD WEATHER.

FOR THE INTERNATIONAL INDEX. BAILLIE GIFFORD A LITTLE BEHIND ON THE FISCAL YEAR TO DATE, NOTHING TO WORRY ABOUT. SILCHESTER A LITTLE BEHIND, BUT NOT WORRIED ABOUT THEM.

EMERGING MARKETS INDEX. WE'VE USED THAT MONEY TO FUND ACADIAN. WE FUNDED ACADIAN AT A VERY GOOD TIME. WE CAUGHT THE UPDRAFT OF MONEY MOVING OUT INTO THE EMERGING MARKETS. HAPPY WITH THEIR PERFORMANCE.

DAN ASKED IF THERE WERE ANY QUESTIONS.

TRUSTEE HERBERT SAID ON A QUARTERLY BASIS AND PHYSICAL YEAR BASIS, THE INDEX FUND IS DOING BETTER THAN ALL OF OUR OTHER MANAGED ACCOUNTS. ANY OBSERVATIONS ABOUT THIS? WHAT PERCENTAGE OF FUNDS SHOULD BE IN THE INDEX FUNDS VS OTHERS SINCE THEY ARE DOING BETTER?

DAN SAID YOU CAN'T USE THE S&P INDEX FUND AS A COMPARISON TO DRZ AND PINNACLE. THEY ARE DIFFERENT ASSET CLASSES. THE SMALL CAP ACTIVE MANAGERS, THE MEDIAN ACTIVE MANAGER TENDS TO OUT PERFORM THE INDEX OVER A ROLLING THREE TO FIVE YEAR PERIODS. THE SMALL CAP PART OF THE MARKET IS RELATIVELY INEFFICIENT, AND THEREFORE WE BELIEVE THAT THE ACTIVE MANAGERS HAVE A HIGHER PROBABILITY OF DOING WELL THERE. WHAT HAPPENED IS THAT SMALL CAP HAS GOTTEN EXPENSIVE, AND IT HAS UNDERPERFORMED. IF YOU GO BACK ABOUT TWO YEARS, IT WAS THE OTHER WAY AROUND. REALLY WHAT WE DID WAS UNDERWEIGHTED SMALL CAP RELATIVE TO LARGE CAP, AND THAT'S HELPED OUT PERFORMANCE. BOTTOM LINE IS OVER THE FULL MARKET CYCLE, DAN THINKS THE ACTIVE MANAGERS WILL OUT PERFORM THE INDEX, BUT WE HAVE THE INDEX IN THERE AS WELL TO HELP CUT DOWN ON FEES.

CHAIRMAN BUSSELLS SAID WHEN WE HAVE OUR NEXT QUARTERLY MEETING; WE WILL RESUME THAT CONVERSATION, BECAUSE IT CONTINUES TO BE OF INTEREST AND IMPORTANCE. THAT WILL BE THE AUGUST MEETING.

INTO THE FIXED INCOME ARENA. BONDS ARE UP ABOUT 4% SO FAR THIS CALENDAR YEAR. A LITTLE BIT LESS FOR THE QUARTER DUE TO THE CHANGE IN INTEREST RATES.

THE REAL ASSET MANAGERS HAVE DONE REALLY WELL. JP MORGAN AND PRINCIPAL HAVE DONE REALLY WELL. GLAD WE GOT INTO PRINCIPAL WHEN WE DID BECAUSE THERE IS NOW A LINE WAITING TO GET IN TO THEIR FUND.

SUMMIT'S EXPECTATION BY THE END OF THE YEAR IS 11% OR 12% RETURN FOR THE PORTFOLIO, PROBABLY AROUND 10%. BOTH MANAGERS ARE REALLY CONSERVATIVE.

CHAIRMAN BUSSELLS ASKED IF THERE WAS ANYTHING ELSE. JOHN SAID THIS COMPLETES THE AGENDA. WE WILL CONTINUE TO PUSH ON.

ONE OF THE DISCUSSION ITEMS WE WILL BRING UP IN OUR FUTURE MEETINGS WITH THE CITY COUNCIL FINANCE COMMITTEE AS THEY DISCUSS PENSION REFORM, IS A RESOLUTION ON AN ISSUE THE COUNCIL AUDITOR RAISED LAST YEAR.

DROP THE END DATE, AND DROP THE QUALIFYING DATE FOR THE DROP. THE AUDITORS THOUGHT YOU SHOULD WAIT UNTIL THE NEXT QUARTER TO DROP AFTER YOU QUALIFY FOR THE DROP. THIS IS NOT WHAT THE ORDINANCE STATES. BASED ON THEIR OBSERVATIONS WE ARE GOING TO WORK WITH COUNCIL AND COUNCIL AUDITOR STAFF TO CLARIFY THESE TWO POINTS.

ANOTHER ISSUE. WHEN AN INDIVIDUAL VESTS HIS RETIREMENT BENEFIT, WHEN THE INDIVIDUAL DIES, THERE IS NO FURTHER BENEFIT, BUT IF THEY CAME IN BECAUSE THEY CHANGED THEIR MIND AND WANTED THEIR MONEY, WE WOULD GIVE IT TO THEM. OUR PLAN DIFFERS FROM GENERAL EMPLOYEES SO WE WANT TO FIX THIS.

ALSO AN ISSUE, WHEN INDIVIDUALS COME INTO OUR FUND FROM ANOTHER DEPARTMENT, IF THEY WERE VESTED IN THEIR OLD PLAN, EVEN THOUGH THEY TOOK A REFUND AND ARE NO LONGER VESTED, WE COULD NOT SELL THEM THE TIME. ON THE GENERAL EMPLOYEES SIDE, IF THEY ARE NOT VESTED ANYMORE, THEY WOULD SELL THEM THE TIME. WE ARE JUST TRYING TO GET MORE HARMONY IN THE CODES BETWEEN THE FUNDS JUST FOR EASE IN OPERATION.

WE WANT TO SIEZE THIS OPPORTUNITY WITH THE ORDINANCE BEFORE THE CITY COUNCIL, TO FIX THESE ISSUES. THIS IS THE FIRST LEGISLATIVE OPPORTUNITY WE'VE HAD TO CORRECT THIS.

CHAIRMAN BUSSELLS ALSO RECALLS THE ISSUES SURROUNDING MENTAL ILLNESS AND DISABILITY. THE ISSUES CONCERNING MENTAL ILLNESS AND HOW THEY ARE TREATED IN THE WORK PLACE. JOHN SAID WE WILL WORK WITH CITY HR AS WELL AS RISK MANAGEMENT PROBABLY AFTER THE BUDGET CYCLE IS OVER TO RE-ADDRESS THESE TYPES OF ISSUES. ESPECIALLY REGARDING PTSD AND THE LARGE NUMBER OF PEOPLE AFFECTED BY THIS ON THE POLICE AND FIRE SIDE.

CHAIRMAN BUSSELLS ADJOURNED THE MEETING @ 10:20AM.

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**TO BE APPROVED AT THE BOARD OF
TRUSTEE MEETING AUGUST 15, 2014**

Nat Glover, Board Secretary