JACKSONVILLE POLICE AND FIRE
PENSION BOARD OF TRUSTEES
MEETING MINUTES – NOVEMBER 16, 2012
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

Asst. Chief Bobby Deal, Chairman
Walter Bussells, Trustee
Lt. Richard Tuten III, Fire Trustee

EXCUSED

Nathaniel Glover Jr., Board Secretary
Dr. Adam Herbert, Trustee (out of town)

STAFF

John Keane, Executive Director-Administrator
Robby Gorman, Executive Assistant
Kevin Stork, Controller
Jarmon Welch, Fund Actuary (by phone)

CITY REPRESENTATIVES

Council Member Richard Clark, City Council Liaison
Joey Greive, Acting City Treasurer

GUESTS

Mark Muchowitz, Police Officer
Nelson Cuba, FOP President
Randy Ryse, Local 122 President
Kent Ward, Local 122
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.

The meeting was brought to order at 9:00 a.m.

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

Ronald W. Schmidt, Retired Firefighter Engineer
James L. Zier, Retired Police Officer
Clurren P. Hunter, Retired Police Officer
Carrol J. Hayes, Retired Firefighter

The Board of Trustees recited the Pledge of Allegiance.

CONSENT AGENDA - ITEMS 2012-11-(1-8)CA

2012-11-1CA MINUTES TO BE APPROVED

1. Minutes of the Board meeting held September 21, 2012. Copy in the meeting file.

2. Minutes of the Board meeting held October 19, 2012. Copy in the meeting file.

2012-11-2CA 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	$ 609.55
2.	Klausner, Kaufman, Jensen & Levinson	$ 24,669.06
3.	Fowler White Boggs	$ 72.20
4.	Sugarman & Susskind	$ 9,975.00
5.	The Northern Trust Company	$ 72,218.11
6.	Grau & Associates	$ 3,500.00
7.	GAMCO Asset Management Inc.	$ 92,824.00
8.	Thompson Siegel & Walmsley	$ 37,263.24
9.	Center State Bank	$ 200,000.00
10.	DePrince Race & Zollo, Inc.	$ 188,729.00
11.	Summit Strategies	$ 59,675.63
12.	Eagle Capital Management LLC	$ 110,225.06
13..	Tortoise Capital Advisors	$ 61,505.51
14.	Harvest Fund Advisors	$ 61,808.49
15.	Montag & Caldwell LLC	$ 100,825.77
16.	Pinnacle Associates Ltd.	$ 119,528.00
17.	Eaton Vance	$ 45,014.83
18.	JPMorgan	$ 219,106.69
19.	The Boston Company	$ 68,664.81
	Total	$1,476,214.95

DISBURSEMENTS B

Transaction list of Accounts Payable distributions. Attachment $ 13,536.71

2012-11-3CA PENSION DISTRIBUTIONS

A.	October 26, 2012	Regular Gross	$3,725,649.80
		Regular Lumpsum	$ 15,965.15
		DROP Gross	$ 672,294.44
		Total	$4,413,909.39
B.	November 9, 2012	Regular Gross	$3,727,766.43
		DROP Gross	$ 672,194.92
		DROP Lumpsum	$ 458,460.19
		Total	$4,858,421.54

2012-11-4CA APPLICATION FOR SURVIVOR'S BENEFITS

1. **Granger, Charlie F.**, widow of William S. Granger Jr., who died October 16, 2012.

2. **Hayes, Patricia L.**, widow of Carrol Joseph Hayes, who died October 19, 2012.

3. **Seymour, Angela F.**, widow of John Durward Seymour Jr., who died October 8, 2012.

2012-11-5CA TIME CONNECTIONS

1. **Samuel, Kenon E.**, Prior Wartime Military Service, (2 years).

2. **Ward, Gerald R.**, Prior Florida Service, (11 months, 13 days) and Prior Military Service, (2 months, 16 days).

3. **Williams, Dwight D.**, Prior Duval Service, (21 days).

2012-11-6CA DROP PARTICIPANT TERMINATION OF EMPLOYMENT

1. **Barnes, Donald J.**, DROP commencement date January 23, 2009, termination of employment effective date November 12, 2012. Police Officer.

2. **Brown, James E.**, DROP commencement date January 25, 2008, termination of employment effective date November 9, 2012. Police Officer.

3. **Buchanan, Norma R.**, DROP commencement date October 17, 2008, termination of employment effective date November 13, 2012. Police Officer.

4. **Chapman, Martin**, DROP commencement date October 17, 2008, termination of employment effective date November 9, 2012. Police Officer.

5. **Floyd, Alvin C.**, DROP commencement date January 21, 2011, termination of employment effective date October 22, 2012. Fire Captain.

~~6. **Freeman, Claud D.**, DROP commencement date April 18, 2008, termination of employment effective date November 9, 2012. Police Officer.~~

7. **Furman, Rebbeca H.**, DROP commencement date July 20, 2012, termination of employment effective date November 12, 2012. Police Officer.

8. **Lindsey, James K**, DROP commencement date July 28, 2008, termination of employment effective date October 26, 2012. Fire Lieutenant.

9. **Rhatigan, Stephen C.**, DROP commencement date July 22, 2011, termination of employment effective date October 26, 2012. Police Officer.

10. **Roberts-Jones, Carla D.**, DROP commencement date July 24, 2009, termination of employment effective date November 13, 2012. Police Officer.

2012-11-7CA DROP & RETIRMENT LEAVE DISTRIBUTIONS

1. **Barnes, Donald J.**, the entire balance of his DROP account paid to him bi-weekly over the next 37 years.

2. **Brown, James E.**, the entire balance of his DROP account paid to him bi-weekly over the next 25 years.

3. **Buchanan, Norma R.**, the entire balance of her DROP account paid to her bi-weekly over the next 39.7 years.

4. **Chapman, Martin**, the entire balance of his DROP account paid to him bi-weekly over the next 35 years.

5. **Floyd, Alvin**, a portion of his DROP account paid directly to him and the remaining balance of his DROP account paid to him bi-weekly over the next 10 years.

~~6. **Freeman, Claud D.**, the entire balance of his DROP account paid to him bi-weekly over the next 42.6 years.~~

7. **Furman, Rebbeca H.**, the entire balance of her DROP account paid to her bi-weekly over the next 30 years.

8. **Granger, Charlie F.**, the entire balance of her DROP account paid to her bi-weekly over the next 9.5 years.

9. **Lindsey, James K.**, the entire balance of his DROP account paid directly to him lumpsum.

10. **<u>Rhatigan, Stephen C.</u>**, the entire balance of his DROP account paid to him bi-weekly over the next 36 years.

11. **<u>Roberts-Jones, Carla D.</u>**, the entire balance of her DROP account paid to her bi-weekly over the next 37.9 years.

12. **<u>Varner Sr., Kim D.</u>**, the entire balance of his DROP account paid directly to him lumpsum.

2012-11-8CA <u>EDUCATIONAL OPPORTUNITIES</u>

Not-for Profit Accounting & Auditing Update 2012 – December 7, 2012 – UNF-Coggin College of Business

NCPERS Legislative Conference – January 27-29, 2013

Hedge Fund Due Diligence Master Class – March 18-19, 2013 – Hedge Fund Business Operations Association

59th Annual Employee Benefits Conference – October 20-23, 2013 - IFEBP

A MOTION WAS MADE BY RICHARD TUTEN TO APPROVE THE CONSENT AGENDA ITEMS 2011-11-(1-8). WALT BUSSELLS SECONDED THE MOTION WHICH PASSED UNANIMOUSLY.

<u>NEW BUSINESS</u>

<u>MONTHLY REPORTS</u>

EXECUTIVE DIRECTOR'S REPORT

Investment Report

2012-11-1 Discussion with Fund Actuary Jarmon Welch. **DEFERRED UNTIL LATER IN THE MEETING.**

2012-11-2 Investment Reports from Summit Strategy. Attachment **DEFERRED UNTIL LATER IN THE MEETING.**

2012-11-3 Personnel changes at Eaton Vance. Attachment **RECEIVED AS INFORMATION**

Legislative Report

2012-10-4 Resolution 2012-624-A introduced by Council Member Crescimbeni at the October 9th City Council meeting and adopted at the November 13th meeting authorizing the General Counsel to commence litigation to determine the legal

validity of the Senior Staff Voluntary Retirement Plan. Attachment
RECEIVED AS INFORMATION

Legal Report

2012-11-4 BP Class action, opt in for excluded parties.

RICHARD TUTEN MADE A MOTION TO JOIN THE BP CLASS ACTION FOR SHARES PURCHASED OUTSIDE OF THE US. THE FUND HAS A MINIMUM LOSS OF $136,000. THE MOTION WAS SECONDED BY WALT BUSSELLS AND PASSED UNANIMOUSLY.

2012-10-7 Settlement Agreement and General Release with overpaid widow Marcia B. Sherman. Attachment

A MOTION WAS MADE BY RICHARD TUTEN TO APPROVE THE SETTLEMENT AGREEMENT AND GENERAL RELEASE WITH OVERPAID WIDOW MARCIA B. SHERMAN. THE OVERPAYMENT WAS DUE TO A CITY ITD GLITCH. THE RECOVERED AMOUNT WILL BE THE PAYMENTS FOR THE LAST 5 YEARS WHICH IS ALL WE CAN RECOVER FROM HER BY LAW. WALT BUSSELLS SECONDED THE MOTION WHICH PASSED UNANIMOUSLY.

Administrative Report

2012-11-5 Certification from Plan Actuary as required in Section VIII, Paragraph 19, Settlement Agreement.

Trustee Bussells and Councilman Clark asked for explanations of the Enhanced Benefit Fund and whether it could be used for any other purpose other than paying retirees an annual holiday bonus, for example helping pay the unfunded liability. It was explained that it was a portion of the State Chapter monies that had to be set aside for Enhance Benefits, cannot be used for unfunded liabilities or other purposes, and that the PFPF used it for Christmas bonuses.

Mr. Bussells was concerned with giving bonuses considering annual 3% COLAs for retirees when the Members pay was stagnated, but Trustee Tuten pointed out that for some of the older, longer retired beneficiaries, these payments were very important. Mr. Bussells suggested that a means study be done and that future payments be means tested.

This money cannot be used except to pay for this holiday retiree bonus enhancement or another such enhancement to benefits. It cannot be used to pay for unfunded liability directly or indirectly.

Councilman Clark pointed out that since some benefits might be eventually eliminated, it might be possible to cover them with the Enhanced Benefit Fund.

The Trustees agreed that a means test should be done and in the future a level should be determined for State Chapter funds used for retiree bonus payment based on means.

RICHARD TUTEN MADE A MOTION TO APPROVE THE 2012 BONUS PAYMENT AND TO HAVE A MEANS STUDY IN PLACE BY NEXT YEAR FOR BENEFICIARIES. THE MOTION WAS SECONDED BY WALT BUSSELLS AND PASSED UNANIMOUSLY.

2012-11-6 Asset transfer. Attachment

A MOTION WAS MADE BY RICHARD TUTEN TO APPROVE THE RECOMMENDED ASSET TRANSFER OF $1.4 MILLION. WALT BUSSELLS SECONDED THE MOTION WHICH PASSED UNANIMOUSLY.

2012-11-7 Fiscal Cliff information. Attachment **RECEIVED AS INFORMATION**

The Board then took up the earlier deferred items:

2012-11-1 Discussion with Fund Actuary Jarmon Welch.

Jarmon Welch: What do you all want to talk about?

Chairman Deal: We want to talk about the actuarial review of the Fund, and some specific information I think John talked to you about.

Jarmon Welch: Ok, we formed an update of (unknown) assets as of the current date and you get, if you made no changes, and that's not possible to do without making changes with my recommendation, if you made no changes you would have a cost that would be, it's a little bigger than the prior year. The reason that you don't have a decrease, since you earned a 100 and something extra in the Fund, is that there were pipeline losses, there were prior losses. Since we use an average of actuarial assets, so for the prior year we used a value of assets that was a 100 and something million more than market value. So now, with you earning a 100 and something million extra during the year, the 2 offset itself and that means that we don't have a cost increase due to that aspect of it. Otherwise, if there would have been a cost increase because of these prior losses that hadn't been recognized, they're recognized over a 5 year period.

Another thing that you experienced during the year was the fact that, the City in raising its contribution rate, I think from something like $85 million to $122 million. We did an evaluation as of October 1, 2011, that showed that that was the new contribution level but that they, like many public

bodies in Florida, are waiting a year before enacting the new contribution level. So I calculated as if it's enacted immediately, for a year you don't get the $37 million increase that is there, so that becomes a loss item in the 2012 valuation.

So those 2 things, those 2 reasons is why I did not go, is why it did not go down.

Chairman Deal: Well, I think one of the things that we wanted to actually talk to you about so that we could on this call, on this actuarial review that you did. You know, we're talking about and have already authorized another to take place. We wanted to talk to you specifically about some assumptions.

Jarmon Welch: Ok.

Chairman Deal: And get your feedback. And I know one of our Trustees, Walt Bussells, had made a few, actually identified a few areas that we could talk about and one of them was mortality tables and another one is that the cost of living raises that were included in the assumptions of 5% of salary, the increases, those type of thins. Cause what we're trying to do is, we're trying to come up with a realistic, more of a realistic picture of what the unfunded liability is in real dollars today so that we can get the City's contribution as close to what is reasonable and necessary. Not the cheap side, we're not looking for to sacrifice something here, but we're looking to be realistic and try not to be overboard in some of these assumptions. You with me?

Jarmon Welch: I agree with the assumptions that the City had been using in those cost calculations that they've been giving you. They are in part basing it on information that I gave when I wrote that 3 page letter about assumptions that I believe that you all have now received. So the City actuary and I both agree with the same level of assumptions. The reason that my 2011 valuation assumptions were done with not as conservative assumptions that the City is now using is I was going in several, a 2 step program to get to the right level of assumption. But the 1st step took us from $85 million to $122 million. If you took the next step all the way, that would take you up another $30 million. So if you used assumptions that the City is talking about which I agree with and what those assumptions are is: They are using interest assumptions of 6.5% and right now we're using an interest assumption of 7.75%. So when you lower the interest assumption to that amount you have quite a cost increase.

Another thing, a part that $30 million, $10 million of that $30 million is due to the fact that we have to stop assuming payroll increases that… Right now, not even interest is being paid on the unfunded. The unfunded right now for the prior year in 2011 it was almost $1.4 billion. If you paid interest on it, you would have about $20 million more than the $85 million that is

being paid on it. So the City is under a methodology that is very common in Florida, in particular, of paying less now because you expect the payroll to increase and when your payroll increases down the road, you pay more. But the fact of this plan, it is that the payroll is not increasing because of the DROP. The payroll from last year to this year went from $148 million to $133 million. So the State is not going to allow us to continue to assume that the payroll increase is 4.5% a year, you're going to have to drop it, at least to something like 3.25%. Cause the way they computed this, it says that the most you can assume is the amount of increase that happened in the last 10 years. During the 10 years payroll went from $101 million to $133 million, so it went up an average of 3% a year. So if we did a current valuation, one of 1st increases we would have to put in, would be that $10 million increase because of lower payroll growth.

So to balance with what I said earlier, if no change at all was made, the gain would offset the prior losses and we would only have the fact that we didn't step up the contribution level by that $37 million and what year of spinning a portion of that on a spread basis, spreading out over 3 years. But we would also have an increase because of that. Then we have a $10 million increase because of using a lower salary increase assumption and the way the City is doing it, which I agree with also, is that the manager fees currently are taken out of earnings and that shouldn't be. Manager fees should be taken out of the funded. Because right now, for example, even though I dropped the interest assumption from 8.5% in the 2010 valuation to 7.75% in the 2011 valuation, as the State has done for its plan and will require for this plan, even though I dropped that, that's what you were supposed to earn after you've netted out manager fees. And manager fees are like 40 basis points. So what we're really saying is we expect to earn 7.75% plus 40 basis points or 8.15%. Now to assume to earn 8.15% when most of the Fund is going to be paying out in 10 or 15 years, is equivalent to saying we expect to earn 8.15% mostly during the next 10 to 15 years. So we went to your investment monitor and asked them what they expect to make in the next 10 years and they said 7%. If we took the fees the way they should be done, we would be using 7% and we would not be using as large a payroll increase, so we have a $30 million increase.

John Keane: Ok, Jarmon, let me just see if we can focus in on a couple of things. In the 2011 valuation, which we submitted to the City on November 16, 2011, that they in turn sent up to Milliman for their review, there were 2 issues that Milliman recommended that the Board and you address in future studies. One is the payroll growth assumption and the other is the salary increase. Correct?

Jarmon Welch: Yes, that's right.

John Keane: And you have, by direction of the Board earlier this year after that report came back from Milliman, you studied the impact of making

those 2 changes, reducing the payroll growth from 5.25 down to what the State average is over the last 10 years. That's the requirement, correct?

Jarmon Welch: Right. Those changes. That's right.

John Keane: What does that make the payroll growth assumption for the next study become?

Jarmon Welch: 3.25

John Keane: And what is the impact on the contribution requirement by reducing the payroll growth assumption from 5.25 to 3.25? What's the dollar increase or decrease assumption?

Jarmon Welch: $10 million.

John Keane: It's a $10 million increase.

Jarmon Welch: Right

John Keane: Ok, on the 2nd part of your study, on the salary scale, what is the impact of those changes recommended by Milliman that you also concurred in?

Jarmon Welch: Well, we concur in it but they concurred in combination with lowering the interest assumption.

John Keane: Correct.

Jarmon Welch: If you're going to lower the salary increase assumption, you have to lower the interest assumption, too, because the reason you are lowering it is lower inflation is part of overdose.

John Keane: Ok, and what does that impact?

Jarmon Welch: The impact of those 2 changes is $13 million.

John Keane: $13 million.

Jarmon Welch: Yeah.

John Keane: So the 2 changes that the City review actuary Milliman recommended to the City and to you, the impact of the adoption of those 2 recommended changes by the Board would result in a $23 million increase of City contributions. Is that correct?

Jarmon Welch: That's right. But they also recommended as an inherent part of that we have the contribution pay the manager fees and that's another $5 million.

John Keane: So it's $28 million increase adopting all of the Milliman which is the City review actuary recommendation?

Jarmon Welch: Exactly. That's right.

Chairman Deal: Now that's on top of what we've done already?

John Keane: This is going forward. This is going forward.

Jarmon Welch: That's right.

John Keane: Absent adopting those 2 changes and 3 recommendations if the Board defers ordering a new study and the market recovers from their current issues and we have another good year, potentially there could be some sunshine further down the line, but under the current direction we're going as recommended by Milliman and that you concur in, if nothing else happens and if we make the actuarial assumption of 7.75, City contribution requirements are going to increase by $28 million by the interaction of those 3 elements. Is that correct?

Jarmon Welch: Yes.

John Keane: Now I'm just trying to crystalize the discussion here so we know where we're at.

Councilman Clark: Can I ask? Jarmon this is Richard Clark on City Council. How, so all the changes to date simply revolve around, aside from the new ones, are new mortality tables and dropping the earning, or the assumption from 7.75, 8.25 to 7.75 whatever it was, is that accurate? The large increase we had ….

Jarmon Welch: I'm sorry, were you going from a what? From 2010 to 2011, going from the $85 million to the ….

Chairman Deal: That's right, that's what he wants to know. What caused that increase?

Councilman Clark: Was that primarily the mortality rate and the drop in the earning and the… or has that even been calculated?

Chairman Deal: I think it was just….

Jarmon Welch: Although I dropped, we used to have a payroll growth assumption rate of 5.25%.

Councilman Clark: Right.

Jarmon Welch: Which was really a much too, too, too high. So I dropped that. Also we assumed that would not immediately start Dropping when they reached 20/21 year service level. I mean, it was thought, for a period of time it was thought that it was a temporary thing that everybody started DROPping when they first could. And we worked with plans that a lot of people didn't DROP. I mean at one point in Miami Police and Fire only 17% of the people Dropped.

Chairman Deal: Right.

Jarmon Welch: I mean when the DROP started in the year 2000, it wasn't at all obvious that everybody was going to start Dropping when they first could. But then over the years, as I saw what was happening, I realized I had to change to a table in which everybody did DROP in the first year or two. So now, a step up in that table occurred and they took out the 2011 valuation. And that was a significant thing.

Chairman Deal: Well, let me ask you this, just to answer Councilman Clark's question, what did you, when you went from $85 million to $122 million, is it fair to say that the lowering of the assumption rate from 8.5 to 7.75 accounted for most of that increase?

Jarmon Welch: Well, it counted for a little less than half.

Chairman Deal: Ok, what was the other half? That's what he would like to know.

Jarmon Welch: Change in payroll growth assumption and having people DROP immediately.

Councilman Clark: What about our mortality rate? Has that been factored in yet?

Jarmon Welch: Yeah, that was a change. We had previously changed that before actually. But we made a small change in 2011.

Councilman Clark: So the impact of the drop in payroll growth is an ongoing issue. So this is year 2 of that assumption?

Jarmon Welch: Yeah, well now with so many Dropping when first eligible, the costs can't go up anymore.

Chairman Deal: This is something we've talked about and talked about. When you hear the drums of change pounding over at City Hall, that causes a mad rush of people with 20 years to go DROP and retire. Well, that's all fine and good because it gets them off the payroll, right? And

now, as far as the pension contribution, the City sees a savings immediately because they pay 0 for those guys that get into the DROP. So they see an immediate savings on their contributions from every guy who gets in the DROP from Police and Fire.

Jarmon Welch: Well, that's right. I mean, the thing about it is, for some people going the DROP route, the value of what they ultimately get is really no different than if they had just kept working those 5 years and kept accruing pension.

Chairman Deal: Right

Jarmon Welch: However, as far as I have to look at it, I have 5 less years for it to be funded over.

Chairman Deal: Right

Jarmon Welch: Even if the guy had exactly the same value in pension doing the 2 routes I have 5 less years to fund it over. And so my cost would go up. But it's like if you paid your mortgage off sooner or something like that. You don't really have a cost increase, you just have something that makes you pay it sooner.

Councilman Clark: On solving short term cash flow issues and not thinking of the big picture impact of what that costs us.

Chairman Deal: It's pushing the costs down the road.

Walt Bussells: And then we are paying the DROP person more money than the Fund is earning.

Councilman Clark: Yes, that's a problem.

John Keane: But to completely answer Councilman Clark's question, the assumption changes that drove the increase and the City Contribution rate effective October 1, 2012 was recognizing the changes in the DROP rate, an additional change to the mortality table, lowering the assumed interest rate, and the combination of those 3 led to that increase. Is that correct?

Jarmon Welch: Yes, that is shown on page 22 of that Actuarial report.

John Keane: Ok, now, the other 2 changes that Milliman recommended, the Board consider; reducing the long term salary scale increase assumption and the salary chart itself. The combination of those 2 plus paying for the investment manager charges would increase City costs $28 million if the Board ordered a new study for October 1, 2013. Is that correct?

Jarmon Welch: That's right, and also in that change is going from 7.75% to 7% interest assumption which you in tandem with dropping to 4% salary increase assumption less inflation.

Chairman Deal: So you'd lower the assumption from 7.75 to 6.5?

Jarmon Welch: Well, you, 6.5% but then you have to earn 40 basis points to cover manager fees.

Chairman Deal: Right

Jarmon Welch: So you need 7.

Chairman Deal: If you're paying investment manager fees not with investment earnings why would that be included in there then?

Jarmon Welch: That's why we use 7 rather than 6.5.

John Keane: To pay fee. Now the State recently considered reducing the actuarial assumed rate on the Florida from their current 7.75 to 7.25 and after consideration, they decided to defer that for another year. Is there anything they know that we don't know?

Jarmon Welch: Yes, they know politics.

John Keane: Oh.

Jarmon Welch: You know in Connecticut their actuary wanted them to drop and they decided to stay at 8.25%. What happens is, the actuary might want to do something but politics won't let them. So, that was the case here for years. I wanted to drop the 8.5%, for years I tried to, but we had City politics and so forth and the Agreement and all that stuff. The other actuary was in line with that.

Chairman Deal: Jarmon, let me ask you this. Now, just so we can get clear on it, now, the City uses Milliman, right? As their actuary.

Jarmon Welch: They use them as an outside advisor. Their actuary is Seigel.

Chairman Deal: Seigel, though, Seigel is the City's actuary?

Jarmon Welch: Right.

Chairman Deal: So between Milliman and, are you hearing that recommendation to implement those things from Seigel as well saying that's what the City wants to do?

Jarmon Welch: It's very unpopular to go around and use the rate you expect to earn.

Chairman Deal: Right.

Jarmon Welch: So what happens is, the actuary tells a story. There's a certain probability that we're going to earn a 6 or 6.5% and there's a certain probability that we're going to earn 7 and a certain probability that we're going to earn 7.5 and 8 and this profession allows you to adopt any one of those.

Chairman Deal: Right

Jarmon Welch: Since the actuary, most of them, is a pretty conservative fella, he'd rather you adopt the low rate which has the highest probability. But when clients come back and fire you when you push too hard for it, then you don't push it hard.

Chairman Deal: Right

Jarmon Welch: What you'll find is that actuaries, the common rate that is being used around the country is still a little under 8% plus the 40 basis points manager fees. So most actuaries around the country are still assuming something a little under 8.4% as their gross yield which no investment monitor, the greater expert in investments for the next 10 years are saying the ceiling is 7. I've got 4 or 5 of them saying that, so what happens is that the actuary is in a box. On the one hand, he'd like to lower his rate, but on the other hand most of his clients don't want to. What does he do? What they did on the City side, they've been chipping away at it. They went from 8.5% to 8.25%, then they asked the actuary to do a 5 year experience study. No doubt, he'll come up with 8% or maybe 7.75% and then down the road he'll keep chipping away. What you all are doing here is being unusual and good, unusually good. The new Mayor's administration and Milliman, an outside party, doesn't have to worry about being fired. He's not doing the regular work any how, this is a one time project for him. So, he's coming up and he's saying let's ultimately go to what it really is and I'm doing the same thing, which, had I pushed too hard in prior years there may have been some jeopardy to me still being around. But now, with his support, I can speak up more forcefully.

Chairman Deal: Yeah, you're doing a good job of that. Walt, do you have some questions for him?

Walt Bussells: I'm just going to set the context real quick for my question to make sure my colleagues are in the same place I am. We voted unanimously a couple of meetings ago to have a new actuarial study done effective as of October 1, 2012 reflecting the Fund balances, investment returns, and payroll and all those things. And as part of that motion and

vote was to consider each of the assumptions that drive the numbers and have that conversation with you before you go run the numbers and produce your new actuarial report effective October 1, 2012. And I think that's why we're having this conversation today, which is timely. And I just want to make first a couple of larger points before we get to the specific assumptions. As I understood our fiduciary responsibility here, it is to pick our actuary and have actuarial studies done we believe best reflect reality and proballistic future events and it is not our job to do whatever the City actuary thinks or the State actuary thinks. They are players. They have involvement. The State actuary has some discretion and regulatory control over us, however, it's our job to represent our Members and Beneficiaries and that's why the Agreement provides that if our actuary based on our direction produces that the City actuary feels are materially improper and incorrect, the City then has the right to commission another actuarial study and then come together on the assumptions. And so while it's good to be mindful of what this Milliman gentleman thinks, or what the State actuary thinks, our job is to do what we think is accurate and in the best interest of our members. Is that right?

Chairman Deal: Yes, and I think that, on the one thing though, that there is a grievance process and I don't think that they hire another, that our actuary gets what their actuary

Walt Bussells: They advise us that there might need to be a review.

Chairman Deal: Exactly. And then we work out any of the differences, we'll come to an agreement or

Walt Bussells: Or a 3rd is retained.

Chairman Deal: Yes.

Walt Bussells: There's a process. And I would observe with the benefit of just being here a few months, if we had been doing, it's easy to look backwards, if we had been doing annual studies rather than every 3 years, the City would have been compelled to confront the growing liability sooner. And with the benefit of 20/20 hindsight, I'm not being critical, I'm just looking back in the past, I think to conform our decision for the future, if we had been confronting it annually and taking smaller doses of pain along the way, we wouldn't have a $1.4 billion unfunded liability today.

Jarmon Welch: You're exactly right, in fact that's why, in Florida in particular, some cities like my client Pensacola, delay their actuarial report because they don't want the bad news now. They'd rather wait and hope it's going to get better. It doesn't, it happens just like you describe it.

Walt Bussells: And so here are the particular assumptions that are of particular interest to me and that I think are material to, as Chairman Deal

said, would responsibly funding the Fund going forward but not overcharging the taxpayer more than is required to or anything else. Both are important here. My understanding, generally, of the interplay of inflation, average salary increases, and nominal returns on investments is what's important is the spread between inflation and the nominal returns on investments, not one number or another, in terms of driving the contribution. Is that correct?

Jarmon Welch: That's correct.

Walt Bussells: And my understanding is that the assumption on average pay increases, there's this 10 year test, the average of the last 10 years, which is not the required number, but it sets the maximum you can use without pushback from the State actuary. Correct?

Jarmon Welch: Yes, that's right.

Walt Bussells: Alright. So if we assume a lower number reflecting the reality of Jacksonville, Florida, for today and the recent past and the near future, that probably will be acceptable to the State actuary because it is less than the maximum that is set by the rolling 10 year average increases.

Jarmon Welch: Yes, that's certainly true.

Walt Bussells: So, therefore, I don't understand why we're going to assume people are getting general pay increases of 3% when they're getting 0 or in some cases 2% decreases.

Jarmon Welch: The reason that is that…. I totally agree with you. I'd rather not show any increase at all, but cities in Florida have a tendency to assume what they can to keep the contributions low.

Chairman Deal: There are step increases that both Police and Fire have

Walt Bussells: Agreed. Absolutely.

Chairman Deal: that are automatic, that are not cost of living, that are just

Walt Bussells: Agreed.

Chairman Deal: Ok.

Walt Bussells: And when I looked at the first actuarial study I reviewed when I got here, and you look in the average of the Members, and I recognize people retiring and coming in, other factors affect the numbers, but year after year for the recent past average pay for the Members is going up about 1% not 3 and not 5.

Jarmon Welch: It's not only the average pay that figures into this 10 year growth, it's a factor whether people are moving over and leaving us by going to DROP. If we had never had the DROP, then we'd have all the payroll to deal with, enough that would have given us a high percent of actual increase.

Walt Bussells: Alright.

Jarmon Welch: When somebody leaves like the 132, 148, 133, the main reason is that the active payroll goes down, one of the main reasons, is that people go into the DROP, so the payroll is gone.

Walt Bussells: Right. Yeah, that makes sense to me, that makes sense.

Jarmon Welch: I would be happy if we didn't show any payroll increase. In fact, a number of public plans that have, like for example, the Transit Authority here in Atlanta, they closed their plan and they certainly wouldn't show an increase in the pay. Couldn't by actuarial rules, so you just show it as it is, kinda like a mortgage, dollar amount every year until it's gone.

Walt Bussells: Alright. And so if, if, if we chose to direct you, given you know our responsibilities, to assume general pay level increases consistent with actual reality these last several years and at least for the next couple of years, and consistent with a nominal return on investments that assume continuing low inflation going forward, then the State actuary can always say "Hell, no" and you've gotta go back and redo it and then we've just got to pitch our case and argue the merits and facts. But then it looks like under Florida law we could do that and it reflects the reality of what's going on, not the high inflation past but the low inflation tough economy reality we've been living through a number of years now.

Jarmon Welch: Yes, but let's distinguish the difference between 2 things. The 10 year rule applies to how you can expect the payroll to increase from year to year that you use and taking care of the unfunded. That's the 10 year rule. You can't, you can't, you can't step down a lower current a lower contribution to the unfunded by an increase in assumed future payroll rate greater than what has happened in the last 10 years. The other issue, which says, what about payroll and calculated benefits? How much do we assume that's going to increase? And which we did assume 5.5 and we dropped it to 5% in 2011 and in this report, I dropped it to 4%. So that 4% is what I assume salaries are going to increase by benefits and I'm showing you in that letter that I sent around, I based it on, the 4% on 2.5% inflation and the other 1.5% comes from merit, productivity, and seniority increases. So if, Walt, your point was we ought to be using something lower than the 4%, something more like 3 or 2, that would, that would, nobody, nobody goes down that low because you would, it's tantamount to saying you're going to have another 10 years in which we're not gonna be able to do much, even inflation rate, even with active people working. I know that's a

hard thing to come up with. Besides, it doesn't have as much impact on the contribution level as you thought. Most of the benefits are already earned and so the contribution level of most of the benefits is paying for what is already there. So, any thought about pay increases for the actives and what they're going to get in terms of new benefits is really, that's a part of the conversation.

Walt Bussells: Right, I understand. And so, that 4%, the 2 pieces, the latter piece I agree with you to leave it in, because that's been our consistent practice. And even, I think, in the current contracts, while there were no general increases, the step stayed as has been the past practice, I think, but the 2.5 general increase, personally I think that's, given the reality, is high and is likely is going to be less, maybe continue to be 0 until this thing is resolved, one way or another. The City is financially distressed would be my thought. I want to ask you a question on the assumed investments and I just want to see if I understand this correctly from our earlier workshop several months ago. My understanding is, that the state of Florida there's not a number which is promulgated by the State actuary for practice, but rather you look at the pension fund's asset allocations strategy, look at the projections of the various asset classes, and you combine those to say, well, with this asset strategy, this allocation strategy, and the projected returns for the various asset classes and we think a reasonable weighted average return on investment, the nominal return is x or y. But it isn't like the State would say it's going to be 6 or 7% and so somebody whose asset allocation is, say in an extreme case, is 100% bonds or 100% domestic equity, or you know, whatever it is, that the asset allocation strategy balance is looked at, and then coming out of that analysis is the investment return to be used in the actuarial study. Is that right?

Jarmon Welch: Well, that's the ideal world and unfortunately, actual practice deviates significantly from the ideal world. See, what happens is, what you're describing is what the investment monitor does when he tells you the 10 year projection.

Walt Bussells: Right.

Jarmon Welch: All that is typically in the paperwork sent around by the different investment monitors, including yours, which I reviewed. So, here comes the monitor, doing it just the way you said, and saying we expect to earn 7% over the next 10 years. So along comes the actuary who says, well, my plan is going to be in existence for 30 or 40 years, so I can look at a longer time span. He goes back for the last 30 or 40 years and comes up with the average yields on these various things that were in the 10 year monitor study, over his 30 or 40 year he comes up with a much higher yield because you go into the bull stock market from 82 to 2000. So he comes back and he says, well, you're saying we're going to earn 6 or 7% on equities in the coming year, or 7.5%, high risk and so forth, maybe even up to 8. We've earned 9 or 10% in the last 30 years. So he then says,

therefore, I'm going to build on top of the 7% that you come up with, my expectations of what the average is going to be. And that's where they play some games, cause then one guy will make it 7.5, another will make it 7.75, and another one will make it 8. Another one I could mention, the Connecticut Teachers and their actuary settled on 8.25.

Chairman Deal: So to go back to what Walt had mentioned to you, you were trying to describe it. All of those things seem reasonable that he just described in calculating what the return would be and what a good assumption rate would be. But even if you applied all those, you still have to overcome the politics of it.

Jarmon Welch: That's true. It's a real issue. I mean actuaries themselves have been stressed for 5 or 10 with this issue. It's a real issue. Cause, I mean we can't resolve this. From 64 to 82 the Dow was 875, went to 874 all those years. All you got was a several percent yield. From 82 to 2000, it went from 875 all the way up to 12 or 13 thousand. So you got 15/16% yield. Now, from 2000 to 2012, it hasn't hardly changed and we've gotten 2% plus yields. So when you sit down and you try to say what's going to happen 30 to 40 years from today with your pension plan, the main thing that's going to happen is, over the next 10 to 15 years most of the money is paid out. So, most of the current retirees will die in the next 15 years and it will be new retirees who will get 15 years or less of their payments set. So, if you're setting there thinking about a 30 to 40 year range, most of your money's going to pay out in a 10 or 15 years, you have an inherent conflict with the mathematics. So you're in a judgment area and when you're in a judgment area, you're in a politics area.

Walt Bussells: Alright. And then, just, I have one more thing, and I continue to believe, unless we take a motion and reverse our earlier decision, that we ought to look at this thing every year and face up to reality, whatever it is. It would be, it would be important, I think critical information, at least for me as one Trustee, to be able to understand and we talked about segments of it and elements of it this morning and earlier meetings, is I think the current benefit structure was set basically 12 years ago when the current 30 year Agreement was executed?

Chief Deal: 2000.

Walt Bussells: So 12 years ago. So there was an actuarial study that was done in 2000 or 99 or around there somewhere, that was the basis for the new 30 year Agreement, the new benefit structure going forward. And a lot's happened in the intervening years as we all, as we all know very well. The war on terror and the great recession, just on and on and on. But it would be very important to me, at least as one member, to understand the difference between the assumptions of 12 years ago and what's actually happened and the assumption we're using now. So we can help be sure that we're working on the right thing to fix this problem in a sustainable

way, rather than fix the symptom rather than the root cause. And so as part of this study, seeing that compared and contrasted, and you did that in the last study that I got when I came on the Board, when you changed the mortality table that was used was different from the one you used in 2000. There was something else different, too. But there were some changes from 2000 and 2011 where you quantified the delta, the difference. That would be important to me to know, going forward.

Jarmon Welch: Let me mention one practical thing that happened with that. In 1992 when they set up the Agreement in the midst of the bull market, the Agreement had 8.5% net investment year assumption in it.

Chairman Deal: Right.

Jarmon Welch: And then it had the rates of retirement of the people who retired, like it had 5% people retire when they reach 20 year service. In 2000, when the Agreement was changed to let the City to be responsible for all the gains and losses, before that they had had sharing in that agreement. So 2000 there was some accumulated gains, $20 or 30 million, I don't remember the exact number, but the City took over to reduce its contribution but at the same time took the responsibility of all gains and losses going forward. And along that time, DROP was adopted. What had been happening with the retirement pattern of the Police and Fire employees is that the average person left at about age 58 or 59. And the experience that happened over the next 10 years is that average leave and DROP retirement dropped down to 49, dropped down 10 years. The average person DROPs at age 49. He leaves at age 54. So we had the result of this with the retirement patterns, rather than being 5% after 20 years service it grew to be 50%, then another 21/50% at 21 years service with them all gone in a year or 2. That's one of the big things.

The other one is the 8.5% assumption to which you add the 40 basis points for manager fees. That 8.5% assumption was just totally out of line with what happened in the last 10 years. My God, as you well know, we've earned 3 to 4% rather than 9. Every year we've got a big loss. The rest of the assumptions, they, they, weren't that off. The way people terminate, the way they die. We did have a significant change on mortality. Longevity, if you went back to my father born in 1884, the average person lived to be in his high 40s at that time in America. It kept going until today, a person born today, the average person is going to live to be almost 80. So with the Police and Fire, you've had 10 years of them living longer. In fact the average police and firemen, I did a test on them, is 74. The main thing was people leaving early because of the DROP, living longer because of improved mortality, and not earning the money that we expected to earn. So these 3 are the worst of all worlds. We're paying them sooner, we're paying them longer, and we have less money to cover what we're paying them.

Walt Bussells: And then Jarmon, on that 3rd one though, the 2000, whenever that one was done, when the benefits were restructured and reengineered in connection with the new 30 year Agreement. The real return was about 300 basis points, right? 8.5 vs 5.5?

Jarmon Welch: Well, I think it was larger than that, but in 2000, inflation in 2000

Walt Bussells: No, what I'm saying is, what I'm trying to say is, whenever the actuarial study was done that was the basis for the new 30 year Agreement and the current benefit structure. It assumed 8.5% nominal return on investments and we've darned sure come in under that. But then we also assume 5% inflation and general increases roughly and so the real return, maybe it's 350 basis points which is pretty consistent with 100 years of economic history in the U.S., I think. Real returns.

Jarmon Welch: Yeah, well, I think that's true. We did have in the 80s, if you look back on inflation historically is just several percent but in the period of the late 70s and 80s, you had inflation, I remember, treasury bonds were up to 16% interest at a period in the 80s. So if you use that period in the 80s you get a much higher inflation effect. Otherwise, you don't. One period, I believe, was something like 5% inflation, but looking more long term something like 3%, even at that time, would have been more reasonable.

Walt Bussells: And so what I'm – my only point is that 3rd of those 3 things that you pointed out there, indeed, we've come in way below 8.5 over that intervening 12 years but the average general increase has been well below 5 or 5.5 as well. So the delta in real terms, while it was missed, we all know the reasons why, crazy economy and all. It wasn't like the lower nominal return all increased the unfunded liability because of the much lower general increases in the recent years particularly.

Jarmon Welch: Yes.

Walt Bussells: That sound right?

Jarmon Welch: Yes, I agree.

Walt Bussells: Alright. So if you could, you know to the nearest 10 or 15 million, we don't need an engineering kind of precision, that what we thought in 2000 and based on the best evidence available versus the way things have really worked out in the intervening 12 years that accounts for the increase, the sorta thousand percent increase in the unfunded liability from a $100 million in change to $1 billion in change today over that 12 years. That would be very important to us, I think, to know and to have.

Jarmon Welch: Ok.

Walt Bussells: Thank you. I'm done.

Chairman Deal: And Jarmon, what I heard him ask for as well, was what contributed to the unfunded liability. I'm sorry, let me back up. What was used as the assumptions in 2000 and how those assumptions fared, whether they were low, whether they were high, whatever the case may be, and what we're using today and if the assumptions back in 2000, either 1999 or 2000, whichever you did the actuarial review, how accurate were those compared to today. Is that what you're looking for?

Walt Bussells: Yeah.

Chairman Deal: So we can go looking forward, we can look at what the assumptions are.

Walt Bussells: And attack the root cause of the problem, not the symptoms.

Chairman Deal: Right.

Walt Bussells: And I say this, and again this an accountant thinking about it, but when I look back at 2000 and the unfunded Police and Fire liability was under $100 million or so, and then today 12 years later it's $1.4 billion, that's a thousand percent increase. And I have a, just for me, I have a hard time thinking that missing the investment returns levelized would make it, would make it go up that much. I just, I'm having a hard time making logical sense of that. There's got to be a lot more going on beyond crappy …

Jarmon Welch: Well, I mean it is one way to look at it. It's amazing how much a difference is. You often hear people mention if you have a portfolio and you can save 50 basis points on the interest or even a 100 basis points on the expenses or the cost of the portfolio over a long time period you can end up with half again more money, or more.

Walt Bussells: Well, Jarmon, thank you for bringing that up because I've been harping on that for 3 months.

Jarmon Welch: That means if you look at 2000 and we said over 12 years that we earned an average of 5 to 6% a year on average, less than we expected for 12 years, then that means that we have almost a little less than half the money we expected to have.
Walt Bussells: So if we get our operational overhead down 20 or 30 basis points, and get all those manager fees down, that makes a big damn difference 15 years from now actuarially.

Jarmon Welch: Yeah, we'd, you'd have $2 billion now if we had earned what we thought we were going to earn back then. We would have, would

have an unfunded liability, I'm just speculating, but it would be $.5 billion instead of $1.4 billion.

Walt Bussells: So overhead budgets and manager fees make a difference?

Chairman Deal: Well, let me tell you, well, wait a minute, there's one other thing that's critical here. There's one other thing that's critical, is that when we instituted the DROP, so that DROP started in 2000, right?

Jarmon Welch: Right.

Chairman Deal: Ok, and in 2000, I don't know how many people that we have had go through the DROP now, but currently we have around 600 in the DROP between Police and Fire. The City makes a 0 contribution on all of those employees that are in the DROP. How much a hit is that to the Fund?

Jarmon Welch: Well, I mean it's quite significant.

Chairman Deal: Since it's 82%, they're up to 82% right now, so 82 cents on the dollar they're paying into the pension for the pension itself. So if the City's not paying a dime on those people who are not in the DROP and everyone that has gone through the DROP since 2000 and we've had a tremendous turnover. I mean, I bet we've had over 2,000 people go through the DROP and up to right now, or close to it, over the period of the 5 years that each one of them stayed in the DROP that the City made 0 contribution on them. And their contribution went to 2%.

Walt Bussells: And, just in addition, I think, since we guarantee them 8% on their DROP balances, and earn 1 or 2% that's cost the Fund a lot of money. Right?

Chairman Deal: Oh, I think that's impacted.

Walt Bussells: And so you put those 2 together.

Chairman Deal: But you have to count now, you do have to count

Walt Bussells: You've got to put them both together to see the net plus or minus.

Chairman Deal: Well, what you have to take away from that then is that, I mean I've heard that 8% figure bantered around about, you know, well 8.4, but the employee also pays 2% of their salary up front that they continue to make a pension contribution, 2% to defer cost. You have to subtract that from the overall amount. We exceeded earnings of 5% this year this past year.

Walt Bussells: I thought we did 17 or 18.

Richard Tuten: 19

Chairman Deal: Right.

Walt Bussells: Gross of manager fees.

Jarmon Welch: When we closed off the plan for the Transit management people here in Atlanta, the plan, the city, MARTA was paying 18% of pay in as contribution. We closed off the plan with no new people joining, we were going to very soon run down through the pay and it wouldn't be adequate. So what we did, is we continued to have MARTA contribute 18% of pay even on people who weren't in the plan. So the people who weren't in the plan went into the DC plan. So whatever MARTA contributed was a heck of a lot more than … The DC plan was still was still getting 18% but they would send the balance over to us. So then that's what happened to this over the years. I went to the State, said it makes no sense to have people sitting there working their job on the under accounting as well as actuarial and not be accruing a pension expense for them. Standards say you connect the pension to the period of service and you have typical Jacksonville Fire and Police people working for 5 years and nobody putting in any expense for them. So, like the State plan does, let's move over and start having an expense over the DROP period with the City covering the DROP payroll. The State wouldn't do it. The State is very reluctant to do any kind of change unless they are pushed into it. So they, I guess they can follow the logic but they wouldn't do it. So I can't do an evaluation in which I use the DROP payroll to base the City contribution on it.

Walt Bussells: Say, Jarmon, before you, I have just one final thing. Before you actually run all the models and do all the detailed work for the new actuarial study as of 10/1/12, could you send us sort of the, without the numbers dropped in, the Executive Summary that we can see what you think you heard us say, what we're trying to say. You know what I mean, before you actually do all the math and modeling, but say here's what's going to be in the Executive Summary, the answer? Then we can kind of go off and process that before you go off and burn a lot of hours?

Jarmon Welch: Let me tell you one thing. I have already went and, in fact I have it right in front of me, I have already run and done these calculations. I've actually, these are real numbers, I mean, I'll read across the table. Here I have the plan in 2011 cost about $140 million and I would do nothing but carry that over to the new year with no change and as I've said that wouldn't fly with the State because of the 10 year rule thing but if it did I'd do $144 million and if there's no change that's what it does. But now, if you go in and put in 3% payroll growth drop from 3.5 to 3.25%, then this number goes t $156. And the last column I'm looking at is where we do everything that Milliman and I agree should be done and it is consistent

with the way costing out the way the proposed to cut back that they've floated as a test case for …. So if you use those assumptions you'd have $169 million, so I, the figures I put to you before are actual figures doing the work. I guess the 2 projects that remain, if I'm hearing you all correct, is for me to send a letter in which I tell you in a little better fashion of what happened to the unfunded and why it changed from 2000 to the current date and the other thing is for me to actually give a report updating to the current date if you all have really decided you want to do that.

Walt Bussells: Well, you didn't have the benefit of being in the Board meeting, but I believe we moved unanimously was, we would do a new study as of 10/1/12. We would first process assumptions and drivers here and then after we did that, you'd go run the numbers. You've gone ahead and run some numbers, fooling around with some of the assumptions you described to us very effectively.

Jarmon Welch: I agree with that. I think every sizable plan should have an annual evaluation.

Walt Bussells: Thank you. I agree with you 100%.

Jarmon Welch: Some small groups, like the city of Thomasville and so forth, you know smaller cities in Florida, but the major ones should.

Walt Bussells: I agree with you.

Jarmon Welch: Make better adjustments.

Walt Bussells: At least what I thought we did, said was if you could send us you know the Executive Summary with the answers blank but then describing the assumptions you're going to use to run the numbers as of 10/1/12, that we could look like and see if we, you know, communicated effectively and then do the numbers based on that. I think that would, that would conform with our earlier action here at our Board 2 months ago, last month, recently.

Chairman Deal: 2 months ago.

Walt Bussells: 2 months ago. And then go from there? And then indeed, compare and contrast at a macro level to the nearest 10 or 20 million, not with engineering or accounting precision, 2000 assumptions and what actually happened 12 years later to get us with a 1,000% increase in the unfunded liability to be sure we understand what was driving it and can then fix it in a way that's sustainable. You know.

Jarmon Welch: I understand.

Richard Clark: On that note, even simpler for me, and I know, and I get what you're saying where we went wrong. I'd really like to know in a very big, you don't have be crazy detailed when you send it, what assumptions could we have used, what would the assumptions have looked like had we been accurate? Does that make sense? I want to know if I could have plugged in assumptions in 2000 that said x that would have been spot on in hindsight, what assumption should I have used?

Walt Bussells: That's exactly what I'm trying to get to. You said it better than me Richard. That's what I'm interested in.

Chairman Deal: Alright, did you get that?

Jarmon Welch: Yeah, I understand, I can do it.

Chairman Deal: Ok.

John Keane: It's important to note also that in the proposed Ordinance 2011-400, the Peyton administration agreed to start making a pension contribution on the people in the DROP. Since the inception of the DROP plan the City has received 7,000 years of service from police officers and firefighters without making a single contribution.

The meeting was recessed at 10:40 a.m.

The meeting resumed at 10:50 a.m.

2012-11-2 Investment Reports from Summit Strategy. Attachment **RECEIVED AS INFORMATION.**

The Board directed the Executive Director-Administrator to schedule a Board Workshop for the 2nd week of December in order to concentrate on the Budget and Governance.

There being no further business, the meeting was adjourned at 10:55.

Nat Glover, Board Secretary