

JACKSONVILLE POLICE AND FIRE PENSION FUND
BOARD OF TRUSTEES MEETING

DATE: April 15, 2016

TIME: 9:02 to 10:43 a.m.

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

BOARD MEMBERS PRESENT:

Larry Schmitt, Board Chairman
Richard Tuten, III, Secretary
Richard Patsy, Trustee
William Scheu, Trustee

ALSO PRESENT:

Beth McCague, Interim Executive Director
Debbie Manning, Executive Assistant
Paul Daragjati, Board Counsel
Dan Holmes, Summit Strategies (via phone)
John Schickel, Esq.

CITY REPRESENTATIVES PRESENT:

Tommy Hazouri, City Council Liaison
Joey Greive, City Fund Treasurer
Steve Durden, General Counsel's Office

These matters of the JPFPPF Board of Trustees Meeting 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

April 15, 2016

9:02 a.m.

- - -

CHAIRMAN SCHMITT: Let's get the meeting started. It's 9:02. I call the meeting to order.

We will start with a moment of silence for the following deceased members: Robert Barlanti, retired police officer; Joseph Starling, retired police sergeant; Robert C. "Bob" Dickinson, retired police sergeant; Milton A. Rhoden, retired firefighter; Raymond Eminisor, retired police officer.

(Pause)

CHAIRMAN SCHMITT: If you'll all rise and join with me.

We pledge 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.

All right. The first item is the Consent Agenda items. It starts on page 2, goes over to page 4.

MS. McCAGUE: And it's behind -- it's in the first section. We're trying something new here

1 today because we have so many attachments, and
2 Trustee Patsy asked if we could put this more in
3 a notebook style. So as we go through the
4 meeting today, I'll tell you which tab you need
5 to go to.

6 And then you can tell me at the end of the
7 meeting if this was easier for this or you want
8 to go back to the folder.

9 COUNCILMAN HAZOURI: I like this.

10 CHAIRMAN SCHMITT: So if we have a motion
11 for the Consent Agenda items. Oh, I'm sorry.
12 I'll back up one step. I missed the public
13 speaking period.

14 Debbie, we have one public speaker?

15 MS. MANNING: Yes, sir, we do. Curtis Lee.

16 CHAIRMAN SCHMITT: Mr. Lee.

17 MR. LEE: I have a handout for each trustee.
18 My name is Curtis Lee. My address is 7124 --

19 COUNCILMAN HAZOURI: Curtis, can you talk a
20 little louder?

21 MR. LEE: Okay. Sorry. I have a soft
22 voice.

23 My name is Curtis Lee. My address is 7124
24 Claremont Creek Drive.

25 First, you-all have my demand letter. That

1 is simple. It speaks for itself. Contact
2 Mr. Dees or myself if you have questions.

3 The second issue and the main topic for
4 today is the enclosed November 2015 email from
5 Mr. Tuten. Please read it carefully, especially
6 where I've marked it. It contains an improper
7 threat to refuse to perform his duties as
8 trustees -- as trustee.

9 It also has some false and ludicrous
10 statements. Some are cruel and insulting and may
11 be actionable.

12 Mr. Tuten claims that I am, quote, "mentally
13 unstable," unquote. How then did I manage to
14 repeatedly prevail over the pension fund in
15 court? Think about what Mr. Tuten said and how
16 that made me feel.

17 Mr. Tuten's outrageous and irresponsible
18 acts discredits this Board. His poor judgment
19 shows his lack of fitness to serve on this Board.
20 His track record prior to November 20, 2015 was
21 also poor. Mr. Tuten should resign. If he won't
22 do so voluntarily, you should ask him to resign.

23 If you refer this email to counsel,
24 Mr. Tuten should pay counsel personally. He
25 should accept responsibility.

1 Thank you.

2 CHAIRMAN SCHMITT: All right. No other
3 public speakers, Debbie?

4 MS. MANNING: No, sir.

5 CHAIRMAN SCHMITT: Public speaking is
6 closed.

7 Now, we move on to the Consent Agenda items.

8 MR. SCHEU: I'll move it.

9 CHAIRMAN SCHMITT: We have a motion, and do
10 we have a second?

11 MR. PATSY: Second.

12 CHAIRMAN SCHMITT: All right. We have a
13 second. All in favor?

14 (Responses of "aye.")

15 CHAIRMAN SCHMITT: Opposed?

16 (No responses.)

17 CHAIRMAN SCHMITT: Motion passes.

18 MS. McCAGUE: And part of that Consent
19 Agenda, Mr. Chairman, is the attachment that
20 shows the DROP information. This is also in a
21 new format that's behind tab 2.

22 And, again, what we're trying to do is make
23 the process of producing these reports more
24 efficient.

25 So Chuck Hayes and Debbie have worked

1 through this. If this is easier for you, great.
2 If you would rather go back to the old way of
3 seeing the typed-out information on a separate
4 sheet, just let us know.

5 But if you like this, then we will be
6 producing these reports, which means one person
7 produced the information and the report goes
8 right into the book.

9 CHAIRMAN SCHMITT: That takes us over to
10 page 4 on the agenda under -- are we ready for
11 Old Business?

12 MS. McCAGUE: Yes.

13 CHAIRMAN SCHMITT: All right.

14 MR. DARAGJATI: I'm sorry. Yes.

15 For those of you who don't remember the CVB
16 case -- I got it. The case itself dealt with a
17 firm that did financial transactions that misled
18 the market through filings with the SEC.

19 Earlier this year, the 9th Circuit allowed
20 the firm that represents us in prosecuting that
21 action to proceed past a motion to dismiss that
22 was filed.

23 At this point, the case is proceeding to
24 discovery, and there have been no new
25 developments as far as litigation-related issues

1 in that case.

2 Since I'm on it, I'll just discuss the other
3 litigation cases as well, and there's really
4 nothing to report on the other ones. They're all
5 in a status quo.

6 In the NII case, there hasn't been an order
7 issued yet so we haven't received any updates on
8 that particular one. And to remind the Board,
9 that is the case where in mediation we came to an
10 agreement, but we cannot proceed with the
11 agreement until the judge issues a class order on
12 that agreement.

13 MS. McCAGUE: And, Paul, Tower, the Court
14 ruled and we're still waiting to see what payment
15 is going to be made; is that right?

16 MR. DARAGJATI: Is that correct. Yes.

17 MS. McCAGUE: Okay.

18 CHAIRMAN SCHMITT: Okay. And then the next
19 item we have there, still under Legal, PFPF Board
20 of Trustees v. Frank Denton, Florida Supreme
21 Court Case No. SC14-2490.

22 MR. DARAGJATI: I've had discussions with
23 attorneys from the Office of the General Counsel
24 on this issue. And the way these discussions --
25 and just to remind the Board, last month the

1 Board approved settling with Mr. Denton for
2 \$140,000 worth of the legal fees.

3 Mr. Denton had come down to 280- of the -- I
4 believe it was approximately 306- that he had
5 claimed he was owed. The Board agreed to pay
6 half of the 280-.

7 Since then the City is asking for the Board
8 to pay a little bit more of that share versus
9 their share. The City is asking the Board to pay
10 156- versus 114-. Now, that brings it up to
11 270-.

12 My understanding is that Mr. Denton has
13 agreed to come down to a 270- total. Couple of
14 days ago the Supreme Court issued an order
15 denying fees in the Supreme Court pleading that
16 we had filed. So that may have been part of the
17 reason why it came down or just the motivation to
18 get this thing resolved.

19 But at this point the City is willing to --
20 has made a proposal, and this is coming from the
21 folks that have the power to make decisions over
22 there, that they pay 114- and the Board pay
23 156-.

24 MS. McCAGUE: And you remember, last month
25 the Board approved pay half, 140-. So this would

1 be a \$16,000 difference.

2 CHAIRMAN SCHMITT: Right. And,
3 Mr. Treasurer, I don't want to put you on the
4 spot too much here, but I just want to run
5 through this scenario.

6 If the Board approves, we pay the 156-. Is
7 that the new amount?

8 MR. DARAGJATI: That's correct. Yes.

9 CHAIRMAN SCHMITT: Another 16,000. We would
10 have to get another 16,000 from the City for our
11 budget to cover that?

12 MR. GREIVE: I think, you know, all funds
13 paid out of the Police and Fire Pension Fund come
14 from just a few sources: One being the employer
15 contribution, employee contributions, and then
16 investment returns. So at the end of the day, it
17 is left pocket, right pocket.

18 I think -- and I wasn't in these discussions
19 that Paul is referring to, but my initial thought
20 is that, in theory, it would make sense for the
21 fund to pay a bigger portion of it because of the
22 amount, the proportional share of the costs
23 structure.

24 I think the City bailed out of the case
25 sooner and the fund kept going. I don't know if

1 Steve Durden or Paul want to comment on that, but
2 I think that's true.

3 MR. SCHEU: That's right. They didn't
4 appeal.

5 MR. GREIVE: So I would think the
6 proportional share should be higher, but at the
7 end of the day, it's all going to come back to,
8 you know -- we're all in it together anyway.

9 CHAIRMAN SCHMITT: Right. And I don't want
10 to spend too much more time on this, but
11 following that along, they would have shared
12 equally if we had won the case. So that's the
13 other side of the argument. But anyhow --

14 COUNCILMAN HAZOURI: You don't know that.
15 No.

16 CHAIRMAN SCHMITT: -- I think enough time
17 has been spent on this. I think as a Board, we
18 should, in my opinion, go ahead and approve the
19 156- and get it behind us. Let's move on down
20 the road.

21 I mean, fighting over whether we pay an
22 additional \$16,000 out of the Police and Fire
23 Pension Fund budget versus the City actually
24 writing the check for that additional amount
25 makes no sense in spending more time on. It's

1 the same pot of money.

2 MR. SCHEU: I'll so move.

3 CHAIRMAN SCHMITT: Taxpayers pay it all.

4 MR. SCHEU: I move that.

5 MR. PATSY: I'll second it.

6 CHAIRMAN SCHMITT: All right.

7 MR. SCHEU: Does this go to City Council
8 too?

9 MR. DARAGJATI: This will end up in front of
10 the City Council. Yes.

11 CHAIRMAN SCHMITT: So we have a motion and
12 second. Any further discussion?

13 (No responses.)

14 CHAIRMAN SCHMITT: All in favor?

15 (Responses of "aye.")

16 CHAIRMAN SCHMITT: Opposed?

17 (No responses.)

18 CHAIRMAN SCHMITT: Passes.

19 MR. DARAGJATI: And just for the Board's
20 edification, I believe part of the calculus on
21 the City's part in asking the Board to take more
22 of the burden was because it would be more
23 palatable to those on the City Council in
24 approving this settlement.

25 MR. SCHEU: Could we do what we did last

1 time, say we improve the 156- in return for a
2 release and let them battle with the City
3 Council? Because we don't have to go to the City
4 Council. If we can get out of it, we're done.

5 CHAIRMAN SCHMITT: I like that idea.

6 Paul, do you think that would be doable,
7 acceptable?

8 MR. SCHEU: Could we condition our motion
9 that we want to pay it now, we don't want to wait
10 for City Council?

11 MR. DARAGJATI: Our problem with Mr. Gable
12 has been that he's got marching orders from his
13 client to not accept anything but the full
14 amount. They're not going to accept partial
15 payment, you know. But I believe that this will
16 move forward. I'm being assured by those on the
17 other side that they're not going to run into any
18 problems with this.

19 CHAIRMAN SCHMITT: Well, you know, I just
20 want to, as a Board, do what we can to do our
21 part to move this along. We lost. The judge
22 said how much it is. Let's pay it. Let's move
23 on. Why are we spending so much more time on
24 this? It doesn't make any sense to me.

25 MR. DARAGJATI: I agree with you 100

1 percent.

2 MR. SCHEU: I'll withdraw my motion.

3 COUNCILMAN HAZOURI: Why don't you-all just
4 pay the whole thing and then we don't even have
5 to deal with it at all? It's the same pot of
6 money. You already said that.

7 CHAIRMAN SCHMITT: If you'll approve the
8 budget for next year, I'm all in.

9 COUNCILMAN HAZOURI: Boy, that's going to be
10 a tough budget next year.

11 MS. McCAGUE: Before we leave, Paul, would
12 you comment on when we could expect the amounts
13 due on the recent Lee cases, both the open
14 records and open meetings cases.

15 MR. DARAGJATI: I've sent an email to
16 Mr. Lee's attorney to initiate discussions.
17 We're trying to avoid having to go to a hearing.
18 That just ends up spending more money for
19 everybody.

20 If we can settle this thing in a manner that
21 is agreeable to all the parties, then it would be
22 much preferable that way.

23 There was an order issued in one of the Lee
24 cases a couple years back that set the fee, but
25 that order was stayed. But I think now, through

1 this litigation, the order is kind of seen in a
2 different light.

3 So we'll deal with Mr. Dees and try and get
4 something before the Board before next month.

5 MR. SCHEU: As I understand it, one of the
6 issues is that we actually won six of the eight
7 issues.

8 CHAIRMAN SCHMITT: Right.

9 MR. SCHEU: And so there is some ambiguity
10 as to whether we should pay 25 percent of the
11 fees or all of them. I think that's what they
12 said.

13 CHAIRMAN SCHMITT: Okay. And I think that's
14 worth exploring. Obviously we didn't have this
15 same issue in this last case. So we definitely
16 need to run that all the way through to see what
17 the options are.

18 MR. DARAGJATI: I think, just to let the
19 Board know the overall strategy, if we're not
20 able to come to some type of reasonable agreement
21 with the other side, we may request the Supreme
22 Court to clarify the opinion they issued
23 yesterday.

24 There were some comments made by Justice
25 Pariente regarding this particular issue during

1 argument and I think it merits clarification.

2 CHAIRMAN SCHMITT: And would that have to be
3 done through another hearing?

4 MR. DARAGJATI: No. It's simply a -- it's a
5 quick motion that gets sent to the Court, and
6 then they'll either approve it and clarify their
7 opinion, or they'll deny it and the opinion they
8 issued yesterday is the opinion.

9 CHAIRMAN SCHMITT: Okay.

10 MR. DARAGJATI: But, again, we hope to avoid
11 all of that through simple negotiations.

12 MR. SCHEU: It doesn't pay to linger a whole
13 lot on this.

14 CHAIRMAN SCHMITT: Right. I agree.

15 Any other items under Legal? Good. Thanks,
16 Paul.

17 All right. Under Financial Investment
18 Reports, Old Business.

19 MS. MCCAGUE: The first thing we'll do is
20 look at tab 3. That's the financial report for
21 the month, the quarter. It shows where we are
22 for the year.

23 We're under budget for the month and for the
24 year in several categories. Our business
25 category, of course, of expenses are manager

1 fees. We have to -- I'm the only person paid by
2 contract right now; and, of course, we still have
3 a position that has been vacant and will be
4 vacant until our new director gets here, and
5 that's our deputy director position. So we're in
6 good shape on the financial report.

7 CHAIRMAN SCHMITT: And that's 2015-5-2.

8 The next one is 2016-3, Securities
9 Litigation Policy.

10 MS. McCAGUE: And that would be found under
11 tab 4. You-all have looked at this before. I've
12 clarified some of the information here.

13 What this does is change the policy back to
14 what it was several years ago. It used to be
15 that the Board approved the filing of the fund as
16 lead plaintiff or co-lead plaintiff status in
17 securities litigation.

18 At least one iteration. The Board before, I
19 think when Walt Bussells was chairman, he asked
20 that this responsibility be moved to the
21 executive director. We've moving it back to the
22 Board level.

23 So the Board would not only approve our
24 entry as securities litigation plaintiff, they
25 would also require the attorneys involved to

1 submit retainer agreements; and then when a case
2 was finally settled, we would bring back to the
3 Board what the Court awarded in terms of
4 compensation to the attorneys as well as
5 ultimately what the proceeds were awarded to the
6 individual shareholders.

7 CHAIRMAN SCHMITT: I think we've been doing
8 most of that through the years, but this actually
9 makes it part of the policy to do it.

10 MR. SCHEU: I recall part of our discussion
11 was -- and I think I liked the way you did
12 this -- was that we would negotiate the fees on a
13 case-by-case basis, which I think is appropriate.

14 But that leaves us room to say to the
15 lawyer, You have to offset the fees we paid you
16 by any fees that you get as part of this.

17 Remember, we had talked about that and that
18 was part of our motion the last time, that they
19 would offset fees paid by us for their general
20 work by fees earned in the litigation that were
21 paid to our counsel in connection with the
22 litigation.

23 MS. McCAGUE: Well, that is not included in
24 the policy. We could write that in if you want.

25 Based on response we got from the external

1 attorney, it would probably be very difficult to
2 find an attorney who would bid on the business in
3 that case.

4 MR. SCHEU: Well, I think you can -- the way
5 this is, we can do it on a case-by-case basis.
6 But to me that was an important concept because
7 if they're getting a -- essentially a windfall,
8 that we really receive nothing.

9 It's really a bonanza for lawyers that we --
10 they would offset an agreed amount what we had
11 paid them for their other work.

12 MS. McCAGUE: Well, you're right. This does
13 allow us a case-by-case basis to look at that.
14 And I will say, you know, our -- the external
15 attorney also said that they would be very
16 willing to, as they have in the past, offer fee
17 seminars or come up and do training for our
18 attorneys; but there did not seem to be any
19 interest to offset directly expenses that they
20 were incurring for service on our general counsel
21 work.

22 MR. SCHEU: I'm sure there wasn't. Thank
23 you.

24 CHAIRMAN SCHMITT: All right. So we need a
25 motion to approve these changes and adopt these

1 changes?

2 MS. McCAGUE: Yes. Yes.

3 THE COURT: So for the securities litigation
4 policy revisions, we need a motion for item
5 number 2016-3-1.

6 MR. TUTEN: I'll make the motion.

7 CHAIRMAN SCHMITT: We have a motion. Do we
8 have a second?

9 MR. PATSY: Second.

10 CHAIRMAN SCHMITT: Further discussion?

11 (No response.)

12 CHAIRMAN SCHMITT: All in favor?

13 (Responses of "aye.")

14 CHAIRMAN SCHMITT: Opposed?

15 (No responses.)

16 CHAIRMAN SCHMITT: Motion passes.

17 Next item 2016-1-5, Revision to 2015
18 Actuarial Valuation Report as of October 1, 2015.

19 MS. McCAGUE: This is behind tab 5.

20 And Devin and Joey and the City auditors
21 worked very hard on this. We made a couple of
22 changes, along with the actuary, in the report
23 that we sent to the City in order to better
24 reflect certain elements of the pension reform
25 which laid out the City stabilization account,

1 how that would be used, the UALPA account and the
2 enhanced benefit account.

3 And all -- there is no change in the
4 investments themselves. There is just a breakout
5 at a sublevel for those three areas. And as a
6 result of that, we have those subaccounts; but as
7 we looked at that, we realized that we were
8 paying on that City stabilization account and the
9 enhanced benefit account the expected return
10 rather than the actual return.

11 So when Jarmon, our actuary, shifted the
12 subaccounts around and made sure that half of the
13 chapter funds coming in were being used for the
14 City's base payment, then the result was that the
15 City payment shifted by about 0.5 percent, down
16 about \$700,000.

17 And you can see on the third page, Exhibit
18 A, the expected payment from the City due in
19 December would be 165 million 771, instead of 166
20 million 513.

21 CHAIRMAN SCHMITT: One of the other things
22 that it does on the summary page is the total
23 percentage compared to payroll that the City pays
24 into the pension is 119.6 percent.

25 With this breakdown, you can see the 92.28

1 percent. So just over 92 percent of that money
2 is being paid for liabilities that were incurred
3 in previous years. Underfunding, basically.
4 That goes to pay the unfunded liability.

5 If the City had kept up payments during this
6 entire past 20, 25 years, they would be paying
7 20-some percent of payroll.

8 So a majority of what is being paid into the
9 fund right now, by a large spread, 92 percent
10 versus 27.42 percent of payroll, 92 percent of
11 that amount of the payroll is being paid for
12 previously accrued benefits.

13 So I just kind of point that out.

14 COUNCILMAN HAZOURI: I have an asterisk for
15 you. In 1988, we were 102 percent fully funded.

16 CHAIRMAN SCHMITT: And I believe that was
17 the last time --

18 MS. McCAGUE: And who was mayor then?

19 CHAIRMAN SCHMITT: That's right.

20 MS. McCAGUE: Who was mayor then?

21 COUNCILMAN HAZOURI: A great mayor who
22 understood the pension system. And a former
23 chairman of the state FRS.

24 CHAIRMAN SCHMITT: Duly noted.

25 COUNCILMAN HAZOURI: I take pride in that

1 one.

2 CHAIRMAN SCHMITT: And you should. That's
3 the last time we were properly funded.

4 COUNCILMAN HAZOURI: Yeah. And a little bit
5 under Austin's term too.

6 CHAIRMAN SCHMITT: Yes. Carryover from
7 yours.

8 MS. McCAGUE: And then in Exhibit B, we show
9 this three subaccounts: The City stabilization
10 account, the enhanced benefit account, and then
11 the UALPA account.

12 So, Joey, if you want to add anything, fine.
13 If not, that's fine too.

14 But this page, this exhibit, will be
15 included in the next year's actuarial report.
16 This was a new report this year and I think it's
17 helpful.

18 CHAIRMAN SCHMITT: If no further discussion,
19 we'll move on to the next one. We'll show that
20 one as received for information.

21 MS. McCAGUE: Yes. Do we need a motion on
22 that since that's -- the Board has to approve the
23 actuarial report and the numbers that go to the
24 City?

25 CHAIRMAN SCHMITT: That's a good point.

1 It's a good idea to do the motion to accept the
2 revision.

3 MR. TUTEN: I make a motion.

4 MR. SCHEU: Second.

5 CHAIRMAN SCHMITT: Motion and a second. Any
6 further discussion?

7 (No responses.)

8 CHAIRMAN SCHMITT: All in favor?

9 (Responses of "aye.")

10 CHAIRMAN SCHMITT: Opposed?

11 (No responses.)

12 CHAIRMAN SCHMITT: Motion passes.

13 All right. Next item, 2016-2-1, Asset
14 Allocation Recommendations.

15 MS. McCAGUE: Now we're going to get Dan
16 Holmes on the phone.

17 As the trustees in the room know, Dan spent
18 three hours with you-all on Monday along with
19 four member of our Financial Investment Advisory
20 Committee to go over the areas that we will take
21 action on today.

22 So Dan has some reports which start under
23 tab 6. The first one is the report that you saw
24 on Monday. It was page 2 of his report.

25 This shows the work that you-all did at the

1 March meeting when you approved the slight
2 changes in the allocation model. And the new
3 target, as you see here, approved March 2016, is
4 what you began working with at Monday's meeting.

5 And then when Dan gets on the phone, we'll
6 go over the recommendations that came out of that
7 meeting.

8 MS. MANNING: Can you hear us okay, Dan?

9 MR. HOLMES: I can hear you great.

10 MS. McCAGUE: Okay. Good morning, Dan.

11 Dan, I just reminded everyone --

12 MR. HOLMES: Good morning, everyone.

13 MS. McCAGUE: I just reminded everyone that
14 you sent three good hours with us on Monday, and
15 once a week in Jacksonville was enough for you, I
16 guess, to be here in person. But thank you for
17 being here by phone.

18 So what I want to do is go over the
19 recommendations that came out of the meeting on
20 Monday.

21 MR. HOLMES: Okay.

22 MS. McCAGUE: Number 1: Terminate the
23 large-cap value manager, GAMCO.

24 Number 2: Maintain both managers, Sawgrass
25 and Brown, in their asset category, but Summit to

1 prepare a comparison of their results. Summit
2 also to recommend fees from Sawgrass performance
3 versus flat basis points.

4 Terminate small-cap manager DePrince, Race
5 and Zollo, known as DRZ; schedule interviews for
6 replacement of this small-cap manager. And the
7 three managers selected of the five that Dan
8 presented to us were WEDGE, William Blair, and
9 AJO.

10 Collapse the emerging market debt and bank
11 loan asset class categories into core-plus fixed,
12 and then authorize Summit Strategies to negotiate
13 with two core-plus fund managers, Neuberger and
14 BlackRock.

15 So after a lot of discussion in each of
16 those areas, those were the recommendations that
17 came forward.

18 CHAIRMAN SCHMITT: Okay. So, Dan, do you
19 want to -- do you need to give any further
20 explanation? I know we got into great detail on
21 Monday, but if any of the Trustees -- what I
22 would recommend is, if any of the Trustee have
23 any questions, they can ask it of you.

24 Otherwise, we go into a motion.

25 MR. SCHEU: I was just going to get it on

1 the table with a motion because that was a
2 thorough meeting. I learned a lot and I thought
3 their recommendations were -- I respect what they
4 did. I learned a lot from Rick.

5 MR. HOLMES: Mr. Chairman, I apologize. You
6 guys were kind of cutting in and out. What was
7 the question for me?

8 CHAIRMAN SCHMITT: Unless you advise
9 otherwise, if the Trustees don't have any
10 questions, we're going to go straight to the
11 motion for the termination of GAMCO.

12 MR. HOLMES: No. I have nothing else to add
13 there.

14 CHAIRMAN SCHMITT: Okay. It looks like we
15 have one -- at least one question from one
16 Trustee.

17 MR. PATSY: You have a question?

18 MR. TUTEN: Do you want to go first?

19 MR. PATSY: You go first. I don't have a
20 question. I was going to make a motion.

21 MR. TUTEN: Dan, I was looking for the --
22 first question here. I don't see anything that
23 recommends we go to an index fund; is that
24 correct?

25 MR. HOLMES: The idea on the rebalancing

1 page shows that that money would go -- would be
2 split between the index fund and Eagle.

3 CHAIRMAN SCHMITT: And just as a summary of
4 that, you went through quite extensively the
5 benefits and negatives of going to all index or
6 all active. And this mix, in your opinion, gives
7 us the best of both worlds, keeping the fees
8 lowest, but the returns the highest.

9 MR. HOLMES: In our opinion it's the -- for
10 now the optimal position between active and
11 passive to reduce fees but also keep in potential
12 for higher returns, both on an absolute basis and
13 a risk judgment basis from the charts that I
14 showed you on Monday.

15 MR. TUTEN: Okay. My question -- one thing
16 I was looking for and I can't find it, maybe in
17 your things, would DRZ, getting rid of them and
18 going to the WEDGE, the Blair and the --

19 MS. MCCAGUE: AJO.

20 MR. TUTEN: -- AJO, small cap, I'm trying to
21 find the performance comparisons between them.

22 I know it's in here somewhere. Does anyone
23 remember what page it was one?

24 MR. HOLMES: It was in the material shown on
25 Monday.

1 MR. TUTEN: Right. I've got that in front
2 of me, Dan, but my notebook fell apart and I'm
3 trying to figure out which page it was on.

4 MR. HOLMES: I don't have my book in front
5 of me. I'll have to get it. So what's your
6 question, Rich?

7 MR. TUTEN: Well, my question is, and
8 because we've had them so long and we do have a
9 relationship with them, I'm just -- I was curious
10 just to see their comparison versus the ones that
11 we're recommending going to, especially with the
12 fees. And I know it's in here somewhere because
13 I was looking at it.

14 MR. SCHEU: As I recall, the performance was
15 not as good over the term.

16 MR. TUTEN: Yeah, that was the reason I was
17 trying to . . .

18 MR. HOLMES: I think the last two pages of
19 that particular section.

20 MR. PATSY: Page 29, Rich.

21 MR. HOLMES: Page 30 and page 31 is the best
22 argument for why we need to interview other
23 managers, and that is, we're looking at the
24 consistency of returns above median and above the
25 benchmark.

1 MR. TUTEN: Right. Okay. I got it, yeah.

2 MR. HOLMES: And median meaning the peer
3 sample. And the bottom line is, is that we think
4 that there's other managers that have more
5 consistent returns over time and their processes
6 are set up to allow that.

7 MR. TUTEN: Right. I got you. I'm here
8 looking.

9 Well, okay. You want to interview the other
10 three. Now, I saw the percentage thing. Do you
11 want to bring DRZ back to interview them as well
12 or at least let them explain?

13 MR. HOLMES: The FIC voted only to interview
14 those three. That's what came out of the
15 meeting. After that, then my assumption would be
16 that the Board and FIC would entertain what
17 actions to take, if any, after that.

18 Am I correct in that, Beth?

19 MS. MCCAGUE: Although I would say the
20 recommendation was strong that we would terminate
21 DRZ.

22 MR. HOLMES: I agree. I was just saying
23 that -- I was just talking about the process more
24 than anything else.

25 But, yeah, bottom line is, Rich, I think

1 there's other managers out there that are better.

2 MR. TUTEN: Yeah. Well, I just hate to have
3 people for so long at least not get a chance to
4 explain themselves before we give them the
5 guillotine. But that's just me. And the type of
6 relationships --

7 MR. HOLMES: I mean, the Board is free to
8 interview DRZ and have them come in.

9 MR. TUTEN: Well, I would go along with
10 that. That just makes me feel more comfortable
11 because it just seems, looking at everybody's
12 number -- and I don't see the fee schedule here
13 compared to all of them, but we've had them for a
14 long time.

15 They've done a pretty good job. I think
16 every manager goes through stretches. I don't --
17 it's just up to the Board. Whatever you guys
18 what to do, that's just what I would like to do.
19 It's not going to cost us anything to at least
20 have them come in here and explain why they
21 haven't done as well as maybe they should have.

22 Because usually that's what we do in the
23 past when people haven't done well. We bring
24 them in. Hey, what's going on, why are you doing
25 this? We've kind of gotten away from that.

1 So it's, We've hired you, then you get a
2 phone call. Guess what? You're fired. Well,
3 why? We could have talked about it, you know.

4 CHAIRMAN SCHMITT: Well, I think they have
5 had opportunities over the last couple of months
6 to meet with Dan.

7 And as I said on Monday, I don't necessarily
8 agree with all of the recommendations that Dan
9 gives, but I respect him and we pay him to do
10 this. So -- and I'm trying to speak loud enough
11 for you to hear, Dan.

12 So if we're not going to go with the
13 recommendations of our pension consultant, then
14 why do we have a pension consultant?

15 MR. TUTEN: Well, I'm not -- I'm not arguing
16 against the other ones. I'm just talking about
17 the interviews with DRZ.

18 CHAIRMAN SCHMITT: Right. I understand what
19 you're saying. I'm just saying that's -- my
20 philosophy is, even though I don't agree with all
21 the recommendations that Dan's giving, that's
22 what we're paying him to give us.

23 MR. TUTEN: I agree. But if you don't agree
24 with something, then that's what you should say,
25 I don't agree, here's why; here's what I would

1 like to do.

2 I can't carte blanche just go along with the
3 whole recommendation as a whole if there's
4 something I don't particularly agree with.
5 That's fine. I don't have a problem with the
6 rest of it, but at least that way down the
7 road -- because if this strategy, like I've said
8 before, doesn't work out or if it tends to be
9 lagging compared to what we used to have, et
10 cetera, et cetera, once again -- and the fifth
11 one is not here -- we're the ones that are
12 responsible for that.

13 So my conscience is clear, look, I don't
14 mind doing the rest of this. Let's interview the
15 other guys because they may be, you know, well
16 ahead of DRZ, but let's at least listen to them
17 why they -- let's hear if they deserve to be
18 fired and why.

19 CHAIRMAN SCHMITT: And if we want to hear
20 that in person, that's an option for us, but the
21 point being that they didn't get a chance to
22 present a case or give information as to why
23 their returns were lacking the other money
24 managers, I think they've already had that time
25 with Dan.

1 And, Dan, please jump in and correct me if
2 I'm wrong.

3 MR. HOLMES: You're correct. And they've
4 also met individually with Beth and they've met
5 individually with some of the Trustees.

6 MR. TUTEN: Here, the fundamental
7 difference, Larry -- and like I said, this is
8 just how we do things, how people want to do
9 things.

10 I agree, Dan has a job to do. We pay him
11 fairly well to do it. At the end of the day, my
12 eyes, my ears, I want to hear why this person is
13 stinking up the joint or why they've turned into
14 an All American.

15 It doesn't matter to me -- no offense, Dan,
16 but -- what Dan says. It matters to me what I
17 hear. And then in conjunction with what Dan
18 says, if it reinforces or perhaps contradicts
19 what I think, then I can get into the reasons as
20 to why this, that or the other.

21 I just don't feel comfortable, once again,
22 going with just one opinion on -- I don't mind
23 Dan making the list of the top five, the top ten,
24 but I don't feel comfortable as the
25 discussion-making Board of this pension fund just

1 going with -- because not to throw Dan under the
2 bus, but we've had a consultant in the past that
3 I personally liked a lot.

4 But can you imagine what would have happened
5 if we did not interview those money managers back
6 then like we did and had our own system with Dick
7 and his system of managers -- if we had given
8 Mike carte blanche to pick, based on his
9 representations, the money managers.

10 It would be been a nightmare for this
11 pension fund because everyone would have accused
12 us of going along with our consultant without
13 even questioning what he was recommending, and it
14 would have been a nightmare.

15 The true thing that saves us with the fact
16 that this Board, along with Dick, made his list,
17 we interviewed people and then we chose in
18 conjunction with Dan.

19 And this is not to indict you, Dan. Trust
20 me, brother.

21 MR. HOLMES: No. And, Rich, I understand
22 what you're saying.

23 MR. TUTEN: I'm just trying to cover all of
24 our bases, and I just -- you know, I don't mind
25 Dan coming up with a list. I'm much more

1 comfortable interviewing people, and I think
2 because we've had DRZ for so long and nothing
3 that I've seen in any of the brochures puts any
4 one of these people -- just like the bottom
5 managers -- head and shoulders above anybody
6 else, before we fire someone, let's hear what the
7 problem is.

8 CHAIRMAN SCHMITT: Okay. Do you want to
9 bring DRZ in to interview them?

10 MR. PATSY: Can I make a proposal?

11 When we bring in AJO, WEDGE and William
12 Blair to interview for the new position, we give
13 DRZ a slot to try to retain the business.

14 CHAIRMAN SCHMITT: Sure.

15 MR. PATSY: And let them -- allow them to do
16 their presentation just like the other three
17 managers who they're competing to retain their
18 own business.

19 I understand where you're coming from.
20 You're right. Ultimately we're responsible.
21 We're fiduciaries of the system. We've got to do
22 what's in their best interest, our plan
23 participants' best business.

24 I don't agree with your conclusion. I think
25 we ought to probably boot DRZ at this

1 conjuncture, but I'm willing to listen to their
2 story.

3 MS. McCAGUE: Okay.

4 MR. SCHEU: I don't agree with the
5 conclusion at all. I felt we had a full
6 discussion at the work session Monday. I really
7 do. And Dan was questioned at great length, and
8 I'm in favor of going ahead and cutting. We can
9 just delay, delay, delay.

10 I understand that we're fiduciaries. I
11 think we've exercised that fiduciary
12 responsibility.

13 I'll support Rick's motion, but I just think
14 it's postponing the inevitable. And I think
15 they've talked with Beth; they've talked with
16 Dan. They know what's going on. So I'm in favor
17 of just cutting them loose and moving on.

18 MS. McCAGUE: And just for the record, I had
19 the very briefest of conversations with Kurt Wood
20 when he was in about six weeks ago. But I know
21 he's had lengthy conversations with Dan.

22 MR. SCHEU: We had a full discussion Monday.

23 MR. TUTEN: Well, I talked to Dan before the
24 meeting and I've read everything. I'm up to
25 speed on everything. We talked about all this,

1 and I don't have a problem with that. It's just,
2 in the past, if someone was floundering, they'd
3 come in, we'd talk to them.

4 Now, the Board has been, to say the least,
5 in a state of fluctuation over the last couple of
6 years. So there's -- we don't have that
7 consistency where we know who the managers are,
8 we bring them in, we talk to them. Get your
9 stuff straight. If they don't do it within a
10 year or two, we can you. We don't have to bring
11 you in.

12 In this particular case, we let them go
13 first. We give them their 15 minutes. Tell us
14 why. There's no -- there's no appearance of
15 anything other than, We gave you a fair shot;
16 we're going to interview these other people. We
17 make our decision. We're done.

18 Because I warn -- it's not only to give them
19 a chance to explain why they're doing things, but
20 also for the fact that, as we learned with the
21 fixed income, the three people that we're
22 interviewing -- and, once again, no offense to
23 Dan, because they come recommended -- they may
24 not fit or they may not be what we want, and then
25 what?

1 You know, you're going to fire somebody.
2 Okay. Well, who -- where are we putting this
3 money? What are we doing?

4 It would just be a lot simpler just to give
5 them their shot. Let's interview them, be done
6 with in, and that way nobody can ever come back
7 and say the Board didn't give us a chance,
8 period.

9 MR. PATSY: I don't think it delays the
10 decision at all, because at the end of the day
11 when the four managers are here, we're going to
12 make a decision, and, You're Gone; you're Hired.
13 Or, We're going to retain you; sorry you three
14 guys, you're wasting your time.

15 MR. SCHEU: I hear that it's going to be
16 another 60 to 90 days.

17 CHAIRMAN SCHMITT: But we can't do anything
18 before we interview the other managers anyway.

19 MR. SCHEU: That's right.

20 CHAIRMAN SCHMITT: So you make a very good
21 point in that it's not going to delay this
22 process at all. We have to interview all the
23 managers that we're going to select or possibly
24 select.

25 MR. SCHEU: I'll second Rick's motion.

1 CHAIRMAN SCHMITT: Okay. So the motion is
2 to include DRZ in when we interview the money
3 managers for this class.

4 MR. TUTEN: Perfect.

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 response.)

11 CHAIRMAN SCHMITT: Motion carries.

12 So, Dan, did you hear that part? We want
13 DRZ included in the presentations.

14 MR. HOLMES: Understood. Okay. So we will
15 interview four.

16 MS. McCAGUE: Okay. So if we can go back
17 to --

18 CHAIRMAN SCHMITT: I'm sorry. One more.

19 Joey, do you have something?

20 MR. GREIVE: Sure. If I could just make one
21 quick point, not to skew or basis the outcome of
22 the interviews.

23 I fully intend to be here at that time, but
24 in case I miss that day, I just want to let the
25 Board know that we interviewed WEDGE, William

1 Blair and AJO when we replaced our managers in
2 that category --

3 MR. PATSY: We didn't interview WEDGE.

4 MR. GREIVE: They were on the list of ten.
5 We didn't interview them. They didn't make the
6 interview list. They made the initial list of
7 ten. You're right.

8 And our Board just factually selected
9 William Blair. So if this Board ends up going in
10 that direction, I'm sure we can, you know, get
11 some fee considerations from William Blair.

12 MR. HOLMES: Joey, we've already discussed
13 that with them.

14 MR. GREIVE: Okay. Good. Good.

15 CHAIRMAN SCHMITT: Okay.

16 MS. McCAGUE: Okay. So the initial
17 recommendation was on GAMCO, to terminate that
18 large-cap value manager GAMCO.

19 And the question that was asked that should
20 be included if there's a motion, and that money
21 would then be redistributed between the passive
22 funds and Eagle, correct, Dan?

23 MR. HOLMES: That is correct.

24 CHAIRMAN SCHMITT: So do we have somebody
25 with that motion?

1 MR. PATSY: I'll make the motion.

2 MR. SCHEU: I'll second.

3 CHAIRMAN SCHMITT: Motion and second. Any
4 further discussion?

5 (No response.)

6 CHAIRMAN SCHMITT: All in favor?

7 (Responses of "aye.")

8 CHAIRMAN SCHMITT: Opposed?

9 (No response.)

10 CHAIRMAN SCHMITT: Motion passes.

11 MS. McCAGUE: The next is to collapse the
12 emerging market debt and bank loan asset classes
13 into the core-plus fixed class.

14 MR. PATSY: I want to talk about this first.

15 CHAIRMAN SCHMITT: Okay.

16 MR. PATSY: I think that this was my
17 original recommendation.

18 MS. McCAGUE: Yes.

19 MR. PATSY: The conclusion that came out of
20 the advisory committee meeting was not what I
21 anticipated. If it was what I anticipated, I
22 would have never made this recommendation to
23 begin with, okay?

24 The two core-plus fixed income managers that
25 the advisory committee resolved or recommended to

1 us, they're pretty plain, vanilla core-plus
2 managers.

3 So the risk profile associated with the
4 core-plus mandate, emerging market debt and bank
5 loans is radically different than the risk
6 profile that we're getting with the two core-plus
7 managers they've recommended.

8 Consequently, the return profile will
9 probably be different too. No free lunch in this
10 world. No risk, no return. If we're not going
11 to take the same kind of risk profile associated
12 with what has been recommended, we're not going
13 to get the same return profile, okay?

14 So the two choices, as I recommended, we
15 either retain that original recommendation of
16 core-plus, emerging market debt and bank loans,
17 or as Dan has recommended, change bank loans to
18 high-yield. Or we pick two different core-plus
19 managers, and we totally not ignore the
20 recommendation from the advisory committee
21 because I, too, thought it was a very good
22 meeting and it was very constructive.

23 But I've sat through a lot of meetings that
24 have been very constructive and very intelligent
25 and they get the wrong answer. And in my

1 opinion, they got the wrong answer on this one.

2 So that's where I'm stuck. We either retain
3 the original asset allocation or we pick either
4 one or two different core-plus fixed income
5 managers.

6 MR. SCHEU: You wanted to do limits, as I
7 recall --

8 THE REPORTER: I didn't hear.

9 MR. PATSY: Loomis Sayles has a risk profile
10 that will deliver the return we're going to need
11 and --

12 MR. SCHEU: And I thought what Dan was
13 saying, that the two were a lot alike, and if you
14 didn't go with --

15 MR. PATSY: They're what we're -- they're at
16 different correlations, yes. But they're plain,
17 vanilla core-plus managers.

18 If you look in the presentation -- go back
19 to tab 4, and you look at each of these
20 individual managers, page 47 is BlackRock.

21 MS. McCAGUE: And not everyone has the book
22 that we -- that you have.

23 MR. PATSY: Okay. This is the book that was
24 used on Monday. Below median manager, BlackRock.
25 Looking at page 49, Loomis Sayles, top quartile

1 manager.

2 Neuberger Berman, below median manager.
3 WAMCO, top quartile manager. WAMCO and Loomis
4 Sayles take entirely different risk profiles than
5 what Neuberger and BlackRock do.

6 To me, you know, this is -- this is not --
7 oh, let's see (inaudible)

8 MR. TUTEN: Come on, man. Say it, brother.

9 MR. PATSY: It's kind of like kissing your
10 sister, you know? This is like -- you know,
11 there's not a real big pay-off there.

12 MR. TUTEN: Are they too correlated in their
13 strategy?

14 MR. PATSY: No, not necessarily that. They
15 just don't take risks.

16 MR. TUTEN: Right.

17 MR. PATSY: And if we're going to go into
18 core-plus, we want to take risks.

19 CHAIRMAN SCHMITT: Well, if I remember
20 correctly, one of the reasons for going with a
21 core-plus manager is because with just the
22 emerging markets debt as a separate class, we
23 limit ourselves, greatly limit ourselves, to our
24 options when that is a separate class.

25 MR. PATSY: Absolutely.

1 CHAIRMAN SCHMITT: We can include those
2 investments in a core-plus manager and open up
3 our options.

4 MR. PATSY: No question. We haven't done
5 that with this recommendation.

6 CHAIRMAN SCHMITT: Right.

7 So, Dan, are you able to hear this and in
8 agreement with this?

9 MR. HOLMES: I'm -- I'm having a really hard
10 time hearing the conversation. It sounds like
11 everybody is too far from the phone.

12 CHAIRMAN SCHMITT: Okay. We're kind of
13 having the same discussion we had Monday where
14 the reason for making this change to a core-plus
15 manager is to open up our options, whereas if we
16 stick with what we have right now, we really
17 limit ourselves to that one category, the
18 emerging market debt.

19 And it doesn't give us the same capabilities
20 as we would have if we just folded up into a
21 core-plus manager.

22 MR. HOLMES: Yeah. So the asset allocation
23 target as it exists now -- let me back up.

24 The rationale for going out of core into
25 core-plus is to open up the opportunities to

1 achieve a higher rate of return going forward and
2 hopefully reduce correlation within the overall
3 bond portfolio. But definitely higher return.

4 CHAIRMAN SCHMITT: Okay.

5 MR. HOLMES: During the course of the
6 process, we looked at the possibility of
7 collapsing the emerging market debt and high
8 yield, slash, bank debt individual mandates into
9 a second core-plus mandate in an effort to get
10 essentially the same type of exposure at a
11 cheaper price and streamline the manager lineup.

12 That was the recommendation by the FIC. So
13 there's -- you know, that's kind of where we left
14 it.

15 And then from there they made a
16 recommendation as to what managers they wanted to
17 use to fill that out. And I think that differs
18 from -- and, Rick, if I heard you correctly, the
19 idea to consolidate you thought with a good one,
20 but the managers they selected or recommended,
21 you had a difference of opinion with, correct?

22 MR. PATSY: Say that again, Dan.

23 CHAIRMAN SCHMITT: Rich, what he's saying is
24 the two managers that the FIC picked, you're not
25 in agreement with those.

1 MR. PATSY: I'd be okay if we took one of
2 them. I'm not in favor of taking both of them.

3 CHAIRMAN SCHMITT: Okay. So what is your
4 recommendation?

5 MR. PATSY: My preference is we either take
6 Neuberger Bergman and Loomis Sayles or BlackRock
7 and Loomis Sayles. And if there is strong
8 disagreement with my opinion on Loomis Sayles,
9 I'd be willing to defer, then, and take WAMCO.
10 WAMCO has a higher profile than either one of
11 these guys.

12 Now, I'm at a disadvantage because I was not
13 here to see the manager presentations. So I
14 don't know -- I mean . . .

15 MS. McCAGUE: And I would say from listening
16 to the committee members from the FIC, it had
17 nothing really to do with the presentation
18 regarding the choice of not putting Loomis.

19 MR. PATSY: Okay.

20 MS. McCAGUE: It had all to do with the
21 volatility associated with Loomis. Yes, Loomis
22 could get a little better return, but they
23 correlated so closely to the equity markets, that
24 in a downturn, we would have even a bigger
25 problem. Their issue was volatility.

1 So if the Trustees are willing to live with
2 that volatility, so be it.

3 MR. PATSY: The City uses Loomis Sayles in
4 their retirement system. They have a higher
5 octane option, and that's the one that the City
6 uses in their retirement system.

7 And, yes, they are more volatile, but in the
8 long run, you get compensated for their
9 volatility. Volatility is one measure of risk,
10 okay?

11 Capital preservation, to me, is a bigger
12 component of risk. Volatility -- if the market
13 is down and you don't sell, no big deal as long
14 as the market comes back. But if the market is
15 down and you sell, that's bad.

16 MR. SCHEU: I thought that -- just to try to
17 move this forward -- that we would really -- it
18 was split between Neuberger Loomis and Neuberger
19 BlackRock. And I don't think anybody at
20 BlackRock is at top.

21 So I think it was very close so that
22 Neuberger and Loomis -- and Neuberger is going to
23 give us some cuts on the fees --

24 MR. PATSY: Right, right.

25 MR. SCHEU: -- and Loomis, I don't remember

1 what they were going to do with the fees, but
2 with the City, we could do that.

3 So I think Neuberger was our favorite when
4 you considered all of them. So if you want to
5 make a motion on Neuberger and Loomis, I'll
6 support that.

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

8 CHAIRMAN SCHMITT: We have a motion to hire
9 Neuberger and Loomis.

10 Dan, do you have any further comment on
11 that? Are you opposed to that at all?

12 MR. HOLMES: I'm sorry?

13 MR. GREIVE: Are you okay with the motion on
14 the floor of Neuberger and Loomis being selected?

15 MR. HOLMES: I'm okay with it, other than
16 the fact that I would not size them equally.

17 MR. PATSY: What was that last part?

18 MR. GREIVE: What would be your suggested
19 split?

20 MR. SCHEU: Who would you give more to?

21 MR. PATSY: I would give more to have
22 Neuberger Berman because it would dampen down the
23 volatility associated with Loomis Sayles, and it
24 would be a much more one-for-one exchange between
25 emerging market debt, bank loans, and that

1 component of core-plus.

2 MR. GREIVE: 60/40?

3 Dan, would it be something like a 60/40, 60
4 percent Neuberger, 40 percent Loomis?

5 MR. PATSY: That's reasonable.

6 MR. HOLMES: Yeah. To move the meeting
7 along, I think that's a fair starting point. I'm
8 going to have to -- I'm going to have to model it
9 to see where the optimal risk return comes out,
10 but I think for now I'll recommend 60/40 as a
11 starting point, and we can make an adjustment
12 from there, if necessary.

13 CHAIRMAN SCHMITT: Okay. So that's the
14 motion. Neuberger, Loomis, 60/40.

15 Any further discussion?

16 (No response.)

17 CHAIRMAN SCHMITT: All in favor?

18 (Responses of "aye.")

19 CHAIRMAN SCHMITT: Opposed?

20 (No response.)

21 CHAIRMAN SCHMITT: Motion passes.

22 MS. MANNING: Who was second?

23 THE REPORTER: Scheu was second.

24 MS. McCAGUE: Dan --

25 MR. HOLMES: Yes, ma'am.

1 MS. McCAGUE: -- as far as the Sawgrass fees
2 go, I don't think that takes Board action.
3 That's just negotiating on your part.

4 MR. HOLMES: Okay.

5 MS. McCAGUE: But we can talk about that
6 later. I don't believe that needs a Board
7 action.

8 MR. HOLMES: I've got answers to your
9 questions that you had emailed me if you need
10 those now.

11 MS. McCAGUE: Okay. Thank you.

12 MR. SCHEU: I'm looking at Number 6. Are we
13 authorizing Summit to negotiate with Neuberger
14 and Loomis now?

15 MS. McCAGUE: Yes. That was the motion,
16 yes.

17 MR. SCHEU: All right.

18 CHAIRMAN SCHMITT: And I guess Number 5 was
19 covered by this as well, to collapse the emerging
20 market debt and bank loan asset classes into the
21 core-plus fixed.

22 So just to make sure for the record that
23 that is on the record, do we have a separate
24 motion for that?

25 MR. PATSY: I'll make the motion.

1 MR. SCHEU: I'll second it.

2 CHAIRMAN SCHMITT: We have the motion. We
3 have a second. Any discussion?

4 (No response.)

5 CHAIRMAN SCHMITT: All in favor?

6 (Responses of "aye.")

7 CHAIRMAN SCHMITT: So the motion to collapse
8 emerging market debt and bank loan asset classes
9 into core-plus fixed passes.

10 MS. McCAGUE: Okay.

11 CHAIRMAN SCHMITT: All right. Number 4 was
12 already taken care of. We're going to include
13 DRZ in with the interviews for small-cap
14 managers. That will include WEDGE, William
15 Blare, AJO and DRZ.

16 All right. We'll move on to the next item
17 here, 2015-4-2, the Monthly Economic and Capital
18 Market Update.

19 Dan.

20 MS. McCAGUE: These are also behind tab 6.

21 MR. HOLMES: Okay. The highlights from the
22 month of March, obviously by now everyone knows
23 it was a positive month. Actually, a strongly
24 positive month for risk assets.

25 Looking at page 1, the take-aways are

1 basically as follows: We saw the labor market
2 continue to strength. The market continues to
3 grow at a slow and moderate pace.

4 Unemployment inched up to 5 percent during
5 the month of March because more people started to
6 look for jobs, but the bottom line is, is that we
7 saw wage inflation up about 2.3 percent, and
8 that's what the fed is looking for.

9 Real GDP growth for the fourth quarter was
10 revised to its final point. It was revised up
11 from 1 percent to 1.4 percent.

12 The Atlanta fed is forecasting a 70
13 basis-point growth for the first quarter.
14 They're also forecasting GDP at this point to 2
15 percent. The final GDP number for 2015 came in
16 at 2.4 percent.

17 So we're looking at -- the forecast for now
18 for 2016 is a little bit lower, at 2.

19 The service sector continues to drive US
20 growth. The bottom line is, is that the PMI
21 Index came in above 50 percent again, and
22 anything above 50 percent continues to forecast
23 economic growth.

24 As I mentioned before, risk assets were up
25 fairly strongly during the course of March, which

1 brought a number of the indices positive for the
2 quarter and, therefore, the calendar
3 year-to-date.

4 So to remind you, the market traded off very
5 strongly in January. It was off over 10 percent.
6 It was also negative in February. That was
7 primarily on fears of slowing US growth, slowing
8 growth in China, concerns about Chinese currency
9 valuation, and then it also concerns about
10 various central bank policy around the world.

11 In addition to that, we also saw a number of
12 countries, such as Japan, move to negative
13 interest rate policies.

14 So all that, that and the price of oil going
15 down below \$30 a barrel during that
16 January-February time period, is what weighed on
17 the market, pushed it down over 10 percent, and
18 now we've seen recovery during the month of
19 March.

20 So to put numbers on it, we saw the S&P was
21 up over 6 percent, almost 7 percent in March, so
22 that at the end of the quarter, it was up over 1
23 percent.

24 Small-cap stocks were up about 8 percent and
25 change for the month of March. They're also

1 positive for the first quarter.

2 International stocks is measured by EAFE, up
3 6 1/2 percent, but they remain negative for the
4 quarter.

5 Emerging market stocks made the biggest
6 comeback. They were up over 13 percent during
7 the month of March, and as a result, they were up
8 almost 6 percent on the calendar year-to-date
9 basis through the quarter.

10 We also saw for the month -- we saw MLPs up
11 over 8 percent as well. And that was primarily
12 on the fact that the market started to recognize
13 that they were cheap. We saw the price of oil
14 start to stabilize, and you also saw a number of
15 other investors move into -- big-name investors
16 move into such as Warren Buffett, and then also a
17 number of deep-value hedge fund managers.

18 On the fixed income side, we've seen
19 modestly positive returns. The domestic bond
20 market was up about 90 basis points, almost 1
21 percent for the month and a 3 percent for the
22 quarter. We also saw TIPS move up as well.

23 That's good news for the quarter; however,
24 if you look back over the last -- the trailing
25 12-month time period, the majority of indices, as

1 a matter of fact, almost all of the equity
2 indices, remain negative, and that continues to
3 weigh on the markets.

4 Bond indices are only positive, modestly
5 positive, between 1 and 2 percent over that
6 12-month time period. So there's still some
7 catching up to do.

8 So bottom line is March neutralized the
9 down-market draw for January and February.

10 Now, let's translate that into returns for
11 the plan. I'll direct your attention to the
12 Flash Report.

13 CHAIRMAN SCHMITT: 2016-4-3. Go ahead, Dan.

14 MR. HOLMES: We see on the first page of the
15 Flash Report, market value ended the quarter at
16 \$1.6 billion and change. We see that asset
17 allocation ended in line with policy.

18 We also note that the biggest underweight
19 was in real estate because we have yet to fund
20 the core-plus or valued-added piece into real
21 estate.

22 We remain overweight in US Equities
23 slightly, a little bit more in International
24 relative to target, and we're also overweight in
25 fixed income.

1 For the month of March, the plan was up 5.3
2 percent on a total rate-of-return basis. For the
3 fiscal year-to-date, it's up 3.9 percent on a
4 gross basis, and a 3.7 percent rounded on a net
5 basis.

6 You're also above the policy index at -- as
7 of the end of March, fiscal year-to-date basis by
8 about 43 basis points. What contributed to that?
9 Certainly, as I mentioned, risk assets.

10 The US Equity portfolio was up 7.2 percent
11 and above the benchmark. What has -- what's kind
12 of changed over the past couple of months has
13 been the comeback of Sawgrass. They continue to
14 enjoy more positive returns.

15 Fortunately, GAMCO made a little bit of a
16 comeback as well. So I can see them catching
17 back up to the benchmark.

18 What's also reversed is Eagle had some
19 exposure to value and a number of other stocks in
20 the portfolio. So on the fiscal year-to-date,
21 they've lagged the benchmark a little bit.

22 Again, not a concern. Just we would expect
23 for the managers to move in and out of favor.
24 That's why it's diversified as such.

25 On the small-cap side, we've also seen a

1 little bit of a reversal in leadership there as
2 well.

3 In the International portfolio, bigger pop
4 in returns for the month, up 8 1/2 percent and,
5 again, above the benchmark.

6 Again, what we saw at the end of 2015 in
7 terms of what penalized performance is what came
8 back in the first quarter.

9 And so specifically Baillie Gifford was up
10 8.2 percent during the month. Acadian, the
11 emerging market manager, was up 13.2 percent for
12 the month.

13 In both those cases, emerging market
14 exposure. In Baillie Gifford's case, it was
15 specifically some Chinese exposure in the
16 portfolio that was responsible for
17 underperformance last quarter and then
18 outperformance here in March. So we've seen that
19 start to catch back up.

20 On a fiscal year-to-date, it remains above
21 the benchmark as well, certainly helped by the
22 steady performance of Silchester.

23 On the fixed income side, again, March was a
24 fairly strong return, up 1 1/4 percent and above
25 the benchmark.

1 The bank loan index. Bank loans are
2 basically floating in high-yield debt. We saw
3 high-yield bonds kind of across the spectrum do
4 well during the course of the month. Eaton Vance
5 was up 2.9 percent.

6 On a fiscal year-to-date, it's a little
7 bit -- the bond composite is a little bit below
8 the benchmark. In that particular case you had
9 Eaton Vance or the bank loan portfolio negative
10 on an absolute basis. That goes back to my
11 comment about risk assets being off a little bit
12 more over the 12-month period.

13 Then on top of it, you also had the index
14 fund underperform the index, which is not unheard
15 of in the bond part of the world because they
16 have stratified sampling instead of complete
17 replication. So that was a little bit of a drag
18 on relative performance.

19 And then Thompson Siegel, during the course
20 of the fiscal year, during that part of the
21 market, the credit exposure, the overweight there
22 was a little bit of a drag on their portfolio.

23 So that's why the portfolio is a little
24 behind on a fiscal year-to-date on its policy
25 index.

1 Real estate returns are preliminary.
2 They're not fully mark to market. We don't even
3 have the index return there yet. But the bottom
4 line is, is that JP Morgan is forecasted to be
5 for the month up about a percent.

6 Principal, up slightly; but, again, I don't
7 think that's a full return.

8 For the fiscal year-to-date, you can see
9 that the real estate continues to be a fairly
10 strong return, up over 5 percent and above the
11 benchmark. Again, that's not -- the benchmark
12 needs to be updated.

13 Cautionary: We're going to be looking at --
14 or we are looking at valuation of real estate.
15 And at some point in time this year, we're going
16 to be recommending cutting back a little bit on
17 real estate. The core real estate part of the
18 portfolio is getting a little bit expensive.

19 And then, finally, MLPs. I told you that
20 they were up during the month of March. The MLP
21 portfolio was up almost 7 percent for the month.

22 Harvest was up over 8 percent. Tortoise was
23 up 5.7. That reflects the more conservative
24 exposure to more -- just pipelines in the
25 Tortoise part of the portfolio.

1 Fiscal year-to-date, the benchmark -- I'm
2 sorry -- the portfolio is still negative, but is
3 outperforming the benchmark by almost 6 percent,
4 5.7 percent rounded.

5 So that's kind of an update in terms of
6 performance going forward. I'll stop there and
7 see if there's any questions.

8 CHAIRMAN SCHMITT: All right. Doesn't look
9 like we have any, Dan. Appreciate you joining us
10 today and providing us that information.

11 MR. HOLMES: Thank you. I appreciate it and
12 I look forward to the next steps in working with
13 the Board and the FIC to make some changes to the
14 portfolio.

15 CHAIRMAN SCHMITT: All right. Dan, if you
16 could hold on for just one second, Trustee Scheu
17 may have a question for you.

18 MR. SCHEU: My recollection was at the
19 meeting Monday when we -- when we did the new
20 allocations, that we were going to do it with the
21 new allocations of the fund, is that what we did
22 today as opposed to going to the old
23 allocation --

24 MS. McCAGUE: That's correct.

25 MR. SCHEU: -- we're doing the new one?

1 Okay.

2 MS. McCAGUE: That's correct. And that is
3 shown in one of the pages that Dan has presented.
4 It's a good report, but it's very busy and it
5 shows what managers are moving in and out, et
6 cetera.

7 MR. SCHEU: I remember, right. He said
8 that, right, the other day. Yeah.

9 MR. PATSY: This is the one he emailed
10 yesterday?

11 MS. McCAGUE: Yes.

12 CHAIRMAN SCHMITT: Dan, the question was
13 whether we are working under the new allocations
14 that had been approved, and the answer to that is
15 yes?

16 MR. HOLMES: Correct.

17 CHAIRMAN SCHMITT: Okay. Any other
18 questions for Dan?

19 MR. HOLMES: Mr. Chairman, to be specific,
20 when we start moving money to -- and rebalancing
21 per the recommendations that were approved today,
22 we will be moving the portfolio towards the new
23 target allocation.

24 CHAIRMAN SCHMITT: Got it. Okay.

25 MR. SCHEU: Thank you.

1 CHAIRMAN SCHMITT: Thank you, Dan. Have a
2 good weekend.

3 MR. HOLMES: Thank you. You too. Thank you
4 for your patience with the phone call.

5 (Mr. Holmes exited the phone conference.)

6 CHAIRMAN SCHMITT: All right. The next item
7 on the agenda, 2016-4-4, Notification regarding
8 Medical Director, Dr. Scott Baker's retirement,
9 April 1st.

10 MS. McCAGUE: Dr. Scott Baker has been our
11 medical director for some years. And, in fact,
12 Dr. Roy Baker, his father, was our original
13 medical director and Scott took over for him some
14 time ago.

15 Dr. Baker retired effective April 1st. He's
16 still a certified MD within the regulations of
17 the State of Florida, but he is not a practicing
18 physician anymore.

19 So we need to decide, do we want to replace
20 him? How do we want to handle this?

21 Dr. Baker considers the work here he's done
22 as just part of his heritage, and he's glad to
23 work with us however we would like him to. First
24 of all, he'll transition with us over the next
25 months.

1 Just for trustees who may not know, the
2 medical director reviews every new recruit who
3 comes into the police academy. He reviews their
4 reports from the Baptist Care Spot to determine
5 do they have any medical issue which could later
6 cause them to claim a disability which the
7 pension would not want to be responsible for.

8 He also serves in questions of when people
9 come in and claim they have a disability. When
10 they present their reports to our advisory
11 committee, he opines on that. So it's a very
12 important role for us.

13 Dr. Baker is working with one of his
14 associates who is staying on in the practice to
15 see if he is a candidate or she is a candidate to
16 do this work, but the Board may want to go ahead
17 and RFP and see if there are other physicians
18 that we would prefer to work with over the long
19 term.

20 This would not be something that could be
21 done overnight. It would probably take them at
22 least a month, maybe two months, to source some
23 doctors who would be interested in this work to
24 have them respond to an RFP.

25 But I want you to know that our physician

1 we've had for years has retired, and we need to
2 get in the position to make a decision on what we
3 want to do about a medical director.

4 COUNCILMAN HAZOURI: Is that on a retainer
5 basis? Is that how it is? Do they still
6 practice but they're also our medical director?

7 MS. McCAGUE: They still practice. That's
8 right. And they get a -- they get a fee per
9 chart that they review, and if they have to
10 review it a second time, they get another fee for
11 that, and then they get a fee for -- a different,
12 higher fee when they have to review an actual
13 disability.

14 COUNCILMAN HAZOURI: And you have a schedule
15 for that?

16 MS. McCAGUE: Yes. And we paid Dr. Baker
17 last year I think about \$20,000 overall.

18 COUNCILMAN HAZOURI: His dad did it before
19 him?

20 MS. McCAGUE: Dr. Roy Baker. Right.

21 CHAIRMAN SCHMITT: In the meantime,
22 Dr. Baker is still licensed and will still be
23 helping us through this transition along with
24 another physician that is working with him in the
25 same practice, or was in the same practice.

1 But I do think it's a good idea for us to
2 start exploring hiring a new permanent medical
3 director.

4 MR. SCHEU: The RFP process would be good.
5 It's a time when we could take a look at
6 everything.

7 MS. McCAGUE: Right. Okay. Good. We'll
8 work through that.

9 MR. TUTEN: I think one of the things, Beth,
10 when you do an RFP, we need to make the
11 parameters as tight as we can get them for police
12 and fire physicals or what have you, because if
13 you think out it, there's only about -- there's
14 almost as many doctors as there are lawyers. No
15 offense, Bill.

16 But we may have 500 people apply for this
17 job, and it's really just going to be a part-time
18 job for them.

19 MS. McCAGUE: Oh, that's right. Very
20 part-time.

21 MR. TUTEN: You know, so maybe if we can get
22 it as narrow as we can get it without, you know,
23 driving everybody away, but attracting enough
24 people where it's not, you know, 500 people on
25 your desk, because we only want a list of three

1 or four.

2 MS. McCAGUE: That's right.

3 MR. TUTEN: So you're going to have to go
4 through it. I'm sorry.

5 MS. McCAGUE: Okay. Thank you.

6 Just so you know, these physicians don't
7 actually ever see the patients. They're just
8 reviewing reports of physicians who have seen the
9 patients.

10 CHAIRMAN SCHMITT: And then giving their
11 assessment of those reports to the advisory
12 committee to make decisions.

13 All right. Any further discussion on that
14 item?

15 (No response.)

16 CHAIRMAN SCHMITT: All right. We'll move on
17 to the next item on the agenda, 2016-4-5,
18 Amendment to lease for the Office of Regional
19 Criminal Conflict and Civil -- Civic Regional
20 Counsel. Easy for me to say.

21 MS. McCAGUE: That's right. These are our
22 tenants on the second floor. This is very good
23 news. They lease about at least 11,000-some
24 square feet on the second floor. For some time
25 they have wanted to lease the last 1300 square

1 feet.

2 I understand they have finally received
3 appropriations in their budget process to lease
4 the rest of that space. So they have asked us if
5 we're prepared to amend the lease to let them
6 increase the amount of space. The fee for that
7 additional space would be \$30,000 a year.

8 And they want to extend their lease, which
9 now is scheduled to expire November of 2017.
10 They want to extend that to November of 2020,
11 with 3 percent increases on an annual basis.

12 So with your permission, I'll work with our
13 attorneys and get that process going. Rental of
14 the new space would be effective, if we can get
15 this done, July 1st.

16 MR. SCHEU: Who are they? Is that a state
17 agency?

18 MS. McCAGUE: Yes. It's a special agency
19 created by Governor Crist, I've learned, and
20 these are the attorneys who represent individuals
21 who the public defender has a conflict with.

22 MR. SCHEU: Okay.

23 MS. McCAGUE: And most recently the case
24 with Ebron and little Lonzie, the mother of
25 Lonzie was represented by the people in this

1 building. Ebron was represented by the public
2 defender.

3 MR. PATSY: So they're tenants in this
4 building?

5 MS. McCAGUE: Second floor.

6 MR. PATSY: Okay.

7 MS. McCAGUE: So when that last 1300 square
8 feet is under lease, all the second floor and all
9 of the third floor is leased, along with the
10 residual of the first floor, which is leased to
11 Hertz.

12 MR. PATSY: Okay. Good.

13 MS. McCAGUE: Right. So the only other
14 thing we have left to lease are some parking
15 spaces in the garage.

16 CHAIRMAN SCHMITT: Do we need a motion for
17 that?

18 MS. McCAGUE: Well, I think we'll need a
19 motion when I came back with the actual lease,
20 but as long as I have your authority to
21 negotiate, then I will do that and bring it back
22 to you.

23 CHAIRMAN SCHMITT: Okay. You have the
24 authority.

25 MS. McCAGUE: Thank you.

1 CHAIRMAN SCHMITT: Any further discussion on
2 that item?

3 (No response.)

4 CHAIRMAN SCHMITT: All right. We'll move on
5 to the next item. Attorney Jake Schickel. Is
6 Jake here yet?

7 MR. SCHICKEL: Yes, sir.

8 CHAIRMAN SCHMITT: And this is for an update
9 on the City of Jacksonville Board of Trustees
10 Police and Fire Pension Fund and John Keane,
11 Fourth Judicial Circuit, Case No. 2015-CA-007380.

12 COUNCILMAN HAZOURI: Before he starts, may I
13 ask a question just for legality purposes?

14 Since we're having a shade meeting on
15 Tuesday, would that in any way be in conflict
16 with what I'm listening to now?

17 CHAIRMAN SCHMITT: No.

18 MR. SCHICKEL: Who -- this Board's having
19 one?

20 MS. McCAGUE: No.

21 COUNCILMAN HAZOURI: The council.

22 MR. SCHICKEL: You are. Okay.

23 COUNCILMAN HAZOURI: On that issue. And it
24 may be helpful, then, for me, when I go back in
25 there too. I just want to make sure that I don't

1 have any conflicts when I go back in.

2 CHAIRMAN SCHMITT: No secrets here. No
3 secrets here.

4 MR. SCHICKEL: Conflict counsel is upstairs,
5 if you need some help with that.

6 (Laughter)

7 COUNCILMAN HAZOURI: Bill represents me.

8 MR. SCHICKEL: I understand.

9 No. There's very little to report at this
10 time. There's been no further negotiations in
11 terms of settlements, which we presented to you
12 back before Christmas.

13 I have filed -- started the process of
14 filing and filed a responsive pleading in the
15 action, which was a motion to dismiss, which
16 tests the -- the legal positions of the City in
17 terms of what they're alleging and what they're
18 trying to prove.

19 I shared that with -- it's filed now. It's
20 available in the public record and so forth. But
21 essentially we contested several different
22 things.

23 Number 1 is that under the ordinance code,
24 the General Counsel has the right to issue a
25 binding legal opinion if requested by certain

1 specific entities, and that was not the case
2 here. It was requested by an individual. She
3 gave it. It has no effect whatsoever, in my
4 legal opinion, upon this Board at all.

5 Secondarily, that even to the extent that it
6 did, it was erroneous in that Ms. Laquidara had
7 indicated that only the City Council can create
8 pensions, which is -- in fact, we agree with that
9 portion of it; but the three individuals involved
10 were not city employees and had asked in prior
11 times to be considered to be part of the pension.

12 The City declined that, as I understand.
13 And so, therefore, this Board, your predecessors,
14 established the pension fund.

15 It's clear to me, at least, in reading this
16 that -- the law in this area -- that the pension
17 boards -- I'm sorry. That a pension is part of
18 compensation.

19 And it's clear under the codes and the law
20 that this Board has a right to set the
21 compensation for its employees, all right, which
22 is what you did. And pension is part of
23 compensation and, therefore, you were able to do.

24 Legal opinion was asked at the time it was
25 created, and Mr. Klausner gave a legal opinion,

1 very long, very detailed, in all of this and that
2 went forward.

3 There's a number of other legal issues that
4 we raised during the course of that. We've also
5 asked for production of different documents and
6 also various requests for admissions, which is to
7 narrow the issue to see what we're really
8 fighting about, okay?

9 Such as, do you agree, City, that John Keane
10 was not a city employee, that Donna Walmsley was
11 not a city employee, and Mr. Cohee was not a city
12 employee?

13 As a matter of fact, part of Mr. Cohee's --
14 as I understand it, part of Mr. Cohee's agreement
15 when they were hired was that a pension would be
16 provided to him because there was no access to a
17 pension for him any other way. The City wouldn't
18 provide it.

19 So we filed that. It's moving forward at
20 this point in time. We requested some time from
21 the judge to have the first hearing, and as we do
22 that, we'll proceed with that.

23 COUNCILMAN HAZOURI: Are you representing
24 all three now?

25 MR. SCHICKEL: Yes and no. Good lawyer

1 answer, okay?

2 The answer to that is, this Board has
3 indicated they want to maintain the action
4 against -- defend the action against the City,
5 because if they don't do so and there's a loss
6 somewhere along the line, I mean, if they didn't,
7 there's a right of Mr. Keane and the other two to
8 file, under contract law and so forth, an action
9 against this Board.

10 So this Board and their interests are
11 aligned. And, yes, I've been asked to represent
12 all three of them.

13 COUNCILMAN HAZOURI: You've been asked, but
14 are you? Yes or no?

15 MR. SCHICKEL: No. That was the last part.
16 That was the "no" part.

17 Dick Cohee has passed away and his wife is
18 the beneficiary. She recently had a massive
19 stroke, okay, and she is currently in the Brooks
20 Rehabilitation, and I have not been out to talk
21 with her specifically.

22 I have spoken with Ms. Walmsley, who was
23 horrified to think that the pension might be
24 taken away from her. She indicated she's had
25 bouts of cancer in the past and this is her only

1 means of support. And she was very much
2 concerned about what might happen there, and I
3 told her that the Board, through Beth, had asked
4 me to defend her.

5 So as soon as I can, I feel comfortable with
6 meeting with Mrs. Cohee. I will assume that she
7 will say yes, please represent me, and we'll do
8 that.

9 I have notified the City. They were trying
10 to serve her a summons and a copy of the
11 complaint and sent it to Brooks, and I implored
12 them not to do that. And I went the other day --
13 I met with the General Counsel's lawyers and
14 asked them to please pull it back, don't do
15 anything.

16 When they told me they were doing it, I
17 said, Don't do that, you know. I will -- let's
18 make the time appropriate, okay, because
19 unfortunately -- and it's fascinating in that the
20 discussions that we had in terms of settlement
21 and so forth and the settlement that was brought
22 to you-all back before Christmas and you
23 approved, was directed to the Board and
24 Mr. Keane.

25 Yet the position of the City was that this

1 Board did not have the right to create the
2 pension. And then it becomes inconsistent, which
3 they'll trying to say, Oh, it's okay for
4 Mrs. Cohee and Donna Walmsley, but at the same
5 time it's not right for John Keane.

6 And so if you, you know --

7 MR. TUTEN: John, I was going to ask you
8 about that. If the City were to win and say that
9 John wasn't entitled to his pension, then by
10 default Donna and Deborah would not get theirs
11 too, correct? Are they thrown out with John's,
12 their pension, I'm assuming, since it's all . . .

13 MR. SCHICKEL: There's no difference between
14 them and John.

15 MR. TUTEN: Okay. So --

16 MR. SCHICKEL: So the answer is yes.

17 MR. TUTEN: -- my next question was, during
18 any time during negotiations, has the City even
19 remotely hinted at what they would do for --
20 because like you said, one woman had a stroke.
21 The other woman has had history with cancer.

22 I would like to know what their idea of what
23 retirement they would get or should get, or has
24 that not even been broached?

25 MR. SCHICKEL: Rich, if I could answer that,

1 I'd be happy to, okay? They weren't even -- I
2 don't think the City wants to deny them a
3 pension, but they've taken an inconsistent
4 position in that if they deny John, they've got
5 to deny them.

6 MR. TUTEN: Right.

7 MR. SCHICKEL: And what they want -- what
8 they're willing to do, I don't know.

9 Just to recap historically for some of
10 you-all that weren't here, the settlement we
11 reached was regarding this Board and John. They
12 wanted to separate the other two out and ignore
13 them, okay?

14 When they filed the lawsuit, it necessarily
15 had to bring everybody else in because that's
16 what it was. The settlement that we reached had
17 to go before City Council, and City Council at
18 that time did nothing.

19 Absent two things that they did do, okay,
20 the first one was -- what was the first one? The
21 first one was there was an amendment offered by
22 the council auditor which recognized that the
23 City -- or acknowledged that the City knew for a
24 long time that this pension was there, okay?

25 They tried to say the City just discovered

1 it, and the City Council auditor asked the
2 council to remove that language in the ordinance,
3 which they did.

4 There was an amendment offered by
5 Mr. Crescimbeni to split the difference between
6 what the two pensions would have been, General
7 Employees, had they let him in, and what this
8 agreement reached, okay? And the council
9 rejected that amendment. And there was after
10 that the shade meeting, and I don't know what
11 happened at the shade meeting.

12 So there's been nothing offered to me about
13 this is something that they're willing to do or
14 not willing to do or anything else. They just
15 filed the lawsuit then and here we sit.

16 CHAIRMAN SCHMITT: If I could jump in here
17 real quick.

18 Speaking of shade meetings, in essence, your
19 update that you just gave us recreated everything
20 that you spoke about in the shade meeting that we
21 had which resulted in the motion that you filed.

22 MR. SCHICKEL: Right. I took -- and maybe
23 the motion should have added the one other thing,
24 which was that the Board wanted me to go ahead
25 and answer the lawsuit as opposed to -- or file a

1 responsive pleading, I should say.

2 And, you know, it was the advice of what to
3 do, and the Board said, Let's maintain a defense.
4 And so there we were.

5 CHAIRMAN SCHMITT: Councilman, while you're
6 here, I'll reiterate my opinion on this.

7 As the Police and Fire Pension Fund being
8 the employer and having had an employee who, as
9 the employer, we promised to pay him this amount
10 over this many years and promised, as part of
11 that compensation package, they would get a
12 pension.

13 MR. SCHICKEL: These three, please.

14 CHAIRMAN SCHMITT: Right. It's all three.

15 At the end of that time, when each of them
16 retired, as the employer, to go back after
17 they've retired and say, We're not going to pay
18 you your pension because we think we paid you too
19 much while you worked for us, from an employer's
20 perspective, I don't see how we could possibly
21 win that in court.

22 So when Mr. Schickel talks about how our
23 interests are aligned, that I 100 percent agree
24 with. If we don't pay them their pension that we
25 promised to pay them as their employer, they in

1 turn would sue their employer, the Police and
2 Fire Pension Fund, and I don't see any possible
3 way we could possibly win.

4 So I'm in total agreement with your analysis
5 there.

6 MR. SCHICKEL: Thank you. That's my
7 recommendation as well.

8 COUNCILMAN HAZOURI: Jake -- and, Steve,
9 tell me, I don't want to go into anything, but I
10 just want to ask from your perspective.

11 So what -- are we looking at how much they
12 should be getting on your part or whether or
13 not -- I thought we were past whether or not they
14 get a pension or not. I thought that was passed.
15 I thought what we're doing now is dealing with
16 the dollars and cents or whatever other issues
17 that may pop up.

18 MR. SCHICKEL: Tommy, I don't know, okay? I
19 heard -- I heard and listened to City Council
20 meeting, and it said -- several people stood up
21 and said, clearly they're entitled to a pension,
22 okay?

23 COUNCILMAN HAZOURI: Yeah.

24 MR. SCHICKEL: Well, part of the litigation
25 is that they're not, as I read it, anyway. So to

1 say what it might be or not be, I don't know.

2 COUNCILMAN HAZOURI: I don't know why Steve
3 is here. He hasn't answered these questions.
4 That's not his thing.

5 (Simultaneous speech)

6 MR. SCHEU: I want to object to Steve. He's
7 got a conflict of interest.

8 COUNCILMAN HAZOURI: He does. And I'm not
9 going to ask you any -- and that's why I said
10 from the beginning, I'm not interested in getting
11 into the details because I can't anyway.

12 I just didn't know what you -- from what you
13 said a while ago kind of confused me because I
14 didn't know that was still part of that suit. I
15 thought that we had addressed that, but we
16 haven't?

17 MR. SCHICKEL: No.

18 COUNCILMAN HAZOURI: That's all I need to
19 know.

20 MR. SCHEU: May I suggest that we make
21 Mr. Hazouri a copy of the motion to dismiss so
22 you can see --

23 MR. SCHICKEL: Sure.

24 COUNCILMAN HAZOURI: I appreciate that.

25 MR. SCHICKEL: I'll be happy to. I mean,

1 there's a lot of just -- as what he was saying
2 then, there's a lot of things that are up in the
3 air that we didn't really decide at that point in
4 time when we tried to settle the case and left it
5 up in the air, one of which is that General
6 Counsel Jim Harrison had indicated a number of
7 years ago that the General Counsel's Office could
8 not represent this Board, that there was or were
9 likely to be conflicts in the future and,
10 therefore, the General Counsel couldn't represent
11 them, okay?

12 By the same token, the General Counsel --
13 and reading the ordinances and so forth, the
14 General Counsel can answer questions of agencies,
15 not individuals, okay, and it talks about the --
16 I love consolidation, okay? I'm a very strong
17 believer in a strong General Counsel's Office and
18 a lot of those different things. I campaigned
19 for it when in college and high school.

20 But there's also -- it says throughout the
21 ordinance code is that when -- when the General
22 Counsel -- when an agency or individual -- let me
23 back up. I'm sorry.

24 When an entity or an agency of the City is
25 required to have the General Counsel as their

1 attorney, then certain things happen, such as
2 they can issue binding opinions and all of that.

3 Well, if we're not required -- because Jim
4 Harrison said they couldn't represent us, okay,
5 this Board. So there's the opening there that
6 says, Wait a minute; they can't be, they're not,
7 therefore this agency, this Board, has the right
8 to proceed on its own, okay, separate and is not
9 bound by legal opinions issued by the City,
10 which, as I said, it was not a formal legal
11 opinion because it was by an individual and not
12 an entity or agency of the City government that
13 was asked.

14 MR. TUTEN: Simple question, Jake. Spit
15 ball here for me, brother.

16 MR. SCHICKEL: Sure.

17 MR. TUTEN: How long are we talking about
18 with this process, three months, six months, nine
19 months? I'm talking spit ball this. You don't
20 have to get close, but in other words --

21 MR. SCHICKEL: Over a year.

22 MR. TUTEN: -- how long before -- I mean,
23 there's no active negotiations with the City. We
24 know what happened last time. There was a number
25 put out. Everybody agreed to it. The city

1 councilmen said, No, we still don't like John;
2 we're going to take it to court; we don't think
3 he's right. And the meantime --

4 COUNCILMAN HAZOURI: City Council didn't say
5 that. Couple of individuals --

6 MR. TUTEN: Some councilmen. I apologize.

7 In the meantime, what has happened is the
8 law of unintended consequences has happened.
9 We've now soaked a poor woman who's had a stroke
10 and cancer into this equation; whereas, as we
11 both know, that for some reason if this does get
12 thrown out and it is ruled improper, they will
13 not have a pension. Maybe we could hire them for
14 a day --

15 MR. SCHEU: We haven't done that. The City
16 Council has done that.

17 MR. TUTEN: Well, I know. Long story short,
18 how much -- is there any -- are we talking about
19 six months, a year? How long are we looking at
20 dealing with this?

21 MR. SCHICKEL: In excess of a year.

22 MR. TUTEN: Splendid.

23 CHAIRMAN SCHMITT: All right. Let's reel
24 this back in a little bit.

25 MR. SCHEU: I just want to say related to

1 this and the whole relationship with the General
2 Counsel, Beth and I met yesterday with the
3 General Counsel, as I think you know, and we're
4 trying to work through how we will go about
5 getting their conflict for an RFP for legal work.
6 Given the fact that Bob thinks that he should
7 discontinue over some period of time, we're going
8 to need some legal resources.

9 And so how you balance what the charter says
10 and what we -- the conflict of the General
11 Counsel's Office now has, we're trying to thread
12 that. We're going to collaborate with them to
13 try to come up with something that's consistent
14 with the charter and will get what we want done.

15 MR. PATSY: Is that still the same -- are
16 they still the same rules because of the fact
17 that we're not in the business of negotiating
18 benefits anymore?

19 CHAIRMAN SCHMITT: Yes.

20 MR. SCHEU: No. We're still an independent
21 Board or authority of the City, and all of those
22 are required to use the General Counsel's Office,
23 but the General Counsel has got a conflict.

24 CHAIRMAN SCHMITT: But there are other
25 provisions within the municipal ordinances that

1 specifically say independent agencies can hire
2 their own legal counsel.

3 And in this situation, we've gone through
4 this a number of times, we differ -- Trustee
5 Scheu and I differ on this.

6 In my opinion, just because a portion of the
7 charter or the municipal ordinance says it's okay
8 to do doesn't mean it's the right thing to do. I
9 don't think it's in the best interest of the
10 members, who we're trustees for, to hire
11 attorneys who have a built-in conflict to
12 represent us.

13 They are the attorneys for the plan sponsor.
14 The plan sponsor has an interest to fund the rest
15 of the City government, which I respect; but I
16 don't want the attorney that's representing our
17 members to represent the best interest of the
18 plan's sponsor as opposed to the best interests
19 of the members of the pension fund.

20 MR. SCHEU: We have a philosophical
21 disagreement, legal disagreement, so we don't
22 need to get to that today. We can come back when
23 we'll try to negotiate how we're going to go
24 forward.

25 But the point is that Jake has already

1 alluded to, the City Council really rushed this
2 to judgment because that opinion under that code
3 section that we saw yesterday, this clearly
4 wasn't a binding opinion; it really -- under
5 Section 501.8 whatever it was.

6 What really should have happened, the
7 General Counsel should have issued a binding
8 opinion after this all came in, and then if we
9 were in agreement; but no, no, the City Council
10 got to go rushing off, tilting at windmills.

11 MR. TUTEN: Well, to back up my friend,
12 Larry, over here, Bill, that just reinforced the
13 point he's trying to make with General Counsel.

14 Nothing against the General Counsel. The
15 bottom line is the pension fund is always going
16 to need two lawyers. We can use the General
17 Counsel for certain things, but if it's a
18 conflict that goes against what's best for the
19 members, the Board, we're going to have to have a
20 private attorney. It's as simple as that,
21 because the General Counsel, has in the past --

22 MR. SCHEU: Yes. And they don't have an
23 objection to that --

24 MS. McCAGUE: There's no objection to that
25 on the part of the General Counsel. No

1 objection.

2 MR. TUTEN: As far as the RFP, what seems to
3 be the -- as far as looking -- what seems to be
4 the conflict as far as forming an RFP for outside
5 counsel?

6 MS. McCAGUE: There's not a conflict.

7 MR. SCHEU: There's not.

8 MS. McCAGUE: Our meeting with --

9 CHAIRMAN SCHMITT: I -- I have a conflict.
10 We're asking the attorneys who are suing us
11 to draft a document for the attorney that we want
12 to hire.

13 MR. SCHEU: No, no. We're drafting it.
14 We're drafting it. It will come to you-all --

15 MR. TUTEN: But who's drafting your
16 document? Are we using a lawyer? Are we using
17 Bob?

18 MS. McCAGUE: Yes, yes. We drafted --

19 MR. DARAGJATI: Bob has already made some
20 suggestions on what to include in the RFP.

21 MS. McCAGUE: And what the General Counsel's
22 Office would do, according to the ordinance, is
23 certify outside counsel as they normally do.

24 And I asked the question, Well, wait a
25 minute; how could I explain this to the Board?

1 You could say, No, you can't have this attorney;
2 you must choose this attorney. And they were
3 very -- Jason was very forthright and said, No,
4 no approval would be unduly withheld. You know,
5 you would still be a client; we need to do what's
6 in the best interest of the client.

7 MR. SCHEU: He's sees a fiduciary -- we
8 don't need to reach it now. All I wanted to say
9 was we're working towards doing it in a way that
10 will resolve this.

11 CHAIRMAN SCHMITT: It's a very interesting
12 topic.

13 MR. SCHEU: And I'm glad Jake is our lawyer
14 on this. And you really should -- I think the
15 City Council is not -- not that they're ignorant.
16 They are unaware --

17 (Laughter)

18 MR. SCHEU: -- they're unaware of the real
19 legal issues in this case. And I think it would
20 be helpful to Councilman Hazouri --

21 COUNCILMAN HAZOURI: When did you get
22 appointed? Who voted for you?

23 (Laughter)

24 MR. SCHEU: I've only got a few more months.

25 MR. PATSY: Jake, when did they file the

1 original lawsuit, November?

2 MS. McCAGUE: November 20th.

3 CHAIRMAN SCHMITT: Right before
4 Thanksgiving.

5 MR. PATSY: No offense, but the City Council
6 has kind of lost -- or my opinion, they seem to
7 have lost interest in pursuing this, maybe,
8 because they haven't seemed to move this along.

9 COUNCILMAN HAZOURI: Oh, no, we haven't lost
10 interest.

11 MR. PATSY: So hopefully this does --

12 COUNCILMAN HAZOURI: Jake may think we have
13 lost interest, but we haven't lost interest. You
14 know, you've got a pension referendum coming down
15 the road. We haven't lost interest.

16 MR. PATSY: Okay. That's good. Just
17 haven't seen any activity.

18 COUNCILMAN HAZOURI: I just have a question.
19 I've got an 11:00 meeting with Doyle.

20 And I think it's probably in your report. I
21 just wanted to see where the process was. I
22 don't want you to go anywhere, but as far as
23 numbers -- and this is probably part of your
24 project report, I guess, just on the new
25 executive director, just where you-all are.

1 CHAIRMAN SCHMITT: That's a great segue. If
2 there's no other comments related to this item,
3 we'll move on to the last item on the agenda.

4 Thank you, Jake.

5 MR. SCHICKEL: Thank you.

6 (Mr. Schickel exited the Board meeting.)

7 MS. McCAGUE: And that's under tab 7. And
8 that's an Executive Administrator's Report.

9 CHAIRMAN SCHMITT: That's 2016-4-6.

10 MS. McCAGUE: And Councilman Hazouri's
11 question, EFL Associates has --

12 (Simultaneous speech)

13 THE REPORTER: I can't hear.

14 MS. McCAGUE: -- our numerous requests.
15 They have a top-tier group of eight pension folks
16 from around the country who they consider all
17 qualified candidates to take this job.

18 On Monday, April 25th, the Board -- and
19 you've got this on your calendar -- the board
20 will review résumés that our search firm will
21 present, and the Board will determine if they
22 want to interview any or all of those eight
23 candidates. The eight candidates come from
24 around the country.

25 COUNCILMAN HAZOURI: Is that what they did

1 the last time?

2 CHAIRMAN SCHMITT: We did not have a search
3 firm the last time.

4 COUNCILMAN HAZOURI: You didn't have one.
5 You-all did it, but you had a committee that
6 reviewed it?

7 CHAIRMAN SCHMITT: Yes, yes.

8 MR. TUTEN: Do you want us -- are we going
9 to come in and review them or can we get them at
10 the house and make our own notes and then come in
11 and vote on it?

12 MS. McCAGUE: Well, we will ask EFL if they
13 will give us the résumés ahead of time, but they
14 really -- both Dan Cummings and Mary Hopson, who
15 are recruiters, they really want the opportunity
16 to present these and talk them through.

17 So as a matter of fact, we're working very
18 hard trying to get our video equipment working so
19 we don't have to fly them in.

20 MR. TUTEN: Oh, so they're going to
21 present -- okay. I thought it was just going to
22 be us looking at résumés, talking about it.
23 Okay.

24 MS. McCAGUE: They are going to present.
25 They have done -- they've reviewed the

1 résumés, they vetted them, and they have done
2 telephone conference calls. And in most cases,
3 unless -- for anyone they didn't already know,
4 they've done video conference.

5 MR. TUTEN: But can they -- yeah, I still
6 would like the résumés of the candidates before
7 they come talk to us.

8 MS. McCAGUE: Certainly.

9 MR. TUTEN: That way at least we get a
10 little heads up.

11 COUNCILMAN HAZOURI: Mr. Chairman, when is
12 the target date for trying to hire someone?

13 MS. McCAGUE: Well, if they --

14 COUNCILMAN HAZOURI: And how does that fit
15 in with your timeline?

16 MS. McCAGUE: Actually, it fits in very well
17 because when the Board put me under contract, we
18 decided four to six months. I'm, you know,
19 moving right along there. So if we looked at
20 résumés on the 25th, we could try to have
21 candidates in the first or second week of May to
22 interview.

23 And then I would say that they would be
24 negotiating a contract and giving their notice
25 and they would be here in June.

1 COUNCILMAN HAZOURI: And where will you be?
2 Helping them along afterwards?

3 MS. McCAGUE: Whatever the Board wants me to
4 do. Right.

5 COUNCILMAN HAZOURI: Thank you-all.

6 MS. McCAGUE: Thank you very much.

7 MR. SCHEU: Thank you, Tommy.

8 COUNCILMAN HAZOURI: You know me. I just
9 came here to be a liaison.

10 MR. SCHEU: Well, tell them -- just liais
11 back and tell them how we feel.

12 (Laughter)

13 (Simultaneous speech)

14 MS. McCAGUE: I would also like to report
15 that our big office project, electronic records
16 management system, we do have -- thanks to the
17 Office of General Counsel who worked with us on
18 that Access contract, we have signed that
19 contract and are ready to go.

20 And very happy to report we've hired a
21 public records specialists who will work
22 part-time, 10 to 20 hours per week, so that we
23 can respond to public record requests.

24 And I can tell you I'm very happy to let you
25 know that the person that we hired had the

1 preferred qualification of a JD; and, in
2 addition, she also did a similar project like
3 this when she was at AT&T.

4 Is that correct, Debbie? AT&T. So we also
5 have that specific experience.

6 Open issues. I would remind you we're still
7 working on these. We've not made a lot of
8 progress this past month, but the Baldwin bill,
9 we're all still committed to getting that done
10 before our new director gets here.

11 Fiduciary insurance. Do we have anything,
12 Steven, that you'd like to report on that or do
13 you want to wait on that?

14 MR. DURDEN: Better wait on that.

15 MS. McCAGUE: That's fine.

16 MR. DURDEN: That's close.

17 MS. McCAGUE: Okay. Thanks.

18 And Cecil Field Firefighters. Also waiting
19 Office of General Counsel opinion on that so we
20 can get that to Randy Wyse.

21 On then clarifications on the membership
22 date adjusted for completion of payment of time
23 service. That needs to get back to counsel along
24 with clarification of the election of DROP, and
25 we're working with Steve Durden on that.

1 That is my report.

2 CHAIRMAN SCHMITT: All right.

3 MR. TUTEN: Excellent.

4 CHAIRMAN SCHMITT: Any further items?

5 MR. TUTEN: I vote thumbs up on the
6 notebook, by the way.

7 MS. McCAGUE: Oh, good. You like the
8 notebook.

9 MR. GREIVE: Absolutely.

10 MR. DARAGJATI: Just real quick.

11 Do you want us to forward -- I don't know --
12 Bob sent you -- or at least I know he sent it to
13 Bill -- questions for an RFP or questions to
14 consider?

15 MS. McCAGUE: We have that and we've
16 incorporated that.

17 MR. DARAGJATI: Okay. So do you want any
18 assistance in that? I mean, we're happy to help.

19 MS. McCAGUE: Thank you. I think we're
20 good. We'll be glad to share with you the
21 completed document, but Bob has been very helpful
22 to us.

23 MR. SCHEU: And we will do that. I think it
24 would be good to run it by them once we come up
25 with it.

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 98, is a true and correct computer-aided transcription of my stenographic notes taken at the time and place indicated herein.

DATED this 2nd day of May, 2016.

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

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