

JACKSONVILLE POLICE AND FIRE PENSION FUND  
BOARD OF TRUSTEES MEETING

---

DATE: December 18, 2015

TIME: 9:04 to 10:56 a.m.

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

BOARD MEMBERS PRESENT:

Larry Schmitt, Board Chair  
Richard Tuten, III, Secretary  
Nathaniel Glover, Jr., Trustee  
Richard Patsy, Trustee  
William E. Scheu, Trustee (via telephone)

ALSO PRESENT:

Beth McCague, Interim Executive Director  
Debbie Manning, Executive Assistant  
Robert Klausner, Board Counsel  
Joey Greive, Fund Treasurer  
Dan Holmes, Summit Strategies  
Devin Carter, Fund Controller

These agenda matters of the JPPFP Board of Trustees Regular 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

December 18, 2015

9:04 a.m.

- - -

CHAIRMAN SCHMITT: It's 9:04. We call the meeting to order. We have Trustee Scheu via telephone.

We will start out with a moment of silence to remember deceased member William Dewitt, III, retired police sergeant.

(Pause)

CHAIRMAN SCHMITT: All rise.

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.

I apologize for my voice. I'll speak up as much as I can.

We'll start with the public speaking period. Debbie, do we have some public speakers?

MS. MANNING: Mr. Gassett and Curtis Lee.

CHAIRMAN SCHMITT: Mr. Gassett.

MR. GASSETT: He was first.

CHAIRMAN SCHMITT: Sure. Mr. Lee.

MR. LEE: First thing, I want to speak on the frequent flyer points issue.

1           Before this Board -- my name is Curtis Lee.  
2           My address is on file.

3           Before this Board digs itself into a deeper  
4           hole regarding the proposed --

5           THE REPORTER: Could you speak up, please.

6           MR. LEE: My name is Curtis Lee. My address  
7           is on file. I'm speaking on the frequent flyer  
8           points issue.

9           Before this Boards digs itself into a deeper  
10          hole regarding the proposal to try to  
11          retroactively bless Mr. Keane's prior criminal  
12          conduct related to frequent flyer points, et  
13          cetera, consider these points.

14          Number 1: The related Police and Fire  
15          Pension Fund documents were falsified in an  
16          effort to confer pecuniary advantage. This can  
17          constitute a crime.

18          Number 2: I have complained to the state  
19          attorney's office and the inspector general and  
20          the complaints are, I believe, still pending. If  
21          you approve proposed changes to the proceedings  
22          at any level, it would appear that you are aiding  
23          and abetting. You will appear culpable. Why  
24          would you want to do this?

25          Number 3: Crimes are committed against

1 people. That's how the law works. The Police  
2 and Fire Pension Fund cannot today make  
3 uncriminal that which was formally criminal.

4 To analogize, if John Doe beats me up and I  
5 forgive John Doe, the people can still prosecute  
6 John Doe to obtain a conviction.

7 Also, remember, the general public, we would  
8 collectively pay about 90 percent of the  
9 contributions to the Police and Fire Pension  
10 Fund. We have a strong interest that crimes  
11 against the people, against us, against 99  
12 percent of us who do not benefit from the fund,  
13 shall be prosecuted. So please switch sides and  
14 join me.

15 Number 4: The proposed changes to the  
16 procedures manual have a false premise. If the  
17 law says that frequent flyer points are not  
18 taxable, that does not mean they lack value.

19 The law says most gifts are not taxable, yet  
20 if any of you would like to give me \$5,000,  
21 neither of us pays taxes on that gift. But, of  
22 course, that gift would have cost to you and  
23 value to me.

24 Number 5: The fund still violates my public  
25 records law rights. After over one year I still

1 have been denied records regarding what Mr. Keane  
2 purchased with those points, perhaps even cashed  
3 them out. I don't know. That's because you're  
4 not giving me the documents.

5 Number 6: Someone wrote to the SAO, state  
6 attorney's office, about these matters, but the  
7 document was not posted last night. I would like  
8 this document. I have been copying the Police  
9 and Fire Pension Fund on my documents. So it  
10 would be fair and appropriate to copy me.

11 Number 7: It is in the financial interest  
12 of the Police and Fire Pension Fund that  
13 Mr. Keane be indicted and convicted. The fund  
14 could save over \$2 million that way. As  
15 fiduciaries, you must consider this. Let's  
16 recover \$2 million.

17 Thank you. I don't -- unless you give me  
18 another three minutes to talk on my other topic,  
19 I'm out of time.

20 CHAIRMAN SCHMITT: Any questions?

21 MR. GASSETT: My name is Bill Gasset and my  
22 address is a matter of record and I speak as a  
23 taxpayer.

24 The first page, of course, I've been before  
25 you on, bonds are death. Now they're dead. I

1 will say if you can find a bond that will pay 10  
2 percent, certainly go into it. That's the only  
3 one that will give you the 7 1/2 percent  
4 compounded that you need to succeed, which kind  
5 of forces into a high-yield bond market.

6 I know Dan will talk about earlier today --  
7 or later today, but that gets kind of tough  
8 because that's a junk bond issue, but,  
9 nonetheless.

10 Now, what is getting critical here is that I  
11 would like to recommend a two-tier analysis  
12 program that perhaps -- sorry guys -- could file  
13 for us because forewarned is forearmed. And  
14 here's what we're beginning to face.

15 We need separate reports: One that shows  
16 what the active employees retirement program is  
17 doing and one that shows what the retiree  
18 requirements are. And I use the term R square  
19 for retirement performance.

20 But the reason why these guys must be  
21 separated in your analysis is because each year  
22 they get paid 7 1/2 percent -- we have to make 7  
23 1/2 percent to pay them what they're allowed to  
24 take out, plus the 5 percent inflation increase.

25 So let's start year one. The market was

1 flat, which it was in many of the years, 2010.  
2 Suddenly the account is down to 93 1/2 percent.  
3 Cash has to come out each year, and when you take  
4 money out in a down market, as those of you in  
5 the investment business know, you really are  
6 deepening the quicksand.

7 So what happens next year, just to get back  
8 to even, we've got to go back up 23 percent.

9 Devin, you can check me on the mathematics,  
10 but the logic is quite correct.

11 So that kind of analysis needs to be done  
12 because most of the folks who are -- of the 1.57  
13 billion you've got right now, is to take care of  
14 the retirees.

15 Same thing applies going the other way. You  
16 see with the active employees, you don't have to  
17 wait about a year-to-year CD-type thing because  
18 you have 20 and 25 to 30 years to make the 7 1/2  
19 compounded rate, and that's okay. That report  
20 should be done also.

21 But, again, this has been showing before  
22 year one, the funds goes down to 85 percent  
23 because the market went down 15 percent. In the  
24 next year, in the shortened time frame, you've  
25 got to come back up to 33 percent.



1           So, again, I would stress to please develop  
2 a cash flow analysis right here so you know  
3 what's going on.

4           The other problem we've got, and this is  
5 from an initial study, indicates that the general  
6 market required future growth may not be -- over  
7 the next several years may not be sufficient to  
8 fund the next several years of the amount needed  
9 to fund the coming retirement class of the 20, 25  
10 and 30 year group.

11           In some cases, using the Dow Jones as an  
12 indicator -- I know, you know, you have to have  
13 something that says what's going on. It may take  
14 a 14 percent compounded growth rate for the next  
15 four years just to get it up from the classics to  
16 fund those retired in the 20th year coming up.

17           So that kind of, how are we really facing  
18 the future, needs to be analyzed, I think, as  
19 part of the ongoing requirements of reports  
20 from -- to the Board.

21           So I would encourage, Mr. Chairman, if you  
22 would, to consider an extra reporting system that  
23 let's you know just how -- because you've got --  
24 you don't need another five years from now what's  
25 happened in the last two or three years. And by

1 having this kind of knowledge, you can prepare  
2 for it.

3 Merry Christmas.

4 CHAIRMAN SCHMITT: Do we have any other  
5 public speakers?

6 MS. MANNING: No, sir.

7 CHAIRMAN SCHMITT: Public speaking period of  
8 closed.

9 First we have the Consent Agenda items.

10 MR. KLAUSNER: Mr. Chairman, the Consent  
11 Agenda items can all be taken as a single item.

12 MR. GLOVER: I make a motion.

13 CHAIRMAN SCHMITT: All right. I have a  
14 motion. Second?

15 MR. TUTEN: Second.

16 CHAIRMAN SCHMITT: All in favor.

17 (Responses of "aye.")

18 CHAIRMAN SCHMITT: Opposed?

19 (No responses.)

20 CHAIRMAN SCHMITT: We're going to move to  
21 the Financial Investment Reports. Dan Holmes.

22 MR. HOLMES: Good morning. I appreciate you  
23 letting me go first. It will allow me to make  
24 our office holiday party back home tonight.

25 I have a number of things to go through.

1 First I will take up the monthly economic and  
2 capital market review, very quickly, just to give  
3 you have a highlight of what happened during the  
4 course of November. And as we live in a 24-hour  
5 news cycle these days, a lot of this information  
6 is now stale, as the fed has moved to raise  
7 rates.

8 The bottom line is with regard to the  
9 economy, during the month of November, we saw the  
10 US labor market improve with over 200,000 new  
11 jobs being added. Unemployment rates stay at 5  
12 percent.

13 In addition to that, real GDP was annualized  
14 at a 2.1 percent. That is restated. That's a  
15 second estimate. So that's on top of a real GDP  
16 estimate from the second quarter at 3.9 percent.  
17 So, again, the economy is growing, adding new  
18 jobs.

19 And, finally, what prompted the fed to take  
20 its action earlier this week was the fact that  
21 we're seeing wage inflation. And that was the  
22 final -- the final issue, what the fed had been  
23 looking for. So they raised rates.

24 Market not being impacted in terms of  
25 returns in the market, I think a more important

1           thing going forward is monitoring the path of  
2           interest rates going forward as well as the  
3           magnitude of change.

4           For the month of November, we basically saw  
5           domestic equities basically flat in large cap,  
6           about 3 percent positive in small cap, and  
7           slightly negative in the international due to the  
8           rise in the dollar.

9           In fixed income, we saw yields increase --  
10          strike that. Yeah, increase a bit. And so as a  
11          result, bonds were flat to negative with  
12          structured debt being the better performing  
13          sector.

14          So that gives you a quick background in  
15          terms of what happened in terms of the market.

16          I'll ask you now to flip to the Flash  
17          Report. It's a report on performance for the  
18          month and fiscal year-to-date.

19          Page 1 shows market value at the end of  
20          November. November's market value ended at  
21          basically 1.5 billion. And to be precise --

22                 MS. McCAGUE: Dan, excuse me.

23                 MR. HOLMES: Yes, ma'am.

24                 MS. McCAGUE: Let's let everybody get to the  
25          Flash Report.

1 MR. HOLMES: Okay. Thank you.

2 MS. McCAGUE: We're welcoming a new member  
3 today, and so we just need a little bit of time  
4 to get oriented here.

5 MS. MANNING: Actually, that is the monthly  
6 report. That was not listed on here. So that's  
7 why it was handed out. The Flash Report is  
8 listed in the agenda, but not the monthly. So  
9 that is a new report to be added.

10 MR. HOLMES: The market value ended  
11 precisely at \$1.499 billion. We'll note on page  
12 1 of the Flash Report that the allocation to US  
13 Equities is 6 percent above its target weight.  
14 That's outside the parameters of a permitted  
15 range around that weight.

16 As a result, we're recommending reallocating  
17 1 percent from US Equity to fixed income, which  
18 is under its target by about 1 1/2 percent,  
19 approximately.

20 So that would mean taking \$15 million from  
21 the S&P Index Fund and giving it to the active  
22 manager, Thompson Siegel, in core fixed income.

23 MR. TUTEN: Dan, is it -- I mean, something  
24 we're talking about, that small amount of money,  
25 I mean, is it worth the transaction cost and

1 everything to do that right now, or is it better  
2 to just let it ride for -- because, you know,  
3 with the fed and everything, maybe just give it a  
4 little time?

5 MR. HOLMES: Well, Rich, I think it's more  
6 of an issue of staying within the -- following  
7 the guidelines, following the investment policy.  
8 We're at that point where we have to rebalance to  
9 stay in compliance with the investment policy.

10 MR. TUTEN: I gotcha.

11 MS. McCAGUE: And that's taking into  
12 consideration the allocation and the investments  
13 that were made in the last ten days with the city  
14 making its annual contribution.

15 MR. HOLMES: That was done -- the difference  
16 between stocks and bonds was done more or less on  
17 a pro rata basis. So it's going to be about the  
18 same. We will need a rebalance. Yes.

19 MS. McCAGUE: Okay. So do we need action on  
20 that? I'll ask our attorney.

21 MR. KLAUSNER: Yes. If you're going to  
22 reallocate a -- I've made a note that you would  
23 need to approve the recommendation of the  
24 consultant and direct you to proceed accordingly.

25 MS. McCAGUE: Would you restate the

1 recommendation, please?

2 MR. HOLMES: Yes, ma'am.

3 That would be to reduce the S&P 500 Index  
4 Fund by \$5 million -- or some \$15 million, and to  
5 contribute that to Thompson Siegel, which is a  
6 core bond manager.

7 MR. KLAUSNER: Will that still keep you  
8 within the guideline for the core bonds?

9 MR. HOLMES: Yes.

10 MR. GLOVER: Move.

11 MR. PATSY: I have a question, Dan.

12 How much do we normally keep in cash? Is  
13 this representative of the amount we normally  
14 keep?

15 MR. HOLMES: Cash is usually kept fairly  
16 low.

17 MR. PATSY: Okay.

18 MR. SCHEU: Mr. Chairman, could I ask a  
19 question?

20 CHAIRMAN SCHMITT: Yes. Go ahead,  
21 Mr. Scheu.

22 MR. SCHEU: Dan, if we knew that the fixed  
23 income with the rates going up, will that result  
24 in a decline in asset value over the next six  
25 months to a year?

1 MR. HOLMES: I'm sorry. I didn't hear the  
2 full question.

3 MR. SCHEU: With asset allocation, if we  
4 move out of the equities and into fixed income,  
5 with interest rates beginning to move up, won't  
6 that result in a decline in the value -- of the  
7 asset value of the fixed income side of the  
8 portfolio?

9 MR. HOLMES: Not -- it may, but not  
10 necessarily. It depends on what's priced into  
11 the market and how much rates move.

12 But the issue is more in terms of, we have  
13 to rebalance to stay within investment policy  
14 guidelines. And so whether you go to fixed  
15 income or go to cash over a 12-month period, my  
16 expectation is that the core bond manager is  
17 going to outperform the cash account.

18 CHAIRMAN SCHMITT: Any follow-up, Mr. Scheu?

19 I have one question here. You know, we're  
20 also underweight in real estate --

21 MR. KLAUSNER: Mr. Scheu, can you still hear  
22 us?

23 CHAIRMAN SCHMITT: Trustee Scheu, can you  
24 still hear us?

25 MR. SCHEU: Yes. Can you hear me?



1 MS. MANNING: I took the phone off thinking  
2 it might help with the sound, and we lost you for  
3 a minute.

4 MR. SCHEU: Okay. Yeah, I heard you. Thank  
5 you.

6 CHAIRMAN SCHMITT: Did you have any  
7 follow-up, Mr. Scheu?

8 MR. SCHEU: No. That answered my question.  
9 Thank you.

10 MR. PATSY: How much do we normally pay out  
11 in benefits on a monthly basis? Where does that  
12 cash come from to do that?

13 MS. McCAGUE: Devin.

14 CHAIRMAN SCHMITT: Devin or Joey.

15 MR. GREIVE: Sure. Through the Chair to  
16 Trustee Patsy.

17 The city makes the benefit payments for the  
18 fund throughout the year and keeps track of it  
19 from an accounting perspective, and at the end of  
20 the year, just like we do with general  
21 employees --

22 MR. PATSY: Okay. I got you. Okay.

23 MR. GREIVE: -- there's a netting at the end  
24 of the year.

25 MR. PATSY: Okay. Thank you.

1           MR. KLAUSNER: And as you know, Mr. Patsy,  
2           our payroll is biweekly. I think we're on the  
3           off week from the city employee payroll, right?

4           MR. GREIVE: It's biweekly. The same thing.

5           CHAIRMAN SCHMITT: Question, Dan.

6           We're also underweighted in real estate, but  
7           you're recommending going into bonds instead of  
8           real estate?

9           MR. HOLMES: Yes, because the two real  
10          estate managers are closed to new contributions  
11          at this time.

12          CHAIRMAN SCHMITT: Okay.

13          MR. HOLMES: If we could put it into real  
14          estate, I would put it into real estate.

15          MR. GREIVE: Mr. Chair, if I may.

16          I made this comment a couple times over the  
17          last few months. But, you know, one thing we've  
18          done -- and, Rick, you know that from your  
19          service over at the GEPP -- but over the last  
20          year or two, we were short on real estate as  
21          well, so we added some noncore real estate  
22          managers.

23          Right now you have two great core real  
24          estate managers, but to round out that real  
25          estate bucket and give you another tool to

1 utilize to help when you get a little light on  
2 real estate, you probably need to do a search in  
3 the next six to nine months.

4 Just make it a Board goal over the next six  
5 to nine months to do a search to add a new tool  
6 in the noncore real estate space so that when you  
7 do get underweight, and you've got overweights  
8 elsewhere, instead of -- I don't want to say  
9 being forced into; but, you know, you lack a tool  
10 that you would otherwise like to have in your  
11 portfolio. So you task your consultant with  
12 various ideas if you wanted to.

13 MR. HOLMES: That was one of the issues we  
14 talked about yesterday.

15 CHAIRMAN SCHMITT: We have a motion. Do we  
16 have a second?

17 MR. PATSY: The motion is to do a real  
18 estate search?

19 CHAIRMAN SCHMITT: No. The motion was to  
20 move \$15 million from the equity to --

21 MR. HOLMES: From the S&P 500 index fund.

22 MR. KLAUSNER: To the Thompson Siegel's core  
23 fund.

24 MR. GLOVER: The motion was to move the  
25 recommendation (inaudible).

1 CHAIRMAN SCHMITT: Do we have a second?

2 MR. PATSY: I'll second it.

3 CHAIRMAN SCHMITT: Any further discussion?

4 (No response.)

5 CHAIRMAN SCHMITT: All in favor, aye.

6 (Responses of "aye.")

7 CHAIRMAN SCHMITT: Opposed?

8 (No responses.)

9 CHAIRMAN SCHMITT: That passes.

10 MR. HOLMES: Thank you.

11 Touching base on page 2 with regard to  
12 returns for the month, as I mentioned before,  
13 equities were basically flat to negative except  
14 for small cap during the month.

15 So the total fund performance for the month  
16 of November was down 5 basis points. That's  
17 almost 90 basis points above the policy index.

18 For the fiscal year-to-date, the plan is up  
19 5.2 percent, specifically 5.23 percent. On a  
20 net-of-fees basis, it's up 5.14 percent. And in  
21 both cases you're over 1 percent above the policy  
22 index.

23 Domestic equities finished strongly in the  
24 month of November, primarily due to the returns  
25 of the small cap managers.

1           The domestic equity composite was 1 percent  
2 above its benchmark, up 1 1/2 percent, and that  
3 was mainly from contributions from DePrince Race  
4 & Zollo up over 4 percent, and Pinnacle up about  
5 3.3 percent.

6           In addition to that, Brown had another good  
7 month, so they continue their relative  
8 performance comeback.

9           Fiscal year-to-date, the domestic equity  
10 composite is up over 9 percent and, again, above  
11 its benchmark.

12           International equities above their  
13 benchmark for the month, but negative in  
14 absolute return space as the dollar increased,  
15 and that took away from international returns  
16 about 40 basis points above its index.

17           On the fiscal year-to-date, it's up almost 6  
18 percent and 70 basis points above. And that's  
19 primarily on better performance both from  
20 Silchester and Baillie Gifford.

21           The Fixed Income composite was down 33 basis  
22 points for the month, about 7 basis points below  
23 its index. Fiscal year-to-date, it's about even  
24 with its benchmark, the Barclays Aggregate  
25 Index. That's not surprising, given the majority

1 of the monies in the index fund.

2 Real estate. The real estate portfolio was  
3 up over 1 percent for the month and also about --  
4 well, actually there's no relative return shown  
5 because the index was not priced monthly. It's  
6 only priced -- the index there is only priced  
7 quarterly. So we have placeholders with zero  
8 there.

9 And in both cases both managers had positive  
10 returns, both up about 1 1/2 and 1 percent,  
11 respectively.

12 And then finally the MLP sector had a --  
13 continued to have a negative month after a  
14 positive October. It was off 6 percent, 6.6  
15 percent. Again, active management continues to  
16 add value there with returns of 1.8 percent and 3  
17 percent above the index over the month and the  
18 fiscal year-to-date basis.

19 I've got another presentation to give the  
20 Board, an update on MLPs, that I'll talk to you  
21 in more detail there.

22 But that's it for the Flash Report unless  
23 there's any questions.

24 MR. PATSY: Dan, back up for a second.

25 MR. HOLMES: Sure.

1           MR. PATSY: I know we already approved this,  
2 moving equities and fixed income. But MLPs are  
3 down almost effectively the same amount versus  
4 (inaudible) in the fixed income range.

5           MR. HOLMES: Why not rebalance the MLPs?

6           MR. PATSY: Yeah. Why not the MLPs?

7           MR. HOLMES: Because it's up about 6  
8 percent. Right now we think that the current  
9 policy target is a bit high. In February we're  
10 going to bring back an asset allocation review.  
11 At that time I would expect that we would  
12 probably lower the target to MLPs going forward.

13           And so right now we want to see some more  
14 traction before we add anything to MLPs  
15 regardless of what the policy level is.

16           MR. PATSY: Okay. That makes sense. And  
17 this Eaton Vance Senior Loan Trust, that's in the  
18 same category?

19           MR. HOLMES: No. That's in a different  
20 category.

21           MR. PATSY: No, I know, but as far as your  
22 opinion.

23           MR. HOLMES: Yeah. I think that there are  
24 better opportunities there going forward.

25           MR. PATSY: Okay. Does Thompson use -- is

1           that core --

2           MR. HOLMES:   That's core fixed income.

3           MR. PATSY:   There's no high-yield; there's  
4           no emerging market there?

5           MR. HOLMES:   They have the ability to hold a  
6           small portion of the portfolio in high-yield,  
7           basically fallen angels, where there's a split  
8           rate or downgrade.

9           The idea is when an entire sector gets paid  
10          in time with a negative broad brush and the  
11          sector trades on technicals, they're able to  
12          invest a small amount of the portfolio and some  
13          of those downgraded bonds in anticipation of them  
14          being subsequently upgraded.  Buy them cheap and  
15          then getting the price up on appreciation.

16          MR. PATSY:   Okay.

17          CHAIRMAN SCHMITT:  Any other follow-up  
18          comments?

19          (No responses.)

20          CHAIRMAN SCHMITT:  I'll move to the Asset  
21          Class Review on MLPs.

22          MR. HOLMES:   Okay.  Mr. Chairman, with your  
23          permission, there's a couple things I want to  
24          make sure that you approve that need to get done.

25          CHAIRMAN SCHMITT:  Okay.



1 MR. HOLMES: I can go through those first.

2 CHAIRMAN SCHMITT: Sure.

3 MR. HOLMES: In case we're in danger of  
4 losing any kind of quorum.

5 One issue on the agenda is there was a  
6 letter from Silchester regarding a change in the  
7 firm's cost-trading policies.

8 The background is, the past, the firm had  
9 received a prohibitive transaction exemption from  
10 the Department of Labor, allowing cross-trading  
11 between their commingled vehicles.

12 Because of changes in regulations in the  
13 United Kingdom, they need to change their  
14 cross-trading rules internally. The only thing  
15 they're asking for is a verification from the  
16 system that there's over a hundred million  
17 dollars in system assets.

18 CHAIRMAN SCHMITT: And what document number  
19 is that?

20 MR. KLAUSNER: 12-10.

21 MR. HOLMES: Thank you.

22 MR. PATSY: How are we invested now, a  
23 commingled-type vehicle?

24 MR. HOLMES: Commingled fund, yes.

25 MR. PATSY: And how does --

1           MR. HOLMES:  You're not -- the bottom line  
2           is the system is not affected.  They're just  
3           simply asking for verification of asset size in  
4           excess of \$100 million.

5           But you need to give that to them so you can  
6           remain invested in the fund that you are.

7           MR. GREIVE:  And I believe we did this at  
8           the General Employee Pension Fund last month.  
9           It's been approved.

10          MR. KLAUSNER:  For certain types of  
11          investments, there are SEC regulations and  
12          internal compliance regulations that an investor  
13          has to be of a certain size, and you're simply  
14          confirming based on their benchmark that you are  
15          of size.

16          MR. HOLMES:  Exactly.

17          MR. KLAUSNER:  Do you find anything in the  
18          change of the cross-trading that's problematic?

19          MR. HOLMES:  No, no.  And this is something  
20          that we're doing across all our Silchester  
21          clients.

22          CHAIRMAN SCHMITT:  I need a motion.

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

24          CHAIRMAN SCHMITT:  Second?

25          MR. GLOVER:  Second.

1           CHAIRMAN SCHMITT: Any further discussion?

2           (No responses.)

3           CHAIRMAN SCHMITT: All in favor?

4           (Responses of "aye.")

5           CHAIRMAN SCHMITT: Opposed?

6           (No responses.)

7           CHAIRMAN SCHMITT: Passes.

8           MR. HOLMES: Thank you. Now I'll go back to  
9 the Asset Class Review for Master Limited  
10 Partnerships.

11           Let me know when everybody has found the  
12 pass-out document.

13           Okay. So this is the asset class that we've  
14 been talking about and monitoring for the  
15 majority of this calendar year.

16           The reader's digest version or the executive  
17 summary is that basically there's a big  
18 disconnect between what the fundamental value and  
19 outlook for Master Limited Partnerships look like  
20 versus the fact -- where they're trading now.

21           The point of this is basically provide  
22 information in support of our recommendation,  
23 continuing to hold MLPs, in anticipation that  
24 they will do better when the market comes around.

25           So on page 1, basically we're in about the

1 12th month of an energy -- or 13th month of a  
2 broad sell-off in the energy sectors. Basically  
3 anything related to energy has sold off because  
4 of the decline in the commodity price.

5 Traditionally MLPs don't have a direct  
6 correlation with changes in the commodity prices,  
7 but in this particular case where you have the  
8 commodity price sell-off by over 60 percent, the  
9 entire sector has been affected.

10 So, for instance, energy holdings in equity  
11 manager's portfolios have been negative. The  
12 high-yield bond market has been negative because  
13 a lot of the high-yield bonds issuers are energy  
14 companies.

15 MLPs, really, anything either public or  
16 private having to do with energy has basically  
17 been broadly marked down.

18 We do believe that there is a disconnect  
19 from current fundamentals and we'll show you  
20 that. Current valuation levels are very  
21 attractive. The yield has continued to be very  
22 attractive, in the 7, 8, 9 percent range,  
23 depending on which month it is.

24 We still believe in the asset class,  
25 obviously. There's a couple other important

1 things that you need to know.

2 First of all, the ownership of MLPs is  
3 highly concentrated with retail owners. The  
4 retail market individuals, if you will, tend to  
5 move more on emotion. And so the retail market  
6 pulling money out is exacerbating the decline in  
7 price and the overall volatility to the  
8 portfolio -- or, I'm sorry, to the market.

9 In addition to that, right now you have a  
10 lot of tax loss selling going on where  
11 individuals are selling off portfolios or  
12 securities for tax purposes that have negative  
13 returns, and then usually what you see is a  
14 January effect where a lot of those securities  
15 are subsequently repurchased in January. And so  
16 that continues to be a wind in the face of MLPs.

17 And then, finally, not all MLPs are created  
18 equal. And so what we're talking here about is  
19 high-quality MLPs and MLPs that are not cutting  
20 their distribution rates. And so we think that  
21 there's a big different in between what's being  
22 held or not held, with the former being more  
23 attractive.

24 Page 2. The Board knows what the asset  
25 class is, but just as a quick reminder, I think

1 the more important point on this page is the  
2 bottom right-hand corner, and that is it shows up  
3 the sectors of the MLP index. And the main point  
4 is, is that what the system is invested in are  
5 those high-quality holdings.

6 It's the oil and gas pipelines, storage  
7 facilities, transfer facilities, that make up the  
8 gathering of processing oil transport and natural  
9 gas transport part of the market.

10 And so the bottom line is that it's --  
11 they're more conservative and generally less  
12 volatile than other parts of the index.

13 If you turn to page 3, if you look at the  
14 change in earnings between the MLP index, the S&P  
15 energy index, and then just the broad S&P, you  
16 can see that.

17 For instance, at the bottom -- this is the  
18 top left-hand corner -- the S&P earnings are off  
19 6.5 percent so far this year. The energy sectors  
20 earnings are off 176 percent, and MLPs are down  
21 13.6 percent in terms of earnings.

22 Yet if you look at what the return on the  
23 index is, the index for MLPs are down more. So  
24 in other words, the earnings are down in between,  
25 but they're down the majority more than the other

1 indices. That shows the disconnect between what  
2 fundamentals are telling us and where the pricing  
3 of the actual security is.

4 Page 4. The main take-away here is the  
5 ownership base and the fact that the  
6 institutional ownership of the MLP marketplace is  
7 less than 50 percent.

8 For various reasons, institutions have a  
9 harder time holding MLPs. In a lot of cases, not  
10 your case, but in a lot of cases pension funds,  
11 especially corporate pension funds or other  
12 institutional entities subject to unrelated  
13 business, income tax, may avoid holding them.

14 But the bottom line is, MLPs -- the majority  
15 of the MLPs are held by retail investors and  
16 they're going through a period of tax loss  
17 selling right now, and that is providing that  
18 extra wind in the face.

19 MR. TUTEN: Dan, while we're still here,  
20 I've got a question for you.

21 On page 2 with the graph, the market cap  
22 number of MLPs, the far number on the right, is  
23 that the actual number of MLPs that are in  
24 existence now or out -- I see how it goes from  
25 120 to 80, the far bar graph, the last --

1 MR. HOLMES: Yes.

2 MR. TUTEN: -- is that the number of  
3 companies that are out there?

4 MR. HOLMES: That's the number of MLPs,  
5 yeah. Number of MLPs securities.

6 MR. TUTEN: Okay. That leads to my next --  
7 and I see it's dropped quite a bit.

8 But my next question was, on page 3, it says  
9 the number of subsectors -- I guess my confusion  
10 is how many -- are there a lot of people forming  
11 MLPs anymore, or are they pretty much steady?  
12 Because there's only a certain amount of pipes  
13 and stuff that are available.

14 In other words, my fear is that some of  
15 these companies may -- can they do like ETFs have  
16 done and start, you know, branching off in a sort  
17 of niche type of -- is there such a thing as a  
18 niche MLP?

19 Do you understand what I'm trying to get  
20 across as far as that?

21 MR. HOLMES: Well, the MLP structure itself  
22 is not a niche. The MLPs -- well, the MLP  
23 structure is similar to the outer REITs  
24 structure.

25 I think what you're getting at is -- and you



1 correct me if I'm wrong -- can renewable energy  
2 companies form an MLP and be traded in that type  
3 of format? Is that -- am I correct in that  
4 assumption?

5 MR. TUTEN: Yeah. That's what I'm -- what  
6 I'm trying to do is -- and I'm not against MLPs,  
7 don't get me wrong; I think we need them -- but  
8 the only other question I have and the reason I  
9 asked as far as what type of companies these are,  
10 because when you put in here the -- you know, we  
11 do these investments to sort of -- you don't want  
12 to be correlated to this, that, so we kind of  
13 hedge our bets when stuff goes up and down.

14 But, I mean, it looks to me like the MLP is  
15 highly correlated to the S&P, you know, US  
16 Energy. I mean, is it something that --

17 MR. HOLMES: Well, you would expect a  
18 positive correlation because they're both in the  
19 energy sector.

20 MR. TUTEN: Correct. But in other words,  
21 would we be better served just, you know, through  
22 investment with S&P, you know, type of a deal  
23 with a manager, energy manager, or would --

24 MR. HOLMES: No, because the yield on these  
25 securities provides a good buffer against

1 volatility. These are -- although they trade on  
2 the New York Stock Exchange, like equity  
3 securities, they operate like REITs, where 90  
4 percent of income has to be paid out.

5 MR. KLAUSNER: I'm sorry. I was going to  
6 ask, are you concerned that they're going to  
7 branch off into an unrelated business?

8 MR. TUTEN: Well, no. It's just I think  
9 there's a lot of confusion as far as -- my  
10 concern is there's too many people in these areas,  
11 to me, as far as the MLP. When you've got a -- I  
12 guess I should back up.

13 My concern started when I noticed -- it's  
14 with ETFs, in other words. ETFs have gone from,  
15 okay, this is a gold ETF.

16 Now there are literally thousands of just  
17 crazy iterations of what it started off to be.  
18 And I'm kind of curious as to these MLPs. Will  
19 they ever get to that point where people call it  
20 an MLP, but they're really not what the original  
21 MLP was started off to be, and are we investing  
22 in that, is what I'm kind of concerned about.

23 MR. HOLMES: The answer is no and no.

24 MR. TUTEN: Okay.

25 MR. HOLMES: So if you look at the sectors,

1           you can see that MLPs are particular tax  
2           structure, more -- bottom of page 2, right-hand  
3           side. The MLP is a particular tax structure.  
4           There are more MLPs coming to the market.

5           You can see that the majority of it is  
6           energy related, but you can see that, for  
7           instance, 1 percent is in coal, 2 percent in  
8           shipping, 3 percent is propane.

9           And so they are somewhat energy related, but  
10          it's not directly energy related. And so that's  
11          the part that you're not investing in.

12          MR. TUTEN: Okay. I apologize. Like I say,  
13          I -- the question I was trying to come up with  
14          was sort of diluted.

15          MR. HOLMES: The bottom line is there are  
16          more security opportunities for the managers, but  
17          it hasn't exploded like ETFs.

18          So that's why, for instance, at the last  
19          meeting the Board approved changes to Tortoise's  
20          guidelines, allowing them to hold up to 40  
21          securities in the portfolio because they are  
22          finding new opportunities and using those  
23          opportunities to further diversify the portfolio.

24          But with them, it's all in the long haul of  
25          gas and oil pipelines, transfer facilities and

1 storage facilities. Okay?

2 MR. TUTEN: All right. Thanks.

3 MR. GLOVER: Hold on, Dan.

4 But when we first started these, was it all  
5 in transport? And now I see we've got about 20  
6 percent in processing. Has it always started off  
7 like that?

8 MR. HOLMES: It's always been in these three  
9 sectors.

10 MR. GLOVER: Really?

11 MR. HOLMES: Yes, sir.

12 MR. GLOVER: 20 percent?

13 MR. HOLMES: This is the index weight. This  
14 is the index weight that's being shown here, not  
15 the portfolio weight.

16 The portfolio will differ from this based on  
17 the managers' use of what's attractive from a  
18 bottom-up standpoint.

19 MR. GLOVER: Joey (inaudible)

20 MR. GREIVE: No, no. You know, as far as  
21 the MLP exposure that you do have, I know it came  
22 up over the last few months with some of the  
23 troubles that we've had with energy markets over  
24 the last year.

25 But it is a pretty diversified space, like

1 Dan's pointing out on that chart. You-all have  
2 the exposure within the MLPs to the more safe  
3 side of the space in that people pay for this  
4 capacity of being able to ship through these  
5 pipelines whether they're doing it or not.

6 So, you know, if you're worried about energy  
7 demand, it would take a very long, very sustained  
8 economic downturn before these contracts are  
9 repriced, because they've got -- it's like buying  
10 cable. It's like Comcast.

11 Whether you watch ESPN or not, you're paying  
12 for it. And, you know, you would have to revalue  
13 your opinion of ESPN before you shut off your  
14 cable subscription, if you want to lose all the  
15 other stuff.

16 So, no, you know, the MLP space, it would  
17 have been ideal to throttle back a year ago, you  
18 know, pull a little bit off the table when things  
19 got a little high, and then reinvest. But you  
20 don't have a crystal ball. It's tough to --  
21 tough to do that. Easy in hindsight.

22 MR. HOLMES: We actually did.

23 MR. GREIVE: You pulled a little bit out.

24 MR. HOLMES: Yeah, we didn't pull all out.  
25 But it had appreciated. And I think it was

1            somewhere around September of last year, we  
2            pulled back on the weight to the MLP market  
3            within the portfolio.

4            A     I would hate to divest now, I guess is what  
5            I'm saying.

6            MR. PATSY:    So you're not seeing the market  
7            changing materially in the next 36 months?

8            MR. HOLMES:    The market or pricing of the  
9            securities?

10           MR. PATSY:    Pricing of the securities and  
11           MLPs, because it seems to me they've been beaten  
12           down pretty heavily.

13           MR. HOLMES:    Yeah.  No, the market -- you  
14           know, we've talked about a lot of stuff.  We see  
15           price appreciation.  As a matter of fact, what we  
16           did is we modeled here -- you know, with yields  
17           where they are right now, we modeled the fact  
18           that -- and this is on page 5 -- if spreads  
19           reprice to the normal positive, reprice the  
20           normal spreads versus the ten-year treasury, the  
21           rate over the next five years would be over 25  
22           percent, 24, 25 percent return, the IRR.

23                      If we just went to historical distribution  
24           growth rate, it would be about 14 1/2 percent.

25                      So the point of this presentation is to urge

1       patience. We think that there's a turn around  
2       coming. There's a big disconnect between how  
3       they traded here and what the economic underlying  
4       fundamentals of these securities look like going  
5       forward.

6               And the same way that the market recognized  
7       the securities in Brown's portfolio at some point  
8       in time where the market recognized quantitative  
9       easing is finished, we're looking for economic  
10      growth, here are sectors that have sustainable  
11      growth and are extremely cheap in the market  
12      rotated out of the expensive defensive sectors  
13      into the sustainable growth sectors, which were  
14      really cheap, we think the same thing is going to  
15      happen with MLPs.

16              Investors are going to realize there's  
17      nothing wrong with the fundamentals or the  
18      economics of these companies. They're extremely  
19      cheap. You'll see more money flow into it and  
20      prices will appreciate.

21              MR. PATSY: So to cut to the chase, you're  
22      not recommending us or encouraging us to reduce  
23      our exposure to MLPs, but at the same time,  
24      you're not encouraging us to increase our  
25      allocation?

1 MR. HOLMES: That's correct. Not at this  
2 time.

3 We produced this because it's been a hot  
4 topic for all of our clients. And Trustee Tuten  
5 and I have had a number of conversations about it  
6 as well. I'm providing information for education  
7 and support of the position.

8 MR. GREIVE: Through the Chair, Dan, you  
9 shared an interesting statistic with me. You  
10 talked about tax (interrupting cough) harvesting  
11 in December.

12 MR. HOLMES: Yes.

13 MR. GREIVE: What was the statistic you  
14 shared with me about January's returns for MLPs,  
15 historically? Not that tax results --

16 MR. HOLMES: Not that as a guarantee, but  
17 historically there has been a January effect.  
18 January is a big distribution month where  
19 basically think of it as dividends being paid  
20 out. And in the past, over 90 percent or about  
21 90 percent of returns come in January.

22 And so we do believe that there's a January  
23 effect. But, again, that's something that can be  
24 fleeting.

25 MR. GREIVE: Right.



1 MR. HOLMES: The underlying fundamentals are  
2 not fleeting. They will be recognized.

3 MR. TUTEN: Dan, how long have people, like,  
4 pension funds, invested in MLPs?

5 MR. HOLMES: Institutional ownership goes  
6 back to the mid-2000s. I think our first client  
7 invested in MLPs around 2006.

8 MR. TUTEN: Okay. Now --

9 MR. HOLMES: The asset class hasn't been  
10 around as long as stock (inaudible).

11 MR. TUTEN: Well, that goes to my question.  
12 2006 has only -- like, less than ten years. I  
13 mean, what kept them from being invested with  
14 institutional clients before that? And, you  
15 know, why the big boom after that; in other  
16 words, outside of just wanting to diversify like  
17 we did?

18 MR. HOLMES: Relatively unknown asset class  
19 not regularly followed by Wall Street. Initially  
20 few MLPs -- or few companies took advantage of  
21 the MLP structure. More have come to market  
22 obviously since then. (Inaudible) traded at the  
23 beginning. And then you have the issue of  
24 unrelated taxable income, in which you -- if you  
25 do get unrelated business taxable income, you

1 would have to file more tax forms.

2 And then, finally, traditionally viewed as a  
3 tax shelter for individuals as opposed to a  
4 security traditionally held in -- broadly held in  
5 institutional portfolios.

6 Sometimes you would see them pop up in small  
7 cap value manager portfolios along with REITs.

8 CHAIRMAN SCHMITT: If I could make a  
9 suggestion here, although very interesting and  
10 exciting, if we would like to expand this, we  
11 could do a workshop just on MLPs, but I think we  
12 need to move along in the agenda here.

13 MR. HOLMES: Understood. And I appreciate  
14 it.

15 MR. KLAUSNER: Did you have other action  
16 items that you need to address?

17 MR. HOLMES: The only action item is, I  
18 have -- pursuant to the Board's direction, I have  
19 drafted amendments showing in redline to the  
20 investment policy.

21 It the Board would like to take action on  
22 those, we can do it, or if the Board wants to  
23 read through it and take action later on, we can  
24 do that as well.

25 CHAIRMAN SCHMITT: I'm going to make a

1 recommendation that we review those, defer to the  
2 next meeting and vote on it at the next meeting.

3 MR. KLAUSNER: I'll give you a brief memo on  
4 any legal compliance issues.

5 CHAIRMAN SCHMITT: Very good.

6 MR. SCHEU: I appreciate that, Mr. Chairman.

7 CHAIRMAN SCHMITT: All right. You're still  
8 with us. That's good to hear.

9 MR. KLAUSNER: I have done a quick review.  
10 I didn't see any compliance issues, but I want to  
11 read it more thoroughly.

12 MR. HOLMES: The majority of the changes are  
13 incorporating the language directly from the  
14 ordinance, and that also -- the language adopted  
15 last month with regard to fees, in terms of the  
16 negotiating fee discounts where the managers used  
17 by both the city system and the police and fire  
18 system, that languages has been added as well.

19 MR. GREIVE: Is that available?

20 MS. MANNING: That came from the last  
21 meeting, and I'm not sure that I have anything on  
22 it from the last meeting.

23 MR. HOLMES: Okay.

24 MS. MANNING: Is that something --

25 MR. GREIVE: So for the January Board

1 meeting, the Brown Advisory Fee Amendment will be  
2 before the Board for a vote.

3 If you recall, last month we talked about  
4 negotiating a discount with them because the city  
5 is adding a ton of money to them right now.

6 So between the two of us, we'll meet the  
7 next breakpoint level, and they've agreed to  
8 lower the fees for both funds. So that amendment  
9 will be in front of the Board for the next  
10 meeting.

11 MR. KLAUSNER: I've read that contract.  
12 That's one is fine, but I think an explanation of  
13 why there is a value to working closely with the  
14 General Employee Retirement System to achieve  
15 economy is appropriate.

16 CHAIRMAN SCHMITT: I think that's another  
17 great example of fee reduction through mostly  
18 Joey's good work and hard work with making sure  
19 we get the lowest fees possible by combining the  
20 strength of other pension plans.

21 MR. HOLMES: Yeah. And then in addition to  
22 that, since then I've also negotiated a fee  
23 discount or aggregation of fees with Eagle as  
24 well.

25 CHAIRMAN SCHMITT: Good.

1 MR. HOLMES: So we'll show that at the next  
2 meeting as well.

3 MR. GREIVE: We've already signed our  
4 amendment with them, I believe. Maybe, maybe  
5 not. We'll talk later today.

6 CHAIRMAN SCHMITT: Anything else for  
7 Mr. Holmes?

8 MS. McCAGUE: Baillie Gifford. Anything on  
9 Baillie Gifford?

10 MR. HOLMES: I'm not seeing that on the --

11 MR. KLAUSNER: It's right at the top of the  
12 report.

13 MR. GREIVE: Baillie Gifford reduced the  
14 fees for both of our funds, didn't they,  
15 recently?

16 MR. KLAUSNER: It's 12-9. It was changed as  
17 to broker commission, equity trading.

18 MR. HOLMES: Yeah. So what that is -- I  
19 don't believe -- that was a notice. I don't  
20 believe any action is necessity.

21 What it is -- and actually I met with them  
22 yesterday morning. They are moving from a  
23 traditional way of trading the portfolio where  
24 they're using commissions to pay for research to  
25 an execution-only operation. They are going to

1 pay for research out of their own pocket going  
2 forward.

3 So this is increased transparency and a  
4 benefit to the system, but that was simply a  
5 notice. No other action is necessary.

6 MS. McCAGUE: And our fees reduced?

7 MR. HOLMES: No. This has nothing to do  
8 with fees. It has to do with costs that are  
9 netted out in performance.

10 MS. McCAGUE: Thank you.

11 CHAIRMAN SCHMITT: Any other questions for  
12 Dan?

13 All right. Thank you for being here today.  
14 We appreciate it.

15 MS. McCAGUE: Thank you, Dan.

16 MR. HOLMES: My pleasure. Thank you. I  
17 hope everyone has good holidays.

18 MR. KLAUSNER: Thank you. Enjoy the  
19 holidays. Safe travels.

20 MR. HOLMES: Thanks.

21 (Mr. Holmes exited the Board meeting.)

22 CHAIRMAN SCHMITT: All right. We'll move on  
23 with the agenda.

24 The next item is Personnel Committee.  
25 Recommendations from the committee.

1 MR. GLOVER: Okay. Personnel Committee --  
2 and we had some discussion about this earlier  
3 when our controller, Devin, was hired.

4 He was actually inadvertently put in the  
5 wrong step class. And we -- and I think when  
6 that happened, Mr. Keane indicated that we can go  
7 ahead and correct that when he finishes  
8 probation, which is the beginning of the year,  
9 January 1st.

10 And so what we are recommending is that we  
11 go ahead and do that. He's in 22 now, and at the  
12 end of January, we want to put him in 23. And  
13 that would be the first action. And just to  
14 bring it all in context, we also are further  
15 recommending that, you know, after we do that, we  
16 go ahead and make him CFO, Chief Financial  
17 Officer.

18 And this might take two actions. And, of  
19 course, when that happens, he will just move up  
20 to step class 24, which would be consistent with  
21 his duties and responsibilities in that area,  
22 because he actually is already performing many of  
23 the duties and responsibilities that John was  
24 doing consistent with the memo that you-all have.

25 CHAIRMAN SCHMITT: So the first motion is to

1 move from class 22 to class 23.

2 MR. GLOVER: January 1st.

3 CHAIRMAN SCHMITT: That's the motion. Do we  
4 have a second?

5 MR. PATSY: Educate me.

6 CHAIRMAN SCHMITT: Yes.

7 MR. PATSY: Can you go into a little more  
8 detail?

9 CHAIRMAN SCHMITT: With the city employees,  
10 they are set up in different classes, and the  
11 class basically dictates what pay range they can  
12 be in.

13 In this situation, Devin came over from the  
14 city. He was with city budget and class 22.  
15 He's actually functioning -- when he first came  
16 here, he should have been in class 23, but  
17 somehow he got classified as class 22.

18 MR. GLOVER: It was inadvertent.

19 CHAIRMAN SCHMITT: Since he's been here,  
20 we've given him additional responsibilities to  
21 include the duties of Chief Financial Officer,  
22 but we still have him as a class 22.

23 And since I've become chairman, I've loaded  
24 him up quite a bit with additional  
25 responsibilities. And as needed, you know, with



1 the retirement of John, some of those  
2 responsibilities had to go to different  
3 personnel. And Devin has stepped up every single  
4 time he's given additional responsibilities.  
5 He's done a very good job at that.

6 In addition to that, to remain competitive,  
7 I want to keep him here because I think it's  
8 beneficial to the Board to keep him here. In  
9 order to keep him there, we've got to keep him at  
10 a competitive pay scale.

11 MR. PATSY: That makes sense. Okay.

12 CHAIRMAN SCHMITT: I agree with your  
13 recommendation.

14 MR. GLOVER: Right. And so I would think,  
15 just to make it clean, that we do it in two  
16 steps. Okay? Put him in the correct class  
17 first, which will be effective January 1st, and  
18 then come back to CFO.

19 CHAIRMAN SCHMITT: So you want to do just  
20 class 22 to class 33 --

21 MR. GLOVER: First.

22 CHAIRMAN SCHMITT: First. Okay.

23 MS. McCAGUE: As of January 1st.

24 MR. GLOVER: As of January 1st.

25 CHAIRMAN SCHMITT: So that's the motion. Do

1 we have a second?

2 MR. PATSY: I'll second it.

3 CHAIRMAN SCHMITT: Any further discussion?

4 (No responses.)

5 CHAIRMAN SCHMITT: Bill, are you still with  
6 us?

7 MR. SCHEU: Yes, I am.

8 CHAIRMAN SCHMITT: Okay. All in favor?

9 (Responses of "aye.")

10 CHAIRMAN SCHMITT: Opposed?

11 (No responses.)

12 CHAIRMAN SCHMITT: So that passes.

13 MR. GLOVER: And, of course, the second step  
14 would be to -- as you have so correctly  
15 indicated, be consistent with his duties and  
16 responsibilities to move him to the status of  
17 CFO, Chief Financial Officer.

18 And that will also happen January 1st and,  
19 of course, that would be the appropriate next  
20 step additional increase to 24.

21 CHAIRMAN SCHMITT: All right. So the motion  
22 is to move from class 23 to class 24 to CFO  
23 January 1, 2016. That's the motion. Do we have  
24 a second?

25 MR. PATSY: Second.

1           CHAIRMAN SCHMITT: All right. We have a  
2 second. Discussion?

3           (No responses.)

4           CHAIRMAN SCHMITT: All in favor?

5           (Responses of "aye.")

6           CHAIRMAN SCHMITT: Bill? Mr. Scheu, are you  
7 still there?

8           We may have lost him.

9           MR. SCHEU: I'm still here. I had another  
10 call come in that wouldn't let me talk. I voted  
11 yes.

12          CHAIRMAN SCHMITT: All right. Great.

13          Opposed?

14          (No responses.)

15          CHAIRMAN SCHMITT: All right. The motion  
16 passes.

17          MS. McCAGUE: Congratulations.

18          CHAIRMAN SCHMITT: I expected to lose you  
19 when Dan was speaking, but not this portion.

20          MR. GLOVER: We want to initiate another  
21 conversation on MLPs.

22          (Laughter)

23          CHAIRMAN SCHMITT: All right. We'll move on  
24 to Old Business. The first item under Old  
25 Business is the 2015 Annual Retiree Pension Bonus

1 Calculation Report. That's 2015-10-2SM.

2 MS. McCAGUE: That's for information. Devin  
3 will speak to that.

4 CHAIRMAN SCHMITT: All right. The bonus  
5 calculation for the retirees.

6 MR. CARTER: This is attachment 2015-10?

7 CHAIRMAN SCHMITT: Yes.

8 MR. CARTER: Yeah. This is for information  
9 purposes only which we showed at the last  
10 meeting, but also to just touch base on that with  
11 the share plan, was that we had some of the  
12 questions come up that we just need to address.

13 CHAIRMAN SCHMITT: Just a summary on this.  
14 The pension plan receives approximately \$5  
15 million, a little bit more this year, in chapter  
16 funds that the allocation of which is up to the  
17 Board as to how much of that goes towards the  
18 Peyton bonus plan for the retirees and how much  
19 goes into the new share plan.

20 We had voted that almost \$2 million would go  
21 to the retirees. The remainder would go into the  
22 share plans. So this is showing that calculation  
23 comes out to \$1,999,746.59 that went to the  
24 bonus. We will show that as information  
25 purposes.

1           MR. TUTEN: Devin, was that bonus up here,  
2 the 2.63 percent, is that what it equated to for  
3 the retirees?

4           MR. CARTER: Yes. Because we're limited to  
5 2 million based on --

6           MR. TUTEN: Rounded up, it's almost 3-.

7           MR. GLOVER: Historically it has been pretty  
8 much level 3, right?

9           MR. CARTER: Yes.

10          CHAIRMAN SCHMITT: But with this share plan,  
11 we shifted a little bit more towards the current  
12 members.

13          MR. GLOVER: I know I won't be here, but we  
14 vote on that each year, right?

15          CHAIRMAN SCHMITT: Yes.

16          MR. GLOVER: Okay. Yeah.

17          MR. TUTEN: A quick note while we're on that  
18 subject for the chairman and Beth, while we're on  
19 this, members are starting to call me and ask  
20 about the share plan as far as how it's being  
21 implemented. You know, can they see their  
22 balance, all that good stuff.

23                 I, of course, don't have an answer for them  
24 at the moment. But I just wanted to alert, you  
25 know, you that we need to do something as far as,

1           you know, explain to them this is what it is,  
2           this is how much you've got, et cetera, et  
3           cetera, because that seems to be a very popular  
4           topic these days from the fire department.

5           MS. McCAGUE: Mr. Chairman, Devin might want  
6           to speak to that.

7           MR. CARTER: We are working with IT  
8           currently now, and we hope to have a system ready  
9           by January 30th.

10          MR. TUTEN: Okay.

11          MR. CARTER: So at least probably the first  
12          week of February they would be able to review  
13          that information.

14          MR. TUTEN: Okay.

15          MS. McCAGUE: But what we might want to do,  
16          Devin, is get an information piece out just  
17          saying that we're working on this and let them  
18          know when they would get their statement. We can  
19          get that out early in January.

20          MR. CARTER: Yes. And I will also go to  
21          Klausner's website and get some information about  
22          the share plan for them too, showing what it's  
23          all about.

24          MR. SCHEU: Yeah. I would think you would  
25          want to do it as of month end. So the December

1 31st date would probably be good.

2 MS. McCAGUE: I'm sorry. Repeat that,  
3 please, Bill.

4 MR. SCHEU: It would just seem to me the  
5 year-end statement, starting it, would be good  
6 and not mid-month. So that would sit well in  
7 January.

8 MS. McCAGUE: Well, the first statement will  
9 be January 31st, and it would be based on the  
10 fund balances as of 9/30.

11 CHAIRMAN SCHMITT: The first payment is set  
12 to come in in January. It will earn whatever the  
13 fund earns. So it won't impact how much each  
14 member earns or receives, but the accounting for  
15 it is still being set up through city ITD and  
16 that's obviously taking a little longer than we  
17 had hoped. But it won't impact their actual  
18 amount they receive or what they will earn. But  
19 we'll try to get those statements out by the end  
20 of January.

21 MS. McCAGUE: But we could get out just an  
22 informational piece about what to expect at the  
23 end of the month early in January.

24 Thank you.

25 MR. TUTEN: That's perfect. Thank you.

1 MR. PATSY: Is this something that we've  
2 already voted on in a previous meeting?

3 CHAIRMAN SCHMITT: Yes, yes.

4 MR. PATSY: Okay.

5 CHAIRMAN SCHMITT: All right. So move on to  
6 2015-10-5. Resolution to appoint fifth trustee  
7 to the Board of Trustees.

8 I would like to bring forward a nomination  
9 to appoint Mr. Willard Payne. Mr. Willard Payne  
10 is a local businessman. He's had over 35 years  
11 of hands-on experience managing 100 percent  
12 minority-owned businesses. He owned, I believe  
13 it was, four McDonald's restaurants back in the  
14 1990s here in Jacksonville.

15 He was the first African-American to own  
16 McDonald's franchises here in Jacksonville. He's  
17 been a part of this community for many, many  
18 years and has served on many boards, including  
19 Jacksonville Port Authority, the Gator Bowl  
20 Association, Jacksonville Chamber of Commerce,  
21 Sports Development Council, Jacksonville  
22 Community Development Foundation, JIA Community  
23 Redevelopment Agency, and many more. You can see  
24 on his résumé here.

25 I think his experience, his expertise in



1 business dealings, he would be a good asset to  
2 the Board and to the City. So I'm recommending  
3 him.

4 And he also has accepted -- if we vote to  
5 have him on the Board, he has accepted that  
6 nomination. Hopefully you-all have received his  
7 résumé ahead of time.

8 MR. PATSY: I've got it now.

9 CHAIRMAN SCHMITT: Your first time?

10 MR. PATSY: Yes. Educate me, because I was  
11 here for the November meeting and there were  
12 discussion of two other members. Have these two  
13 other members been excluded?

14 CHAIRMAN SCHMITT: What happened on the  
15 other two members is we couldn't get a second to  
16 vote on them as -- well, one of the members. We  
17 couldn't get a second to vote on him to be  
18 accepted.

19 The second member, Macksey, withdrew his  
20 application or nomination.

21 MS. McCAGUE: And we do need to get that in  
22 the record, that he withdrew his application.

23 CHAIRMAN SCHMITT: Yes. So he did withdraw  
24 his application. So this is a new nomination.

25 MR. PATSY: And what's the process that we

1 normally go through to select this fifth member?

2 CHAIRMAN SCHMITT: The four other members of  
3 the Board, a majority has to approve it, and then  
4 it goes to the City Council basically as a  
5 administerial approval.

6 MR. PATSY: Do we normally bring individuals  
7 in to meet them?

8 CHAIRMAN SCHMITT: Yes. He wasn't able to  
9 make it today, but, yes, we can.

10 My intention was for us to meet him ahead of  
11 time, but I just couldn't work it out.

12 MR. PATSY: So are we going to be asked to  
13 vote on this today, or are we going to be given  
14 the opportunity to meet with the individuals  
15 beforehand?

16 CHAIRMAN SCHMITT: Well, I would like to  
17 bring it up for a vote.

18 Mr. Scheu, are you familiar with Mr. Payne?

19 MR. SCHEU: I've known Willard Payne for  
20 many years.

21 CHAIRMAN SCHMITT: Okay. Rich, have you  
22 ever met Mr. Payne?

23 MR. TUTEN: I have not, no.

24 CHAIRMAN SCHMITT: Sheriff Glover obviously  
25 has been remaining on the Board at our request --

1 (Phone disconnected with Mr. Scheu.)

2 CHAIRMAN SCHMITT: Mr. Scheu, are you still  
3 there?

4 MR. GREIVE: No, he dropped off.

5 CHAIRMAN SCHMITT: Okay.

6 MR. KLAUSNER: We need him back because you  
7 need to vote.

8 CHAIRMAN SCHMITT: Yes.

9 MR. GREIVE: While we're waiting, can a  
10 current sitting trustee meet with a potential  
11 trustee ahead of time, a nominee?

12 MR. KLAUSNER: Yes, because he's not a  
13 public official until he's appointed.

14 Are you asking if that's a Sunshine problem?  
15 The answer is no.

16 MR. GREIVE: Okay. Good.

17 MR. KLAUSNER: Once he is appointed --

18 MR. GREIVE: Then it's an issue.

19 MR. KLAUSNER: Yeah. And I would also  
20 refrain from discussing how that person would  
21 vote on future matters. It's just a  
22 meet-and-greet.

23 MS. MANNING: Can you hear us okay?

24 MR. SCHEU: Yes. Sorry. I don't know what  
25 happened.

1 MS. MANNING: I'm not sure either.

2 MR. SCHEU: I was just saying I've known  
3 Willard for many years. He's an outstanding  
4 community citizen, businessman, very respected.  
5 And I would be willing to make the motion to --  
6 unless somebody else wants that honor, and then I  
7 don't know if Rick wants to -- Rick needs to be  
8 comfortable with him, but I can assure him that  
9 he would be a fine member.

10 CHAIRMAN SCHMITT: Okay.

11 MR. GLOVER: Well, I would like to speak too  
12 and clear it with counsel.

13 I agree with Bill's comment, and I would  
14 just add, Willard Payne has been stellar in this  
15 community. And I think his reputation -- if you  
16 look at his résumé here on boards, his reputation  
17 is certainly unquestionable in my mind. And, of  
18 course, with his experience on these prestigious  
19 boards is quite obvious and, in fact, as  
20 articulated in his résumé.

21 So with that, without hesitation or  
22 reservation, he has my ringing endorsement.

23 CHAIRMAN SCHMITT: And I guess a point of  
24 order here. Am I allowed to bring up the motion  
25 as the Chair?

1 MR. KLAUSNER: Sure.

2 CHAIRMAN SCHMITT: Okay. That is my motion,  
3 to bring Mr. Willard Payne on as the fifth  
4 trustee.

5 MR. SCHEU: I think actually the chairman  
6 can't make the motion. Somebody else would need  
7 to make the motion, which I indicated I would be  
8 willing to unless somebody else wants the honor  
9 of doing that.

10 MR. KLAUSNER: You know, you're the judge of  
11 your own rules of procedure, the Board is.  
12 You're not statutorily bound to Robert Rules of  
13 Parliamentary Procedure or Mason's Rules of  
14 Procedure or any of the other private  
15 associational rules.

16 We don't actually have rules. The Chair is  
17 the elected police officer on the Board at the  
18 present time. So all trustees are equal.

19 But if you want the Chair only to make a  
20 motion in some other circumstance, you can do  
21 that. But there's no legal prohibition to the  
22 Chair making a motion.

23 CHAIRMAN SCHMITT: I'll accept Trustee's  
24 Scheu's motion. I'll let him make the motion.  
25 And do we have a second?

1 MR. TUTEN: Second.

2 CHAIRMAN SCHMITT: Any discussion?

3 MR. PATSY: Yes. Can we make this -- I  
4 would like to meet this gentleman. And can we  
5 make it pending -- make it unanimous if we vote  
6 on it and everybody agrees on it, make it  
7 unanimous pending my opportunity to meet with  
8 him, and I can email the rest to Beth and she can  
9 distribute --

10 MS. McCAGUE: Perhaps we might need some  
11 advice. Maybe what we can do is have Mr. -- we  
12 need three of the five -- three of the remaining  
13 four to vote positive in order to approve this.

14 MR. KLAUSNER: All four of you have to vote  
15 either yea or nay.

16 MS. McCAGUE: We can't have one withhold?

17 MR. KLAUSNER: No, because if you're here,  
18 you can't abstain under the Sunshine Law unless  
19 you have a conflict of interest.

20 MR. PATSY: Okay.

21 CHAIRMAN SCHMITT: But you can -- if you  
22 vote to approve, I have no reason -- oh, I see.  
23 You want to meet him before he's appointed.

24 That's a -- you know, you can't -- once he's  
25 appointed, you would have to notice a meeting to

1 talk to him about the Board.

2 MR. PATSY: So you can't approve things via  
3 email?

4 MR. KLAUSNER: No. No. Unlike the  
5 corporate world -- actually, the City Council has  
6 to be -- but this would be the end of the  
7 Board -- for those who don't know, the selection  
8 of the fifth member is actually the Board's  
9 choice.

10 Now, the City Council has the ministerial  
11 act of approving it. They don't have the right  
12 to say no. They just -- I don't know why that's  
13 in the statute, but it is.

14 But once you've voted, you're done with your  
15 work, and I think to meet with him outside of a  
16 public meeting would risk a Sunshine violation  
17 that's not worth it.

18 MR. PATSY: Well, see, I can't meet with him  
19 once we approve him.

20 MR. KLAUSNER: Right.

21 CHAIRMAN SCHMITT: Well, that's -- that's  
22 not totally correct. You can meet with him. You  
23 just cannot discuss Board business.

24 MR. KLAUSNER: Right. I mean, you can have  
25 lunch with him, but you can't -- the likelihood

1 of the discussion straying into that area is  
2 high. There's actually several attorney general  
3 opinions that say if members of a board or  
4 commission happen to be at a social event  
5 together, they're allowed to talk to each other,  
6 but presumably the purpose of the conversation is  
7 to know more about him to assure yourself that  
8 you've made the right decision.

9 That, in my view, is going to get into  
10 reasons, you know, that -- you know, if you're  
11 going to approve him today, that that would  
12 probably be precluded.

13 MR. PATSY: All right. That's fine. I got  
14 it.

15 CHAIRMAN SCHMITT: Any further discussion?

16 (No responses.)

17 CHAIRMAN SCHMITT: So to appoint Mr. Willard  
18 Payne as a member of the Board of Trustees, is  
19 the motion. We have a second.

20 All in favor?

21 (Responses of "aye.")

22 CHAIRMAN SCHMITT: Opposed?

23 (No responses.)

24 CHAIRMAN SCHMITT: Passes unanimously.

25 MR. KLAUSNER: So, Mr. Chairman, what would



1 be appropriate is to send a letter to the  
2 president of the City Council, pointing out that  
3 you've appointed Mr. Payne as the fifth member,  
4 asking that he be placed on the council agenda.  
5 Hopefully we can get him confirmed before the  
6 January meeting so that --

7 MS. McCAGUE: Right. And what we have ready  
8 to go to council is a resolution --

9 MR. KLAUSNER: Perfect.

10 MS. McCAGUE: -- that they can put into  
11 their meeting for the first week of January.

12 MR. KLAUSNER: Excellent. And he will be  
13 able to be seated and Sheriff Glover will be  
14 officially relieved of this burden.

15 CHAIRMAN SCHMITT: And I want to touch on  
16 that. I know we talked about it before.  
17 Obviously --

18 MR. GREIVE: Honorably discharged, of  
19 course.

20 CHAIRMAN SCHMITT: -- you're probably  
21 feeling a very big relief, but we still certainly  
22 have benefited from your leadership on this  
23 Board. Thank you again. We really appreciate  
24 it.

25 MR. GLOVER: Thank you. I appreciate the

1 opportunity to serve. And it has nothing to do  
2 with anything other than the fact that my  
3 calendar is crazy. I appreciate the opportunity  
4 to serve. Thank you.

5 MS. MANNING: Larry, I'm sorry. Who was  
6 first and second on that?

7 CHAIRMAN SCHMITT: Mr. Scheu -- Trustee  
8 Scheu was first and I believe Tuten was second.

9 Mr. Scheu, are you still with us?

10 MR. SCHEU: Yes.

11 (Phone noise interruption.)

12 CHAIRMAN SCHMITT: We're getting about every  
13 other word.

14 (Phone connection stopped.)

15 CHAIRMAN SCHMITT: All right. The next item  
16 on the agenda is 2015-10-1SMC. John Keane  
17 Transition Agreement. See the attachment.

18 This is the new agreement for -- between the  
19 Board and John Keane. It runs through January  
20 31st.

21 Basically the change in this one reduces or  
22 puts a cap on the total number of hours. 24  
23 hours per week for the next nine weeks. There is  
24 some flexibility. We can pay him more hours in  
25 one week and less in the next week; but, overall,

1 in that full nine-week period, we will not pay  
2 him more than 24 hours total per week.

3 MR. TUTEN: Do we need a motion?

4 MR. KLAUSNER: You need a motion to approve.

5 MS. McCAGUE: To ratify the agreement.

6 CHAIRMAN SCHMITT: Do we have a motion?

7 MR. TUTEN: Yeah. I'll make one.

8 MR. GLOVER: Second.

9 CHAIRMAN SCHMITT: Second.

10 Any further discussion?

11 (No responses.)

12 CHAIRMAN SCHMITT: All in favor?

13 (Responses of "aye.")

14 CHAIRMAN SCHMITT: Opposed?

15 (No responses.)

16 CHAIRMAN SCHMITT: Passes.

17 The next item is 2015-11-5, the Independent  
18 Contractor Agreement between the Board and Beth  
19 McCague as Interim Executive Director, Plan  
20 Administrator.

21 I believe you-all have received a copy of  
22 this ahead of time. Hopefully you've had a  
23 chance to review it. Again, we need a motion on  
24 this to approve it.

25 MR. TUTEN: Anybody make a motion yet?

1 MR. GLOVER: Yeah. I'll move it.

2 MR. TUTEN: I'll second.

3 CHAIRMAN SCHMITT: Motion from Sheriff  
4 Glover, second by Trustee Tuten.

5 Discussion on this?

6 (No responses.)

7 CHAIRMAN SCHMITT: All right. All in favor?

8 (Responses of "aye.")

9 CHAIRMAN SCHMITT: Opposed?

10 (No responses.)

11 CHAIRMAN SCHMITT: Passes.

12 MS. McCAGUE: Thank you.

13 CHAIRMAN SCHMITT: Under New Business, the  
14 first item under Legal, Update on lawsuit of City  
15 of Jacksonville versus PFPF Board of Trustees and  
16 John Keane.

17 MS. McCAGUE: I'll just give a quick report  
18 on that.

19 The Board did engage Jake Schnickel to  
20 defend the Board in this process. We are  
21 checking in regularly with Jake Schnickel, who is  
22 checking in with the attorney at the Office of  
23 General Counsel. And we understand that a  
24 general settlement has been reached and the  
25 agreement is making its way through City Hall and

1 City Council.

2 That's the only update I have at this point.

3 MR. KLAUSNER: Just for our new Board  
4 member, we engaged additional counsel on that  
5 because with my tenure with the Board, I'm a  
6 witness to some of the institutional and  
7 historical events. And I informed the Board that  
8 it would be a conflict for me to represent the  
9 Board when I'm also a witness about fact issues.

10 CHAIRMAN SCHMITT: Okay. We will show that  
11 for information purposes received.

12 Next item, 2015-12-3, email to OGC regarding  
13 future legal services.

14 I sent an email to Jason Gabriel, reference  
15 the obvious conflict of interest with OGC being  
16 the attorneys that are suing the Police and Fire  
17 Pension Fund related to the loss we previously  
18 mentioned.

19 And with that built-in conflict, I  
20 recommended that OGC not do any additional work  
21 for the Board except for, as we mentioned before,  
22 the public-records-request type of work to avoid  
23 that conflict for the attorneys working for OGC  
24 and trying to do work for the pension plan.

25 So, again, that's shown for information

1 purposes.

2 MR. TUTEN: May I ask Bob a quick question?

3 CHAIRMAN SCHMITT: Yes.

4 MR. TUTEN: Mr. Gabriel made a point here  
5 that says that special law may trump statutory  
6 provisions of general law in the state.

7 Are there provisions where a local law with  
8 the city would actually trump a state law?

9 MR. KLAUSNER: There are circumstances in  
10 which a local law can trump a state law; however,  
11 chapters 175 and 185 make it clear that the  
12 legislature has preempted that subject to itself,  
13 and it says that a Board of Trustees for the  
14 Police and Fire Pension Fund can use the  
15 municipal legal department on terms satisfactory  
16 to the Board.

17 There are places where I work with city  
18 attorneys and we do some stuff and they do some  
19 stuff, or there are places where we don't do --  
20 you know, where we do all of it. I mean, it's up  
21 to you. You're the client.

22 But the local law that actually is the  
23 latest in time and the most specific is Article  
24 22 of the City Charter, which is two special acts  
25 of the legislature creating this Board. And it

1 says you have the right to hire your own lawyer  
2 and that any charter provision in conflict is  
3 repealed.

4 CHAIRMAN SCHMITT: Part of the other side of  
5 the argument is that the charter would allow us  
6 to still use the OGC attorneys, even though  
7 they're suing us.

8 And my view of that is, even if it would  
9 allow it, I don't see a reason why we would do it  
10 with that conflict of interest. To me it's not  
11 in the best interest of the members of the fund  
12 to hire the attorneys who sue us.

13 MR. PATSY: But once this case is resolved,  
14 then we start over?

15 CHAIRMAN SCHMITT: Well, in the Pension  
16 Reform Agreement, in there it specifies that we  
17 will use OGC for nonpension issue-related  
18 services, such as a building contract or public  
19 records. Those nonspecific pension-related legal  
20 issues.

21 But for specific pension issues, we will  
22 continue to hire our own attorney.

23 MR. PATSY: Wouldn't it be more  
24 cost-effective to use OGC, though?

25 CHAIRMAN SCHMITT: In some cases, possibly.

1 But we continue to run into the conflicts of  
2 interest with using OGC. They don't always see  
3 those pension issues the same way the Board sees  
4 it. And to keep that independence, we've  
5 retained the right, and it's in the statutes, for  
6 us to be able to hire our own legal counsel for  
7 pension specific-related issues.

8 MR. PATSY: My experience with the City's  
9 plan, we had OGC and we also had --

10 MR. KLAUSNER: I'm still around.

11 MR. PATSY: -- outside counsel --

12 CHAIRMAN SCHMITT: Right.

13 MR. PATSY: -- and I've always had good  
14 experience with OCG. It's always proved to be  
15 pretty cost effective. And whenever we  
16 encountered an issue that was beyond their scope,  
17 you know, we obtained outside counsel.

18 CHAIRMAN SCHMITT: And like I said, on  
19 all -- and it's in the new agreement that all of  
20 those nonspecific -- pension-specific issues, we  
21 will use OGC, and I think we will go back to that  
22 once this is resolved.

23 MR. PATSY: Okay.

24 MR. KLAUSNER: If I could, Mr. Chairman,  
25 because Trustee Patsy hadn't heard the earlier



1 discussion, I fully have recommended using OCG  
2 for commercial matters. You know, things related  
3 to our building, other types of real estate  
4 things, and for public records because I thought  
5 it was more cost effective for the Board to do  
6 that.

7 I'm the pension specialist and recommended  
8 that matters that fall within that area of the  
9 law is where my specialty lies.

10 MR. PATSY: Right. So when you say  
11 "pension-related issues," do you mean pension  
12 benefit-related issues or something like, are we  
13 referring to contract negotiations with outside  
14 managers or, you know, what's the scope?

15 MR. KLAUSNER: That's a perfect example. I  
16 don't do vendor contracts.

17 MR. PATSY: Okay.

18 MR. KLAUSNER: Now, investment contracts,  
19 yes. Those come to me, particularly the more  
20 complex ones, where, like, limited partnerships  
21 are involved.

22 MR. PATSY: Sure.

23 MR. KLAUSNER: And benefit issues come my  
24 way or constitutional issues related to your  
25 fiduciary duties.

1           What I would call general legal services,  
2           which are -- you gave a perfect example -- vendor  
3           contracts, I think it's easier to use OGC. I  
4           have an excellent working relationship with them.  
5           And as you mentioned, I handle those types of  
6           specialty items for the city retirement system  
7           and have been for 15 years probably.

8           MR. PATSY:   Okay.   Good.

9           CHAIRMAN SCHMITT:   Any further discussion on  
10          that one?

11          (No responses.)

12          CHAIRMAN SCHMITT:   Okay.   We'll show that as  
13          received for information purposes.

14          The next item is a letter from me as  
15          chairman to Klausner's firm. In light of the  
16          negative publicity related to the Siedle report,  
17          I found it appropriate to ensure Mr. Klausner's  
18          other pension clients that we as a board still  
19          have confidence in the Klausner firm,  
20          specifically Mr. Klausner himself.

21          We are happy with the service he has  
22          provided and continue to be happy with the  
23          service he has provided. So we'll show that --

24          MR. KLAUSNER:   This month marks 27 years.  
25          And I appreciate -- sorry, 28.

1           CHAIRMAN SCHMITT: We'll show that one for  
2 informational purposes as well.

3           The next matter is the Tower Group  
4 settlement, 2015-12-5.

5           MR. KLAUSNER: Yes. That's one of our  
6 securities litigation cases which is -- you know,  
7 the Board doesn't -- isn't billed fees for. It's  
8 a class action where we were holder of Tower  
9 stock.

10           Tower was the parent -- I've given some  
11 correspondence on this previously. For  
12 Mr. Patsy, they were an umbrella organization  
13 over a bunch of insurance companies. And they  
14 were funneling money down to the subsidiaries,  
15 and Tower underreported the value of its reserve,  
16 of its own reserves.

17           And when that misstated accounting became  
18 public, the Tower stock value dropped  
19 considerably. Tower -- actually, the parent --  
20 the umbrella company was effectively insolvent;  
21 but we were able, together with several other  
22 pension funds -- a Danish fund, Kansas City --  
23 the City of Kansas City Retirement System, and  
24 two Taft-Hartley funds, which are private sector  
25 trade association pension funds -- able to

1 negotiation a resolution from their insurance  
2 carrier of 22 1/2 million.

3 The reason it was on for a report is because  
4 the claim form came in, and I've reviewed what to  
5 do with Devin to make sure that we got our claim  
6 filed by December 28th.

7 MR. PATSY: So let me make sure I've got  
8 this.

9 It was a \$23 million settlement. What was  
10 our portion of that settlement?

11 MR. KLAUSNER: It will depend on the size of  
12 our loss, which I think was close to -- I think  
13 170-something thousand, how many people fill out  
14 a claim form, because these are -- it's  
15 essentially a nonrecourse pool --

16 MR. PATSY: So we -- it's indeterminate yet?

17 MR. KLAUSNER: The claim period ends on the  
18 28th. Everybody has to send in their forms, and  
19 whatever is there is there.

20 There is a part of the case that is  
21 continuing against the former auditors for Tower  
22 who are more solvent than the company and against  
23 some individuals. So we hope to be able to  
24 recover more for the class.

25 CHAIRMAN SCHMITT: And just to give you a

1 little more overview, I believe it works the same  
2 on the city pension side. These lawsuits, when  
3 they arise, Mr. Klausner's firm takes those on on  
4 a contingency basis. We don't -- the fund does  
5 not pay them for -- while this is going on.

6 So if it goes through the entire process,  
7 and however much time they spend on it, if the  
8 court decides there is no settlement, they eat  
9 those -- that cost. We still don't pay them.  
10 The only time they get paid -- Klausner's firm  
11 gets paid is if the lawsuit -- the judge orders a  
12 settlement.

13 And out of that settlement a portion goes to  
14 the investors, which is the fund, and a portion  
15 goes to the attorneys. And the courts decide how  
16 much the attorneys get and which attorneys get  
17 how much out of that portion.

18 So when -- we don't have any discretion over  
19 how much the attorneys get paid. That's all up  
20 to the courts. Our benefit is while that's going  
21 through an entire process, the fund doesn't have  
22 to pay any money to the attorneys during that  
23 entire process.

24 MR. PATSY: All right. So do you do  
25 securities litigation as well?

1 MR. KLAUSNER: Yes, sir.

2 MR. PATSY: Okay. Because I -- the way I've  
3 always worked it, we've always used our custodian  
4 to do those and they track it and file a claim,  
5 and we've never used securities litigation.

6 With the city, we just engaged three  
7 litigations firms. We don't use Bob's firm to do  
8 that. Or we didn't use them.

9 MR. KLAUSNER: We work with five securities  
10 litigation firms. I generally sign on all the  
11 pleadings. I read all the pleadings. I go to  
12 all the hearings. I go to the mediation, because  
13 I want to be sure that as a lead plaintiff, that  
14 we're fulfilling our duties to the class as a  
15 whole. And I do not bill the fund for my time.

16 MR. PATSY: Okay. When one of these cases  
17 comes up, is it brought to the Board first?

18 MR. KLAUSNER: Usually the -- well, you have  
19 a detailed securities litigation policy which the  
20 Board had for expediency -- time -- some of these  
21 are very time sensitive.

22 So they've left it to the executive director  
23 and I, but if there is an opportunity for  
24 settlement, it comes back here.

25 MR. PATSY: Okay. Thank you.

1 MR. KLAUSNER: No problem.

2 CHAIRMAN SCHMITT: And it's 10:34. Let the  
3 record reflect that Trustee Glover had to leave  
4 the meeting. We still have a quorum.

5 (Mr. Glover exited the Board meeting.)

6 MS. McCAGUE: Do we still have Mr. Scheu or  
7 has Mr. Scheu exited?

8 CHAIRMAN SCHMITT: Mr. Scheu --

9 MR. KLAUSNER: Is Mr. Scheu still here?

10 CHAIRMAN SCHMITT: I believe we lost  
11 Mr. Scheu on the phone as well, but we still --

12 MR. KLAUSNER: You still need three. And  
13 any votes that you have for now on have to be  
14 unanimous.

15 CHAIRMAN SCHMITT: I don't think we have any  
16 other items that will require a vote.

17 The next item is 2015-12-6, Policies and  
18 Procedures regarding the Share Plan.

19 MS. McCAGUE: We really covered that as a  
20 result of Mr. Tuten's question earlier.

21 Devin, did you have anything else to add  
22 there?

23 MR. TUTEN: I forgot to ask, are you going  
24 to mail out a statement to each member, or are we  
25 just going to have them log on?

1 MS. McCAGUE: What we're hoping to do -- I'm  
2 ahead of us here, but what we're hoping to do is  
3 send an electronic statement.

4 MR. TUTEN: Okay.

5 MS. McCAGUE: That's what we're hoping to  
6 do.

7 MR. KLAUSNER: That would be the best way.

8 MR. CARTER: If we can, we probably can link  
9 it to our current system. So, again, that's the  
10 goal.

11 MR. KLAUSNER: Remember, as you send  
12 electronics, we need to be careful about Social  
13 Security numbers and anything which could be an  
14 identify-theft identifier.

15 MR. CARTER: It will have their employee ID  
16 number on it.

17 MR. KLAUSNER: That's fine. That's not  
18 going to hurt.

19 CHAIRMAN SCHMITT: Every member of the share  
20 plan is an active employee. So we should have  
21 current email address for each.

22 MR. KLAUSNER: So use the city employee ID  
23 number?

24 MR. CARTER: Uh-huh.

25 MR. KLAUSNER: As long as it's not a Social



1 Security number.

2 MR. TUTEN: Now, they'll earn what the  
3 fund -- is that going to be gross of fees or net  
4 of fees? Just curious.

5 CHAIRMAN SCHMITT: Net.

6 MR. GREIVE: Net of fees. It could be  
7 positive or negative.

8 MR. KLAUSNER: Yes.

9 MR. TUTEN: Just trying to get a little  
10 extra here.

11 MR. KLAUSNER: The share accounts are a  
12 defined contribution feature in the plan. So it  
13 rises or falls with the market.

14 MS. McCAGUE: But as Devin works through the  
15 issues that come up about the share plan, then  
16 we'll be coming back to the Board with any new  
17 policy you think needs to be written and  
18 approved, and that will be over the course of the  
19 next month.

20 MR. PATSY: Can you bring me up to speed at  
21 some juncture on the plan -- the policies and  
22 procedures for this?

23 MS. McCAGUE: For the share plan, yes. It's  
24 brand new to us. It comes out of the June 2015  
25 pension reform council ordinance. And so, yes,

1 and as Devin has shared, we're learning and we  
2 know what the plan should be, but it's always the  
3 devil is in the details.

4 So questions come up and we need to figure  
5 out what the policy will be to address them.

6 MR. KLAUSNER: Mr. Patsy, this is also a  
7 product of a general state-wide law on this  
8 subject, Senate Bill 172.

9 If you go on our law firm website,  
10 there's -- under Legal Resources, there is a  
11 detailed analysis of the bill and then a  
12 Frequently Asked Questions about how these plans  
13 work.

14 MR. PATSY: Okay.

15 MR. KLAUSNER: It asks you what your name is  
16 when you go on, but you don't have to tell it.

17 CHAIRMAN SCHMITT: All right. The next item  
18 is the Draft of Standard Procedures Manual  
19 updating the frequent flyer travel awards.

20 Since we only have us three, I'm going to go  
21 ahead and defer that vote until the next meeting  
22 in January.

23 Next item 2015-12-8, it's a letter to the  
24 state attorney in reference to an individual who  
25 continued to cash checks from a deceased member.

1           We sent that to the state attorney's office  
2           for prosecution. We'll show that for information  
3           purposes.

4           MR. KLAUSNER: It is, unfortunately, a  
5           common occurrence throughout the country.

6           CHAIRMAN SCHMITT: And we do have procedures  
7           in place to detect that. Obviously it worked in  
8           this case, but we're still trying to get the  
9           funds back from that individual.

10          Next item is 2015-12-12, the Analysis of the  
11          DROP Enrollment Statistics. We'll show that  
12          received for informational purposes.

13          2015-12-13, Interim Executive Director  
14          projects and upcoming items.

15          MS. McCAGUE: I will make this quick. First  
16          of all, thank you again for the opportunity. I  
17          am enjoying my time here.

18          I wanted to officially share with the Board  
19          members my four initial goals.

20          Number 1, clearly, is the safety and  
21          soundness of the fund itself.

22          Number 2 is, restore healthy relationship  
23          between the fund and city officials, and I use  
24          "city officials" term broadly, meaning the  
25          elected officials as well as the staff, as well

1 as leaders in the business community.

2 And fourth -- third, of course, is to  
3 improve the efficiency and transparency of the  
4 fund.

5 And fifth is to find you a great permanent  
6 director.

7 So we're making some progress on numbers --  
8 especially 2 and 3, and the Board is helping to  
9 make sure that, number one, health and safety  
10 soundness of the fund stays very good.

11 So there's a lot to do here. Again, I will  
12 publicly say, the staff that is here does a --  
13 knows their job. They do a very good job and are  
14 dedicated to our actives and our pensioners. And  
15 I'm grateful for their work and support.

16 Just a -- this is a big thing. Our internal  
17 auditors are now off campus. They greeted me  
18 when I came and they've been here for a while,  
19 and that takes a lot of staff time to get them  
20 what they need, but they are now finishing up  
21 their audit. We should have it right after the  
22 first of the year.

23 MR. CARTER: Yes.

24 MS. McCAGUE: So Joey will get that to you  
25 as it comes in and is approved by our Board.

1           We've talked about working with the ITD at  
2           the City Hall about the share plan, so that is  
3           coming along very well.

4           The other thing that I would say, and this  
5           goes to efficiency and transparency of the  
6           organization, an effort that the Board has pushed  
7           over the last months is imaging and taking our  
8           paper records digital.

9           This is a big project for this organization.  
10          Everybody is now ready for it. And at the  
11          February meeting we will have a recommendation to  
12          you on our vendor of choice. And I will tell  
13          you, this is highest on my priority because it  
14          makes a difference in how we will do our work,  
15          how we will be able to respond to requests from  
16          the public for information, and just will take us  
17          where we need to be.

18          But this will require a tremendous amount of  
19          work over the first -- at least the first three  
20          or four months over the year. So we look forward  
21          to bringing that final recommendation to you in  
22          January.

23          And unless there are other questions, that's  
24          my report.

25          MR. GREIVE: Mr. Chair --

1           CHAIRMAN SCHMITT:  Yes.

2           MR. GREIVE:  -- if I may just ask a quick  
3 question on number four.

4           I think at one of the most recent meetings  
5 we talked about bringing in an executive search  
6 firm to help with that process.

7           Is there any update on that, or is that more  
8 of a Personnel Committee thing?

9           MS. McCAGUE:  I am working with the  
10 Personnel Committee -- Mr. Chairman, may I answer  
11 that?

12          CHAIRMAN SCHMITT:  Yes, please.

13          MS. McCAGUE:  First of all, I will tell you  
14 that I have reviewed the 22 applications that  
15 were filed with the city after it was announced  
16 that the candidate had withdrawn.  And of those  
17 22, only three even had any public pension  
18 experience.  So this is a job that requires  
19 specific experience.

20          I have recommended to the Personnel  
21 Committee that we delay hiring a search firm,  
22 hoping that the settlement of -- a settlement of  
23 the suit between the city to the fund will be  
24 settled.

25          I believe that that suit is a problem when

1 we try to recruit, and if we're close to getting  
2 it settled, I want to get it settled so that we  
3 have a clean slate as we're hiring a director.

4 MR. GREIVE: Okay. That makes sense.

5 MR. KLAUSNER: There is a huge generational  
6 turnover in the public pension industry.

7 You know how sometimes we see, like, big  
8 groups of police or fire go out because there  
9 happened to have been a large recruiting class.

10 We're seeing that there are more than a  
11 dozen good-sized public pension plans that are in  
12 the search for a CEO. And so we're competing  
13 against that market --

14 MR. GREIVE: For the talent.

15 MR. KLAUSNER: I'm sorry?

16 MR. GREIVE: For the talent.

17 MR. KLAUSNER: For the talent. And a lot of  
18 people either had specific succession plans and  
19 hired from within. So it's -- you've got a tough  
20 market. I mean, you happen to be in an  
21 attractive city in terms of the place to live and  
22 the weather.

23 The interim director's observations about  
24 calming the waters will be helpful in attracting  
25 a permanent director.

1 MS. McCAGUE: Would you like me to go ahead  
2 with the Financial Advisory Committee update?

3 CHAIRMAN SCHMITT: Yes, please.

4 MS. McCAGUE: I'm happy to report we had our  
5 second orientation session with our Financial  
6 Investment Advisory Committee. That is a  
7 five-member group, also required under the  
8 pension reform in June of this year by the City.

9 We have five great members.

10 MS. MANNING: Mr. Scheu --

11 MS. McCAGUE: Thank you, Bill, for being  
12 there yesterday. Dan Holmes came. We met for an  
13 hour and a half. Joey came for a short time.  
14 Paul was there with us the whole time. I will  
15 tell the trustees --

16 MS. MANNING: Can you hear, Mr. Scheu?

17 MR. SCHEU: Yes, I can. Can you hear me?

18 MS. MANNING: Yes.

19 MS. McCAGUE: -- this is a big  
20 responsibility, and we are going to get them  
21 educated on the processes. And they will -- they  
22 take their job very seriously, and we're going to  
23 be working with them, continue to orient them.

24 Their names and backgrounds will be before  
25 City Council at the same time the fifth trustee



1 will be at the first of the year.

2 So they will officially be approved and then  
3 they will start. And you will be looking to them  
4 to advise you before you make allocation  
5 decisions or specific investment decision.

6 As the ultimate fiduciary trustees, it is  
7 still your decision, but you will look to them,  
8 and they are taking that role very seriously.

9 CHAIRMAN SCHMITT: Thank you for that  
10 report.

11 We'll move on to the next item, 2015-5-2,  
12 Monthly Financial Report and Salary and Benefits  
13 Projection.

14 I asked Devin just to take a look at our  
15 personnel costs with the retirement of Mr. Keane  
16 and bringing him in as a consultant, and  
17 obviously Beth as executive director.

18 I wanted to make sure we were still within  
19 our parameters budget-wise for our personnel  
20 costs.

21 Devin, from your analysis here, it looks  
22 like we're well within the budget projections for  
23 the remainder of the year.

24 MR. CARTER: Yes.

25 CHAIRMAN SCHMITT: So we'll show that for

1 informational purposes.

2 Next item is 2015-12-17 --

3 MR. SCHEU: Mr. Chairman, can I ask a  
4 question about the budget analysis?

5 CHAIRMAN SCHMITT: Sure.

6 MR. SCHEU: I looked at these last night.  
7 It looks like the format is the budget for the  
8 entire year, the actual year-to-date and the  
9 balance.

10 Do we get financial reports where -- like  
11 other organizations where you have a monthly --  
12 year-to-date actual monthly budget and  
13 year-to-date budget? That would be helpful.

14 MR. CARTER: Yes, I can make it -- that's  
15 what it is, but I can make it much more detailed  
16 if you'd like. I plan on doing that quarterly,  
17 because as you can see, we only currently use 3  
18 percent of our total budget, and since we get our  
19 money managers' invoices quarterly, you will see  
20 much more of that in the next meeting.

21 CHAIRMAN SCHMITT: Trustee Scheu, are you  
22 saying you prefer to have one each month at the  
23 monthly meeting?

24 MR. SCHEU: At the monthly meeting where you  
25 just know month-to-month where you are

1 year-to-date, not just on the aggregate. I  
2 realize some of that is a timing issue where you  
3 might spread insurance -- for example, insurance  
4 costs over the year on an equal basis, which  
5 doesn't really reflect how they're paid out, but  
6 it does give you a monthly idea of where you  
7 stand on the budget.

8 MS. McCAGUE: Mr. Scheu, as Devin said, what  
9 you will see will be very lumpy because the  
10 investment manager fees are on a quarterly basis.  
11 So they're not -- as long as you understand that.

12 MR. SCHEU: I see. Yes.

13 MS. McCAGUE: As long as you-all understand  
14 that. But, yes, we can do that.

15 MR. CARTER: Yes.

16 MR. SCHEU: Sure. Well, even if we did it  
17 on a quarterly basis, if we had the  
18 quarter-to-date of actual and budget instead of  
19 having to look through the whole year.

20 MR. CARTER: Yes.

21 MS. McCAGUE: Okay.

22 CHAIRMAN SCHMITT: Okay. Any further  
23 discussion on that?

24 (No responses.)

25 CHAIRMAN SCHMITT: Show that received as

1 information.

2 The next item is the 2015-12-17, 2016 PFPF  
3 Holiday Meeting Schedule. And, again, we will  
4 show that received as information purposes.

5 Next item, 2015-12-18, Recommendations from  
6 Trustee Scheu and discussion.

7 Trustee Scheu.

8 MR. SCHEU: Yes. I don't have that on the  
9 agenda that was circulated last night. From what  
10 I understood from talking to Beth either  
11 yesterday or the day before, we have some  
12 contracts that expire at the end of the month --  
13 end of the fiscal year, which would be in  
14 September. So this is really premature.

15 But I just wanted to get the notion before  
16 the Board that we ought to be reviewing in some  
17 timely basis the legal and actuarial services and  
18 testing those on some frequency as far as other  
19 qualified people.

20 So that, for example, every two years or  
21 three years or even every year we send an RFP out  
22 seeking legal services, for example, and we would  
23 evaluate both costs and quality, and then decide  
24 whether to go forward.

25 I've discussed this with Mr. Klausner, and

1 he and I have a good understanding about it. He  
2 has no objection to that.

3 But it's probably premature to do that since  
4 the contract doesn't run out until September.  
5 You review your auditors every so many years and  
6 you review your other special consultants every  
7 so often.

8 MR. KLAUSNER: We have other client  
9 relationships where either they're statutorily  
10 mandated in other states to do it every five  
11 years. Some just do it as a matter of course.

12 I didn't take it -- Mr. Scheu and I spoke  
13 about it. I didn't take it nor did he tell me it  
14 was intended as any expression of  
15 dissatisfaction. He just saw it --

16 MR. SCHEU: That's correct.

17 MR. KLAUSNER: -- as a business control  
18 measure. I'm not offended.

19 MS. MCCAGUE: Perhaps the way to approach  
20 this would be maybe early in the year we could  
21 take a look since there is not a policy, as far  
22 as I know, on how often we would review  
23 contracts.

24 Maybe we should take a look at our building  
25 policy and determining if we -- how frequently we

1 think it's wise to review contracts or bid  
2 contracts.

3 MR. KLAUSNER: I actually have some from  
4 other places I can send.

5 CHAIRMAN SCHMITT: Okay.

6 MS. McCAGUE: Okay.

7 MR. SCHEU: It relates also to my concern  
8 about -- this may not be shared by everybody, but  
9 the way I -- I'm just a big believer in the  
10 Charter of the City of Jacksonville and the way  
11 the independent boards and agencies relate to the  
12 Office of General Counsel.

13 I think -- and Bob and I've talked about  
14 this also, but generally speaking, the OGC should  
15 provide legal services, and it's only when you  
16 need specialized legal services that you would  
17 ask for special counsel.

18 I know that there's a conflict in the  
19 charter as far as the powers of the Board, but it  
20 seems to me that's the philosophy of the  
21 consolidated government, you know, to follow  
22 that.

23 I do have an issue, as I think Larry did  
24 too, with the General Counsel's Office  
25 representing us while they're suing us, and I'm

1 not sure how appropriate that is.

2 CHAIRMAN SCHMITT: We had a little  
3 discussion on that when we lost you on the phone.  
4 But, yeah, I agree with your assessment on that,  
5 a little of a problem there. And we will  
6 readdress that hopefully in the near future when  
7 that lawsuit is settled.

8 In the meantime, we will continue to operate  
9 using OGC for our public records mainly, and  
10 anything specifically related to the pension, we  
11 will continue with our private attorney.

12 MR. SCHEU: Sure. That's fine.

13 CHAIRMAN SCHMITT: Okay. Any further  
14 discussion on that item?

15 (No responses.)

16 CHAIRMAN SCHMITT: All right. Last item,  
17 2014-11-10, Records Retention.

18 MS. McCAGUE: That's the imaging project  
19 that I really already addressed.

20 But if I just might mention one other thing,  
21 and that is that on January 5th, our actuary,  
22 Jarmon Welch, will be here to present the  
23 actuarial report. So I would like to know what  
24 the trustees -- I know Chairman Schmitt's got it  
25 on his calendar.

1           Are you-all interested in coming to that  
2 meeting? And if so, we will post that as an  
3 official workshop and give it the public notice.

4           MR. PATSY: What's the date again?

5           MS. McCAGUE: January 5th.

6           MR. PATSY: What time?

7           MS. McCAGUE: 10:00.

8           MR. TUTEN: What was it, January 2nd?

9           MS. McCAGUE: 5th, Tuesday.

10          MR. PATSY: I would like to be here, but I  
11 can't. I've got a conflict.

12          MR. CARTER: Is this the official report or  
13 is this when him and Kelly are coming up to walk  
14 you through the report and then do the official  
15 report to the Board?

16          MS. McCAGUE: Right. It will be walking  
17 through the report, but it's not for the --  
18 obviously not for the Board approval.

19          MR. CARTER: Okay.

20          MS. McCAGUE: But I just want to make sure  
21 that we announce that, and any trustees who want  
22 to come, let us know. So if there's more than  
23 one, we will issue the public notice.

24          MR. PATSY: Is there any feasibility of  
25 changing that meeting to the afternoon?



1 MS. McCAGUE: Yes.

2 MR. PATSY: Okay. If it's in the afternoon,  
3 I can do that.

4 MS. McCAGUE: Okay. I'll check with the  
5 chairman, but I know the actuary is available all  
6 that day.

7 MR. PATSY: Okay. That's good.

8 CHAIRMAN SCHMITT: All right. That was the  
9 last item on the agenda.

10 I just want to take a few minutes and thank  
11 the staff here at the fund for all their hard  
12 work. It's been a wild year, obviously, and a  
13 lot of interesting issues have been coming up.  
14 And you-all have handled it very well, very  
15 professional. You've put in a lot of hours, a  
16 lot of hard work, and I want to make sure you-all  
17 know that it's very much appreciated.

18 So thank you. I wish you-all a Happy New  
19 Year and a less stressful New Year.

20 I would also like to welcome our new Board  
21 member, Mr. Patsy. I think he's going to be a  
22 great addition to us. He's already bought up  
23 some interesting questions. So I think that's a  
24 sign of things to come, and we're going to  
25 benefit greatly from having him here.

1           And, also, this has been three weeks now?

2           MS. McCAGUE:   Going on it, yes.

3           CHAIRMAN SCHMITT:   For Ms. McCague.   She's  
4           done a fantastic job.   Since she's been here,  
5           she's been making the rounds, meeting a lot of  
6           people, getting her head wrapped around this  
7           whole pension issue, and she's really taking it  
8           head on and done a fantastic job in the amount of  
9           time that she's been here.

10           And, lastly, thank you all for your  
11           continued hard work and efforts here.

12           Joey, I know you do a lot of work for us  
13           behind the scenes.   We do appreciate it.   The  
14           amount of work that you do for us reducing those  
15           fees is a direct benefit to our members and the  
16           city.   So thank you also.

17           MR. GREIVE:   Thank you.

18           CHAIRMAN SCHMITT:   Everybody else, Merry  
19           Christmas and Happy New Year.

20           We are adjourned.

21           (The Board meeting concluded at 10:56 a.m.)

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## 1 CERTIFICATE OF REPORTER

2  
3 I, Denice C. Taylor, Florida Professional  
4 Reporter, Notary Public, State of Florida at Large,  
5 the undersigned authority, do hereby certify that I  
6 was authorized to and did stenographically report the  
7 foregoing proceedings, and that the transcript, pages  
8 3 through 98, is a true and correct computer-aided  
9 transcription of my stenographic notes taken at the  
10 time and place indicated herein.

11 DATED this 4th day of January, 2016.

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13 \_\_\_\_\_  
14 Denice C. Taylor, FPR  
15 Notary Public in and for the  
16 State of Florida at Large

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