

1 CITY OF JACKSONVILLE POLICE AND FIRE  
2 PENSION BOARD OF TRUSTEES

3 MEETING AGENDA - NOVEMBER 21, 2014  
4 RICHARD "DICK" COHEE BOARD ROOM

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5 DATE: November 21, 2014

6 TIME: 9:00 a.m. to 11:30 a.m.

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

10 BOARD MEMBERS PRESENT:

11 Walter Bussells, Chairman  
12 Dr. Adam Herbert, Trustee  
13 Asst. Chief Larry Schmitt, Police Trustee  
14 Richard Tuten, III, Fire Trustee

15 STAFF PRESENT:

16 John Keane, Executive Director-Administrator  
17 Robert Klausner, Esq., Board Counsel  
18 Dan Holmes, Summit Strategies  
19 Kevin Stork, Controller  
20 Debbie Manning, Executive Assistant

21 GUESTS:

22 William Deem, Office of General Counsel  
23 Kim Balaskiewicz, Auditor  
24 Linda Mendillo, Auditor

25 This cause came on to be heard at the time and  
place aforesaid, when and where the following  
proceedings were reported by:

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**AAA REPORTERS**  
**(904) 354-4890**

1 November 21, 2014

9:00 a.m.

2 CHAIRMAN BUSSELLS: John, remind me if  
3 Nat's able to make it today.

4 MR. KEANE: It was my understanding  
5 that he was.

6 CHAIRMAN BUSSELLS: Me too.

7 MR. KEANE: We are getting ready to --

8 CHAIRMAN BUSSELLS: We have a very full  
9 agenda.

10 Let's go ahead and get started.

11 MR. KLAUSNER: Mr. Chairman, since you  
12 have guests and other speakers, I was going to  
13 recommend to you that you move the closed  
14 session to the end of the agenda. That way we  
15 don't inconvenience --

16 CHAIRMAN BUSSELLS: We'll do the Shade  
17 briefing at the end of the meeting. We've got a  
18 very full meeting today. And to accommodate the  
19 attendees and guests here today, it makes sense.

20 MR. KEANE: Is Mr. Deem here from the  
21 General Counsel's office yet?

22 He wants to make a brief presentation  
23 to the Board when he arrives.

24 CHAIRMAN BUSSELLS: Okay.

25 MR. KEANE: It's on the action the

1 Board took last month.

2 CHAIRMAN BUSSELLS: Okay. He's not  
3 here.

4 MR. KEANE: I have two requests for  
5 public speakers.

6 First, is Mr. Bill Gasset.

7 MR. GASSETT: Thank you for letting me  
8 speak to you again today. What I've passed out  
9 here is kind of a summary of things I think need  
10 to be looked at as you progress down the street  
11 of battle with the city council and the mayor's  
12 office.

13 And I guess what's going on here is  
14 this is probably a good example of what we call  
15 "stress test" for the city.

16 What's going on in this battle you're  
17 having is much larger than just the pension  
18 fund. As I search into things, there's other  
19 areas of weakness that the city has.

20 But the first page is just some  
21 questions that should have been asked by the  
22 Scheu Commission. They didn't -- not answer  
23 these questions. I think it's part of the  
24 problem why they're having with -- fumbling  
25 around of what to do for the city solutions.

1           The second page shows an important  
2 point here. And, Dan, if you'll do this in the  
3 future, it will help this discussion with the  
4 city and all that's going on.

5           We need to speak in twenty-year and  
6 thirty-year terms, not five, one, or ten. And  
7 the reason being is, if your obligation is to  
8 come up with the cash in the twentieth or  
9 twenty-fifth or thirtieth year, the bearing on a  
10 ten-year program is unimportant other than it  
11 just tells you, yes, ten years ago today if  
12 somebody put some bucks in the machine, that's  
13 what they'd get out today.

14           So, please, I think it will help the  
15 discussion along if we use twenty and thirty  
16 years. And I'm glad to report, on the limited  
17 analysis that I was able to get to, that the  
18 average return on the twenty-year basis has been  
19 7.8 percent which exceeds the seven and-a-half  
20 requirement.

21           The third page -- and this is something  
22 I think you need to have a look at here. And  
23 what I've -- you've seen this before. But what  
24 I've tried to show you here is that part of  
25 this -- figure out how much money you need.

1 It's not just what you need today but looking  
2 ahead, based on a seven and-a-half percent  
3 calculation.

4 And if you look at the first column in  
5 yellow, for example, that by the year 2014 the  
6 Dow Jones has to be at 16,353 for you to make  
7 your seven and-a-half percent number. Well,  
8 you're there. You've got some surplus.

9 But if you go down to year 2016, '17,  
10 and '18, all of a sudden the numbers change.  
11 And what you have to see the Dow do, between now  
12 and those time frames, is go up almost 18 to 19  
13 percent a year. Good luck. You ain't going to  
14 make it.

15 What does that imply? You've got to  
16 watch out as you determine the actual bucks  
17 you're going to need to fund the liabilities is,  
18 do you have a bunch of guys and girls deciding,  
19 in the twentieth year, I'm getting out.

20 That can expand your obligation to the  
21 1.6 billion. It could mushroom to 1.7 billion.  
22 I don't know. But that kind of analysis is  
23 called forecasting. It needs to be considered  
24 by the people that are trying to redesign the  
25 pension program.

1           Just to give you an example, I've  
2 bracketed here -- you see 1988, 1983, and 1978,  
3 as a matter of history, for those guys who would  
4 have retired in the year 2008. When we had a  
5 big crash-down, we still made, for the  
6 twenty-year amount, our 7.2 percent, 8.2 and  
7 8.2. So the thrust here is to always look at a  
8 twenty- to twentyfive- to thirty-year  
9 perspective.

10           Case in point, by the year 2013, the  
11 Dow Jones for a twenty-year veteran has to be at  
12 over 70,000. I don't know if it's going to get  
13 there or not. It should on a seven and-a-half  
14 percent number.

15           Basically, I know the chart may seem  
16 confusing at first, but this kind of analysis  
17 has to be taken into account to make sure that  
18 we don't run into the stress-test problem down  
19 the road.

20           I have a little bit of time left. I'd  
21 like to return back to the first page. These  
22 are the questions that should have been  
23 addressed and, I think, asked. Perhaps you guys  
24 could ask -- some other questions could have  
25 been asked also. But the Scheu Commission only

1 did one half the study, and that was offer a  
2 solution.

3 They did not offer -- study the  
4 question as to look at the remedy so that you  
5 won't be in the same boat five, ten years from  
6 now, and that could be a problem based on what  
7 they fail to do.

8 Any quick questions?

9 Again, Dan, if you would, please help  
10 these guys to cast this stuff in a twenty-,  
11 twenty-five-, and thirty-year light.

12 Thank you very much to everybody. And  
13 to all, please have a Happy Thanksgiving.

14 CHAIRMAN BUSSELLS: Curtis Lee.

15 MR. LEE: I think I'll use the podium.

16 All right. I'm talking mainly about  
17 the possibility that you will authorize the  
18 Defined Contribution Plan through Mr. Keane  
19 today.

20 Fundamentally, Mr. Keane is already  
21 excessively compensated. It's inappropriate for  
22 him to have two defined benefit plans, social  
23 security and the Defined Contribution Plan.

24 STENOGRAPHER: You need to speak up a  
25 little bit, project your voice.

1 MR. LEE: Sorry about that.

2 It's inappropriate for Mr. Keane to  
3 have two defined benefit plans, social security  
4 plus a proposed Defined Contribution Plan.

5 There's really no precedent for this in  
6 the entire City of Jacksonville as far as I  
7 know.

8 Further, his defined benefit plans are  
9 not reduced because of his receipt of social  
10 security, which would be common in private  
11 industry to the extent that private industry  
12 offers fine benefit plans.

13 The reduction concept is called  
14 integration. I know about it because I used to  
15 deal with it.

16 The lack of integration makes the  
17 inappropriateness of Mr. Keane's two defined  
18 benefit plans especially egregious.

19 Further, think about it this way. Who  
20 else would hire Mr. Keane for more than \$300,000  
21 a year?

22 I don't think he has a market value of  
23 anywhere near \$300,000 a year. The bottom line  
24 is I would suggest to you it's inconsistent with  
25 your fiduciary duties as trustees to continue to



1 overcompensate Mr. Keane in such an excessive  
2 manner. Thank you.

3 CHAIRMAN BUSSELLS: Did anyone else  
4 want to speak and didn't register?

5 So we'll close the public comment  
6 period. And when the general counsel arrives,  
7 we'll let him or her speak, and then we'll  
8 resume the agenda. Make sense?

9 MR. KEANE: Yes, sir.

10 Mr. Chairman, the trustees are now  
11 going to take up the consent agenda.

12 CHAIRMAN BUSSELLS: John, let me ask  
13 you about the consent agenda, just one point,  
14 just to put it in the record.

15 So later today we'll talk about the --  
16 the additional work to validate or not the  
17 contention that our -- part of our DROP  
18 administration process is not fully consistent  
19 with DROP law by one pay period, I think?

20 MR. KEANE: Yes.

21 CHAIRMAN BUSSELLS: And so were that  
22 review, that we'll discuss later, to conclude,  
23 in some circumstances we may have been off by a  
24 pay period.

25 If that same procedure affected anybody

1 on the consent agenda today, then we would go  
2 back and make that one pay period adjustment.  
3 Would that be accurate?

4 MR. KEANE: The provision's in the  
5 Charter for the Board to address any errors or  
6 omissions and to correct them.

7 CHAIRMAN BUSSELLS: Correct.

8 MR. KEANE: And that then the Board's  
9 decision is final, binding, and conclusive on  
10 all parties.

11 CHAIRMAN BUSSELLS: I just want to be  
12 sure.

13 MR. KLAUSNER: And I was just going to  
14 add to that, that the contract that members have  
15 for benefit, incorporates within it, in essence,  
16 the consent to a correction, that if we underpay  
17 or overpay, that you accept the grant of your  
18 benefit subject to the right of the Board to  
19 correct an overpayment, if so determined.

20 CHAIRMAN BUSSELLS: Just wanted to be  
21 sure.

22 MR. TUTEN: I'll make a motion to  
23 accept it.

24 CHIEF SCHMITT: Second.

25 CHAIRMAN BUSSELLS: Any further

1 questions or discussions on the consent agenda?

2 Hearing none, all in favor, say "Aye."

3 (Responses of "Aye.")

4 CHAIRMAN BUSSELLS: Opposed?

5 Same sign. It carries unanimously.

6 MR. KEANE: The first item of old  
7 business, Mr. Chairman and Trustees, is a  
8 letter, dated October 14th, from the Pension  
9 Board consultants concerning the annual retiree  
10 bonus in accordance with paragraph 19 of the  
11 restated agreement.

12 The actuary certifies that there are  
13 sufficient funds available to pay a maximum 3  
14 percent bonus to qualified members and their  
15 surviving spouses.

16 We asked the actuary to show it in a  
17 number of different ways. The historical 3  
18 percent bonus, also shown as a level amount that  
19 each member would receive, reducing it to 2  
20 percent in the level amount each member will  
21 receive and 1 percent and the level amount each  
22 member would receive.

23 The actuary has certified there are  
24 sufficient funds available to make the payments.

25 CHAIRMAN BUSSELLS: All right. In

1 part before I -- I think Larry's familiar with  
2 all this, as our newest member, but I'll just  
3 kind of recount the history of this to frame up  
4 the conversation.

5 So me and others have raised the  
6 thought that we should, at least, suspend these  
7 bonuses to retirees to accumulate these funds  
8 for the potential benefit of members, given the  
9 disproportionate impact between members who are  
10 not getting pay raises, now going on three or  
11 four or five years, and our retirees are getting  
12 3 percent pay raises every year.

13 And given this is discretionary money,  
14 ought we not to be accumulating this for  
15 potential use for the members' benefit as long  
16 as this unexpected and, in my view, unreasonably  
17 damaging financial impact on members as long as  
18 the financial crisis continues.

19 And so we've had that conversation here  
20 several times, and so last year this time we  
21 continued the historical decision but put  
22 everyone on written notice that it might change  
23 this year and going forward. And so that's  
24 where we are.

25 And if I may, I'll just say again, my

1 view is, as before, given the disproportionate  
2 impact on our members versus our retirees on  
3 annual increases and all the rest of it, I  
4 believe we should suspend or stop this bonus to  
5 retirees or hold it in the possibility of it  
6 being applied to the benefit of our members who  
7 were being adversely impacted year after year  
8 after year because of the city's financial  
9 crisis. And so that's -- that's my thought, to  
10 cue up the conversations.

11 DR. HERBERT: If I could just ask,  
12 John. John, last year I think you indicated to  
13 us that you did send communications out to all  
14 retirees indicating that there was no guarantee  
15 that this payment would be made for this year.  
16 Is that correct?

17 MR. KEANE: Yes, sir. We notified them  
18 that it was discretionary at the approval of the  
19 board.

20 CHIEF SCHMITT: And my understanding is  
21 the Chapter 175 and 185 moneys require that the  
22 funds be paid for enhanced benefits, which would  
23 include this, as we call it, a bonus payment.

24 Doesn't that limit what we're allowed  
25 to do with it?

1 MR. KEANE: Bob, do you want to respond  
2 to that question?

3 MR. KLAUSNER: I'm sorry, I was  
4 reading --

5 CHIEF SCHMITT: My understanding of 175  
6 and 185 requires these funds to be spent on  
7 enhancements which this bonus payment is  
8 considered an enhancement.

9 MR. KLAUSNER: Yes. Now, Jacksonville  
10 is what's called a "deemed to comply plan,"  
11 meaning that if you're a plan of a certain  
12 age -- there were three of them. If you were  
13 established before a date in 1939, you're, in  
14 essence, grandfathered in on a lot of current  
15 practices. So, yes, this would be deemed an  
16 enhancement.

17 CHIEF SCHMITT: Okay. And --

18 MR. KLAUSNER: It's not an unlawful use  
19 of the money, if that's what you're concerned  
20 about.

21 CHIEF SCHMITT: Well, no, just the  
22 opposite. My concern is if we use it for  
23 something other than an enhancement as required  
24 by Chapter 175 and 185.

25 MR. KLAUSNER: It says that the Chapter

1 money is supposed to be used for the benefit of  
2 the membership. I mean, you couldn't use it,  
3 for example, to pay down the city's  
4 contribution.

5 How you use it for enhancements is a  
6 very broad definition, but it has to be used for  
7 the benefit of the members.

8 CHIEF SCHMITT: Okay. Mention was made  
9 of how we could use this to benefit the current  
10 members, and part of that is the nonretiree  
11 current members.

12 CHAIRMAN BUSSELLS: Yes. By member, I  
13 mean active employee distinct from retiree.

14 CHIEF SCHMITT: Is there a way for us  
15 to be able to do that as an enhancement?

16 MR. KLAUSNER: You can't change the  
17 structure of the multiplier or the retirement  
18 age or anything. That all gets decided in that  
19 other building, meaning city hall.

20 The 185.35 and 175.351 say the members  
21 can direct the Board to do so, or it can empower  
22 the Board to make that decision for itself.

23 I don't know how you would do it other  
24 than, for example, there was some discussion  
25 when creating a share plan, and that was part of

1 the discussions in the meetings, public meetings  
2 between Mr. Keane and the mayor's repre-  
3 sentatives regarding resolution of our current  
4 pension litigation.

5 And that was one of the uses of the  
6 Chapter money was to create a share plan, such  
7 as many cities have which is, in essence, a  
8 defined contribution component.

9 CHIEF SCHMITT: I agree -- I would like  
10 to be able to use this for, not just the  
11 retirees, but for the current members. But I  
12 don't see how we have the authority to do that  
13 under our current limitation with 175 and 185  
14 and the current agreement.

15 And unless somebody else has some other  
16 way to do that, I just don't see how we can.

17 DR. HERBERT: I thought I heard counsel  
18 say that there are some other possibilities.

19 MR. KLAUSNER: There are other ways to  
20 use it. The question is whether you have the  
21 authority without consent of the city by  
22 amending the plan. I think at most what you can  
23 do now is hold the money in reserve.

24 CHAIRMAN BUSSELLS: I believe, in the  
25 comprehensive pension reform package and



1 packages that are now being deliberated by city  
2 council, the one that was introduced to council,  
3 that's begun the deliberations, included the use  
4 of Chapter funds for a period of time integrated  
5 into general increases for members, increases in  
6 members' contributions funded in part from it.

7 And there's a lot of moving parts in  
8 it, but I believe that Chapter funds on the  
9 comprehensive reform introduced to council which  
10 is now being deliberated, includes the use of  
11 Chapter funds to make the numbers work in total.

12 John, is that correct?

13 MR. KEANE: Would use a part of the  
14 Chapter funds.

15 CHAIRMAN BUSSELLS: Yes. And it could  
16 be all, it could be more, it could be less.  
17 But, actually, Chapter funds are part of what's  
18 now before the council for comprehensive pension  
19 reform.

20 That clearly only affects active  
21 employees. By definition, retirees cannot be  
22 changed. And so my view is, this provides more  
23 funding available, if the parties choose, to do  
24 comprehensive pension reform that's acceptable  
25 to all the affected parties -- the city, the

1 taxpayers, our members.

2           The retirees are not affected by all  
3 this stuff. It was just the active employees.  
4 This gives us more funding available, should the  
5 parties choose, to get something done that can  
6 resume again -- general increases, hopefully,  
7 with inflation to members that we've not had  
8 open.

9           You guys would understand that very  
10 well because you live it every day. And so  
11 that's my thinking. And because if retirees are  
12 getting 3 percent a year, the members are  
13 getting nothing.

14           And we have this money that could be  
15 going, in effect, to the members through  
16 comprehensive pension reform. And my view is we  
17 ought to hold it off and accumulate it until  
18 this thing is resolved one way or the other.

19           MR. TUTEN: Well, I agree with what  
20 you're saying in principle, Walt, for the most  
21 part. Me and Larry are obviously the current  
22 members who are part of what you're talking  
23 about. I understand all about pay cuts and  
24 stuff.

25           I think -- and one of my points is what

1 I was going to bring up is what Larry brought  
2 up. The problem is there's no mechanism right  
3 now to actually do this.

4 Now, we do know that reform proposal  
5 does have certain things in it that allow for  
6 such a share plan, et cetera. Some people have  
7 what's called Aviva down south. It's just a  
8 matter of putting that money into an account for  
9 current employees. That's all it is.

10 The bigger thing -- and I've alluded to  
11 this in past years, like last year, is the fact  
12 that I understand that current members -- and  
13 believe me, I'm one of them -- you know, this,  
14 that, and the other -- but there are elderly  
15 older firemen and policemen who -- you know,  
16 this bonus is a big deal, a real big deal.

17 Now, it's up to the Board -- and it's  
18 discretionary. There's no guarantee that it's  
19 coming every year. You know, we don't make  
20 promises like, you know, John alluded to.

21 I wish there was some way -- I'm not  
22 against what you're proposing because I do think  
23 the current members, especially the younger  
24 guys, you know, they need something, you know,  
25 because they're getting pay cuts or no pay

1 raises.

2 We haven't had a pay raise for a long  
3 time, in seven years, I guess, in that effect,  
4 somewhere in there. And so I would just like  
5 the Board to consider some alternative rather  
6 than placing all of it to the side for future  
7 because right now we really don't have a way to  
8 deal with it with current members and, you know,  
9 somehow help out, at least, the lower income  
10 older retirees.

11 They didn't get a DROP. They didn't  
12 retire, you know, anytime -- you know, I don't  
13 know what the average retirement is for some of  
14 them, but it's not much, you know, so I don't  
15 know. That's just the way I look at it.

16 CHAIRMAN BUSSELLS: It's accurate to  
17 say that every retiree, no matter how long they  
18 retired ago, gets 3 percent a year of their --  
19 whatever their base happens to be which would  
20 determine when they retired.

21 Is that generally accurate?

22 MR. KEANE: For this purpose here?

23 CHAIRMAN BUSSELLS: No, no. Set this  
24 aside. Does every retiree get 3 percent a year?

25 MR. KEANE: Yes, sir.

1           CHAIRMAN BUSSELLS: Now, some space is  
2 very low, depending on how far, you know, in the  
3 past they've retired and so forth. But  
4 everybody gets 3 percent a year no matter when  
5 they retire?

6           MR. KEANE: Correct.

7           CHAIRMAN BUSSELLS: And then none of  
8 the actives get any --

9           MR. KEANE: And part of that money is  
10 the cost of those benefits. It's paid out of  
11 the 175 and 185 money that we currently pay over  
12 to the city.

13          CHAIRMAN BUSSELLS: And I also  
14 understand, on Rich's point, we may not target  
15 one group of retirees for it. It has to be  
16 everybody is treated equally is the law. So  
17 it's kind of on and off, yes or no, I think, by  
18 law.

19          CHIEF SCHMITT: I mean, to summarize my  
20 point if we had a mechanism right now to where  
21 we had the option of this 3 percent to determine  
22 part of it's going to the current employees,  
23 part of it's going to the retirees, and we could  
24 have that mechanism to shift that to current  
25 retirees, I'm a hundred percent on board.

1           Unfortunately, under this situation, I  
2 don't like the idea of we're going to take all  
3 this money that by state statute we should be  
4 using for enhanced benefits, and we're going to  
5 say we're not going to pay you your enhanced  
6 benefits even though the statute says we're  
7 supposed to, in the hopes that somewhere down  
8 the road we're going to have a mechanism to  
9 split it a different way.

10           CHAIRMAN BUSSELLS: And to help make my  
11 view, comprehensive pension reform work  
12 financially for everybody, and this is one more  
13 tool that could fit in there.

14           CHIEF SCHMITT: But we don't have that  
15 mechanism to make that happen right now.

16           DR. HERBERT: But it is the case that  
17 there are some options. We just need to explore  
18 what those might be, which to me argues very  
19 strongly for the proposition that we could not  
20 make an allocation this year.

21           If we spend the next several months  
22 observing what's taken place with regard to  
23 pension reform, we'll have the dollars in the  
24 reserve to use for that, or we can come back in  
25 a subsequent year and make an allocation.

1           You know, if we did a 1 percent, you're  
2 talking about \$329 per member. I don't see that  
3 as being something that would be a significant  
4 loss when you look at the broader option of  
5 trying to do something that's fair.

6           And I must confess that I'm very  
7 supportive of the concept of looking at current  
8 members, given everything that they've been  
9 going through.

10          So, Mr. Chairman, let me just make a  
11 motion so that we can proceed with something on  
12 the table.

13          I move that we not allocate an annual  
14 retirement pension bonus for the current year  
15 with an understanding that -- and that we put  
16 those moneys in reserve for the purpose of  
17 looking at a strategy that would provide greater  
18 enhancements for all of our -- all of our  
19 members in the context of what's being discussed  
20 for pension reform.

21          CHAIRMAN BUSSELLS: I'll second it for  
22 discussion.

23          CHIEF SCHMITT: And I disagree with  
24 that. To me the state statute mandates that we  
25 do this unless we have a legitimate reason not

1 to. It requires it to be paid for enhanced  
2 benefits.

3 As a trustee, I'm going to follow the  
4 state statute and not agree with that option.

5 CHAIRMAN BUSSELLS: Bob, you had your  
6 hand up, I think, over there, and I --

7 MR. KLAUSNER: Well, I just wanted to  
8 make sure that the motion said that the money  
9 was reserved so that it --

10 DR. HERBERT: That it be reserved. I'm  
11 sorry.

12 MR. KLAUSNER: Correct. So that if you  
13 do decide that you're going to use it in this  
14 fashion, that we want to spend it on something  
15 else.

16 DR. HERBERT: Exactly.

17 MR. TUTEN: Bob, is there anything that  
18 prohibits us from saying, looking at the  
19 numbers -- you know, and this is an average per  
20 dollar amount per member, the 658, but this is  
21 obviously an average. In other words, you know,  
22 some people are going to get way more. Some  
23 people are going to get way less.

24 Is there anything that prohibits us  
25 from issuing like a flat number per retiree for



1 the bonus, say \$500 per member, or does it have  
2 to be a percentage?

3 MR. KEANE: Just to make sure that you  
4 understand what it says on this, if you give 2  
5 percent under the -- let's start with 3 percent.

6 If you use the current 3 percent  
7 formula, this is how much it's going to cost,  
8 and the people would get 3 percent.

9 MR. TUTEN: This is per member? This  
10 is not an average?

11 MR. KEANE: But if you then don't give  
12 3 percent but use 3 percent of the money, each  
13 member would get \$987 -- down and down and down,  
14 all three things.

15 MR. TUTEN: Well, I still maintain that  
16 the -- and I understand what you're saying,  
17 Adam. And trust me, I do agree. I know a lot  
18 of these guys, you know, 329 bucks is not going  
19 to make a difference.

20 But there are a lot of guys that this  
21 will make a difference. And how much of its --  
22 it would cost us 724 grand out of 2 point  
23 whatever we've got allotted, you know. Or, you  
24 know, I would prefer to do it 2 percent rather  
25 than a 1.

1           I just don't want to see -- I know it's  
2           easy to say it doesn't affect people, but there  
3           are a lot of older fire and police out there  
4           that it would make a lot of difference, you  
5           know. I just wish we could come to some sort  
6           of -- instead of saying either/or, we're going  
7           to put it all away just in case somehow we get  
8           pension reform or we can come up with something,  
9           and the retirees get nothing, I would rather --  
10          or, you know, we're going to give it all to the  
11          retirees again and worry about, you know, the  
12          current guys next year.

13                 There's something we could do to come  
14          up with some sort of compromise to, at least --  
15          you know, a retired captain or a chief  
16          lieutenant with a DROP, yeah -- well, you know,  
17          it's gas money. But to an old guy that retired  
18          in the '80s, you know, something like that where  
19          we could agree to it.

20                         CHAIRMAN BUSSELLS: We just can't  
21          target them though. In our discussions last  
22          year --

23                         MR. TUTEN: I agree. That's why I want  
24          to make it across the board. Like I said, if  
25          it's just a 1 percent bonus across the board,

1 you know, it cost us 724 grand. You know, it's  
2 still a lot cheaper than the 2.1 million, you  
3 know.

4 We put the rest in reserves. We, you  
5 know, give something -- you know, give  
6 something, you know. That's just the way I look  
7 at it.

8 CHAIRMAN BUSSELLS: Other comments or  
9 questions?

10 MR. STORK: I had one question just --  
11 you know, on that level, I was thinking  
12 somewhere I read, maybe in the agreement with  
13 the city, that it was based on the percentage  
14 and not a level.

15 Can you do a level with our agreement  
16 with the city?

17 MR. KLAUSNER: It depends on what the  
18 specific language -- and I think this is in the  
19 code.

20 MR. STORK: Yeah. That's what I was  
21 thinking. I read it.

22 MR. KEANE: It's in the settlement  
23 agreement.

24 MR. KLAUSNER: It's just in the  
25 settlement agreement? I would need the exact

1 language and the settlement agreement in front  
2 of me to be able to answer that, which I do not.

3 MR. KEANE: Do you want to defer that  
4 and come back to it when we get a copy of the  
5 settlement agreement?

6 CHAIRMAN BUSSELLS: No. This is  
7 November and December.

8 MR. KEANE: Talking about just  
9 temporarily.

10 MR. KLAUSNER: I just wanted to read  
11 the language now to answer his question.

12 Is there a copy handy?

13 MR. KEANE: (To Ms. Manning) Get a copy  
14 of the restated settlement agreement.

15 MR. KLAUSNER: But I think the motion,  
16 as I understood it, is not -- you're not saying  
17 we're not going to not pay it. You're not  
18 saying we are going to pay it.

19 You're saying we're going to address  
20 the strategy of how this money will be used; and  
21 therefore, we are reserving it at the present  
22 time.

23 CHAIRMAN BUSSELLS: What I heard -- and  
24 you correct me, this year we're not going to pay  
25 it. We're going to keep it in reserve for use,

1 consistent with statute, for enhanced benefits  
2 that could include the comprehensive pension  
3 reform integrated package we talked about  
4 earlier, but that this year we will not pay it.  
5 We will keep it back, available for other uses  
6 in the future.

7 DR. HERBERT: But that was the motion?

8 CHAIRMAN BUSSELLS: Yes.

9 DR. HERBERT: You articulated it better  
10 than I did.

11 CHAIRMAN BUSSELLS: I don't know about  
12 that, but I had a second shot at it.

13 MR. KLAUSNER: If I may, Mr. Chairman,  
14 your question was does it have to be --

15 MR. STORK: I was thinking it was based  
16 on a percentage. The wording that I remember is  
17 based on percentage and not a level, so I don't  
18 know if you have that option to go to a level  
19 per retiree instead of a percentage --

20 MR. KLAUSNER: In other words,  
21 everybody getting 3 percent; whereas, the person  
22 with the lowest pension would get the  
23 smallest --

24 MR. STORK: Yes. Rather than saying  
25 they can pool the money and dividing it by two-

1 thousand retirees.

2 CHAIRMAN BUSSELLS: Could I say the  
3 answer to that question doesn't affect this  
4 motion, does it?

5 MR. STORK: When you were discussing --  
6 and it may. You were discussing whether you  
7 could do a level as part of this --

8 CHAIRMAN BUSSELLS: I understand that.  
9 But the answer to the question doesn't --

10 MR. STORK: But a person, whether  
11 they're going to vote for or against it, it may  
12 have an impact.

13 MR. KEANE: You're correct. The motion  
14 is not to pay anything.

15 MR. STORK: Okay.

16 CHAIRMAN BUSSELLS: But to keep it in  
17 reserve for enhanced benefits based on some  
18 future decision by the Board.

19 MR. KEANE: Right. That's the  
20 motion.

21 DR. HERBERT: And I would also note  
22 that all the members, all of the retirees have  
23 been notified last year that this could very  
24 well happen. So it's not something that would  
25 come as a complete surprise.

1 MR. KEANE: No, I understand that.

2 MR. TUTEN: I just think we ought to  
3 give them something. You just don't yank the  
4 rug out from people.

5 CHAIRMAN BUSSELLS: Other questions or  
6 comments?

7 All in favor, say "Aye."

8 (Responses of "Aye.")

9 CHAIRMAN BUSSELLS: Opposed, same  
10 sign?

11 (Responses of "No.")

12 CHAIRMAN BUSSELLS: So it fails for  
13 lack of a majority?

14 MR. KLAUSNER: Yes. It takes three  
15 affirmative votes.

16 CHAIRMAN BUSSELLS: I'll entertain  
17 other motions of whether or not to do anything  
18 this year.

19 MR. TUTEN: I'll make the motion that  
20 we pay out a 1 percent bonus instead of a 3;  
21 therefore, we save an extra -- I don't know, 1.4  
22 million over the 3 percent bonus, what we  
23 normally pay out, and we enable people to get  
24 something rather than nothing.

25 That way, you know, yes, they

1 understand that they could have gotten nothing,  
2 but there are a lot of older police and fireman  
3 where \$329 may not be a lot to us, but it will  
4 be a lot to them.

5 THE COURT: I have a motion. Is there  
6 a second?

7 CHIEF SCHMITT: Second.

8 CHAIRMAN BUSSELLS: Questions or  
9 comments?

10 DR. HERBERT: With regard to that  
11 motion, would you feel comfortable once again  
12 indicating that there's no guarantee of this  
13 going forward?

14 MR. TUTEN: Yeah. I agree that in the  
15 future if there is a reform deal passed and the  
16 share plan is part of that deal, and future, you  
17 know, 175, 185 moneys are allocated to shoring  
18 up the defined benefit plan, et cetera, et  
19 cetera, et cetera, and if that does not include  
20 a retirement bonus because of the reform bill  
21 that's passed, then, oh, yeah, I'm fully aware  
22 of that. I agree.

23 But as we stand right now, we don't  
24 have a mechanism to help out current members.  
25 I'm not putting the odds of whether or not the



1 reform package is going to pass. We'll just  
2 wait and see.

3 And as of right today, you know, I  
4 think because we can, we ought to help out the  
5 older people and still put the majority of it in  
6 reserve.

7 So, yeah. I mean, I understand. The  
8 future may not allow us to do this.

9 DR. HERBERT: I have one other question  
10 going back to this. If there is no agreement,  
11 does that in effect kill distribution of funds  
12 for this year also?

13 CHAIRMAN BUSSELLS: My understanding  
14 is, yes, every year it requires an action by the  
15 board to distribute.

16 MR. KEANE: And for the education of  
17 the Board, we'll read you paragraph 19 if you'd  
18 like, Mr. Chairman.

19 Bob, read 19 to them.

20 MR. KLAUSNER: "There is hereby  
21 established an enhanced benefit to be funded as  
22 such, pursuant to the terms of this agreement,  
23 which will hereinafter be described as a Post  
24 Retirement Enhancement in the form of a biennial  
25 retiree bonus payment.

1           Post Retirement Enhancements are hereby  
2 authorized according to the following terms:

3           Upon certification by the plan actuary,  
4 the full biennial actuarial valuation, the  
5 benefits can be extended from funds utilized  
6 only from the enhanced benefit account without  
7 increasing the member contribution rate, the  
8 city contribution rate, or the level of base  
9 benefits the Board may authorize the retiree  
10 bonus.

11           The biennial retiree bonus (Post-  
12 Retirement Enhancement) in the benefits paid to  
13 retired police officers and firefighters, the  
14 biennial retiree bonus, pursuant to this  
15 section, may not be larger than one-half of the  
16 percentage by which the consumer price index  
17 increased since the latter of October 1, 1989,  
18 or the effective date of the last prior  
19 enhancement, times the base pension amount of  
20 the retiree or surviving spouse.

21           So that answers your question. It's  
22 based on a percentage of each member. So it  
23 says the maximum is 3 percent. But the answer  
24 is you would need an amendment to the agreement  
25 to be able to adjust, for example, paying a less

1 well-paid retiree more money than a more recent  
2 retiree with a bigger benefit.

3           May I ask a question about the motion  
4 because does the motion assume that the  
5 remaining -- if it passes, that the remaining  
6 1.4 is reserved in the same manner that we  
7 discussed in the prior motion?

8           MR. TUTEN: Well, let me ask you this  
9 then. As part of this motion, should we add in  
10 the fact that regardless of pension reform, the  
11 board will need to discuss a member share plan  
12 if and when the reform doesn't take place.

13           In other words, to allocate future  
14 moneys for current members, we should come up  
15 with something that's separate from the reform  
16 that for some reason we're here this time next  
17 year, there's no reform, you know, we've still  
18 got to decide this again. Do we need to add  
19 that into the motion?

20           MR. KLAUSNER: I would just suggest  
21 that you use the language that will be reserved  
22 for future determination by the Board. That  
23 would be the simpler way to do it.

24           CHAIRMAN BUSSELLS: Is there a way to  
25 target the subset of all retirees that are in

1 that category as opposed to all the others that  
2 they -- if this continues two and a half or  
3 three more years, no general increase for  
4 actives and retirees 3 percent compounded, the  
5 average retiree makes more than the average  
6 working police or fireman.

7 That's just unacceptable. That's got  
8 to be corrected somehow as part of the reform  
9 and so forth. And this is part of that to me.

10 CHIEF SCHMITT: And I agree with that  
11 concept. I would love to be able to use these  
12 funds for current employees. The mechanism  
13 isn't there. I'm hoping we can fix that as part  
14 of this retirement reform.

15 CHAIRMAN BUSSELLS: And part of this is  
16 in the current thing being deliberated. It's a  
17 lot of moving parts, but there's Chapter money  
18 in the reform and for the council to help fund  
19 all this stuff.

20 Any further questions or discussions on  
21 Lieutenant Tuten's motion?

22 All in favor of the motion, say "Aye."

23 (Responses of "Aye.")

24 Opposed?

25 (Responses of "No.")

1 MR. KLAUSNER: I'm sorry. Did you have  
2 two to two again?

3 CHAIRMAN BUSSELLS: Yes.

4 MR. KLAUSNER: The answer is the money  
5 then, by state law, has to be reserved for  
6 member benefits or you just not spend. What you  
7 made was a decision not to make a decision. And  
8 so, therefore, the money would just remain in  
9 the reserve.

10 CHAIRMAN BUSSELLS: I'm going to come  
11 back to Rich's point. If the city council were  
12 willing to legislate a targeted one-time payment  
13 with Chapter funds for those retirees who,  
14 indeed, are in the circumstances that we just  
15 described, if the council -- I'm guessing that  
16 would have to be the council doing that?

17 MR. KLAUSNER: Because it would require  
18 an amendment to the agreement.

19 CHAIRMAN BUSSELLS: Yes.

20 MR. KLAUSNER: So therefore it would  
21 take both.

22 CHAIRMAN BUSSELLS: But that might be a  
23 thing we could entertain in the workshop along  
24 with the other ideas as an option maybe.

25 MR. KLAUSNER: There are a number of

1 plans that provide enhancements to members who  
2 have an income below "X" or below the poverty  
3 level as defined by the Department of Labor.

4 Some plans have established a minimum  
5 pension. In other words, they took all the  
6 people who are making \$300 or \$400 a month and  
7 raised them up to a thousand.

8 A short answer to your question is  
9 yes -- targeted payments to lower income  
10 retirees are common.

11 CHAIRMAN BUSSELLS: So we'll consider  
12 that too.

13 Okay. Moving on, John.

14 MR. KEANE: Yes, sir. The next item --  
15 we have a series of -- the first one was a  
16 resolution from the last meeting. We put it  
17 back on the agenda because the sheriff wasn't  
18 here to sign it.

19 Mr. Deem is here from the general  
20 counsel's office. If we could go to the last  
21 item on the agenda: 2014-11-12, approval of the  
22 settlement agreement.

23 Counsel.

24 MR. DEEM: Where would you like me?

25 MR. KEANE: Come stand right here.

1 That way the good court reporter can get down  
2 all your words of wisdom.

3 MR. DEEM: Good morning, you all.  
4 I'm Bill Deem from the Office of General Counsel.  
5 We have been involved in litigation under the  
6 Sunshine laws.

7 Essentially, there's been an allegation  
8 that -- well, it's really a three-part  
9 allegation.

10 On two occasions Shade meetings were  
11 held. This is a couple of years ago. And the  
12 formal requisites were not filed. It was  
13 nothing underhanded. It's simply we didn't  
14 announce a, b, or c.

15 And then there was a situation in which  
16 settlement of litigation was approved, and the  
17 settlement approval mechanism did not follow the  
18 law.

19 Those allegations have been made.  
20 We've been litigating that case. It's a case  
21 that needs to be settled. I believe that the  
22 other side is going to prevail.

23 It's not to say that anybody did  
24 anything affirmatively wrong on our end, but  
25 mistakes happen. And mistakes happened in this

1 case.

2 The proposed settlement agreement  
3 involves the other side giving up their claim to  
4 essentially obviate that settlement that took  
5 place. In other words, they're not trying to  
6 undo that. That would be a bad thing. And they  
7 want to get those Shade meeting transcripts now  
8 instead of in a month or three, whenever the  
9 current litigation ends, and then they'll be  
10 able to get them.

11 I've spoken with Bob Klausner, who was  
12 involved in the Shade meetings before. We don't  
13 see significant downside here. It's best just  
14 to get this thing resolved now.

15 It will involve paying the other side's  
16 attorney's fees. That's going to happen anyway.  
17 I can pretty much guarantee you that. We may be  
18 able to quibble about a thousand bucks here or a  
19 thousand bucks there, but the attorney's fees  
20 are going to be paid.

21 And, substantially, all the fees that  
22 they're requesting are going to be awarded. So  
23 I really see no downside to settling.

24 Now, I'll leave it to you all.

25 CHAIRMAN BUSSELLS: Later today I'm



1 going to read the instructions that counsel gave  
2 me before we go into the Shade and then when we  
3 come back. So the prior Board did Shade  
4 meetings without --

5 MR. DEEM: That's right. And they  
6 really are highly, highly technical  
7 requirements. Some of them are belt and  
8 suspenders.

9 You wonder why anybody would really  
10 care about this, but the law is fairly clear.  
11 These are highly technical requirements.  
12 They're important. They have to be followed to  
13 the letter.

14 One, for example, has to do with  
15 announcing the members who are going to be  
16 present at the Shade meeting.

17 The statute says in your public  
18 announcement, it has to identify the members.  
19 And then it also says when you close the meeting  
20 you have to announce who is going to be staying  
21 in. Well, we didn't to that second one.

22 Now, you wonder why do you have to do  
23 that because they already have the announcement  
24 that says these people are going to be here.  
25 But the courts have said we didn't put this in

1 there for no reason. You have to follow the  
2 law.

3 You know, this is not hard to do. So,  
4 yes, you would read all of that, and that's what  
5 did not happen in the prior time.

6 MR. KLAUSNER: That's why I gave you  
7 that.

8 CHAIRMAN BUSSELLS: All right.  
9 Understood.

10 Additional questions for Bill?

11 MR. KLAUSNER: One of the two Shade  
12 meeting transcripts related to a case brought by  
13 the Firefighters Union in state court that named  
14 the city and the fund as defendants. And in the  
15 course of these proceedings, that case was  
16 dismissed anyway. So it's over, and we would  
17 have to produce that transcript anyway.

18 MR. DEEM: It's probably a public  
19 record anyway.

20 MR. KLAUSNER: It's a public record  
21 anyway. And the second one had to do with  
22 the -- one of the -- it was an open meetings  
23 case, I believe. And that really got answered  
24 later in the "Denton" litigation.

25 MR. DEEM: Right.

1 MR. KLAUSNER: So it's in the fund's  
2 best interest to simply end the litigation, put  
3 it behind you.

4 CHAIRMAN BUSSELLS: Any other questions  
5 for Bill?

6 CHIEF SCHMITT: Do we have the  
7 transcripts?

8 MR. KLAUSNER: Yes.

9 CHIEF SCHMITT: So it won't take long  
10 for us to get the --

11 MR. DEEM: I can do that.

12 CHIEF SCHMITT: Okay. Great. And if  
13 we decide not to settle this, we would just be  
14 spending more money on attorney's fees and still  
15 lose probably?

16 MR. DEEM: Correct.

17 CHIEF SCHMITT: And it's probably more  
18 of a question for you. Do we have a mechanism  
19 that's in place now to make sure we're complying  
20 with these requirements for all future meetings?

21 MR. KLAUSNER: Yes, we do. There's a  
22 specific written protocol which has been  
23 provided to the Chairman for today.

24 Essentially what the protocol is, is I  
25 have requested of the Chair that we have a Shade

1 meeting. That's step number one. That already  
2 took place. That's why it's on the agenda.

3 Number two, prior to going into the  
4 meeting, the Chairman will read the names of the  
5 trustees who are going to be here. Plus, you  
6 can have one staff member, and you can have your  
7 lawyers present and a court reporter, which you  
8 are required to have.

9 Those names will be read aloud. We  
10 will say what time we're starting. At the  
11 outset, we'll say what time it is. And then we  
12 will estimate the time, and we've estimated the  
13 time at 30 to 45 minutes. Personally, I believe  
14 it will be less, but I'd rather err on the side  
15 of caution.

16 Then you have a motion to go into the  
17 closed session. The court reporter takes down  
18 everything. It's transcribed. They always  
19 become public at the end of the cases.

20 So at the conclusion of the Shade  
21 meeting, during which you cannot make any  
22 motions, there will be a motion -- the only  
23 motion is to end the meeting.

24 Then back in the public meeting, the  
25 Chairman will say who's here, and we'll recite

1 the time and that no motions or actions were  
2 taken. And then in the public session, you can  
3 either -- if you need to take action as a result  
4 of the advice given. So that's the protocol.

5 CHAIRMAN BUSSELLS: Any other questions  
6 or comments for the two lawyers on this subject?

7 Could I get a motion?

8 CHIEF SCHMITT: I'll make a motion to  
9 end the lawsuit and approve the settlement.

10 CHAIRMAN BUSSELLS: Could I get a  
11 second?

12 MR. TUTEN: Second.

13 CHAIRMAN BUSSELLS: Any further  
14 comments or questions?

15 All in favor --

16 MR. KEANE: The motion is to authorize  
17 the General Counsel's Office to settle this case  
18 on behalf in the Board.

19 MR. DEEM: And to authorize Mr. Keane  
20 to sign.

21 CHAIRMAN BUSSELLS: Does that capture  
22 everything you intended to recommend to us --

23 MR. DEEM: Yes, sir.

24 CHAIRMAN BUSSELLS: -- that motion?

25 I have a motion and a second.

1           Are there any further questions or  
2 comments?

3           All in favor say "Aye."

4           (Responses of "Aye.")

5           CHAIRMAN BUSSELLS: Opposed, same sign.  
6 It carries unanimously.

7           MR. KEANE: Thank you, Bill.

8           Mr. Chairman, the trustees are  
9 returning to old business.

10           Resolution adopting amendment to Senior  
11 Staff Retirement Plan were approved at last  
12 month's meeting. And then because of the  
13 absence of the Board officers to sign them, we  
14 put it back on the agenda today as well as a  
15 series of recommendations from the Personnel  
16 Committee.

17           CHAIRMAN BUSSELLS: Could I summarize  
18 where I think we are on this and see if I'm  
19 missing anything or if there's any new or  
20 additional information.

21           So growing out of the city council's  
22 commission, the Scheu Commission, was the  
23 recommendation that we shut down the Senior  
24 Management Retirement Plan that was first  
25 created, I think, in 1990.

1 MR. KLAUSNER: Correct.

2 CHAIRMAN BUSSELLS: Twenty, twenty-four  
3 years ago, now. We had extensive conversations  
4 about it, and we had taken earlier action to  
5 shut down the Senior Management Retirement Plan  
6 to any new members.

7 MR. KEANE: Closed to new members.

8 CHAIRMAN BUSSELLS: Closed to new  
9 members. So no one else can join it without an  
10 action of this Board. So it's shut down for  
11 anybody else.

12 MR. KLAUSNER: Correct.

13 CHAIRMAN BUSSELLS: I believe we have  
14 one beneficiary, maybe two?

15 MR. KEANE: Two.

16 CHAIRMAN BUSSELLS: Two. A surviving  
17 spouse.

18 MR. KEANE: And retiree.

19 CHAIRMAN BUSSELLS: And a retiree. We  
20 have one member.

21 MR. KEANE: Correct.

22 CHAIRMAN BUSSELLS: John. So that  
23 action's been taken. We implemented the Scheu  
24 Commission recommendation to shut it down to  
25 anybody else in the future.

1           Now, the question is should we end it  
2 for the one member, John. Yes or no?

3           If the answer is yes, is something put  
4 in its place? And so I think that's where we  
5 are.

6           Am I missing anything?

7           MR. KEANE: That's it.

8           CHAIRMAN BUSSELLS: It would be  
9 helpful, I think, to summarize again the current  
10 status of the plan with the one active member,  
11 that if he stays in, that is, if we adopted a  
12 fund contribution plan for John's successor  
13 moving forward and other professional staff --  
14 and that's a separate action or issue, I think.

15           Were we to allow -- were we to choose  
16 for John to stay in, which he may do for his  
17 employment contract -- that's in his employment  
18 contract -- what the consequences of that are?

19           With your age and years of service, if  
20 you all would not mind briefly summarizing, if  
21 that's how this goes forward, what would the  
22 options for the one member be?

23           Could he begin receiving benefits  
24 before this contract expires? All those things  
25 we think about. And to be sure, we ought to



1 have a common understanding of if we do "X,"  
2 here's the consequences. If we do "Y," here's  
3 the consequences.

4 MR. KLAUSNER: May I respond?

5 As you mentioned, the employment  
6 contract that you have with the director says  
7 he's going to be in a pension plan. You've had  
8 this defined benefit plan for 24 years. You  
9 have one retiree. You have one surviving  
10 spouse, and you have one active member.

11 If you were to leave John on the plan,  
12 essentially, he would continue to accrue credit  
13 service until he left. Because of his age you  
14 could allow what's called an in-service  
15 distribution.

16 In 2006, Congress amended the tax law.  
17 And it said that if you are over a certain age,  
18 you can draw both a pension and a salary if the  
19 plan permits it. Your plan does not currently  
20 permit in-service distributions.

21 Were John in the private sector, he'd  
22 actually have to start taking the benefit.

23 CHAIRMAN BUSSELLS: Because of his age?

24 MR. KLAUSNER: Because of his age. But  
25 the tax law also says for a plan sponsored by a

1 government -- meaning an arm of state or local  
2 government, which you are -- that an in-service  
3 distribution is permissive but not required  
4 until -- the distributions aren't required until  
5 the later -- 59 and a half or separation from  
6 service. John's 71?

7 MR. KEANE: Um-hmm.

8 MR. KLAUSNER: John is 71, so you  
9 certainly could permit an in-service  
10 distribution. There is a provision in the tax  
11 code, Section 415, which sets the maximum amount  
12 that a person may receive from a tax-qualified  
13 plan.

14 This originally was run -- when it was  
15 established, it was originally run as what's  
16 called an "unfunded plan." It has a name, a  
17 colloquial name of a "rabbi trust" because the  
18 original design came from the Union of American  
19 Hebrew Congregations for Clergy 50 years ago.  
20 And what essentially you did is you accrued  
21 credit and then you funded it at the date of  
22 retirement.

23 Because of changes in state law,  
24 though, relating to public plans, you started  
25 funding this whenever you did. I wouldn't be

1 privy to that information.

2 But you've now funded this plan, so  
3 it's no longer a rabbi trust; it's a regular  
4 defined benefit plan. Because of that the plan  
5 can only pay "X" dollars.

6 Now, it can pay more than the 415 limit  
7 because that's based on age 62. And because  
8 John is 71, because when you defer taking it,  
9 the limit goes up. And I don't know what the  
10 exact number is, but his accrued benefit is, I  
11 believe, higher than the 415 limit.

12 There's case law that says that you  
13 have to pay the whole benefit. And the City of  
14 Jacksonville, for example, has certain former  
15 executives that participate in an excess -- it's  
16 called an Excess Benefit Arrangement. It's just  
17 a side payment of the difference.

18 You recover the money because the  
19 actuarial cost of the pension benefit is  
20 reduced, and you're just simply paying it out of  
21 a different part of your budget.

22 The city uses it. The state has one.  
23 In fact, everybody has one. Because of  
24 constitutional requirements for public workers  
25 to pay the full amount owed, the fact that it

1 can't be paid because of tax limitations out of  
2 this pocket, it gets paid out of that pocket.

3 And I don't know what the full-funding  
4 status is or what the exact amounts are. So  
5 your options are to allow John to take an  
6 in-service distribution now, or you could  
7 create, in essence, a DROP plan, which is just  
8 simply deferring the payment.

9 If you defer the payment until he  
10 actually separates, because there's no  
11 distribution, there's no 415 Excess Benefit  
12 Arrangement which would be implicated until the  
13 date he actually left service.

14 And I know this is a lot of tax stuff.  
15 And we ran this past the tax experts and our  
16 affiliate in New Orleans that we use and who  
17 have done work for a number of our pension  
18 plans, including the city employees' plan.

19 But that's where we stand right now. I  
20 mean, if you froze the benefit, then you have a  
21 contract question to settle for yourselves about  
22 what you're going to do on a pension.

23 John is in receipt of social security  
24 because of his age. Payment essentially becomes  
25 mandatory after a certain time. When the plan

1 was created, I don't think it contemplated  
2 anybody staying in the job that long. I mean,  
3 at the time of the design, I don't think anybody  
4 was thinking 24 years into the future.

5 And so you are, in my opinion, required  
6 to do the Excess Benefit Arrangement. But as I  
7 said, it reduces a payment on the pension side,  
8 and it comes out of a budgetary allocation on  
9 another side.

10 It doesn't increase the amount of the  
11 pension. It just simply divides how it gets  
12 paid.

13 DR. HERBERT: May I ask a question?

14 MR. KLAUSNER: Sure.

15 DR. HERBERT: If we opted not to do the  
16 in-service distribution and instead put the  
17 money into a DROP account, is that the same DROP  
18 account that we currently have with the range --

19 MR. KLAUSNER: You can design it  
20 however you want. The current DROP arrangement  
21 for the membership, as reflected in the city  
22 code, is a member pays a 2 percent contribution  
23 while in DROP, and it earns 8-something?

24 MR. KEANE: 8.4.

25 MR. KLAUSNER: 8.4 percent interest.

1 So, in essence, the number gets 6.4 because the  
2 2 percent is going into the plan. Or you could  
3 have a DROP -- or you could simply have a  
4 deferral of any payments and pay, beginning on  
5 the date of separation, the actuarial equivalent  
6 of what the value of the deferral would have  
7 been.

8 Those are both options, and I think  
9 they're both in the actuary's recommendation to  
10 you.

11 Knowing that this would be on the  
12 agenda, I spoke with the actuary to get his  
13 thoughts on the matter because the math's  
14 outside of my job description.

15 DR. HERBERT: And my next question is,  
16 with regard to John's contract, what  
17 specifically does it say with regard to his  
18 being able to take part in a plan? That is to  
19 say, given the fact that we know we are  
20 terminating the plan that's reflected in this  
21 agenda item, are we obligated then to create  
22 a -- some other kind of plan for him?

23 MR. KLAUSNER: We're obligated to have  
24 some kind of pension benefit for him.

25 CHAIRMAN BUSSELLS: That's per the

1 employment contract?

2 MR. KLAUSNER: Per the employment  
3 contract. I don't recall if it specifies the  
4 Senior Staff Retirement Plan.

5 MR. KEANE: It says a defined benefit.

6 MR. KLAUSNER: It says a defined  
7 benefit. The contract would have to be amended  
8 to change that. But simply deferring the  
9 payment for its value until a later date would  
10 not be a change in the contract. So those  
11 recommendations of the actuary to that effect  
12 would not be problematic.

13 It wouldn't require a contract  
14 amendment, nor would it require the creation of  
15 a new plan. A stand-alone DC plan was designed  
16 with the idea of the next person in mind.

17 CHAIRMAN BUSSELLS: Absolutely.

18 MR. KLAUSNER: And you still have to  
19 decide on that one when you hire a new director,  
20 what your contribution's going to be.

21 That would probably be a point of  
22 negotiation with whoever the successor is you  
23 deem it will be.

24 CHIEF SCHMITT: And just for  
25 clarification here, the employee contract

1 requires a Defined Contribution Plan?

2 MR. KLAUSNER: No, a defined benefit  
3 plan.

4 CHIEF SCHMITT: I'm sorry, a defined  
5 benefit plan.

6 MR. KLAUSNER: It does. But it doesn't  
7 specify the form. That's what it says.

8 MR. TUTEN: So if we do nothing, in  
9 other words, let it rock and roll as it is,  
10 basically John's just going to accrue, what,  
11 another 2 percent for the year, standard  
12 operating business, so we don't have to pay him  
13 a retirement.

14 Because it seems like most of the fuss  
15 coming from Mr. Lee in the paper, et cetera, is  
16 the fact that John is somehow bamboozling  
17 everybody into getting a paycheck as well as  
18 social security as well as a fire department  
19 pension. And now we're about to pay him his  
20 Executive Director pension even though he's  
21 still sitting in the same chair and hasn't left  
22 because we decided back in August to shut down  
23 the official executive pension, whatever they  
24 call it.

25 In other words, we can just let John



1 continue on what he's doing, keep earning the  
2 benefits that he's entitled to. And then when  
3 he retires, we just pay him what we owe him.

4 And the next person that comes in,  
5 we're allowed to make a 401(k) or whatever we  
6 want to choose to. We will not be offering the  
7 next person the same benefit that John is  
8 getting.

9 MR. KLAUSNER: Correct. You've already  
10 made a decision not to do that.

11 MR. TUTEN: Right. But I just want to  
12 make sure that we all understand going forward  
13 from today with John what the options are  
14 because the early disbursement and all that, it  
15 seems like the uproar it seems to be that John's  
16 now collecting two retirements plus security  
17 while still working.

18 And I admit it's a little, you know,  
19 excessive. But we have to have a director  
20 because, as you well know, we don't have anybody  
21 lined up at the moment. John still wants to  
22 work, I'm assuming, and he's doing a good job,  
23 so we need to have a director, and we need to  
24 pay him. So, you know, that's where we are.

25 Do we need a motion here to go forward?

1 MR. KLAUSNER: You don't need a motion  
2 to keep things as they are. And you can wait on  
3 adopting the DC plan until you actually hire  
4 someone as a replacement. So if you want to  
5 leave the status quo --

6 CHAIRMAN BUSSELLS: On the DC plan, I  
7 wonder -- I believe the city has a DC plan for  
8 certain managerial or whatever staff, I think.

9 MR. KLAUSNER: Well, actually, when we  
10 rewrote -- I worked with the general counsel's  
11 office to rewrite the city plan nine years ago,  
12 and they created, actually, an elective DC  
13 plan.

14 CHAIRMAN BUSSELLS: Right.

15 MR. KLAUSNER: Because some people  
16 would come into the city government, like with  
17 the mayor, and only work for a very short period  
18 of time, and they would never vest.

19 CHAIRMAN BUSSELLS: Right.

20 MR. KLAUSNER: So there are some people  
21 who elected that. It's really targeted to  
22 executives.

23 CHAIRMAN BUSSELLS: Yes.

24 MR. KLAUSNER: Although it was open to  
25 any other participant.

1                   CHAIRMAN BUSSELLS: So we could, if we  
2 chose, collectively, mirror or model the DC for  
3 John's successor after that. It seems to be  
4 competitive and well accepted.

5                   MR. KLAUSNER: That's what a stand-  
6 alone design looks like.

7                   CHAIRMAN BUSSELLS: Yes.

8                   MR. KEANE: And that's what's further  
9 on down the agenda.

10                  CHAIRMAN BUSSELLS: All right. I  
11 wonder if we could first address the DC plan for  
12 John's successor. It feels like that's  
13 relatively straightforward I'm sensing from my  
14 conversation here.

15                  I wonder if we could go ahead and see  
16 if there's majority support for that, or some  
17 motion on that, and then come back to the more  
18 complex subject, which is John's employment  
19 contract and current arrangement.

20                  MR. TUTEN: The only thing I would say,  
21 Walt -- and before we get into that because I  
22 know when we'd done the pay studies for John a  
23 couple of years ago, it would be best served to  
24 maybe find out how other pension funds have done  
25 this search and benefits package at the same

1 time.

2 In other words, I just don't know if we  
3 can get into all of that today. You know, I'm  
4 not opposed to it. I think it's a good idea. I  
5 think we need to do it, obviously; but I just  
6 don't know if we're not going to go down a  
7 rabbit hole, you know, going after more things  
8 when, you know, we don't have to do it.

9 DR. HERBERT: Mr. Tuten, let me also,  
10 just in response to that, I did ask Counsel if  
11 he would contact the salary folks to get a sense  
12 as to what an appropriate salary structure might  
13 look like for a new Executive Director.

14 MR. KLAUSNER: I did. Salary ranges in  
15 larger municipal or small state or say county  
16 retirement plans ran between the high one-  
17 hundreds, say one sixty-five and probably topped  
18 out around two-fifty.

19 Now, most of them were also  
20 participants in the actual plan, which they  
21 administered. And, in fact, many of them -- I  
22 looked at public safety plans, in particular.  
23 And even though the staff wasn't public safety  
24 officers, the staff was in the plan. And that's  
25 really the more common model that I saw.

1           There were a few that had either a cash  
2 balance or a Defined Contribution Plan just for  
3 senior staff. A cash balance plan, you fund it  
4 like a DC plan. In fact, we set one up for the  
5 St. Johns River Power Park.

6           You fund it like a Defined Contribution  
7 Plan, but it gets a guaranteed interest rate  
8 each year as opposed to a pure DC which is at  
9 risk to the market. And then when the member  
10 retires, you take whatever that pot of money is  
11 and you annuitize it as if you had purchased a  
12 commercial annuity product.

13           And then the fund bears the mortality  
14 risk, meaning if you die sooner than your life  
15 expectancy, the plan got a gain. If you  
16 outlived it, then you didn't run out of money as  
17 the traditional DC plan does, which is its  
18 primary criticism.

19           So that's the model that I saw around  
20 the country. I've asked the Segal Company to  
21 update, and they've agreed to do it at no cost  
22 to us, a survey that they've done for us some  
23 years ago, and just plug in the new numbers.

24           Some of the stuff is not accessible  
25 because, unlike Florida, which has a very broad

1 public records law, believe it or not, some of  
2 the salaries were not publicly available in some  
3 of the jurisdictions.

4 DR. HERBERT: I'm not sure whether that  
5 helps, but I just want to make sure the Board  
6 knows that we have been looking at that as part  
7 of the succession process.

8 CHIEF SCHMITT: So is it accurate to  
9 say our least expensive option, the option  
10 that's going to cost us the least amount is to  
11 remain unchanged?

12 MR. KLAUSNER: Just leave it. I mean,  
13 that is probably the cheapest thing you can do.  
14 Leave it alone. You don't have to create a new  
15 plan now. You've already decided that when  
16 Mr. Keane retires, that's the end of the plan,  
17 obviously.

18 And we also looked at whether we could  
19 purchase a commercial annuity for the three  
20 participants that we have. Because of their  
21 ages, it would cost more money to buy a  
22 commercial insurance product than the plan being  
23 funded based on its assets.

24 And it would be very hard, quite  
25 frankly, to even -- I couldn't find an insurance

1 company that was willing to bid on it because of  
2 the ages of the participants and the fact that  
3 everybody would be in immediate pay status.

4 DR. HERBERT: So if we do nothing, he  
5 would not be drawing down any money from the  
6 plan?

7 MR. KLAUSNER: Because unless you  
8 provide an in-service distribution provision, he  
9 can't. The only way to draw the money is to  
10 leave it.

11 DR. HERBERT: And under those  
12 circumstances, do we still need a motion that  
13 we're closing the plan?

14 MR. KLAUSNER: No, because that was  
15 actually to freeze the plan was the motion  
16 that's here. I believe you've already --

17 DR. HERBERT: Done that.

18 MR. KLAUSNER: You have previously  
19 moved to close the plan. You will at the time  
20 that Mr. Keane leaves have to adopt a 415 excess  
21 benefit arrangement. It's simply a method of  
22 paying the part that the funded plan can't pay.  
23 And the savings to the funded plan is reflected  
24 ultimately back as a savings that pays back the  
25 payroll allocation.

1           So you're required to do that under the  
2 tax code and the Florida law that governs public  
3 plans.

4           CHAIRMAN BUSSELLS: So we substantively  
5 implemented the Scheu Commission recommendation,  
6 I think?

7           MR. KLAUSNER: Yes.

8           CHAIRMAN BUSSELLS: Is there any option  
9 that we have not thought about yet of what to do  
10 next? And I'm with Larry on least cost would, I  
11 think, would be my choice as well. A contract's  
12 a contract. You can't change that.

13           Are there any other options we just  
14 haven't looked at or thought about that might  
15 produce even lower costs but still fit the  
16 circumstances required on John's contract?

17           MR. KLAUSNER: Not unless you all  
18 agreed to some change in the employment contract  
19 terms.

20           CHAIRMAN BUSSELLS: And that would  
21 recall bilateral --

22           MR. KLAUSNER: That would require  
23 bilateral discussion.

24           CHAIRMAN BUSSELLS: Is this right for  
25 action today? Do we want to think about it



1 another month, or do we want to take action  
2 today?

3 I'm looking for a sense of the Board.  
4 And the subject is John's retirement requirement  
5 in his contract -- leave as is or move to these  
6 other options that have been identified and  
7 considered.

8 CHIEF SCHMITT: I think we've run  
9 through a pretty good list of options. The one  
10 we haven't discussed is to break the contract,  
11 which to me we're already paying it anyhow, and  
12 spend a lot of money on attorney's fees. So to  
13 me that's not the best alternative.

14 MR. KLAUSNER: As you know, we have  
15 taken exception to anybody that tries to break  
16 your contract.

17 CHIEF SCHMITT: Absolutely.

18 MR. TUTEN: There's nothing -- you  
19 know, John's still working. He still wants to  
20 be here. He has a contract. He's got a  
21 retirement system.

22 We've already voted in the future, for  
23 the next person, to do away with the plan that  
24 he's on now which satisfies not only the pension  
25 reform that everybody wanted and certain other

1 areas that are complaining about John's benefits  
2 and money.

3 So there isn't nothing left we can do  
4 other than if we want to start with paying him  
5 his benefit now, then we've got to jump through  
6 a whole other level of hoops.

7 And on top of that, now, we're paying  
8 him a lot more money for doing the same job that  
9 he's doing right now, so let's just keep it as  
10 is. Rock on, and then we'll work on the  
11 specifics for the next guy, you know, with the  
12 information that Bob got for Adam. And that's  
13 just my recommendation.

14 MR. KLAUSNER: Mr. Chairman, the reason  
15 I would tell you not to adopt a DC plan now --  
16 you've adopted the concept already -- is whoever  
17 you hire or get down to, I have a feeling that's  
18 going to be part of ultimately your compensation  
19 discussion with that person.

20 So I wouldn't want the Board to  
21 restrict itself in terms of its ability to  
22 negotiate with a successor director.

23 CHAIRMAN BUSSELLS: I believe I heard a  
24 motion from Lieutenant Tuten.

25 Do I hear a second?

1 DR. HERBERT: Second.

2 THE COURT: Any further discussion or  
3 questions?

4 All in favor say "Aye."

5 (Responses of "Aye.")

6 Opposed, same sign. It carries  
7 unanimously.

8 MR. KEANE: Now, the effect of that  
9 motion is to restart the plan, and my  
10 contributions start flowing back into it;  
11 correct?

12 CHAIRMAN BUSSELLS: Yes.

13 MR. KLAUSNER: Did your contributions  
14 actually stop?

15 MR. KEANE: We're holding them in a --

16 MR. KLAUSNER: Yes. You'd have to  
17 tender those contributions.

18 CHAIRMAN BUSSELLS: That's what Larry  
19 suggested because that looks like the least --

20 MR. KLAUSNER: Yes.

21 MR. KEANE: So then just to be in the  
22 right posture, the motion to terminate the plan  
23 last month needs to be reversed then?

24 MR. KLAUSNER: Well, I thought all you  
25 did was close the plan.

1 MR. KEANE: Did two things. Back in  
2 the summer, when the Scheu report first came  
3 out, they voted to close the plan to new  
4 entrants.

5 MR. KLAUSNER: Correct.

6 MR. KEANE: Last month they voted to  
7 close the plan completely.

8 CHAIRMAN BUSSELLS: Like a hundred  
9 percent is for me, and a little bit bigger would  
10 be --

11 MS. MANNING: You have that attachment  
12 in your correspondence too.

13 CHAIRMAN BUSSELLS: Can you blow it up  
14 maybe like 85 or 90. Just type in 85. Just  
15 close that. Hit that little "x" up there and  
16 close that side bar. Just go in the box and  
17 type in --

18 MR. KLAUSNER: Is this from last month?

19 MR. KEANE: Yes.

20 MR. KLAUSNER: Okay. You had last  
21 month talked about freezing accrual. And I  
22 think the motion was to maintain the status quo,  
23 which would have the effect of reversing that  
24 prior action.

25 So, in essence, you're continuing the

1 accrual through the end of the tenure of the  
2 current director.

3 CHAIRMAN BUSSELLS: Until and unless  
4 the parties --

5 MR. KLAUSNER: Unless the parties  
6 negotiate to the contrary.

7 CHAIRMAN BUSSELLS: Something  
8 different.

9 MR. KLAUSNER: Yes.

10 CHAIRMAN BUSSELLS: So that would be a  
11 new motion then.

12 MR. KLAUSNER: No, I think Lieutenant  
13 Tuten's motion contemplated reversing that prior  
14 action.

15 CHAIRMAN BUSSELLS: Leave everything as  
16 it is.

17 MR. KLAUSNER: You decided to leave the  
18 Senior Staff Plan in an open status -- not open  
19 but in a continuing status rather than a  
20 terminated status.

21 CHAIRMAN BUSSELLS: And no one else can  
22 be added to it.

23 MR. KLAUSNER: No one can be added to  
24 it unless you -- right. But you've made a  
25 policy decision that you're just not going to do

1 that again.

2 MR. KEANE: Just to keep the paperwork  
3 flowing, and the minutes should reflect that  
4 Lieutenant Tuten made a motion to reconsider and  
5 reverse the motion that was adopted last month.

6 MR. KLAUSNER: You had considered last  
7 month to simply freeze accruals, so that must be  
8 what you voted on.

9 CHAIRMAN BUSSELLS: Yes, just to keep  
10 all the options open.

11 MR. KLAUSNER: Yes, no further service  
12 credit -- yes, that is the effect of Lieutenant  
13 Tuten's motion.

14 MR. KEANE: So for the minutes, the  
15 motion is to reconsider 2014-10-11 as adopted at  
16 the October meeting. With the adoption of his  
17 motion to reconsider, this goes away, and we're  
18 back to where we were. Correct?

19 MR. KLAUSNER: Correct.

20 CHAIRMAN BUSSELLS: So I have a motion.  
21 Do we have a second?

22 DR. HERBERT: Yes, I second.

23 CHAIRMAN BUSSELLS: Anymore questions  
24 or discussion?

25 All in favor, say "Aye."

1 (Responses of "Aye.")

2 Opposed, same sign. Carries  
3 unanimately.

4 MR. KEANE: All right, sir. That would  
5 then close the rest of the items on the  
6 Personnel Committee to be shifted into --

7 CHAIRMAN BUSSELLS: John, I sense it  
8 will be timely for a five-minute break. So five  
9 minutes, and then we'll resume.

10 (A short recess was taken.)

11 MR. KEANE: We're waiting for the  
12 personnel report, Mr. Chairman.

13 CHAIRMAN BUSSELLS: We'll ask  
14 Dr. Herbert to talk about the process, the next  
15 step in the process to begin the recruitment for  
16 John's successor.

17 DR. HERBERT: Members of the Board, one  
18 of the things that I think all of us would agree  
19 on is that perhaps the most important  
20 responsibility that we have is to focus on a  
21 leadership team, and within that context, also  
22 dealing with a succession plan.

23 Again, I can't think of anything that  
24 is as significant as that because it has so many  
25 implications for us as we attempt to ensure the

1 performance of our fiduciary responsibilities on  
2 behalf of our members.

3 So I had a meeting, along with Counsel,  
4 to go over the position description for the  
5 Executive Director and to take a look at some of  
6 the things that are essential as we deal with  
7 the recruitment ultimately for his successor.

8 You have before you 2414-08-1(b), a  
9 proposed announcement that we would distribute.  
10 You'll note in red a few things that we've added  
11 that we think are of particular importance. But  
12 I think that what this does is it lays the  
13 foundation for what would hopefully be a  
14 successful effort to identify a strong  
15 successor.

16 One of the things that I think we're  
17 all sensitive to is that John has been  
18 essentially doing the work of two people. And  
19 we just -- it's not fair to him to continue  
20 doing that.

21 Before hiring a deputy, I think it's  
22 important for us to deal with the director  
23 position because the skill sets that this person  
24 has would then dictate the kind of background  
25 that we would want to see in a number two



1 person.

2 I'd like to present this to the Board  
3 as a list of the essential elements for the  
4 position and how we would advertise it.

5 As I indicated a few moments ago, I did  
6 ask Counsel to help us with identifying  
7 compensation issues. He did mention the salary  
8 range, at least initially, so that we have some  
9 sense of what we might be looking at.

10 And so let me just present this to the  
11 Board now and see if you're comfortable with  
12 this as the basic framework from an HR  
13 perspective.

14 What we did talk about is not going  
15 forward and hiring a firm but to utilize the  
16 city as the basic recruiter for it. And there  
17 are some other people that I think John knows  
18 and the council knows around the country.

19 We would want to do our own outreach  
20 efforts in addition to what the city would do.  
21 But all of the applications would come back to  
22 the city. They would review them and then bring  
23 them back to us so that we could make a decision  
24 about the total number of people that we would  
25 want to interview.

1           If you like this, we can proceed as  
2 quickly as you deem appropriate. It takes a  
3 little time to get all of this put together and  
4 to get it out. But I think that if we were to  
5 start -- if you authorize us to go forward, we  
6 can work with the HR folks in the city and begin  
7 doing all the paperwork so that we can have this  
8 ready, all set to go next month.

9           MR. TUTEN: Yeah, I think it's a good  
10 idea. I mean, there's nothing wrong with having  
11 everything lined up, I mean, just in case we may  
12 need it.

13           I do have a question, not just for  
14 John's position but the position of deputy  
15 director assistant. Any good management --  
16 transition management has to be in place. We  
17 don't have anything anywhere.

18           We don't have a number two. And I  
19 noticed in discussions with counsel in other  
20 places that most major organizations have a  
21 solid number two guy in case something happens  
22 to number one. It's just the way they do  
23 things.

24           Do we have anything on that front as  
25 far as people applying or how many we've

1 interviewed or recommendations or --

2 DR. HERBERT: Well, we started off --  
3 unfortunately, we only had two people who were  
4 potential candidates. And then as we were  
5 talking about this, you know, the question is do  
6 you hire someone as a permanent deputy without  
7 that person and we knowing who the director  
8 designate is going to be because, again, the  
9 reality is that this person coming in will have  
10 a set of skills.

11 And the question is, from a  
12 supplemental perspective, who would be a good  
13 number two to complement the skills that this  
14 person brings to the table. So that's the  
15 rationale.

16 Now, we have the other issue that we  
17 discussed, and that is that council did not want  
18 us to go forward, as I recall, or raised an  
19 issue about funding that would allow us to hire  
20 a number two person. So that also was in there.

21 And I think John was going to be having  
22 some conversations with the city about that.

23 And I forgot all the details on that,

24 Mr. Chairman.

25 But, John, you may want to comment on

1 it as well. But given all of the uncertainty  
2 about that, and it seems to me that the key is  
3 for us to go ahead and go forward.

4 What we know is at such time as we  
5 identify someone, we have the possibility of  
6 John being there to help with that transition  
7 process, and then we could immediately begin --  
8 there are two possibilities.

9 One is if city council and we agree  
10 that it's okay to hire someone on an interim  
11 basis or do something else to help John, and I  
12 think we talked about it previously, our feeling  
13 was that he definitely does need some help.

14 Whether that's a number two person  
15 remains to be seen. But there's a lot of stuff  
16 that we need to do as part of the transition  
17 process.

18 MR. TUTEN: I'm for agreeing that we  
19 need to go ahead with the Executive Director.  
20 I'm just more concerned about right now because  
21 I've actually got a director.

22 Let me ask John a question. Out of the  
23 major entities of Jacksonville, does the Port  
24 Authority, and et cetera, how are they  
25 structured?

1 Do they just only have a deputy  
2 director, or do they have an assistant deputy  
3 director?

4 MR. KEANE: Number two and sometimes  
5 number three.

6 MR. TUTEN: Now, do they need approval  
7 from the city council to hire who they want, or  
8 are they independent agencies like we are?

9 MR. KEANE: They're independent, but  
10 they have the budget. That's the problem that  
11 we're facing here is that council took the money  
12 out of the budget for the position.

13 MR. TUTEN: Now, has the council ever  
14 done that to other agencies before, taken the  
15 money out of the budget for assistant directors,  
16 or are we the first one?

17 MR. KEANE: The general counsel has  
18 told them that you can reduce the overall  
19 appropriation for salaries and benefits, but you  
20 can't go in and say we're going to eliminate the  
21 chief of engineer or the chief of environmental  
22 affairs and things like that. And that was the  
23 general counsel's advice to the city council  
24 again this year.

25 MR. TUTEN: Well, it seems that

1 we've -- you know, rightly or wrongly, we won't  
2 get into that. But we've been under criticism  
3 before of not being managed well, you know,  
4 which I personally think is not true.

5 But, hey, like I said, well, part of  
6 being managed well is to have people in place  
7 that can actually do managing. We have one  
8 person -- Chuck and the rest of the people here  
9 do a great job. We have one person, and that's  
10 John.

11 That's it. Now, Kevin does his thing,  
12 but he's more of the financial side. We have no  
13 one else. But, yet, at the same time we're  
14 being hamstrung and told you're not aloud to  
15 have money to hire someone that can help you  
16 become more efficient and, quote, "profitable,"  
17 even though we're a public -- I don't understand  
18 the logic.

19 You can't have what's expected of us  
20 without providing us the tools to get that, and  
21 that's why we need to focus. And we need some  
22 clarity from the council or from whomever to  
23 say, look, we -- because we don't know if we  
24 can -- we might be able to find an executive  
25 director one day.

1           He might be the number two guy, and  
2 he's been here for three years. We just promote  
3 him, done -- transition management over with.  
4 But we're not going to find a number one guy if  
5 they come here knowing that we can't even figure  
6 out how to find a number two guy.

7           Trust me. Word spreads in the pension  
8 world. And if they think that Jacksonville is  
9 at the whim, every time they want to do  
10 something, of the city council or whomever, then  
11 professional people, which both of you are --  
12 not myself, I'm just a fireman -- you know  
13 that you're not going to go somewhere,  
14 transplant, and move and come here when it's so  
15 short.

16           You know, it just doesn't happen in the  
17 professional, quote, "real world," as we like to  
18 call it. It just doesn't work that way. So we  
19 need to get a few things straight. But to get  
20 back to the original thing, yeah, I'm all for  
21 this. We need to move forward in getting this  
22 going.

23           CHAIRMAN BUSSELLS: I'll just give a  
24 little context and sort of my point of view too  
25 based on what you all were saying.

1           John's employment contract was done  
2 before Adam and I came on the Board. So I've  
3 read it, and I know what it says. And it's long  
4 term. It runs out in '16?

5           MR. KEANE: '17.

6           CHAIRMAN BUSSELLS: '17. So it was a  
7 very long-term contract. Everything was laid  
8 out year by year by year paid. Everything was  
9 locked into contract, so that's it.

10           We've had appropriate conversations  
11 here in recent months about some health issues  
12 John has. And he's addressing them and dealing  
13 with them, but that's a fact.

14           And the director's expressed the  
15 thought that he would like to retire, but he  
16 would like to wait until comprehensive pension  
17 reform that's fair to everybody, all the  
18 parties, is enacted. And all these things can  
19 change, but that's where we are today.

20           And ideas continue to come forward.  
21 This week there was another set of ideas put  
22 forth by some local citizens that looked pretty  
23 interesting to me.

24           And who knows if it can attract a  
25 majority of support from the council and so



1     forth.  But a lot of smart people are working  
2     very hard to find comprehensive pension reform  
3     that hopefully everyone can agree with.

4             So, yeah, it could happen next month or  
5     January, in which case he's ready to go.  And so  
6     I think the work to identify people that would  
7     be attracted to our city and this job -- and I  
8     agree with you -- so that were it to happen  
9     sooner rather than later, we've got a pool of  
10    capable, qualified people who already have  
11    the new, defined -- who will work out the  
12    defined contribution and all that stuff too, and  
13    the salary to be competitive but not more, not  
14    less.

15            So I want to go forward.  The decision  
16    about the budget and the number two versus the  
17    number one, -- while John is still here pursuant  
18    to his contract, is one we'll face when we get  
19    there.  But I think we need the option available  
20    because if this thing, if it moves, it will move  
21    quickly.  And we're not doing our job if we  
22    don't have a plan, you know, set up in place  
23    to --

24            MR. TUTEN:  Well, and I think, too, a  
25    point that's lost on some council members --

1 and, believe me, you know, it's only a few  
2 people that seem to be wanting to make life  
3 difficult at every turn at this point.

4 The next director is not going to make  
5 the amount of money John makes. So, more than  
6 likely, we can probably squeeze two employees  
7 into one paycheck.

8 Now, it's probably not going to be that  
9 cheap to be real, but the point is, you know, we  
10 can find qualified people. But, like I say,  
11 getting back to the employees, it's not the  
12 money or the pension plan that's going to scare  
13 people away. It's going to be the unsurety of  
14 the situation because every day the Pension  
15 Board -- its director, its members -- are in the  
16 paper as being fill in the blank.

17 And any executive that's used to a  
18 certain standard in his business world is not  
19 going to expose himself to that sort of scrutiny  
20 for either a paycheck or a benefit package that  
21 is just average or lower.

22 It's just not going to happen. It just  
23 doesn't happen. So we have to decide what do we  
24 expect, not only of the person but the entire  
25 package, and maybe sort of reduce some of the

1 clutter that's out there. Because we're never  
2 as a Board, as we've probably hopefully learned  
3 by now -- we're never going to make everybody  
4 happy.

5           There's always going to be somebody  
6 mad. And the truth is if we do what's right --  
7 if we do what's right by our members, which is  
8 our job as trustees -- that's job number one, as  
9 Mr. Klausner can attest to, and we do what's  
10 legal regardless of what people blame us -- we  
11 do nothing illegal. They may not like it, but  
12 I've always -- do what's legal and what's right,  
13 and then you can go from there.

14           But right now we're going to constrain  
15 to the point of, look, love John to death, but  
16 he's been here for a long time. And we keep  
17 playing this game of tap dance.

18           What would happen if something were to  
19 happen to John? We're going to come back and  
20 have a meeting and say congratulations, Dan,  
21 would you like to be the director?

22           How about Larry? You're a CP, aren't  
23 you? You can handle it.

24           CHIEF SCHMITT: I've got a job.

25           MR. TUTEN: Well, guys, that's where

1 we're at. We need to get going, not only on  
2 number one but on number two as well.

3 CHAIRMAN BUSSELLS: And so get going  
4 now -- we'll identify candidates and their  
5 views -- the decision of role, position, when,  
6 we'll face that once we have some candidates  
7 that look viable, I think.

8 But the main thing is to get the  
9 process started to see what's out there and what  
10 it's going to take to have one when we need  
11 them. And then these other issues will have to  
12 be resolved, just as you're saying. But that  
13 can come as well, so we're looking for what's  
14 out there.

15 DR. HERBERT: The availability of a  
16 number two position, for example, is extremely  
17 important. And whoever it is may have some  
18 other thoughts about how all this is structured,  
19 so we've got to have the availability to assure  
20 that they can fulfill their responsibilities.

21 You know, John -- we had the benefit,  
22 in John's case, of his having all the  
23 institutional memory and many couple of decades  
24 of experience in all this.

25 So I'm convinced that we can find some

1 folks who have extensive experience in the  
2 field. But I think you're right that the  
3 conditions have to be right, and we have to make  
4 sure that we can address those matters.

5 So what I'd like to do is, if the board  
6 is in agreement, to go ahead and work with the  
7 city's HR folks to get all this finalized so  
8 that we can get it out.

9 MR. KEANE: Our plan is to make a  
10 comprehensive package, telling the story about  
11 Jacksonville, the amenities we offer as a city  
12 to a perspective employee, about the job, about  
13 the fund, and have just a comprehensive  
14 solicitation booklet put together.

15 That's what we've been talking with  
16 Dr. Herbert about and working on that. The  
17 Scheu Commission recommended that we use a  
18 nationwide search firm. Those folks charge six  
19 months' salary.

20 CHAIRMAN BUSSELLS: We're going to try  
21 the efficient, low-cost method through the city  
22 first.

23 MR. KEANE: And one of the efficient  
24 low-cost methods is working through our national  
25 organizations and these other things.

1           I received a telephone call last Friday  
2 asking me to apply for a vacant Executive  
3 Director's position at a larger police and fire  
4 pension fund. And I thanked them for calling me  
5 and asked them, please, remove my number from  
6 your file. I'm trying to get out, not get  
7 further in.

8           And this is the way it works a lot of  
9 times. We could latch-key into finding someone.

10           DR. HERBERT: And there are some good  
11 potential candidates out there. John and I --  
12 we've have talked about it.

13           So I think that once we get the booklet  
14 put together and start making those outreach  
15 calls that we'll get some good people.

16           MR. TUTEN: Well, I hope so. And I  
17 think, what's John's reference to his story  
18 is -- I've been at it twelve years, and I've  
19 been to a few conferences and talked to a few  
20 people.

21           And I think what we're going to find  
22 out -- I think we've sort of found out is, with  
23 the number two search, when you said I think six  
24 people applied, there's a fine line we walk  
25 between finding the guy we want qualified and

1 then what we offered them to come here.

2 And I think we are a little hamstrung  
3 as far as being a pension fund. We're not a  
4 corporation. We can't offer you stocks here to  
5 enhance the benefit package.

6 So I think what you're doing -- we  
7 really need to focus on what we're looking for  
8 to attract -- because I think it's going to be  
9 harder than we think to not only find a number  
10 two guy but to find a director.

11 Now, we can fill the Chair. That's not  
12 going to be a problem, but we want somebody that  
13 knows what they're going.

14 CHAIRMAN BUSSELLS: Absolutely. And,  
15 Rich, when you say a "guy," you mean a  
16 metaphorical guy?

17 MR. KLAUSNER: Meaning it could be that  
18 gender is not a requirement.

19 MR. TUTEN: Of course. Come on,  
20 people.

21 MR. KLAUSNER: We're teasing.

22 MR. TUTEN: I don't care. I know what  
23 you meant.

24 MR. KEANE: We'll take a vote on  
25 approving the job spec.

1 DR. HERBERT: Is everyone comfortable  
2 with this as the basis for our booklet that  
3 we're going to be sending out?

4 MR. TUTEN: Yes. I looked at it  
5 earlier.

6 CHAIRMAN BUSSELLS: So there's a  
7 motion. Did I hear a second?

8 DR. HERBERT: I moved it.

9 CHAIRMAN BUSSELLS: All in favor say  
10 "Aye."

11 (Responses of "Aye.")

12 CHAIRMAN BUSSELLS: Opposed, like sign.  
13 Carries unanimously.

14 DR. HERBERT: We'll proceed now to get  
15 all this put -- to get the brochure together,  
16 and we'll get it out quickly.

17 CHAIRMAN BUSSELLS: Before we leave  
18 legal, and I know we want to have our  
19 independent accountants, our outside auditors  
20 have a chance to speak with the Board and the  
21 Board with them -- good governance practice.

22 On the subject generally of audits, John,  
23 would this be timely to bring up the subject of  
24 getting an independent review, working with the  
25 Board of the possibility, per the council



1 auditor's report earlier this year, that our  
2 administration of a certain DROP applications is  
3 not precisely consistent with the law, and there  
4 might be a pay period off or not with the  
5 suggestion in the audit?

6 And, you know, of course, we've invited  
7 Kirk Sherman to be with us many times. And,  
8 hopefully, at some point he'll be able to make  
9 time to come meet with the Board directly on  
10 that.

11 Hopefully, he'll come and actually work  
12 with us directly at some point. But I was  
13 thinking about -- you know, we have an approach  
14 to get that confirmation for the benefit of our  
15 members that we're doing it perfectly correctly,  
16 or if there's been an error, to have it in the  
17 future.

18 But I think the idea perhaps also  
19 having our independent accountants aware of  
20 what's going on and also invite the council  
21 auditors -- we always do Kirk Sherman -- to be  
22 fully involved with it, to be timely.

23 So it's a long rambling way to say I'd  
24 like to go to that item next on the agenda, then  
25 our accountants and independent accountants.

1 And then they can move on because I think we all  
2 have stuff to do.

3 MR. KLAUSNER: At the Chair's request,  
4 I sought out an accounting firm that has  
5 experience in public pension accounting, which  
6 would mean review of benefit calculations as  
7 part of their regular testing.

8 Goldstein, Schechter, Koch, which is  
9 headquartered in Coral Gables, they're a  
10 regional firm. They do 40 or 50 public pension  
11 funds for audits.

12 You also wanted an independent legal --  
13 I actually have never offered an opinion on this  
14 question. But the idea was to get someone who  
15 has no connection with the fund. So I spoke  
16 with Lee Dehner of the firm of Christianson &  
17 Dehner. They're a small firm in Sarasota that  
18 specializes in public pension work.

19 Also, they've never done work for the  
20 city. They've never done work for us. And of  
21 all the lawyers in Florida, who do work on  
22 public pensions, they're the only ones who have  
23 not worked for the city, aren't suing the city,  
24 or have worked for us.

25 So I spoke with them. Without telling

1       them anybody's view, I said my recommended  
2       protocol would be you speak to the council  
3       auditor and the General Counsel's Office, get  
4       their point of view. Speak to our staff over  
5       here and see -- go through the calculations that  
6       were at issue and some others, as were just  
7       chosen randomly, and then review the code, the  
8       ordinance code, and then render an opinion to  
9       us.

10                   And I said I don't care what the answer  
11       is. I just want the answer.

12                   CHAIRMAN BUSSELLS: And quickly.

13                   MR. KLAUSNER: And quickly.

14                   CHAIRMAN BUSSELLS: And have them work  
15       directly with the Board.

16                   MR. KLAUSNER: Yes. They will report  
17       directly to the Chairman, and they will come to  
18       a Board meeting or issue a written report,  
19       whatever you want.

20                   CHAIRMAN BUSSELLS: Yes.

21                   MR. KLAUSNER: They do charge more than  
22       I do. But I didn't think you wanted -- it's  
23       about eight hours worth of work. I wouldn't  
24       haggle --

25                   CHAIRMAN BUSSELLS: People that know

1 the subject, that don't have a conflict with us  
2 or the city or Florida, should be able to look  
3 at it pretty quickly, compare our practice to  
4 the law first and then do the mathematics versus  
5 the law and --

6 MR. KLAUSNER: After explaining -- oh,  
7 I'm sorry.

8 CHAIRMAN BUSSELLS: And then you missed  
9 this. This was off or not, or everything was  
10 perfect or it's way off, or whatever the heck it  
11 is, but do it quickly. They should be able to  
12 do it quickly.

13 And by quick, participate, and everyone  
14 else, just like you're saying, and then put it  
15 to bed, once and for all, for our members'  
16 comfort and benefit. There's not going to be  
17 some -- there hasn't been some -- it's one pay  
18 period, I think, at most. But even that, if  
19 there is something, it will be corrected,  
20 obviously.

21 MR. KLAUSNER: Yes.

22 CHAIRMAN BUSSELLS: But the members  
23 aren't thinking there's something really big  
24 going on or a big problem that could affect  
25 people. There's not. There could be an error

1 involving a pay period possibly. And if there  
2 is, we'll correct it. And if there's not, we'll  
3 know it and have it documented but to do it  
4 quickly and put it to bed.

5 MR. KLAUSNER: I express the importance  
6 of expeditious action. They told me at most,  
7 given the people that they have to talk to, it's  
8 a day's work, so about eight hours of billing  
9 which should cost you three-thousand something.

10 The auditor -- I also suggested the  
11 same thing -- speak to the council auditor so  
12 that auditors can find out. They can review the  
13 code for themselves from an accounting  
14 standpoint.

15 I said that the lawyer will be  
16 available to talk to them because I'm going to  
17 stay out of this process and that also to talk  
18 to our staff.

19 Within accounting, you sample, based on  
20 population or some significance of numbers, and  
21 I said you'll check the ones that have been most  
22 discussed, plus a representative sample chosen  
23 randomly. And do the same thing, and it's got  
24 to be quick.

25 Their hourly rates are comparable too.

1 So I think that will -- if you'll leave it to me  
2 to just shepherd the professionals to get it  
3 going and make the contacts. But as I've said,  
4 I've not given them my view of the code or the  
5 issue.

6 CHAIRMAN BUSSELLS: But they are  
7 experts on Florida public --

8 MR. KLAUSNER: Yes. I've worked with  
9 Christianson & Dehner many times. We've hired  
10 them when we had conflicts. We've worked with  
11 them when they had conflicts. And they're the  
12 only ones who have not done work for either us  
13 or the city. I wanted someone who had no  
14 proverbial dog in this race.

15 CHAIRMAN BUSSELLS: It will all be in  
16 the Sunshine and quick.

17 MR. KLAUSNER: Yes. And I told them  
18 your report, once you do it, it's public record,  
19 and it's going to be delivered in a public  
20 forum.

21 And I said I don't want to know what  
22 their conclusions are until they write to the  
23 Chairman.

24 CHAIRMAN BUSSELLS: Thoughts or  
25 comments on that? We just need to get him over

1 here and meet with the Board and so forth early  
2 in the year. So it needs to be put to bed  
3 because, you know, members worry about these  
4 things until its clear what's going on.

5 And if there's something here, it's not  
6 a lot. But if there's something here, it will  
7 be corrected. But we just need to get it all  
8 out and have experts validate it or not.

9 CHIEF SCHMITT: I think it's an  
10 excellent idea. Get somebody not involved in  
11 it, just state an objective view.

12 CHAIRMAN BUSSELLS: And knows the  
13 subject.

14 CHIEF SCHMITT: Right.

15 MR. KLAUSNER: I think a motion would  
16 be in order to authorize that.

17 CHIEF SCHMITT: I'll make a motion.

18 DR. HERBERT: Second.

19 CHAIRMAN BUSSELLS: Any further  
20 discussion or questions?

21 All in favor say "Aye."

22 (Responses of "Aye.")

23 CHAIRMAN BUSSELLS: Opposed, like sign.  
24 Carries unanimously.

25 MR. KEANE: The words met the motion,

1 and the effect of the motion is authorize the  
2 General Counsel to retain a special counsel and  
3 an independent auditor to review the findings of  
4 the council auditor on those issues and make a  
5 written report to the Board in an expeditious  
6 manner.

7 CHAIRMAN BUSSELLS: The December  
8 meeting fully involving as much as they're  
9 willing and able -- the council auditor, the  
10 city General Counsel, and the parties are  
11 interested and knowledgeable every step of the  
12 way.

13 MR. KEANE: Yes, sir. We've got  
14 that -- got the sense of the motion. We've got  
15 it.

16 And now we're to the auditors.

17 MS. MENDILLO: Good morning. I'm Linda  
18 Mendillo of KBLD.

19 MS. BALASKIEWICZ: And Kim Balaskiewicz  
20 with KBLD.

21 We've met at a couple of the last  
22 meetings. I think Linda and I were both here.  
23 So Linda Defresne is the "LD" of the KBLD, and  
24 she was the partner in charge for the last two  
25 years.



1 I'm putting a fresh set of eyes on it  
2 this year. I've done the quality review the  
3 last couple of years. So this will be the first  
4 year that I'm the primary partner.

5 Any questions?

6 CHAIRMAN BUSSELLS: Have there been any  
7 issues or anything arisen that the Board should  
8 be alert to or can assist you with, or anything  
9 in your audit design and process?

10 I'm asking you the questions. I'm used  
11 to, in my private sector experience in business  
12 boards, where the board by good governance has  
13 the independent accountants come in and work  
14 with the board at the beginning and at the end  
15 of the audit, working with staff along the way,  
16 but there's that direct communication.

17 And, of course, here it's all in the  
18 Sunshine, which is fine and which is great, but  
19 if there's anything that comes up along the way  
20 of interest or concern, whatever, work directly  
21 with us, and we'll bring it to closure one way  
22 or the other, just like it would happen in the  
23 private sector in the business world, at the  
24 beginning and at the end of the audit  
25 engagement.

1 MS. BALASKIEWICZ: We will. And I  
2 would just say, from my perspective, that you  
3 guys as a board are very involved and go through  
4 very detailed agenda items, and that's a good  
5 sign, from our perspective, that you guys know  
6 and are as actively involved in the day-to-day  
7 management as well.

8 And we get great reports from Kevin and  
9 a good amount of detail. You know, we're not  
10 having to create it. Kevin is providing it, and  
11 then we're able to audit it.

12 So from our perspective, things are  
13 looking -- you know, we'd rather not see the  
14 news articles. But, you know, from our  
15 perspective things are going well.

16 So we start field work next week.

17 MS. MENDILLO: I'm Linda.

18 MS. BALASKIEWICZ: We've gotten our  
19 preliminary information, so.

20 CHAIRMAN BUSSELLS: Any questions for  
21 the auditors of the Board members?

22 MR. KEANE: Mr. Chairman, as you know,  
23 all auditors work to get a report to the Board  
24 that then goes and interfaces with the city's  
25 independent auditor.

1           We have alerted the city treasurer,  
2 fund treasurer and the finance director, again  
3 yesterday, that there's an issue that may be  
4 material, that we need to have a meeting with  
5 them to resolve and that failure to meet in a  
6 timely manner could push our audit off some.

7           And we got a response back from Joey  
8 yesterday afternoon that we're going to try and  
9 meet as soon as possible.

10           CHAIRMAN BUSSELLS: And as we said  
11 always, there's always full communications every  
12 step of the way with the city council auditor,  
13 Mr. Sherman, and then the administration  
14 leaders, Ronnie and Joey, the CFO and treasurer.  
15 Every step of the way that coordination is just  
16 so valuable.

17           MR. KEANE: See you Monday.

18           MS. MENDILLO: Great, see you.

19           MS. BALASKIEWICZ: Thank you, guys.

20           MR. KEANE: Moving on down the agenda,  
21 Mr. Chairman and Trustees, budget. Kevin --

22           CHAIRMAN BUSSELLS: Actually -- I'm  
23 sorry. Before we leave legal, would legal be  
24 the place to talk about the attorney general  
25 opinion to put to rest, finally, the issue of

1 the budget we talked about earlier, or is there  
2 another place in the agenda?

3 MR. KEANE: No, sir. That would be the  
4 place to put it. I spoke with the council  
5 president's office yesterday and asked them have  
6 they reached a decision. And she called me back  
7 yesterday afternoon and said he's still thinking  
8 about it.

9 CHAIRMAN BUSSELLS: Okay. So the issue  
10 is, for a long time, the general counsel for the  
11 city has an opinion about the council's budget  
12 authority over this Board.

13 The general counsel for this board has  
14 a different opinion about what Florida law  
15 provides in terms of budget authority -- budget  
16 control authority.

17 It persists and comes up every year,  
18 and the two general counsels, very qualified  
19 people, have dramatically different readings of  
20 the relevant agreements and loss.

21 And so we have this continuing  
22 conflict. And so I, for one, would like to try  
23 to bring it to closure one way or the other  
24 before the budget process starts in the spring.

25 And I'm advised that for Florida local

1 governments, when there is a difference of  
2 opinion among qualified counsel on an issue like  
3 this, you ask the attorney general for the  
4 state, and they say here's how to interpret that  
5 law, and then that's it.

6           And it's not a cost to do this. You  
7 don't have to pay them. And so my thought was,  
8 looking for a way to put it to bring it to  
9 closure, is to ask the attorney general to  
10 interpret the law for the benefit of us here in  
11 Jacksonville and to fully involve the city  
12 council leadership, the council president, as  
13 well as the council auditor, the city general  
14 counsel.

15           Hopefully, they'll all do it together,  
16 but I for one would like to stop having -- I've  
17 been through it twice now -- we send the budget  
18 over, and our colleagues and friends in the city  
19 council say we can decide what to do with this.

20           You say, "Respectfully, sir, and,  
21 ma'am, no, you can't." And we're obliged to  
22 provide it to you for information to report to  
23 you. It's all in the open. But you can't go in  
24 there and line-item it out. And then they say,  
25 "Well, yes, we can."

1           And so I'd like to bring it -- to put  
2           it to bed. And apparently the attorney general  
3           for the state, that's part of what they do is,  
4           say, local law, this is -- this is how it works.  
5           Right?

6           MR. KEANE: Correct.

7           CHAIRMAN BUSSELLS: All I can think of  
8           to stop this recurring annual conflict, which I  
9           think I think would be a good thing --  
10          apparently past attorney generals have opined on  
11          this question already, twice.

12          MR. KLAUSNER: Yes, twice. There are  
13          two opinions -- oh, I'm sorry, Mr. Chairman. I  
14          thought you were done.

15          CHAIRMAN BUSSELLS: I'm done.

16          MR. KLAUSNER: There are two attorney  
17          general opinions specifically on the subject.  
18          One was, does the council have the authority --  
19          and this is specific to this plan.

20          The first opinion said, no. The second  
21          one says, could we contract a way -- even  
22          assuming that they had no control, could we make  
23          an agreement with them that we give them  
24          control.

25          And the attorney general said, no, only

1 the legislature could do that. I mean,  
2 obviously the AG will look at the opinions  
3 issued by her predecessor. Generally, they  
4 don't change their mind unless the law has  
5 changed, and nothing has changed.

6 CHAIRMAN BUSSELLS: There's case law or  
7 something; right?

8 MR. KLAUSNER: Right. There's no case  
9 law -- the opinion has been cited in other  
10 attorney-general opinions, but there are no  
11 cases on it, and so I'll send her a letter, if  
12 that's the will of the Board, and ask her --

13 CHAIRMAN BUSSELLS: Again, our  
14 colleagues in city hall would be there, upon a  
15 parallel path, all doing it together. You know,  
16 let the chips fall where they may but --

17 MR. TUTEN: Well, what's the timetable  
18 to do this? In other words, if we ask the  
19 council president to cosponsor, so to speak, a  
20 ruling, and ask if they don't get back to us  
21 within "X" amount of days, weeks, we go ahead  
22 and do it by ourselves because I don't want to  
23 wait around two months waiting.

24 CHAIRMAN BUSSELLS: We began asking a  
25 few months ago because, you know, we're getting

1 ready for the budget cycle, so this keeps coming  
2 up. So we began asking our friend -- our  
3 colleagues.

4 MR. TUTEN: So you need a motion --  
5 basically, let's just go ahead and send it off  
6 to the state attorney regardless or --

7 MR. KLAUSNER: Attorney general.

8 MR. TUTEN: Yes, attorney general.

9 CHAIRMAN BUSSELLS: And then to have  
10 full communications every step of the way, and  
11 everybody knows what's going on and sees it.

12 MR. KEANE: And we understand this is  
13 an irritant to the Board. But out of respect to  
14 the council president, if we would just wait --  
15 and tell him, by December we want to get it  
16 resolved so we can send it on so it will be  
17 resolved by budget time.

18 CHAIRMAN BUSSELLS: And the general  
19 counsel for the city.

20 MR. KEANE: Exactly.

21 MR. KLAUSNER: I'm going to speak to  
22 them today. As you know we have a cooperate  
23 working relationship with them. We argue about  
24 some stuff, but we work together.

25 We have a 1:00 o'clock discussion about



1 just some other items, and I'll add that to the  
2 list.

3 MR. KEANE: We'll have a definitive  
4 resolution for the council president by the  
5 December meeting.

6 CHIEF SCHMITT: So are you proposing  
7 that we wait until the December meeting to  
8 decide whether we're going to go ahead and send  
9 a letter to the attorney general?

10 MR. KEANE: No. You all have already  
11 decided to do that. But the only question is,  
12 is the city going to cosign the letter, whether  
13 it's a joint letter or we're going on.

14 And out of respect to council  
15 president, since he said yesterday he's still  
16 thinking about it, I'd urge you not to go  
17 forward until we give him a chance to finish his  
18 thought process. But we will have it revolved  
19 by the December meeting.

20 I'll talk to him again and say, "The  
21 Board wants to get this resolved prior to the  
22 next budget round."

23 CHAIRMAN BUSSELLS: So let's start  
24 building, you know, the next fiscal year's  
25 budget January and February. The process will

1 start up again. You know how it is.

2 CHIEF SCHMITT: I would like to set a  
3 date that we're going to send this letter.

4 MR. KEANE: Make a motion to send a  
5 letter at the December meeting. I can then tell  
6 the council president. You all pick the date.

7 MR. KLAUSNER: 18th?

8 MR. KEANE: Yeah, we're going to go  
9 forward on that date. Does that sound all  
10 right? We don't need a motion. I can tell him  
11 that when I speak with him. We've got the sense  
12 of the Board.

13 CHAIRMAN BUSSELLS: All right.

14 MR. KEANE: Kevin, budget review.

15 MR. STORK: This is the Police and Fire  
16 Pension Fund past budget. It doesn't include  
17 the council's changes. But as you can see, I  
18 put the note we're under budget mainly due to  
19 the -- not hiring the deputy executive director  
20 that was in our budget.

21 So that's the variances. We performed  
22 better than anticipated in the -- with our money  
23 managers. The cost wasn't much over what I had  
24 anticipated, mainly because, in my model, I kept  
25 some higher costs.

1           The money, when we did the repayment, I  
2 had those allocated a little bit different than  
3 what actually happened. So my budget was based  
4 on having more money with higher managers. So  
5 that's why the difference didn't show up as  
6 being we're over budget at this time.

7           Of course, when we get the advanced  
8 money in December, depending on how it's  
9 allocated, that can change. But I just thought  
10 that was a little bit nuance that we're so much  
11 over -- our investment balance was quite a bit  
12 higher, but our money managers -- I'm just  
13 explaining that. But everything else is, you  
14 know, one month.

15           MR. TUTEN: Too early to tell.

16           MR. STORK: That's right. It's too  
17 early to tell too much. Don't read a whole lot  
18 into it yet.

19           CHAIRMAN BUSSELLS: Any comments on the  
20 budget report?

21           MR. KEANE: Next item is a copy of the  
22 news release that they issued that you all just  
23 discussed on hiring an outside independent  
24 attorney and auditor to look into it. A copy of  
25 the news release was issued October 22nd and

1 sent to all members of the city council. And  
2 that is ongoing, and we show that received as  
3 information.

4 The next item that we have is a  
5 memorandum from Dan Holmes on some minor changes  
6 to the Baillie Gifford agreement, which has  
7 already been approved by the city, and we  
8 recommend approval.

9 CHAIRMAN BUSSELLS: Do you need a  
10 motion on that?

11 MR. KEANE: Yes, sir.

12 CHAIRMAN BUSSELLS: Could I get a  
13 motion?

14 DR. HERBERT: Move.

15 CHAIRMAN BUSSELLS: Can I get a second?

16 CHIEF SCHMITT: Second.

17 CHAIRMAN BUSSELLS: Questions or  
18 comments?

19 All in favor, say "Aye."

20 (Responses of "Aye.")

21 CHAIRMAN BUSSELLS: Opposed, like sign.  
22 Carries unanimously.

23 MR. KEANE: Okay. Moving on, we're now  
24 ready to take up the investment report. We have  
25 the Summit Flash Report first, Dan Holmes.

1 MR. HOLMES: If it pleases the Board,  
2 I'd like -- I think things will make more sense  
3 if we do the quarterly report first briefly and  
4 then add it with the Flash Report if that's  
5 okay.

6 And I'll skip the Capital Market Review  
7 in the middle. And so with that said, let me  
8 direct your attention to the blue book which  
9 shows performance for the quarter.

10 The economic background for the quarter  
11 was one of increased volatility. And so what  
12 was going on in the background was kind of a  
13 conflict between a number of different things.

14 First, you had investors anticipating  
15 the end of quantitative easing by the Fed at the  
16 end of October. In addition to that, you had  
17 concerns about geopolitical conflicts. I think  
18 there's a few of those going on in the world  
19 today.

20 In addition to that, you had oil prices  
21 and other energy -- changes in energy prices.  
22 The bottom line is, September and then into  
23 October, you had a lot of volatility in the  
24 market.

25 During the quarter, that took place,

1 and most risk assets were negative as a result  
2 of that. And so on page 2 of the book, you  
3 see -- you can see that small cap stocks were  
4 off the worst. They were down 8.6 percent  
5 for the quarter.

6 Conversely, real estate was the best  
7 performing asset class, up a little over 3  
8 percent. You can kind of see where the various  
9 indices kind of wind up between them. So it was  
10 very much a quarter of volatility.

11 Unfortunately, that's the end of the  
12 quarter that makes up your fiscal year. But at  
13 the same time, strong performance in an earlier  
14 part of the year and the latter half of last  
15 year has helped keep the total fund performance  
16 above the actuarial assumed rate of return for  
17 the year.

18 So with that, let me direct your  
19 attention to page 10 of the report. Page 10  
20 shows asset allocation at the end of September  
21 and also market value. So, for the record, at  
22 the end of September, the market value of the  
23 total portfolio was \$1.5 billion, rounded.

24 Asset allocation shows that you were  
25 within policy. U.S. equities were overweight at

1 the end of the quarter. We continue to be  
2 underweighted to real estate. And going  
3 forward, hopefully, we'll close that gap.

4 In terms of -- if you turn over to  
5 page -- just flip down the page briefly. Page  
6 11 is showing how your assets are allocated  
7 relative to the peer universe, the universe of  
8 other public pension plans.

9 You see that you're a little bit under  
10 median in terms of allocation. In terms of  
11 domestic equities, over median -- actually, top  
12 quartile in terms of being more invested in  
13 international equities.

14 Unfortunately, that was a drag on  
15 relative performance for the quarter. And then  
16 over on the right-hand side, it says alternative  
17 investments.

18 The alternative investments they've  
19 listed here are simply MLPs. You do not have  
20 any private equity. You don't have any hedge  
21 funds. That's the bucket that that would  
22 normally fall in. And some public funds do have  
23 that. So that gives you an idea about how  
24 you're allocated relative to the peer universe.

25 Now, if you flip over one more page, to

1 page 12, you are shown performance not only for  
2 the quarter but for also the calendar year to  
3 date and the trailing one-year period. And that  
4 trailing one-year period is your fiscal year  
5 return.

6 So for the quarter, the portfolio was  
7 down 1.3 percent, called 1.4 percent for the  
8 aforementioned reasons: Over allocation  
9 relative to peers in international equities;  
10 over allocation relative to the benchmark in  
11 domestic equities; and, basically, risk assets  
12 basically trading off across the spectrum.

13 However, if you look at the return for  
14 the fiscal year, fiscal year performance was  
15 11.6 percent. In addition to that, the fund  
16 performed in the twentieth percentile.

17 And again for reference, first  
18 percentile is the best. One-hundredth is the  
19 worst. So you ranked in the top quartile in the  
20 fiscal year in terms of performance.

21 If you look over to the right-hand  
22 side, you can see performance for the last three  
23 calendar years. So calendar year '11, you were  
24 in the thirty-ninth percentile; calendar year  
25 2012, you were in the thirty-fourth percentile;



1 calendar year 2013, you were in the twenty-first  
2 percentile.

3 So far this calendar year, you're in  
4 the twenty-fourth percentile, and the plan is up  
5 5.2 percent.

6 Then if you look at the trailing one-,  
7 three-, five-, seven- and ten-year time periods,  
8 those are all of as the end of September. And  
9 in looking at those returns, you can see that  
10 over the last five years, the plan has  
11 compounded at about 11 percent, approximately 11  
12 percent.

13 And over the last ten years, that's 7.3  
14 percent. And in all those cases, performance is  
15 above median. And in most time periods, it's  
16 top quartile.

17 So pretty good performance on an  
18 absolute basis and also on a relative basis.

19 I will note for the quarter, because of  
20 the volatility, the plan underperformed the  
21 policy index. That was due primarily to manager  
22 underperformance, and I'm going to get into that  
23 in a second.

24 If I -- I will ask you to flip over to  
25 page -- page 14. In the past you have asked how

1 has the plan performed relative to all  
2 institutional managers or institutional-type  
3 funds rather than just public funds. And that's  
4 what page 14 shows.

5 It's compared against the entire master  
6 trust universe. And in looking at that for the  
7 fiscal year, again the return doesn't change,  
8 but the peer ranking stays in the top quartile,  
9 the twenty-third percentile.

10 So the significance of that is, is that  
11 during this time period other institutional  
12 funds, like endowments and foundations,  
13 corporate pension plans, health care systems, et  
14 cetera, you can see that the plan's return  
15 continues to rank in the top quartile despite  
16 being a public plan versus any of the other  
17 types of plans.

18 And that actually holds true over the  
19 various trailing time periods. And the reason  
20 for that, over the long time period, has  
21 basically been the heavy allocation to equities.  
22 In other words, the performance over the last  
23 five years has paid off.

24 I will direct your attention to page 16  
25 now. Page 16, on the top left-hand side, shows

1 the systems return versus the benchmark and the  
2 peer universe over rolling three-year time  
3 periods.

4 And the takeaway here is essentially  
5 that coming off the bottom of the market decline  
6 from 2008. In other words, if you look at the  
7 periods -- it's kind of at the bottom -- where  
8 it's shown as 12 of -- December of 2011, that's  
9 the trailing three years that incorporate 2009,  
10 '10 and '11.

11 That three-year period -- each dot is a  
12 three-year period. You're coming off the  
13 bottom. And so you can see that performance in  
14 the draw-down was right above -- was right above  
15 the median of the peer sample.

16 It trended down during the draw-down of  
17 2007 and 2008. And then the performance has  
18 increased and recovered since then and actually  
19 moved up to the top quartile which -- it's the  
20 first time since -- well, we inherited the  
21 performance that we got when we were hired. It  
22 wasn't on the top quartile back then. So the  
23 recovery has been very good to the system.

24 Looking at risk return below that, on  
25 the bottom left-hand side, that recovery has

1 come with a price. And that price has been  
2 relative to the peer sample.

3 The system continues to have higher  
4 volatility, and that goes hand in hand with  
5 having the higher equity allocation. But I'll  
6 also caution you. The statute is fairly  
7 restrictive in what you can and can't invest in.

8 The system basically has had no choice,  
9 given its actuarial assumed rate of return and  
10 the low investment return -- I'm sorry, the low  
11 interest rate environment from bonds.

12 You basically have not had much of a  
13 choice rather than allocate towards the higher  
14 volatility asset classes in order to achieve  
15 that type of return. But, on the other hand,  
16 you anticipated in the recovery.

17 If you look at page 17, on the left-  
18 hand side it shows the ranking for standard  
19 deviation. The takeaway here is, is that over  
20 the last one-, three- and five-year periods, the  
21 volatility of the portfolio has been top  
22 quartile. In other words, it's had more  
23 volatility in the sample than most peers.

24 Now, if you look next to that, the  
25 sharper ratio, the Sharpe ratio, the Sharpe

1 ratio is a risk-adjusted measure of absolute  
2 return.

3 In looking at that, you can see that  
4 the Sharpe ratio remains positive and above  
5 median for the last one, three, and five years.  
6 So that's a way of saying, on a risk-adjusted  
7 basis, you have been paid for taking that extra  
8 volatility in the portfolio.

9 And then the information ratio is a  
10 risk-adjusted measure of performance versus the  
11 policy index. And you can see that you rank in  
12 the top quartile, the top decile, based on your  
13 ability to outperform the policy index.

14 So the bottom line is we still would  
15 love to have greater diversification in the  
16 portfolio if we had the ability to invest in  
17 other asset classes. But given that the  
18 equities have paid off, a couple of areas that  
19 the fund has diversified into have helped out,  
20 particularly the MLPs.

21 Let me direct your attention and go  
22 back to the score card report. We can go  
23 through and summarize management performance  
24 more quickly here. And that would start on page  
25 4.

1           Going back to page 4, you can see the  
2 line for the U.S. Equity Composite. You can see  
3 that for the quarter, it underperformed the  
4 benchmark by about one and a half percent, and  
5 for the fiscal year, by 3.9 percent, fairly big  
6 margin.

7           The big reason for the underperformance  
8 over the fiscal -- well, actually, over both  
9 those time periods, has been GAMCO, Gabelli  
10 Asset Management, and Brown. The greater  
11 magnitude has been Brown, and I will report on  
12 that here shortly.

13           In the international portfolio,  
14 international equities, over the course of the  
15 fiscal year, returned less than U.S. equities,  
16 but your performance was above median and above  
17 the benchmark.

18           All of the active managers in the  
19 portfolio are doing well.

20           Looking at the fixed income composite  
21 next, you can see that it underperformed the  
22 benchmark and was below median for both the  
23 quarter and for the fiscal year.

24           The big reason there was, first of all,  
25 on a sector basis, the TIPS exposure in the

1 portfolio was a drag, a relative drag on  
2 performance. Fortunately, it didn't make up too  
3 big of an allocation there, but it still was the  
4 lowest returning part of the bond portfolio.

5 But on a relative basis, Eaton Vance  
6 was a drag on the portfolio as well. And I've  
7 got a report on them as well here shortly.

8 Real estate was additive to performance  
9 during the fiscal year. It was up over 12  
10 percent. It ranked about median in the open end  
11 fund peer sample, and both managers have done  
12 fine.

13 The new manager, Principal, did a  
14 little better over the quarter and the near  
15 term, the fiscal year. They also had daily  
16 liquidity. So I'm glad that they're in the  
17 portfolio.

18 Again, we need to -- as a group, we  
19 need to circle back and look at asset -- not  
20 only review asset allocation but to continue to  
21 look for more ways to get exposure in real  
22 estate.

23 And, finally, the best returning asset  
24 class for the quarter -- I'm sorry, strike  
25 that -- for the fiscal year was MLPs. MLPs for

1 your fiscal year added 36 and a half percent in  
2 terms of return. The active managers in the  
3 portfolio ranked above median.

4 So the key in the MLP space has been  
5 having active management. It's fairly  
6 inefficient. The benchmark is not overly well  
7 constructed. One can simply outperform the  
8 benchmark by not holding anything in the coal  
9 MLP sector.

10 But not only that, but both managers  
11 have done a good job of finding good performing  
12 managers in that space, or I should say MLPs in  
13 that space. So they outperformed the benchmark  
14 by almost 7 percent.

15 MR. TUTEN: Why is the index so  
16 inefficient?

17 MR. HOLMES: It simply is a reflection.  
18 The universe of MLPs is not a giant universe.  
19 It's not like the S&P 500 where you've got 500  
20 stocks in the index. It's a smaller universe.  
21 It's growing though.

22 There's more MLPs, energy companies,  
23 that are being converted to the MLP space, if  
24 you will. But the bottom line is, some of the  
25 sectors are fairly concentrated, and the



1 managers have done a fairly good job of finding  
2 good MLPs within that space.

3 And so they're looking at the companies  
4 that are CapX. Tortoise, for example, tends to  
5 be more conservative and emphasize income from  
6 their MLPs. So as a result, they tend to be  
7 overweight to long-haul oil and gas pipelines.  
8 And so it's just basically a convention of how  
9 they select stocks in that space.

10 MR. TUTEN: Got you.

11 MR. HOLMES: Okay. I mentioned  
12 underperforming managers. Brown and GAMCO have  
13 underperformed.

14 Looking at Brown, first, Brown's --  
15 first of all, performance, they've not been in  
16 the portfolio for all that long. Brown's been  
17 in place for, really, since November of last  
18 year.

19 So in this report they don't have a  
20 full year of performance. Despite that, since  
21 inception they're under the benchmark by 7  
22 percent -- pretty big magnitude.

23 First of all, nothing's changed within  
24 their firm in terms of team change or nothing in  
25 terms of portfolio construction change.

1           Basically what the issue has been is  
2 that performance, really over the last twelve  
3 months, has been a big rotation away from growth  
4 stocks into more defensive sectors which  
5 emphasized more the value style.

6           Investors moved here heavily starting  
7 the beginning of the year for fear over the end  
8 of quantitative easing. And so you've got a  
9 situation now where the market has really  
10 rotated away where Brown is, which is kind of  
11 midcap bias and heavy growth bias.

12           The market has rotated more towards  
13 very large cap and value bias. The defensive  
14 sectors really have been bid up in anticipation  
15 of the market falling after quantitative easing,  
16 and they really have not differentiated between  
17 high-quality and low-quality stocks.

18           What Brown believes is that when  
19 investors start to differentiate again, in other  
20 words, where the market just doesn't all go up,  
21 they will realize that the -- higher growth  
22 stocks.

23           And so, for instance, they're buying  
24 higher growth stocks with at least 14 percent  
25 earnings growth rate, stocks that they

1 believe -- where the companies can do that on a  
2 sustainable basis.

3 Those stocks are selling at a fairly  
4 cheap price. Investors will, when they believe  
5 that the economy can stand on its own two feet,  
6 investors will rotate away from the defensive  
7 stocks, which are very expensive now, and start  
8 to look for stocks of companies that are growing  
9 more and are at very cheap prices.

10 And so their position -- their  
11 portfolio's position is to take advantage of  
12 that. We've seen them underperform in the past.  
13 They continue to be a high-growth -- or a high  
14 tier manager for us.

15 We're not recommending firing them, but  
16 because of the magnitude of performance --  
17 underperformance, I wanted to visit it in case  
18 there were any questions.

19 They've been in our office. Other  
20 members of our research staff have been in their  
21 office, and so my recommendation to the Board is  
22 to hold your nose and be patient.

23 MR. TUTEN: Dan, I know this is very  
24 subjective, so I'm not trying to pin you down.  
25 What's the average time that most pension funds,

1 in your experience, get managers before they --

2 MR. HOLMES: Industry convention seems  
3 to be -- you know, kind of general  
4 practice seems to be they look at things over,  
5 quote-unquote, a full market cycle.

6 Now, there's no -- the definition of a  
7 full market cycle is from peak to trough, but  
8 that can range over any kind of big- or short-  
9 time period.

10 As a result, performance tends to be  
11 looked at over one- to three- to five-year time  
12 periods. Sometimes even three years can be a  
13 long time period.

14 What I wanted to do is nip some concern  
15 in the bud a little bit early here. Generally,  
16 the practice that we follow is, if we believe  
17 that the manager cannot recover without either  
18 changing their process, taking excessive risk in  
19 order to catch back up to the portfolio or to  
20 the point where it's mathematically impossible  
21 for them to catch back up, or absent some sort  
22 of change in the firm or in the process, then we  
23 would recommend a change.

24 Here we understand the reason for the  
25 change. We think their explanation is rational.

1 And as a matter of fact, we've seen this same  
2 situation with a majority of large cap growth  
3 managers out there.

4 CHAIRMAN BUSSELLS: Again, this is  
5 excellent. The data is always first rate. We  
6 do have a few other matters to attend to.

7 MR. HOLMES: Understood.

8 CHAIRMAN BUSSELLS: I just want to  
9 address one thing. I will not belabor my  
10 colleagues with my talk about flexible,  
11 efficient, low-cost index funds. You've heard  
12 that from me. And I appreciate the movement  
13 we've made to index in the two years. It's been  
14 fantastic.

15 But the one you mentioned first, that's  
16 been with us over three years, the equity  
17 manager, at the next meeting -- it looks like to  
18 me they've got to go. Not the first one --

19 MR. HOLMES: Oh, GAMCO?

20 CHAIRMAN BUSSELLS: Yes. And replace  
21 them with an index fund because that's a big  
22 liquid pool; right?

23 MR. HOLMES: Yes.

24 CHAIRMAN BUSSELLS: Not for today but  
25 by December I'd like to have a considered

1 discussion about replacing that one and then  
2 replace them with what? Because that's one that  
3 they've been with us for a bit, over three  
4 years.

5           And that's an asset class that seems to  
6 fit the index world. I'm just expressing my  
7 opinion. You all have heard me talk about this  
8 a lot; but I think that's ripe for consideration  
9 as early as the December meeting, a change  
10 there, and two decisions, whether to boot them  
11 out and then where to put the money or where to  
12 place it.

13           MR. TUTEN: Yes, I agree. And I think  
14 we also need to kind of before we -- you know,  
15 and that's kind of the reason I ask because  
16 three years can be precarious based on certain  
17 factors that happen in the economy throughout  
18 the world, et cetera.

19           And being off in that three-year period  
20 by 2 percent is not the end of the world if  
21 they're a defensive company. And that's kind of  
22 what I need to see is, okay, what's their  
23 overall strategy? Why have they done how  
24 they've done?

25           I mean, we've seen it many times where

1 the minute we fire somebody, or we're about to  
2 fire them, it seems like they pop up from the  
3 dead, and you're like, I'm glad we didn't do  
4 that.

5 CHAIRMAN BUSSELLS: So maybe by  
6 December, there might be time to --

7 MR. HOLMES: I'll get you a report for  
8 the December meeting. No problem.

9 CHAIRMAN BUSSELLS: Is there anything  
10 else that you want to be sure we talk about  
11 today?

12 MR. HOLMES: A quick update on the  
13 flash report, and that would be in your packet.  
14 So the blue book ends your fiscal year. The  
15 flash report starts your new fiscal year.

16 As I mentioned, we had risk assets  
17 trade off in the last quarter of your fiscal  
18 year. Conversely, we saw some recovery in the  
19 equity markets during the course of October.

20 Unfortunately, we also saw a fairly big  
21 reversal in MLP during the course of October as  
22 well. All I want to do is report, bottom line,  
23 is the first month of the fiscal year the plan  
24 was up 1.1 percent.

25 CHAIRMAN BUSSELLS: So prediction, when

1 you're back next month, the cold weather the  
2 last week, those energy MLPs will be through the  
3 roof, Buddy. They are making so much money with  
4 the polar vortex thing, it's unbelievable.

5 MR. HOLMES: Well, for the first time  
6 in a while, we've seen natural gas prices start  
7 to go up.

8 CHAIRMAN BUSSELLS: Four-fifty,  
9 remarkable.

10 MR. HOLMES: So, hopefully, they have  
11 turned around. And so other than that, I don't  
12 have anything significant to report, but I will  
13 answer your question.

14 CHAIRMAN BUSSELLS: All right. I  
15 appreciate it.

16 MR. HOLMES: Okay.

17 MR. KEANE: One more item on that,  
18 Mr. Chairman.

19 CHAIRMAN BUSSELLS: All right.

20 MR. KEANE: 2014, 11.9 Northern Trust,  
21 security lending, schedule of borrowers, they  
22 have changed a few people they recommenced, and  
23 this takes a vote of the Board.

24 CHAIRMAN BUSSELLS: Can I get a motion?

25 MR. TUTEN: Anything out of the



1 ordinary?

2 MR. KEANE: No, sir. It's just a  
3 fresh-up cleanup.

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

5 DR. HERBERT: I'll second.

6 MR. HOLMES: The issue is they're  
7 closing the pool, the investment pool that you  
8 currently use for securities lending. They're  
9 changing it to a different form of the pool but  
10 with the same guidelines. And they're doing it  
11 to comply with the Volcker rule under  
12 Dodd-Frank.

13 So all they're doing is changing the  
14 form of the pool. The guidelines stay the same.

15 CHAIRMAN BUSSELLS: That lending  
16 program of reversing our risk has been just a  
17 sweet add-up on --

18 MR. HOLMES: I would characterize it as  
19 low risk as opposed to virtually no risk, but  
20 it's an additive to income.

21 CHAIRMAN BUSSELLS: Very good. That  
22 was a very good addition.

23 So I have a motion and a second.

24 All in favor, say "Aye."

25 (Responses of "Aye.")

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CHAIRMAN BUSSELLS: Opposed, like sign.  
It carries unanimously.

MR. KEANE: Okay.

(Meeting adjourned at 11:30 a.m.)

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CERTIFICATE OF REPORTER

I, Cheryl L. Franzino, a Registered Professional Reporter and Notary Public, in and for the County of Duval, do hereby certify that I was authorized to and did report the foregoing proceedings, and that the transcript, pages 1 through 130, is a true and correct record of the proceedings to the best of my ability.

Done and dated this 9th day of December, 2014, at Jacksonville, Duval County, Florida.

\_\_\_\_\_  
Cheryl L. Franzino, RPR, FPR  
Court Reporter