

JACKSONVILLE POLICE AND FIRE PENSION FUND
BOARD OF TRUSTEES MEETING

DATE: March 18, 2016

TIME: 9:06 a.m. to 12:59 p.m.

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

BOARD MEMBERS PRESENT:

Larry Schmitt, Board Chairman
Richard Tuten, Board Secretary (via phone)
Richard Patsy, Trustee
William Scheu, Trustee
Willard Payne, Trustee

ALSO PRESENT:

Beth McCague, Interim Executive Director
Debbie Manning, Executive Assistant
Paul Daragjati, Board Counsel
Deven Carter, Board CFO (via phone)
Dan Holmes, Summit Strategies

CITY REPRESENTATIVES PRESENT:

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

These matters of the JPFPPF Board of Trustees Meeting came on to be heard at the time and place aforesaid, when and where the following proceedings were reported by:

Cindy Danese, Notary Public
AAA Reporters
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Jacksonville, Florida 32202
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P R O C E E D I N G S1
2 March 18, 2016

12:08 p.m.

3 - - -

4 CHAIRMAN SCHMITT: It's 9:06. We'll call the
5 meeting to order.6 I'd first like to welcome our official newest
7 trustee, Mr. Willard Payne. Thank you for --
8 (Applause.)9 MR. PAYNE: Thank you. Good to be here.
10 Thank you.11 CHAIRMAN SCHMITT: We'll start out by
12 observing a moment of silence for the following
13 deceased members: Wilbur G. Cox, Retired Fire
14 Captain; James "Pnut" Wilson, Retired Fire Fighter
15 Engineer; Frank Pellicer, Jr., Retired Fire Fighter
16 engineer.

17 Amen.

18 And if you'll stand and join me as we pledge
19 allegiance to the flag of the United States of
20 America, and to the Republic for which it stands,
21 one nation, under God, indivisible, with liberty
22 and justice for all.23 First item, public speaking period. Debbie,
24 do we have public speakers?

25 MS. MANNING: Yes, we have one requested,

1 Curtis Lee.

2 MR. LEE: I have a handout. I only have one
3 for each trustee, but if more people want them, I
4 can get copies.

5 CHAIRMAN SCHMITT: We can make extra copies.

6 MR. LEE: My name is Curtis Lee. Shall I
7 start?

8 CHAIRMAN SCHMITT: Ready when you are.

9 MR. LEE: All right. My name is Curtis Lee.
10 My address is on the handout. Sorry for my voice
11 sounding so ragged.

12 There's a letter dated November 25th from
13 Henry Coxe to Jason Gable which I urge you to read.

14 Henry Coxe is a noted criminal defense
15 attorney here in Jacksonville who represents Robert
16 Klausner, your General Counsel. The Coxe letter
17 describes how Mr. Klausner's law firm got over
18 \$2.4 million representing the Police and Fire
19 Pension Fund.

20 The PFPF was lead counsel in just four of the
21 eight securities lawsuits that I have detailed
22 information on. For at least four lawsuits, PFPF
23 received back \$100,000 for Beth McCague.

24 So Mr. Klausner's law firm got three to four
25 times what the Police and Fire Pension Fund got

1 back regarding these suits.

2 The attachment to the handout shows, however,
3 one of the problems.

4 Number one, Mr. Klausner's law firm is not
5 engaged in the securities litigation business, as
6 its website and excerpt enclosed admits.

7 Number two, the real story is that Mr. Keane
8 and Mr. Klausner developed a plan to leverage the
9 PFPF's assets to put \$3.4 million in the pockets of
10 Mr. Klausner's law firm, a firm not engaged in the
11 business of securities litigation.

12 Number three, did Mr. Klausner disclose his
13 planned windfall in advance to Police and Fire
14 Pension Fund Board of Trustees? I very much doubt
15 it, yet an ethical law firm would have done so.

16 The solution. You should demand Mr.
17 Klausner's billing records regarding these four
18 cases and indeed regarding the other four cases
19 that I do not have information on yet.

20 Did Mr. Klausner spend anywhere near \$3.4
21 million worth of time on the four suits? I suspect
22 not. I think it was mainly just a gift bestowed by
23 John Keane on his buddy, Robert Klausner.

24 You should want to know and you should pursue
25 the probability that your General Counsel is

1 unethetical, seeing Keane cover funds from your
2 General Counsel.

3 I describe other instances, for example, where
4 your General Counsel wasted almost a million
5 dollars in litigation that failed.

6 Robert Klausner doesn't deserve to be anywhere
7 near this entity. He should be read the riot act,
8 sued and removed.

9 Thank you very much.

10 CHAIRMAN SCHMITT: That's it?

11 MS. MANNING: Yes.

12 CHAIRMAN SCHMITT: The public speaking period
13 is closed.

14 MS. MANNING: Rich, are you there?

15 CHAIRMAN SCHMITT: We'll start out this
16 morning -- Debbie, do you need a minute for Rich?

17 MS. MANNING: Yeah. I think he's here.

18 CHAIRMAN SCHMITT: Okay.

19 MS. MANNING: Rich, are you on the call?
20 Rich?

21 MR. TUTEN: Yeah.

22 MS. MANNING: Okay, you're on the call.

23 Devin, we've got a lot of background noise
24 coming from you, so I'm not sure if you got a TV
25 or something on, but we're ready to go.

1 MR. CARTER: Okay.

2 MR. TUTEN: Go ahead.

3 CHAIRMAN SCHMITT: We have Mr. Mike Weinstein,
4 City of Jacksonville director of finance here, give
5 us a little overview of the bill that just passed.
6 I guess it's still waiting on the signature or non-
7 signature.

8 MR. WEINSTEIN: Yes. My goal is to be
9 informative and answer questions if you have any,
10 but not to be interesting enough that it gets in
11 the press.

12 (Laughter.)

13 MR. WEINSTEIN: I don't want to do anything --
14 we're in a holding pattern, waiting for the
15 governor to make a decision to sign or not to sign
16 or to veto. He can do one of the three.

17 It's very much like we talked about before.
18 The major goal of the bill is to create a revenue
19 stream. Those of you that have been following it
20 for years, the missing piece of all the solutions
21 was the revenue stream, and this bill creates a
22 revenue stream to finally get the funds, all three
23 funds, this being one of them, fully funded.
24 That's the goal.

25 An ancillary benefit could possibly be the

1 lowering of the general fund's obligation in the
2 years coming to 2030, and there are options in the
3 bill as to how to do that. Whatever options or
4 whatever option is chosen would be chosen
5 collectively.

6 You have a responsibility and an authorization
7 to decide how that option is determined. We can't
8 do amortization actuary responsibility without you
9 because you have your own actuary.

10 We will still look to do this together. We
11 will have time. If in fact he signs the bill, the
12 mayor and the Council will decide if they still
13 want to go forward. They're not obligated to go
14 forward.

15 They did a resolution. Council did a
16 resolution unanimously to present to Tallahassee
17 that they were in favor of the effort, but held on
18 to the responsibility to come back and decide
19 whether they want to do it or not, and that would
20 depend upon the bill and the options within the
21 bill.

22 So the next step, if the governor signs, is
23 the mayor and the council to decide whether to go
24 forward. If they do, they have to decide when the
25 referendum would take place. And if that happens,

1 again, as we've talked about all along, the unions
2 would then be the next step and we'd have to do
3 collective bargaining, because now any pension
4 change has to go through collective bargaining.

5 So we have a long ways to go, and we just wait
6 and don't want to do anything to indicate that we
7 are jump starting and assuming that he's going to
8 sign until he signs. We don't want to in any way
9 jeopardize the process.

10 But it's just like we talked about now maybe
11 two months ago when I was here -- I don't know how
12 long ago, maybe two months ago -- but you will
13 definitely be a part of the decision of how to move
14 forward. That's where we are.

15 The bill is not that complicated. It's only
16 six pages long. It changes two things within the
17 statutes. It has an impact on -- it has language
18 that changes the amortization section of the
19 statutes, and it has an amendment that changes the
20 language where it adds a surtax. It adds a new
21 surtax, unfunded liability surtax, didn't exist
22 before. Those are the two sections of the statute
23 that it affects, and we wait.

24 And I'll try to answer whatever questions I
25 can, but it's no different, fortunately. It came

1 out the way we put it in, basically.

2 MR. PAYNE: What's the final date that --

3 MR. WEINSTEIN: The governor has?

4 MR. PAYNE: Yes.

5 MR. WEINSTEIN: The governor has 15 days since
6 he received it, and he received it about a week
7 ago. So he has -- I think Steve mentioned he has
8 until the 26th or 25th.

9 MR. DURDEN: 26th.

10 MR. WEINSTEIN: 26th to decide. And if he
11 doesn't sign, it becomes law as well. And we're
12 optimistic.

13 CHAIRMAN SCHMITT: One of my main concerns
14 between now and 2030 is the liquidity of the fund.
15 Without going into any specifics, have y'all
16 considered that, and are there components within
17 the solution to make sure that is addressed?

18 MR. WEINSTEIN: Whatever solution and option
19 we choose collectively, we will choose one that
20 doesn't jeopardize the liquidity of the fund. So
21 we do that together. And none of the options that
22 have been considered would jeopardize the liquidity
23 of the fund. But, again, we'll do that together,
24 and we'll watch it each year.

25 And we may not -- we could choose none of the

1 options and just go on as we are, and then, when
2 2030 comes, start using those streams of revenue.
3 That is an option as well.

4 MR. HAZOURI: Or increase mileage.

5 MR. WEINSTEIN: Pardon me?

6 MR. HAZOURI: Or increase mileage. That's an
7 option.

8 MR. WEINSTEIN: Well, that's Hazouri.

9 MR. HAZOURI: Right.

10 (Laughter.)

11 MS. McCAGUE: Mike --

12 MR. HAZOURI: I'm not saying that's what we'll
13 do, but it doesn't stop --

14 MR. SCHEU: All of the tests were for --

15 MR. HAZOURI: I didn't mean everybody. It
16 doesn't stop with that. I mean, that's another
17 option.

18 MR. WEINSTEIN: Well --

19 MR. HAZOURI: Not a likely option, but --

20 MR. WEINSTEIN: Well, if the bill is signed,
21 it wouldn't necessarily be needed at all.

22 MS. McCAGUE: Mike, do you anticipate that
23 we'll be having conversations with you and the
24 other City administration over the summer, or would
25 it be past the point of referendum?

1 MR. WEINSTEIN: I would expect that we would
2 start having conversation within weeks after a
3 decision has been made in Tallahassee to sign or
4 not.

5 MS. McCAGUE: Okay. Thank you.

6 MR. PATSY: Mike, I haven't read the bill, but
7 can you educate us on the hard-and-fast constraints
8 that are in the bill? For example, I've read in
9 the paper that there's a constraint that all new
10 hires would have to go into a 401(k) type of
11 benefit --

12 MR. WEINSTEIN: The bill doesn't say that at
13 all.

14 MR. PATSY: Doesn't say it?

15 MR. WEINSTEIN: It doesn't say that at all.
16 The bill -- the only impact it has on pension
17 programs is that any pension program that receives
18 these dollars from this surtax has to be closed to
19 new people.

20 So new people coming in, how the -- you know,
21 what's going to happen and determined with the new
22 people coming in is totally a clean slate, and will
23 be determined through negotiations with the
24 collective bargaining units.

25 It's silent to what happens to the people that

1 come on after this particular fund is closed to new
2 people.

3 And it doesn't impact the people that are in
4 the fund at all other than requiring that anybody
5 that's in the fund or funds, because we have three,
6 that receives the benefit of the surtax has to be
7 paying a minimum of 10 percent of their salary as
8 their contribution to the fund.

9 Those are the only really two impacts to
10 people. The other impacts are to the fund itself.

11 (Phone interruption.)

12 MR. WEINSTEIN: I upset somebody.

13 MR. HAZOURI: The future. They don't want to
14 pay for it.

15 MR. WEINSTEIN: She wanted to join and --

16 MR. HAZOURI: He said: I don't want to pay
17 it.

18 MR. SCHEU: Mike, I got the bill and read it
19 for the first time earlier this week, and I read
20 the statute that it amends and now I understand how
21 it works, and I read the Bureau of Management
22 Services analysis.

23 And maybe you and I can talk on the phone, but
24 one thing -- and I'm worried about the fiduciary
25 responsibility of the trustees and some of the

1 things that it does, so I'd like to get clarity
2 when we can talk.

3 Explain to me how it works where the police
4 and fire and the general employees who go out of
5 the plan, they are still considered for actuarial
6 purposes in determining the payroll --

7 MR. WEINSTEIN: It's not those that go out of
8 the plan, it's the new people that come in --

9 MR. SCHEU: Right.

10 MR. WEINSTEIN: -- to work for the government.

11 MR. SCHEU: Correct. But it's the new people
12 that are then part of the new plan?

13 MR. WEINSTEIN: It's the new people wherever
14 it is, whatever plans they go into that
15 actuarially, when the actuary does their analysis,
16 they take into consideration the payroll, total
17 payroll.

18 MR. SCHEU: Even though that payroll is not --
19 the contributions from the new people's payroll is
20 not going into this plan?

21 MR. WEINSTEIN: That is correct.

22 MR. SCHEU: How does that work?

23 MR. WEINSTEIN: That's what the statute says.
24 And it's de minimus, if you think about it, because
25 there's no people there at this point.

1 MR. SCHEU: Right.

2 MR. WEINSTEIN: And so as time moves on,
3 there'll be more and more, but it won't be a large
4 number of people because we'll be fully funded
5 pretty quickly and the monies will be coming in.

6 I'm not an actuary, so I don't know the true
7 impact of that, but this is what Tallahassee tried
8 to do. Tallahassee tried to make sure that, in
9 giving us this option, that they didn't make it
10 harder for us to meet the budget each and every
11 year.

12 Normally when you close defined benefit
13 programs, you accelerate the payments. And we
14 talked to Division of Risk, and I was there in
15 Tallahassee talking to the Division of Risk -- the
16 Division of Retirement -- and they agreed to allow
17 it to be a 30-year analysis and not the 15-year or
18 20- year or 24-year, because they were trying to
19 make it -- they tried to make it so the solution
20 didn't hurt us until we get to 2030, and that was
21 one the techniques --

22 MR. SCHEU: That's the 30-year --

23 MR. WEINSTEIN: And this technique is also --
24 this piece that you're mentioning is the second
25 technique that won't have a major impact, again

1 because the number of employees will be tiny, none
2 at the beginning. You follow me? But it won't
3 make it harder for us to meet our total budget each
4 and every year. And they knowingly did those two
5 things.

6 MR. HAZOURI: I don't want to get into our
7 Council questions, but just something you said
8 earlier, Mike. When you're doing the actuarial
9 protections between now and 2030, is it just the
10 numbers that you get -- and I wasn't sure if I
11 heard you -- how do you --

12 (Telephone interruption.)

13 MR. HAZOURI: -- is that going to be reviewed
14 again by -- is someone else going to be a backup to
15 say: Yes, this is what this Board or whomever --

16 MR. WEINSTEIN: Yeah, you have your own.
17 You're going to do your own.

18 MR. HAZOURI: That's what I want to ask you.

19 MR. WEINSTEIN: Oh, yeah.

20 MR. HAZOURI: So if y'all anticipate X number
21 of dollars over the next 30 years or whatever, or
22 20 years, then while you're doing that, just before
23 it comes to the Council, is what I'm saying, if
24 y'all think X number of dollars are coming in,
25 somebody else is going to say -- they're going to

1 verify that they agree that that amount of money is
2 what we should be receiving based on the -- am I
3 making sense? The numbers that we're anticipating
4 coming, who is going to say: I second that, that
5 that's about what we project that we're going to
6 collect --

7 MR. WEINSTEIN: Well, ultimately --

8 MR. HAZOURI: -- so that we can all be on the
9 same page?

10 MR. WEINSTEIN: Ultimately it's your analysis
11 that draws -- "you" being this --

12 MR. HAZOURI: Right.

13 MR. WEINSTEIN: -- not Council.

14 MR. HAZOURI: I know.

15 MR. WEINSTEIN: It's this Board's analysis
16 through their actuary that drives what the City
17 contributes, not City Council and not the City.

18 MR. HAZOURI: And what we anticipate coming in
19 that we're going to be collecting to pay for the
20 existing --

21 MR. WEINSTEIN: Well, it's not what you're
22 anticipating. You're going to come to an amount
23 that has to come in.

24 MR. HAZOURI: Right. But that's going to be
25 an actuarially based amount.

1 MR. WEINSTEIN: And it's going to be -- you
2 know, we have our actuaries and we'll have
3 suggestions, but ultimately it's your actuary.

4 MR. HAZOURI: And that's what I meant. And so
5 they'll have to confirm --

6 MR. WEINSTEIN: Nothing -- the process doesn't
7 change at all.

8 MR. HAZOURI: I just want to make sure that,
9 you know, what we think -- so, well, we don't think
10 you're going to get that much money, I don't want
11 to get into that conversation when it comes to the
12 Council.

13 MR. WEINSTEIN: What will come to Council is
14 what we're obligated to pay, and that will be
15 generated by your --

16 MR. HAZOURI: I think that's very important --

17 MR. WEINSTEIN: Which is the way it is now.

18 MR. HAZOURI: -- we're all on the same page.

19 MR. WEINSTEIN: Yeah. That's why, again, even
20 from the beginning, every time I've come here, you
21 guys are part of the ultimate decisionmaking. It's
22 not going to be dictated to you.

23 And the benefit that we're trying to get for
24 Council and the City is secondary to getting the
25 revenue stream.

1 Again, the revenue stream was the important
2 target.

3 MR. HAZOURI: Right.

4 MR. WEINSTEIN: Everything else was secondary.

5 MR. HAZOURI: That's what I'm really talking
6 about, is a revenue stream, that we know that X
7 number of dollars a week, minimally at least, are
8 going to be coming in, and y'all have to agree that
9 you think that that's what's going to --

10 MR. WEINSTEIN: Well, we're talking about two
11 revenue streams. We're talking about the half
12 penny from 2030, and then you're talking about the
13 revenue stream that the City -- the City makes
14 normal costs and the City makes unfunded liability
15 costs, and we're going to continue to do so. And
16 then the employees are going to put in.

17 So all those things, nothing changes. Process
18 doesn't change, the requirements don't change.

19 MR. HAZOURI: And I think you agreed that
20 early on, before this all got started when they
21 were doing the bill, that the sales tax was going
22 to be rising over a period of years.

23 MR. WEINSTEIN: It's already over \$80 million
24 a year.

25 MR. HAZOURI: Right.

1 MR. WEINSTEIN: And it'll be probably well
2 over a hundred by the time we reach 2030.

3 MR. HAZOURI: And that's what you said a while
4 back.

5 MR. WEINSTEIN: And even when we have full
6 access to the revenue stream, the revenue stream
7 isn't going to match the unfunded amount. The
8 City's still going to have to put in an unfunded
9 amount as well.

10 So you're going to getting the normal costs,
11 the revenue from the 2030 tax, plus the City's
12 remaining responsibility for the unfunded amount.

13 MR. DARAGJATI: Has there been any discussion
14 regarding how you're going to split that revenue
15 stream between the three funds?

16 MR. WEINSTEIN: No. We will do that
17 collectively. The way we looked at it first was
18 logically, that about 57 percent of the unfunded
19 liability is yours, about 35 percent or what have
20 you is general employees. The rest is corrections.
21 So we looked at it in those ratios, but it doesn't
22 have to be.

23 And that's going to be partly depending upon
24 collective bargaining. We may not get everybody on
25 board immediately. So we may only be helping and

1 working with one or the other, you know. It
2 depends on how we go.

3 Again, there's requirements to be able to get
4 to the surtax, and lot of that's going to be
5 determined in collective bargaining, and maybe some
6 of the collective bargaining successes are earlier
7 than the others. So, therefore, 100 percent of the
8 benefit could go into one fund, waiting for the
9 other fund to meet all the obligations.

10 So that's going to be determined as we move
11 on. I hope I didn't confuse everybody.

12 MR. HAZOURI: Just have a lot of --

13 MR. WEINSTEIN: But logically it's broken down
14 by the level of responsibility that each fund has
15 of the unfunded amount.

16 MR. SCHEU: Have y'all talked about what comes
17 first, the chicken or the egg, the collective
18 bargaining and the referendum, or --

19 MR. WEINSTEIN: Collective bargaining will be
20 last, I would suspect. I mean, that's still up in
21 the air, but to me it doesn't make much sense to
22 collective bargain without knowing that it's even
23 an option.

24 MR. SCHEU: Does the statute require it to go
25 in the year after the referendum?

1 MR. WEINSTEIN: No. The statute basically
2 says once you meet all of the requirements, you can
3 initiate, but you have to meet all these
4 requirements.

5 But collective bargaining would be interesting
6 before referendum, but you don't know how it's
7 going to end up. You don't know if it's going to
8 pass, so you'd have to collective bargain, you
9 know, if this happens, if that happens.

10 And that could be that. I mean, it's not --
11 the statute doesn't mention it at all, so it's up
12 to the decisionmakers, and that will be the mayor,
13 the Council, plus the leadership of the bargaining
14 units to determine how to move forward.

15 We're in negotiations now with most of them.
16 Nothing to do with the bill, but just it's time,
17 everybody's beyond contract.

18 MR. HAZOURI: We're way behind right now?

19 MR. WEINSTEIN: Yeah.

20 CHAIRMAN SCHMITT: Just a little bit upon what
21 you're asking: The component of the present value
22 of that revenue stream is going to be part of the
23 calculation which ultimately ends up with how much
24 the City will have to pay each year.

25 MR. WEINSTEIN: If we choose that option.

1 CHAIRMAN SCHMITT: If we choose that option.

2 MR. WEINSTEIN: We may not even choose that
3 option, and then it has no influence at all and
4 there's --

5 CHAIRMAN SCHMITT: Whatever option we end up
6 with before we get there, my recommendation to the
7 other Board members will be, through our actuary,
8 to run all those different scenarios.

9 MR. HAZOURI: That's what I was asking. I
10 would think that that's what y'all would do --

11 CHAIRMAN SCHMITT: Yes.

12 MR. HAZOURI: -- to make sure that we're all
13 on the same page on the numbers.

14 CHAIRMAN SCHMITT: Right. Run it as if
15 nothing changed, and then run it with all the
16 options.

17 MR. HAZOURI: I think the Council would expect
18 that. I'm not speaking for them, but -- I mean, I
19 think Mike knows that. They'll do their homework,
20 rest assured, before they --

21 MR. WEINSTEIN: It's going to be a fascinating
22 time. It's going to be very interesting to look at
23 all the different ways to move forward. But,
24 again, the important thing is that we create the
25 revenue stream.

1 MR. HAZOURI: And that it passes whenever it
2 goes on the --

3 MR. WEINSTEIN: And --

4 MR. HAZOURI: And that's the other thing --

5 MR. WEINSTEIN: Absolutely.

6 MR. HAZOURI: -- we didn't mention. The only
7 time that we really have, is really looking at
8 November. Is that right, Mike?

9 MR. WEINSTEIN: August or November. We could
10 do either one.

11 MR. HAZOURI: Still August, that quick?

12 MR. WEINSTEIN: Yeah, you could do August or
13 November, or you could wait. There's no time
14 frame. We could wait a year or two. I mean,
15 there's not a deadline to meet all those
16 requirements, so theoretically we could be three or
17 four or five years down the road still needing
18 those requirements, and then we'd still get access
19 to the 2030 money and we'd just be closer to it.

20 So there's no -- the only time limit in there
21 is that the half penny has to stop by 2060 or all
22 three funds are fully funded, whatever comes first.
23 Other than that, we move as quickly or as slowly as
24 we move.

25 MR. HAZOURI: So we're not going to be betting

1 that we're going to have the half cent. Once we
2 meet those requirements, we're moving forward as if
3 those dollars are going to be coming in.

4 MR. WEINSTEIN: I don't know what you mean.

5 MR. HAZOURI: Well, what I'm saying is, you
6 said it doesn't start until 2030, but -- and if we
7 meet some of the requirements that are in there, we
8 can start funding a greater amount. But where are
9 we betting on those dollars coming from, just what
10 we're anticipating in 2030 or --

11 MR. WEINSTEIN: It depends. We have to make
12 those decisions once we get able to make those
13 decisions. But we can't even consider any of them
14 for real until we meet all those conditions.

15 MR. HAZOURI: So there's no condition which --

16 MR. WEINSTEIN: There's no time limit --

17 MR. HAZOURI: -- it has to pass --

18 MR. WEINSTEIN: No, there's no time limit.

19 MR. HAZOURI: -- that we can do some of this
20 other stuff --

21 MR. WEINSTEIN: We could do a referendum and
22 fail and do another one --

23 I'm sorry, we're talking over each other.

24 THE REPORTER: Yes.

25 MR. HAZOURI: I'm sorry.

1 MR. WEINSTEIN: I'm sorry.

2 Mike said he was sorry.

3 MR. HAZOURI: Tommy agrees with Mike, he is
4 sorry.

5 MR. SCHEU: That's a shock.

6 (Laughter.)

7 MR. WEINSTEIN: Theoretically, we could try
8 something and if it doesn't work, then we can try
9 it again. I mean, we have time to make all those
10 requirements.

11 CHAIRMAN SCHMITT: I'm going to reel this in a
12 little bit. It's starting to sound like a City
13 Council meeting.

14 MR. SCHEU: Can I ask a question then, since
15 I'm not on the City Council?

16 CHAIRMAN SCHMITT: Yes.

17 MR. SCHEU: Mike, the statute says the
18 unfunded liability amortization schedule must be
19 adjusted beginning with the fiscal year immediately
20 following approval of the pension liability surtax
21 and amortized over a period of 30 years.

22 So that's going to push you on the collective
23 bargaining side.

24 MR. WEINSTEIN: Well, no, because the surtax
25 isn't -- the term you used "and surtax" is what?

1 MR. SCHEU: The unfunded liability
2 amortization schedule.

3 MR. WEINSTEIN: Right. Go on.

4 MR. SCHEU: That's where you take --

5 MR. WEINSTEIN: I know. Go on. This is the
6 key word.

7 MR. SCHEU: Must be adjusted beginning with
8 the fiscal year immediately following approval of
9 the pension liability surtax.

10 MR. WEINSTEIN: And that approval of the
11 liability surtax can't happen until the referendum
12 passes, collective bargaining, and we go back to
13 City Council. This is when it kicks -- this is
14 when that's approved.

15 MR. SCHEU: Okay.

16 MS. McCAGUE: When we go back to City Council
17 to ratify the union negotiations, that closes the
18 funds, that agrees to go to 10 percent and a
19 referendum has already passed, when we go back to
20 Council at that time, that's when it's approved.

21 And then a year from then -- do you follow?
22 It's not approved when he signs it.

23 MR. SCHEU: No. I mean it's approved when the
24 voters vote to approve --

25 MR. WEINSTEIN: No, it's not.

1 MR. SCHEU: Because it doesn't say the whole
2 thing. It just says approval of the liability
3 surtax.

4 MR. WEINSTEIN: And the approval will come
5 from the ordinance. It's not approved when -- when
6 the referendum passes, we don't meet all the
7 requirements, so it can't be done.

8 MR. PAYNE: But are you saying it does not
9 have to be on the ballot this year?

10 MR. WEINSTEIN: It can be on any ballot the
11 mayor and the Council decides. There's no time
12 limit to make this happen.

13 The sooner the better on one respect, on the
14 respect of having it impact current budgets.
15 Financially, it's the longer the better, closer to
16 the revenue stream. And that's a balance we'll
17 have to talk about.

18 If we go with that option, it's going to be a
19 while. It will be two, three years down the road,
20 if we go with the option that Bill was reading
21 from.

22 If we go with the other option, we can have an
23 impact much quicker.

24 CHAIRMAN SCHMITT: That makes sense.

25 Any other questions?

1 (No response.)

2 CHAIRMAN SCHMITT: This is a great opportunity
3 to remind us our mission here at the Police and
4 Fire Pension Fund is to provide long-term benefits
5 to participants and their beneficiaries, and I
6 think this plan will go a long ways towards
7 ensuring that continues to happen.

8 I personally appreciate all the effort that
9 y'all have done on the bill, and the communication
10 that y'all have had with us has been very good,
11 very helpful, and I look forward to, with the other
12 trustees, working with y'all to get this thing all
13 the way through.

14 MR. WEINSTEIN: The goal has always been to
15 make sure and secure the benefits for those people
16 for all the work they did and all the family
17 members they have.

18 MR. HAZOURI: America.

19 MR. WEINSTEIN: That's the goal.

20 Thank you.

21 MS. McCAGUE: Thank you, Mike.

22 MR. HAZOURI: Thanks, Mike.

23 MR. PAYNE: See you, Mike.

24 MR. HAZOURI: Are you through for the day now
25 that you did this?

1 (Mr. Weinstein leaves the room at this time.)

2 CHAIRMAN SCHMITT: All right. Next item is
3 the Consent Agenda - Items 2016-03-(1-10)CA. That
4 goes from towards the bottom of page 2 over to the
5 top of page 6. If we have a motion for the Consent
6 Agenda items.

7 MR. PAYNE: So moved.

8 CHAIRMAN SCHMITT: A motion. Second?

9 MR. PATSY: I'll second.

10 CHAIRMAN SCHMITT: We have a second.

11 Any discussion?

12 (No response.)

13 CHAIRMAN SCHMITT: All in favor?

14 (Responses of "aye.")

15 CHAIRMAN SCHMITT: Opposed?

16 (No response.)

17 CHAIRMAN SCHMITT: Consent agenda item passes.

18 Under Old Business -- we're already to Paul?

19 Okay. Paul Daragjati, legal update on security
20 litigation cases?

21 MR. DARAGJATI: There's really not much to
22 update. They're all still in a holding pattern.

23 NII, we're still waiting on the Court to issue
24 its order regarding distributions, so there's not
25 much to update on that. I checked with the counsel

1 on NII yesterday in fact, and he said they're still
2 waiting on the order from the court.

3 MS. McCAGUE: Could I ask you about Plains All
4 American? The Board has approved the fund to apply
5 to be lead.

6 MR. DARAGJATI: Uh-huh.

7 MS. McCAGUE: Have we heard anything from the
8 court on that?

9 MR. DARAGJATI: We have not heard anything on
10 that.

11 MS. McCAGUE: Thank you.

12 CHAIRMAN SCHMITT: And then the Jacksonville
13 Police and Fire Pension Fund Board of Trustee
14 versus Frank Denton, Florida Supreme Court case,
15 SC14-2490. Any update on that one?

16 MR. DARAGJATI: Yesterday I meet with Mr.
17 Gable, who represents Frank Denton and the
18 Times-Union. Included in the reading was attorneys
19 from the General Counsel's Office.

20 The focus of the meeting was to discuss the
21 claims that the Times-Union has as far as their
22 legal fees.

23 To remind the Board, under the Sunshine Act,
24 if a party brings a sunshine claim and wins,
25 basically, they get a judgment in their favor. The

1 statute provides for attorney's fees.

2 Mr. Denton is claiming \$306,000 in attorney's
3 fees to be split between the Board and the City.

4 During the meeting, both myself and the City
5 attorney pointed out issues that we feel they can't
6 claim. On our part, it was about \$26,000; on the
7 City's part, it was about \$10,000.

8 When we left the meeting, the agreement was
9 that I was going to bring this issue to the Board
10 and provide the Board with the options that it has,
11 and Mr. Gable was going to speak with his client
12 regarding what the client was willing to settle
13 for.

14 When he left the meeting, he told us he was
15 going to encourage his client to settle for
16 \$270,000 total.

17 After a conversation I had with him yesterday
18 afternoon, he said his client is willing to settle
19 for \$280,000.

20 I was originally going to encourage the Board
21 to make an offer for \$250,000, because there are
22 other things that I believe that we can make issue
23 of if we go to hearing.

24 So the question before the Board is there's a
25 difference in what I think is reasonable and what

1 they think is reasonable of about \$30,000.

2 CHAIRMAN SCHMITT: So that \$250,000,
3 potentially half of that could be pension fund,
4 half of that the City.

5 MR. DARAGJATI: That is correct, yes.

6 MR. SCHEU: So would you give the spread on
7 what their original claim was? Did you say --

8 MR. DARAGJATI: 306, I believe.

9 MR. SCHEU: 306. And they're now at --

10 MR. DARAGJATI: 280.

11 MR. SCHEU: -- 280, and you are at 250?

12 MR. DARAGJATI: Right.

13 MR. SCHEU: So they've come off --

14 MR. DARAGJATI: If we were to go ahead with
15 the hearing, we would have to -- the normal
16 procedure is to hire an expert, a senior attorney
17 basically from the local area, to examine the
18 billing of the other party, the plaintiff, and to
19 give an expert opinion on the fees incurred and the
20 value of the services. In other words, if an
21 attorney claims that he's worth \$450 an hour, is
22 that correct.

23 Now, I'll just put it out there. Mr. Gable is
24 a fine attorney and he has a very good reputation
25 in the community and he is a gentleman of

1 integrity, so I don't think that there would be a
2 lot of issues regarding the billing, the actual
3 billable hours.

4 What the issue in my argument would be is
5 regarding the philosophical claims -- I don't know
6 how else to explain it -- the difference in whether
7 or not the law sees certain issues as billable or
8 owed by the defendants or not, and that would be a
9 judicial decision. Basically, it's up to the
10 judge.

11 If we get to that point, we have to remember
12 the costs that are going to be incurred, the expert
13 fees, our legal fees.

14 So the Board has to make a decision whether or
15 not there's value in doing this. And the time
16 involved as well, because you're going to have to
17 set a hearing, go through this process, whether or
18 not the Board wants to have this issue continue in
19 the public eye, basically, because there's that
20 intangible as well. I mean, I'll be very blunt.
21 This is my job to advise you what the issues are
22 out there.

23 MS. McCAGUE: So the difference between what
24 you would recommend, total 250, and what Mr. Gable
25 is saying his client is willing to accept is 280.

1 MR. DARAGJATI: Correct.

2 MS. McCAGUE: So our share is either \$125,000
3 or \$140,000; is that correct?

4 MR. DARAGJATI: I want to make sure that the
5 Board understands this. From the plaintiff's point
6 of view, they're just looking at the global
7 settlement. They don't care how this Board splits
8 it up with the City.

9 MS. McCAGUE: I understand.

10 MR. DARAGJATI: Now, once we get to that
11 point, it would be an issue of figuring out -- my
12 personal belief is that the City and the Fund were
13 together in this case from the beginning all the
14 way to the end. The only extra effort that this
15 Fund put in was an appeal to the Supreme Court on
16 jurisdictional grounds, which they denied. And
17 that issue -- their billable hours on that come to
18 about \$6- or \$7,000.

19 So my position or my firm's position that I'll
20 recommend to the Board is that the fees should be
21 split equally with the City, because we incurred
22 the effort and the labor virtually identically.

23 MR. SCHEU: Does that have to go to the City
24 Council for approval on their side of it?

25 MR. DARAGJATI: It does, yes.

1 MR. SCHEU: So if you look at it from the
2 beginning, though, they were at 306. Let's say you
3 were at 250.

4 CHAIRMAN SCHMITT: Well, let's back up from
5 the 306. The 306 includes things that you don't
6 think should have been included.

7 MR. DARAGJATI: That's correct.

8 MR. SCHEU: I understand that. But right now,
9 if we authorized the settlement at a level of 265,
10 that's 15 each way from the 280 and the 250.

11 Just like, Tommy, I think the City Council
12 should settle the lawsuit with us, I think we -- we
13 got to get this stuff behind us.

14 I do need to disclose that George Gable is one
15 of my closest friends. I'm not doing this for
16 George. And Billy Morris is also a close friend,
17 so maybe I ought to abstain.

18 But my feeling is that you ought to settle it
19 and be done with it. It's all part of public
20 perception. Maybe I ought to abstain.

21 MR. DARAGJATI: If you do abstain, you're
22 going to have to file one of those abstention
23 sheets and you have to go through that process.

24 MR. SCHEU: Do I need to abstain on this?

25 MR. DARAGJATI: I don't think -- you're not

1 deriving any personal or economic benefit from it.

2 MR. SCHEU: Right.

3 MR. DARAGJATI: He's a friend. I mean, I
4 don't know George Gable well, but I consider him a
5 friend. Jacksonville has a very small universe of
6 lawyers that deal with this type of stuff, so --

7 CHAIRMAN SCHMITT: We have three additional
8 trustees here, so if we vote on this today, even if
9 you don't vote on it, it will end up either passing
10 or not passing, so I think we're okay with
11 continuing the discussion.

12 I'd like to get it on the table and vote on it
13 today and get it settled one way or the other.

14 So now it comes down to the amount. On the
15 high end of 280, if \$15,000 difference is our half
16 between 125 and the 140, is it worth us spending
17 more time, more effort, more in attorney's fees to
18 go to a hearing, hire experts and the rest of it?

19 I don't know Mr. Gable, but hopefully he's
20 ethical enough to determine that \$280,000 is an
21 appropriate price. And is it worth to try to
22 disprove that? Because the gap isn't that much.

23 MR. DARAGJATI: No.

24 MR. PAYNE: Well, I don't have to disqualify.
25 I know Mr. Gable.

1 But my position is if our leader is telling us
2 that that's what we ought to do, is work toward
3 resolving this thing, then that's what we need to
4 get done, get it taken care of, because we don't
5 want this in addition to other things. We need to
6 get this behind us and move forward.

7 CHAIRMAN SCHMITT: We owe fees.

8 MR. PAYNE: Right, that's what I'm saying.

9 CHAIRMAN SCHMITT: The judge has already
10 determined that. The amount, the specific amount,
11 is varied a little bit, but --

12 MR. DARAGJATI: And just to be clear, just
13 hiring an expert, an attorney senior enough in this
14 town that knows the lay of the land as far as this
15 material is concerned, it's easily going to be
16 close to \$10,000 just for that.

17 CHAIRMAN SCHMITT: So does anybody want to
18 make a motion to propose the settlement amount for
19 this item?

20 MR. PATSY: For both settlement?

21 CHAIRMAN SCHMITT: For our half.

22 MR. PAYNE: Isn't it combined?

23 CHAIRMAN SCHMITT: Well, the way I see it, we
24 can propose the amount that we're willing to pay,
25 City Council can propose the amount that they're

1 willing to pay, and the two amounts combined -- Mr.
2 Gable and his client don't care where the money
3 comes from as long as the total is what they want.

4 MR. DARAGJATI: That is correct.

5 MS. McCAGUE: But a point of clarification.
6 Wouldn't we need to approve a payment, a total
7 amount of 280, and the differences to be worked out
8 at a later date between the City and the Fund?

9 MR. SCHEU: Could we go back to Mr. Gable and
10 say: You can settle with the City on whatever
11 grounds you want, but we're going to authorize 140.
12 Because if they'll release us, we're out it and
13 then they deal with the City Council.

14 Paul, would George entertain the idea of
15 settling with us and then going to City Council?
16 They'd have the money now from us. City Council
17 may take months, and they're going to be bitter
18 about it anyway. So would George entertain taking
19 some number from us, releasing us, and then
20 pursuing the rest with the City?

21 MR. DARAGJATI: I believe he would be amenable
22 to that. I can't speak for him, but from my
23 conversation with him yesterday, I believe so.

24 But let me just say this: My understanding,
25 without betraying any confidences from the Office

1 of the General Counsel, is that the Counsel is very
2 motivated to resolve this.

3 MR. SCHEU: The General Counsel or the City
4 Council?

5 MR. DARAGJATI: The General Counsel on behalf
6 of the -- they're relating that to me.

7 MR. SCHEU: That didn't have much of an impact
8 on the other lawsuit, because he was very motivated
9 to settle it, but the City Council decided to sue
10 on.

11 MR. DARAGJATI: I'm just telling you what they
12 told me.

13 MR. SCHEU: I'd like to propose --

14 MR. PAYNE: Bill, if you put that on the
15 floor, I'll second it.

16 MR. SCHEU: I think we ought to authorize some
17 number, and I'm hearing half of the 280, which
18 would be 140, conditioned upon a release from the
19 plaintiff.

20 If that's not acceptable, I would, in the
21 alternative as part of the motion, make it 140
22 conditioned upon approval, but the City Council
23 with the balance. So we're done with it.

24 The best way would be to go ahead and get a
25 release.

1 CHAIRMAN SCHMITT: Right. The only thing I
2 don't really like about that is we don't address
3 any of the concerns about whether there are
4 addition items in there that should not be
5 included.

6 MR. SCHEU: But you're only going to argue
7 that through experts and going to trial --

8 MR. PAYNE: And that's going to be more
9 costly, too.

10 MR. SCHEU: -- and that's going to be about
11 \$15,000 right there.

12 CHAIRMAN SCHMITT: But they would like to
13 avoid that as well because that's money they have
14 to spend, too.

15 MR. SCHEU: That's my motion.

16 MR. HAZOURI: We've got a motion on it. I
17 don't want to --

18 MR. PAYNE: I'll second it.

19 MR. HAZOURI: We got a motion and a second. I
20 don't know if I can even talk. I just wanted to
21 ask --

22 MR. SCHEU: You've never not been able to
23 talk.

24 MR. PAYNE: Even when you're asleep.

25 (Laughter.)

1 MR. HAZOURI: But as a courtesy to -- and this
2 is what I was trying to pick up on -- on the
3 General Counsel, it seems like, the courtesy part
4 -- and I know what you said a while ago about the
5 Council and taking months and all, but don't you
6 think that at least you ought to go back, Paul, and
7 say this is what the Board approved or not,
8 whatever y'all do, but that we want to do it
9 together?

10 If the General Counsel says: Well, yeah, we
11 want to settle, too, so let's just do it as a
12 package, because I think he's talked enough to some
13 of the Council members to know -- I hope. I mean,
14 I haven't talked to them about it -- but during the
15 negotiations that Gable will say: Yeah, this is a
16 good settlement, let's take it and go forward with
17 it together.

18 I'm trying to keep that transparency of the
19 two of us working together, that's all. That's the
20 only reason I'm saying this now. And you may
21 disagree with --

22 MR. SCHEU: You're suing us right now, Tommy.

23 MR. HAZOURI: Oh, I know. I understand that.
24 They're suing us, too. I mean, we're having to
25 pay --

1 MR. SCHEU: You're suing us.

2 MR. HAZOURI: Oh. Well, that's a different
3 one.

4 (Laughter.)

5 MR. SCHEU: Well, you stepped into this
6 working together stuff.

7 MR. HAZOURI: Well, we are working together.
8 I cannot speak for the Council because of our shade
9 meeting, but Joey knows we're all trying to come
10 together.

11 CHAIRMAN SCHMITT: Some of us are, I agree.

12 MR. HAZOURI: Only thing I'm saying is, I just
13 hate to see us go one way, and if the General
14 Counsel is ready to move forward, y'all do what you
15 want.

16 I just hate to have so many balls up in the
17 air that we have to put this one out and then
18 black-flagged it, and then go to the next one, like
19 a whack-a-mole.

20 But, you know, y'all vote the way y'all want
21 to vote. It's just a thought that I had about
22 bringing them together. Can't we all just work
23 together?

24 Anyway, that's just my thought.

25 CHAIRMAN SCHMITT: I appreciate that.

1 MR. HAZOURI: I'm just trying to keep us
2 happy. Not us, but all of us.

3 CHAIRMAN SCHMITT: Right. And under normal
4 circumstances, I would agree that that is the most
5 intelligent way to proceed.

6 Unfortunately, with this bureaucratic system
7 that we're in, it's difficult to do that.

8 So I'm inclined to agree with counsel that we
9 settle our part, we get out from it. Hopefully
10 that makes it actually easier for the City Council
11 to then settle their part.

12 So the motion is to propose an amount to
13 authorize our counsel to go to Mr. Gable and,
14 whatever that amount is, contingent upon we're
15 released from the suit, and we're done.

16 MR. SCHEU: Up to 140.

17 MR. PAYNE: Not more than 140.

18 CHAIRMAN SCHMITT: So the motion is -- and
19 I'll try to phrase it and change it as you deem
20 necessary -- authorizing our counsel to go to Mr.
21 Gable and authorize up to \$140,000 to settle this
22 contingent upon we are released from any further
23 obligation.

24 MR. DARAGJATI: Yes, sir.

25 CHAIRMAN SCHMITT: Is that the motion?

1 MR. SCHEU: Let's take out the other part.
2 That strengthens it if we don't leave the other side
3 of it. I think that's right.

4 MR. PAYNE: That's my understanding of it,
5 yeah.

6 CHAIRMAN SCHMITT: So that's the motion.

7 MR. PATSY: I make the motion.

8 MR. PAYNE: I thought the motion was already
9 on the floor.

10 CHAIRMAN SCHMITT: Motion's on the floor. We
11 have a second?

12 MR. PATSY: Second.

13 CHAIRMAN SCHMITT: Any further discussion?

14 MR. SCHEU: On the advice of counsel that I
15 can vote, I will vote.

16 CHAIRMAN SCHMITT: Okay. So all in favor?

17 (Responses of "aye.")

18 CHAIRMAN SCHMITT: Opposed?

19 (No response.)

20 CHAIRMAN SCHMITT: Motion passes.

21 MR. HAZOURI: Now, if they don't agree, I'm
22 going to tell the Council, nanny, nanny, boo-boo,
23 we're not doing anything.

24 (Laughter.)

25 MR. SCHEU: Y'all do that anyway, Tommy.

1 MR. HAZOURI: Don't say "y'all." I just got
2 here. It's been eight months now, though.

3 CHAIRMAN SCHMITT: All right. Item number
4 2015-11-3 --

5 MR. DURDEN: Excuse me.

6 CHAIRMAN SCHMITT: -- we'll need a motion to
7 confirm the two new members -- I'm sorry.

8 MR. DURDEN: A quick question. Just so I
9 understand, my understanding is you just approved a
10 proposed or possible settlement of fees of up to
11 140.

12 My question is, if y'all want to deal with
13 this, what if Gable says it's only jointly. Do you
14 want to discuss whether you want to approve it in
15 case he says: I'm only going to do a joint
16 settlement?

17 That's up to you. I'm not telling you what to
18 do, but suppose he says: I'm not going to settle
19 with one until I settle with both, I want the total
20 amount?

21 That's how he proposed it so far, which is the
22 total amount. I wasn't in the negotiations, so I
23 don't know what was said, but it came to you as:
24 This is a total of 280 or 260, whatever the number
25 is, and y'all would like to propose a settlement of

1 only part of it, which makes perfect sense, but
2 what if Gable says: No. Until I get a settlement
3 of the total, I'm not going to settle with one? Or
4 do you just want to wait and see what happens?

5 CHAIRMAN SCHMITT: I do not want to put that
6 on the table. I'd rather deal with that next month
7 if we have to do that.

8 MR. PAYNE: Let our legal --

9 MR. DARAGJATI: And just --

10 MR. PAYNE: We don't --

11 MR. DARAGJATI: I was going to, just for the
12 record, there is some issue as to whether or not
13 there is joint liability on this issue. Resolving
14 it, splitting it down the middle, is really a --
15 it's a simple way of resolving the issue.

16 If Mr. Gable says: No, I only want one check,
17 you guys split it how you want, that's a completely
18 separate story. And to be quite honest, there is
19 some question as to whether he can pursue that
20 route, because we've done a little bit of research
21 on that.

22 I think this Board should probably leave that
23 alone unless we actually come to that problem.

24 CHAIRMAN SCHMITT: I don't want to get into
25 all that. Between the City and the pension fund,

1 the money's coming from the City, so really it
2 shouldn't make any difference.

3 MR. PATSY: It shouldn't, but --

4 MR. SCHEU: Go ahead. I'm sorry.

5 CHAIRMAN SCHMITT: Actually, in reality, it's
6 coming from the taxpayers.

7 MR. PAYNE: Either way.

8 MR. PATSY: I understand your point, but my
9 attitude is we got to get beyond this. And if the
10 City objects to it and Gable objects to it, then
11 we'll cross that bridge when we get to it, but
12 we're moving the ball down the road.

13 MR. DARAGJATI: I agree.

14 MR. SCHEU: That's what I think.

15 MR. DARAGJATI: When you put \$140,000 check in
16 front of someone, I think they're going to take it.

17 CHAIRMAN SCHMITT: Okay. Let's move on to the
18 next item, 2015-11-3. We need a motion to confirm
19 the two new members of the Financial Investment
20 Advisory Committee, FIAC, motion for Michael
21 Lukaszewski, Sr., and a separate one for Arlie
22 Rodney VanPelt.

23 MR. PATSY: I just have a question for Beth.
24 Have you talked to both of these gentlemen?

25 MS. McCAGUE: Oh, yes. We recruited Mr.

1 Lukaszewski, and Mr. VanPelt came to us through
2 Rules Committee, Matt Schellenberg. And not only
3 have I talked with them both, they both have
4 already attended meetings and are very, very good
5 participants.

6 MR. PATSY: Okay, that's good.

7 MS. McCAGUE: And they will meet with the
8 Rules Committee.

9 MR. PATSY: They meet your approval?

10 MS. McCAGUE: Yes, sir.

11 MR. PATSY: Okay, good.

12 I'll make that motion then.

13 CHAIRMAN SCHMITT: Do we need a separate
14 motion for each of them, or one for both?

15 MS. McCAGUE: One for both I think is fine.

16 CHAIRMAN SCHMITT: So a motion to confirm the
17 two new members.

18 Do we have a second?

19 MR. PAYNE: Second.

20 CHAIRMAN SCHMITT: Any further discussion?

21 (No response.)

22 CHAIRMAN SCHMITT: All in favor?

23 (Responses of "aye.")

24 CHAIRMAN SCHMITT: Opposed?

25 (No response.)

1 CHAIRMAN SCHMITT: Motion passes.

2 MR. SCHEU: Mr. Chairman, can we go back to
3 the legal for just a minute?

4 CHAIRMAN SCHMITT: Sure.

5 MR. SCHEU: Just being a lawyer, you know we
6 like to talk about the law.

7 Paul, can you report to us on the status
8 before the Supreme Court of the Lee case? There's
9 a petition for certiorari on that.

10 MR. DARAGJATI: That actually -- there's two
11 separate lead cases. The first one was the what we
12 call open records case. That one was actually
13 argued in front of the Supreme Court March of 2015.

14 MR. SCHEU: Has that been resolved?

15 MR. DARAGJATI: Not yet. Unfortunately, the
16 Supreme Court has been giving a lot of opinions on
17 death penalty cases and administrative rule cases.
18 We're still waiting on that.

19 Then there is a second lead case which was the
20 one that was in front of Judge Beverly. That is
21 what we call the open meetings case. That is the
22 one where they asserted that the 30-year agreement
23 was reached improperly and was void ab initio.
24 That case is actually on deck on Tuesday to be
25 argued in front of the First DCA.

1 MR. SCHEU: Okay. So just -- there's a method
2 in my madness. So is your firm only -- and it must
3 be the open records case without charge to the fund
4 on the Supreme Court side of it?

5 MR. DARAGJATI: I believe it's the open --

6 MS. McCAGUE: Meetings.

7 MR. DARAGJATI: -- open meetings case that
8 we're doing it without --

9 MR. SCHEU: So that's before both the DCA, and
10 if that ultimately goes to the -- that's
11 everything. So --

12 MR. DARAGJATI: If I remember correctly, and
13 I'm pretty sure I'm correct, Mr. Klausner had
14 advised the Fund that we would handle the open
15 meetings case, the appellate issues, without
16 charge, unless we win, and then we would come back
17 and bill.

18 MR. SCHEU: So that's at the District Court of
19 Appeal.

20 MR. DARAGJATI: That's at District Court of
21 Appeal, yes, sir.

22 MR. SCHEU: Can you just make sure that that's
23 right?

24 MR. DARAGJATI: Yeah.

25 MR. SCHEU: But you are charging for what was

1 argued in March of '14, did you say?

2 MR. DARAGJATI: Correct.

3 MR. SCHEU: That's almost two years.

4 MR. DARAGJATI: March of 2015. I'm sorry.

5 MR. SCHEU: You are charging for that piece of
6 it.

7 MR. DARAGJATI: Correct. And that's been
8 substantially complete. We're just waiting on a
9 ruling on that.

10 MR. SCHEU: Thank you.

11 CHAIRMAN SCHMITT: All right. We'll move on
12 to the next item, 2016-1-7, Risk Management
13 discussion regarding the addition of Employee Crime
14 Insurance Policy. We have an extra handout.

15 MS. McCAGUE: If I may, in January, Russell
16 Grice from the Cecil Powell firm was here, and he
17 presented two types of policies that we do not
18 currently have. One was a fiduciary insurance
19 policy, the other was employee crime.

20 The fiduciary, we're not asking for action on
21 right now. We continue to talk with Mr. Grice
22 about exactly what that covers.

23 We have finally turned to the Office of
24 General Counsel to ask them to give us their
25 opinion as to whether or not we even need that

1 insurance, because it's difficult to see exactly
2 what it would cover.

3 However, the employee insurance piece we are
4 asking for approval on today. This is to cover the
5 fund if there would be any employee dishonesty.

6 The document that you saw when Mr. Grice was
7 here in January showed a fee of \$5,000, \$1 million
8 coverage, with \$20,000 deductible.

9 And I think, Mr. Scheu, you asked if they
10 would give us a quote for a lower deductible, a
11 \$10,000 deductible. They did come back and say
12 they would provide that policy for a \$7,000 annual
13 fee.

14 So I believe this is a basic insurance program
15 that we should have in place. We've never had a
16 problem with employee dishonesty and we hope we
17 never do, but it just is a wise thing to do.

18 So the fee would be \$5,000 on an annual basis,
19 with a \$20,000 deductible, or \$7,000 for a \$10,000
20 deductible, same level of coverage, \$1 million.

21 Typically, when there are situations of
22 employee dishonesty -- we deal in big numbers here,
23 and so, if there's employee dishonesty, it most
24 likely is not -- it's not going to be frequently
25 and it's not going to be for a small amount.

1 MR. SCHEU: This is like a surety --

2 MS. McCAGUE: That's right.

3 MR. SCHEU: I move the higher deductible at
4 \$5,000, because these are going to be large
5 numbers.

6 MS. McCAGUE: That's correct.

7 CHAIRMAN SCHMITT: So the motion is to proceed
8 with getting the insurance for a \$20,000 deductible
9 at a rate of \$5,000 a year.

10 Do we have a second?

11 MR. PATSY: I second it.

12 CHAIRMAN SCHMITT: Any further discussion?

13 (No response.)

14 CHAIRMAN SCHMITT: All in favor?

15 (Responses of "aye.")

16 CHAIRMAN SCHMITT: Opposed?

17 (No response.)

18 CHAIRMAN SCHMITT: Motion passes.

19 MR. HAZOURI: Mr. Chairman, just ask a quick
20 -- y'all said "dishonest employees." Does that --
21 I'm not speculating, I'm just thinking back. Does
22 that apply to the Board, too, your position or
23 other positions on the Board, or just the rank and
24 file?

25 MS. McCAGUE: This would not apply to Board.

1 This would apply to the people who are handling the
2 money, doing the work every day. So it would cover
3 the employees of the fund.

4 MR. HAZOURI: So nothing would have covered
5 anything that y'all have been dealing with outside
6 of --

7 MS. McCAGUE: That would be more in line with
8 the fiduciary insurance policy itself.

9 MR. HAZOURI: That's not what this is?

10 MS. McCAGUE: That's correct. The fiduciary
11 policy is much more expensive.

12 MR. HAZOURI: Right. That's what I was
13 wondering when I heard him say that, because I did
14 mention at the Council meeting that may be a good
15 idea for us to do, and then y'all were talking
16 about it. I like the idea, what y'all have done.
17 It's good protection.

18 MS. McCAGUE: We just need to make sure we
19 know what it is --

20 MR. HAZOURI: Lawyers like that.

21 MS. McCAGUE: -- we're being protected -- what
22 they would protect us from. And, again, we've
23 asked for General Counsel to assist us in our
24 deliberations.

25 MR. SCHEU: Doesn't look like it's much

1 coverage, so we really do want a written opinion
2 from the General Counsel.

3 MS. McCAGUE: Right.

4 CHAIRMAN SCHMITT: This is mainly criminal
5 activity of employees.

6 MR. HAZOURI: Right. I didn't know if it was
7 the same thing that Beth and I had been talking
8 about for a couple of weeks.

9 CHAIRMAN SCHMITT: All right. Moving on to
10 Financial/Investment Reports under Old Business.

11 MS. McCAGUE: Devin's on the phone.

12 CHAIRMAN SCHMITT: Devin, are you there?

13 MS. MANNING: Devin, are you still here?

14 MR. CARTER: Yes, I am.

15 CHAIRMAN SCHMITT: We're ready for the --

16 MS. MANNING: It's your turn.

17 CHAIRMAN SCHMITT: -- Quarterly Financial
18 Report.

19 MR. CARTER: Pretty much we came under budget
20 this month at 8 percent. As you can see, overall
21 the various fees and categories, you see that we
22 came under Personnel Services given the fact
23 that --

24 THE REPORTER: That's a horrible connection.

25 MR. CARTER: Professional Services pretty much

1 increased more than last year due to the fact that
2 we started reviewing some quarterly invoices.

3 I also want to note that the expenses on the
4 agenda for Summit Strategies of \$132,000 and GAMCO
5 Investors of \$22,000, that is for two quarters, so
6 please be advised of that.

7 Also, Operating Expenses are over budget based
8 on allocation given the fact that again for ITT
9 system development.

10 And again we had the Operating Expenses for
11 the building, parking. Expenses increased due to
12 the fact that we had some maintenance issues and
13 also we had our annual inspection on the building
14 and of some of the equipment.

15 THE REPORTER: And some of the what?

16 MS. MANNING: Equipment.

17 MR. CARTER: Equipment.

18 MS. MANNING: Try to speak really clearly,
19 Devin.

20 MR. CARTER: Okay.

21 CHAIRMAN SCHMITT: Do we have any questions
22 for Devin?

23 MR. CARTER: We're done now?

24 MS. MANNING: I think so, yeah.

25 MR. SCHEU: Devin, just looking at this sheet

1 for the first time, the last column says Fiscal
2 Year-to-Date Budget, but isn't that the whole year
3 budget, that column?

4 MR. CARTER: This right here pretty much was
5 on the full year budget overall, but I did put a
6 column for the balance, I can't put a column there
7 for (indiscernible). If you want -- I just did the
8 report as you requested.

9 MR. SCHEU: That's not the year-to-date
10 budget, though. That's the full year budget.

11 MR. CARTER: That's the full year budget. But
12 the column before it is the Fiscal Year-to-Date
13 Actual.

14 MR. SCHEU: Got that. So it would be helpful
15 -- well, we decided that we didn't -- we really --
16 it was not meaningful to have a fiscal year-to-date
17 budget compared to a fiscal year-to-date actual
18 because of the way the manager's expenses --

19 MS. McCAGUE: Right.

20 MR. SCHEU: -- (inaudible). Okay.

21 CHAIRMAN SCHMITT: Any other questions for
22 Devin?

23 (No response.)

24 CHAIRMAN SCHMITT: Thank you, Devin.

25 MR. CARTER: Sure.

1 CHAIRMAN SCHMITT: Next item under Old
2 Business, Asset Allocation recommendations. Dan
3 Holmes.

4 MR. HOLMES: Good morning.

5 CHAIRMAN SCHMITT: Good morning.

6 MR. HOLMES: Last month we presented the Asset
7 Allocation Review. We got into kind of a prolonged
8 discussion about expected returns and the state of
9 the capital markets, going through each of the
10 individual asset classes, but we did not approve
11 some of the changes to the target asset allocation
12 that I had recommended.

13 So since we're going forward and trying to
14 make changes to improve the future returns for the
15 fund, we wanted to go back and make sure that we
16 adopt this recommended change so we have basically
17 a roadmap towards improvement.

18 As I mentioned in the full asset liability
19 study or asset allocation study -- and I don't know
20 -- Beth, I don't think they have copies of that
21 with them in the meeting notes today, do they?

22 MS. McCAGUE: Yes. We should have -- let's
23 see. 02-1 should be in here.

24 MR. SCHEU: It was in what was --

25 MS. MANNING: No, I don't -- there's no

1 attachment for that one.

2 MR. HOLMES: So I'll speak to it.

3 Essentially what we did was, we reviewed the
4 capital market assumptions. We reviewed the
5 changes since last year. We noted that the capital
6 market assumptions expected return had gone up
7 basically across the board, with the majority of
8 the asset classes going up modestly.

9 We also had mentioned that real estate and a
10 couple of the hedge fund strategies that are --
11 you're not invested in hedge funds, but just in
12 general all our expected returns had gone down a
13 little bit as well.

14 We modeled the current target allocation with
15 the current capital market assumptions and
16 determined that the current target allocation meets
17 the actuarial assumed rate of return, net of fees,
18 over the forecasted investment time horizon, which
19 is 10 years, and so that was good news.

20 The question became whether or not we needed
21 to make changes or wanted to make changes to either
22 improve risk or improve return or both.

23 One of the changes that I recommended was to
24 make some slight tweaks, if you will, to the
25 recommended asset allocation or the target asset

1 allocation to provide a little bit of liquidity to
2 the fund so we didn't have to rebalance as often
3 during the course of the year.

4 And the second issue was to take the target to
5 energy infrastructure master limited partners down
6 a little bit. The target, in my view, is a bit
7 high. We've been under that target for months now.
8 When the asset class got expensive, we took money
9 off the table. We have not rebalanced back to it
10 as MLPs have been under pressure. So we've been
11 under target by over 2 percent for quite some time.
12 I forget the actual number of months, but that's
13 been added to relative performance.

14 So the bottom line what I'm recommending, I'll
15 go through the changes so you know relative to the
16 target so you know what the changes are.

17 First of all, in large-cap core passive,
18 passive large-cap equity part of the portfolio, the
19 current target is 9 percent. We're recommending
20 increasing that by 2 percent, so the target would
21 be 11.

22 In terms of large cap, the large-cap value
23 portion of the portfolio, and the large-cap growth
24 portion of the portfolio that's actively managed,
25 we wanted to increase that by 1.7 percent each.

1 By the way, these are all very modest changes,
2 so there's not going to be an a-ha moment here.

3 In terms of the small cap part of the
4 portfolio, both value and growth, decrease each of
5 those by 7 tenths of a percent. You can round it
6 and call it approximately 1 percent.

7 Then, finally, in the core fixed-income part
8 of the portfolio, we are going to decrease that by
9 1 percent and increase cash by 1 percent.

10 In core plus fixed income, we're going to
11 increase that by a half percent, so the target
12 there would go from 7 1/2 to 8.

13 We wanted to change the target allocation to
14 reflect what's already been done. That was the
15 removal of TIPS. TIPS were sold off last year, but
16 we have not had a chance to change the target
17 allocation, so that target would be removed, and
18 that would go to zero from 2 1/2 percent.

19 The final change was decreasing MLPs by 2
20 percent as well. So that goes from 7 1/2 to 5 1/2.

21 Those were the changes, very modest changes.

22 We also had talked about and modeled the
23 effect of adding private equity into the portfolio,
24 and we had showed that it's desirable to do that
25 over the long term. It adds return on an expected

1 return basis and also decreases volatility, but I
2 was not making any changes or not incorporating
3 changes to the target allocation for that at this
4 time until we know what the liabilities are going
5 to look like after the mayor's bill is either
6 signed or not signed, but either way it sounds like
7 it's going to become law because the issue is going
8 to be -- in my judgment, that's going to alter what
9 the future of the liabilities look like.

10 We are required to look at liquidity needs
11 before we invest in anything that is private in
12 nature. I won't know the liquidity needs until I
13 know what the liabilities look like. So instead of
14 going off kind of halfcocked and investing in
15 something that we would not be able to get out of
16 for 10 years, I'd rather know the liability up
17 front and then we can invest in it going forward.

18 In the meantime, if the Board needs additional
19 education on it, we can do that as well.

20 So those are my recommendations at this time.

21 MR. PATSY: Dan, can you recap these numbers
22 again? I just want to make sure I copied them down
23 correctly.

24 I've got large-cap core going up 2 percent.

25 MR. HOLMES: If you just want me to do it by

1 buckets instead of each of the different asset
2 class, I can go by domestic equity, fixed income,
3 et cetera. If you want me to do that, that'd be
4 fine. Or however you want me to do it.

5 You want me to go through the specific changes
6 again?

7 MR. PATSY: Yeah, because I just want to make
8 sure I got them right.

9 MR. HOLMES: Understood. Okay, ready? Large-
10 cap core, the passive part, that increases by 2
11 percent.

12 MR. PATSY: Okay.

13 MR. HOLMES: The small-cap or non-large-cap
14 value and non-large-cap growth each go down by 1.7.

15 MR. PATSY: 1.7?

16 MR. HOLMES: Yes.

17 MR. PATSY: And that's large-cap value, large-
18 cap growth, small-cap value and small-cap growth?

19 MR. HOLMES: No. Here, let me go back.
20 Large-cap value, large-cap growth go up by 1.7.

21 MR. PATSY: Up by 1.7.

22 MR. HOLMES: Small-cap value, small-cap growth
23 each go down by 0.7.

24 MR. PATSY: Okay.

25 MR. HOLMES: Cash goes up by 1.

1 MR. PATSY: Okay. Core fixed --

2 MR. HOLMES: Core fixed goes down by 1. Core
3 plus fixed goes up by .5. The TIPS goes down by
4 2.5. And MLPs go down by 2.

5 MR. PATSY: TIPS totally goes away, correct?

6 MR. HOLMES: Correct. The target was 2.5 and
7 we take it down by 2.5. I know that probably
8 doesn't shock you.

9 CHAIRMAN SCHMITT: A motion for adopting those
10 recommendations, and then once we finish that,
11 we'll have a second one regarding adding private
12 equity to the portfolio.

13 MR. HOLMES: By the way, we rounded to the
14 nearest tenth in ours, so to the extent that
15 anything doesn't round up completely to 100, we'll
16 make sure it's rounded in the policy document.

17 MR. PATSY: Refresh my memory. There's an
18 emerging market debt --

19 MR. HOLMES: Target there has not changed.
20 That's why I didn't go through it. Anything that
21 didn't change stays the same in the policy.

22 MR. PATSY: Okay.

23 Here's one solution, and I'm jumping ahead to
24 the core plus. Emerging market debt can be a
25 pretty complicated solution, both positively and

1 negatively.

2 What I was going to recommended at some
3 juncture, consolidate emerging market debt into the
4 core plus and cover two core plus managers instead
5 of one.

6 Emerging market debt can be challenging. It's
7 going from chess to the old Star Trek three-
8 dimensional chess.

9 And I don't know how you want to handle that,
10 if you want to adopt this first and then tackle
11 that later.

12 CHAIRMAN SCHMITT: That's what I would prefer.

13 MR. PATSY: That's fine.

14 MS. McCAGUE: Because last month we saw the
15 formal documentation on these changes and we had
16 the discussion, and now we're coming back to
17 consider whether or not we want to approve them.
18 Then your issue could be taken up later.

19 MR. PATSY: So what you're asking for on the
20 motion is in two parts, the private equity part --

21 CHAIRMAN SCHMITT: Right. The first motion
22 would be to adopt the recommendations made by Dan
23 to adjust these allocations that he just listed.

24 MR. PATSY: Okay.

25 CHAIRMAN SCHMITT: Once we get past that, then

1 a motion to add private equity to the portfolio.
2 We're not putting anything in private equity yet,
3 but adding that as a possibility to the portfolio.

4 MR. PATSY: All right. I'll make the motion
5 on the first part.

6 CHAIRMAN SCHMITT: Okay. And the motion is --
7 (Interruption by telephone.)

8 MR. PATSY: To change the asset allocation as
9 recommended by Summit.

10 CHAIRMAN SCHMITT: Okay. Do we have a second?

11 MR. PAYNE: I'll second it.

12 CHAIRMAN SCHMITT: Any further discussion?
13 (No response.)

14 CHAIRMAN SCHMITT: All in favor?
15 (Responses of "aye.")

16 CHAIRMAN SCHMITT: Opposed?
17 (No response.)

18 CHAIRMAN SCHMITT: That motion passes.

19 MR. SCHEU: Did Rich vote?

20 MS. MANNING: Rich?

21 MR. GREIVE: He wasn't here for the
22 discussion.

23 MS. MANNING: He wasn't. He was lost out of
24 the call.

25 CHAIRMAN SCHMITT: We have a quorum. We're

1 okay, I think.

2 MS. MANNING: Okay.

3 CHAIRMAN SCHMITT: The next item of discussion
4 is whether to add private equity to the portfolio.
5 And if you'd like to give us your take on that as
6 to why we should.

7 MR. HOLMES: Sorry, I didn't see that on
8 the --

9 MR. HAZOURI: It's on this side. No.

10 MR. HOLMES: Oh, okay.

11 CHAIRMAN SCHMITT: Can we have that option?
12 (Interruption by telephone.)

13 MR. HOLMES: I would like to have that option
14 going forward, but I'm not in a -- not in a
15 position to recommend that we go forward with it
16 now --

17 (Interruption by telephone.)

18 MR. HOLMES: -- for the reasons I already
19 mentioned. I need to know what the liabilities
20 look like.

21 But I don't want to -- I want as many tools in
22 the tool bag, so to speak --

23 (Interruption by telephone.)

24 MR. HOLMES: -- to be able to continue to meet
25 the actuarial assumed rate of return and also to

1 keep volatility at a prudent level.

2 CHAIRMAN SCHMITT: And this is why I support
3 that. When Dan does his analysis of our asset
4 allocation, if he can do it with this option in it,
5 then that gives us a better picture of what it
6 would be like with that option available.

7 If we don't put that option in there, then
8 it's hard for us to have him do the analysis and
9 include that in even though we haven't even
10 authorized it.

11 I would rather see the analysis with the
12 option so that he's not wasting his time on the
13 analysis when it's not even an option.

14 MR. SCHEU: So what you're really saying is,
15 put it in as a category with a zero allocation.

16 CHAIRMAN SCHMITT: Correct.

17 MR. SCHEU: So you're just putting a line item
18 in.

19 MR. HAZOURI: To be determined.

20 MR. SCHEU: Zero allocation.

21 MR. HOLMES: That's fine. I mean, we're going
22 to continue to keep an eye on it, but --

23 CHAIRMAN SCHMITT: For me, that does one thing
24 in particular. We drag these things out. We
25 talked about all these items last month, but it

1 took us a month to get here to vote on it today.

2 I don't want to be in the position where Dan's
3 recommending we get in private equity, but we have
4 to wait another month to authorize us to even get
5 in it.

6 Whereas, if he could come to us and say: This
7 is what I'm recommending, and we could vote yes or
8 no, it's already in the portfolio, we just
9 determine whether we want to put actual funds in
10 that investment.

11 MR. SCHEU: And we would then have to change
12 the allocation schedule, too.

13 CHAIRMAN SCHMITT: Correct, just like we did
14 today.

15 MR. SCHEU: Just like we did today. I'll move
16 that.

17 MR. PATSY: I'm not sold on the value of
18 private equity as far as adding it to the
19 portfolio.

20 So I understand your rationale for including
21 it as a zero weight, but I'm not sold that we can
22 effectively execute that.

23 Private equity is a very specialized market
24 segment. It's a commitment that you really won't
25 know how well you've done with that market segment

1 until 10 to 15 years down the road, and I'm not
2 convinced that we can do that effectively.

3 So I would be opposed to adding it at this
4 juncture.

5 I understand. I understand your point, I
6 understand Dan's point, I just don't think we can
7 get there.

8 MR. HOLMES: Point of clarification. When I
9 say "private equity," I'm using that as a totally
10 ubiquitous term.

11 Rick's right, there are some strategies that
12 you'll invest -- it's got a 10-year term. They'll
13 invest the portfolio over a three- to five-year
14 investment period, and then they have an extension
15 period, maybe one or two years.

16 (Interruption by telephone.)

17 MR. HOLMES: But there's also -- within that
18 category, there's also other strategies that have a
19 shorter time period. So real asset strategies tend
20 to be shorter than that.

21 Now, to his point, it may be five years or
22 seven years instead of 10 years, but the whole
23 point of the strategy and the value added comes
24 from the illiquidity premium.

25 So I want to make -- I want to make the point

1 that not all of it in terms of what I'm thinking as
2 private equity or kind of using the broad term is
3 10 years, but, yeah, there's going to be a few --
4 there's going to be a number of years before we
5 know what returns look like.

6 CHAIRMAN SCHMITT: Right. And my personal
7 opinion is it adds strength to our options within
8 the portfolio. Whether we agree on that's the
9 right vehicle or not, we have those discussions and
10 we vote and decide whether we invest in it or not.

11 I think it sells us short if we don't put that
12 option in there as the discussion.

13 MS. McCAGUE: And just as a reminder, on our
14 Financial Advisory Committee, we have Craig Lewis.
15 Craig's responsibility at the Alfred I. duPont
16 Foundation is private equity investments.

17 So at point that we decide we may be ready for
18 that, we have some wonderful expertise who is
19 assisting us beyond Summit Strategies.

20 MR. HOLMES: We've got a specialized group
21 within our firm, so when we get to that point I'll
22 bring the experts in.

23 CHAIRMAN SCHMITT: Again, I look at target
24 being 7 percent, at least 7 percent. And when we
25 do the analysis of how do we get there, if we don't

1 have all the options available, it makes it more
2 difficult to achieve that.

3 There's more risk, I get it. Liquidity is not
4 as much. But I think we have to have that option
5 to figure out how we get to that 7 percent over the
6 next 15, 20, 25 years.

7 MR. PATSY: I understand where you're coming
8 from, and I'll defer my argument to when we get
9 time to --

10 MR. HAZOURI: In 10 years, you can say I told
11 you so.

12 (Laughter.)

13 MR. SCHEU: You can do that when that income
14 stream comes in from the sales tax.

15 MR. PATSY: There you go.

16 CHAIRMAN SCHMITT: So the motion is to add it.
17 Do we have a second?

18 MS. MANNING: Who was the first?

19 MR. PAYNE: I'll second, but you guys are the
20 financial guys, so I'm not -- I'll second.

21 MR. HOLMES: To be precise, we're adding it as
22 a permissible category, we're just not funding it
23 in the target allocation at this time.

24 CHAIRMAN SCHMITT: Correct, zero allocation at
25 this time.

1 MR. SCHEU: You're not permitting any
2 allocation to it.

3 CHAIRMAN SCHMITT: Correct.

4 MR. SCHEU: It's like establishing a budget.

5 MS. MANNING: Mr. Chairman, who was the first
6 on that? I have Payne as second, but who was
7 first?

8 CHAIRMAN SCHMITT: Mr. Scheu.

9 MS. MANNING: Oh, okay.

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

12 MR. HAZOURI: Mr. Chairman, what Beth said a
13 while ago, when Greg spoke at the Council meeting
14 the other day, he said made they made \$50 million,
15 or whatever it was, for duPont. I said: What was
16 your rate of return? (Makes sound.) They wouldn't
17 tell us. They don't have to, I guess.

18 CHAIRMAN SCHMITT: I saw that.

19 MR. HAZOURI: Did you?

20 CHAIRMAN SCHMITT: Yes.

21 MR. HAZOURI: I thought it was kind of
22 interesting, because a lot of it is private, isn't
23 it? I mean, I guess private equity --

24 MS. McCAGUE: A segment. They're very --

25 MR. HAZOURI: We were going to try to --

1 MS. McCAGUE: -- diversified also.

2 MR. HAZOURI: -- weasel our way in to see what
3 they've done. Apparently they must have done
4 pretty well because they really generated a lot of
5 dollars this past year.

6 MR. HOLMES: That might have been twofold.
7 It's a private foundation, so they --

8 MR. HAZOURI: Right.

9 MR. HOLMES: And in addition to that,
10 sometimes they don't like advertising who they've
11 invested with because you don't want to create
12 competition for the deals.

13 MR. SCHEU: Move the question.

14 MR. HAZOURI: If you could send a spy in there
15 to see it, it'd be nice. They did really well.
16 I'm proud of them, actually.

17 CHAIRMAN SCHMITT: I'm going to go ahead and
18 call the vote.

19 All in favor?

20 (Responses of "aye.")

21 CHAIRMAN SCHMITT: Opposed?

22 MR. PATSY: Aye.

23 CHAIRMAN SCHMITT: Motion passes three to one.

24 MR. HAZOURI: Richard will see you after
25 class.

1 MR. PAYNE: Yes.

2 CHAIRMAN SCHMITT: We've already covered
3 2016 --

4 MS. McCAGUE: Forensic Investigation.

5 CHAIRMAN SCHMITT: Okay. 2015-11-6, Forensic
6 Investigation - attachments. A Final Report of the
7 Subcommittee, the City Council's Subcommittee on
8 Subpoenas Related to the Police and Fire Pension
9 Fund.

10 Beth, you have that?

11 MS. McCAGUE: Yes. I've sent you at least the
12 initial document by email, but I want you to have
13 all three reports.

14 First is a report from Subcommittee Chair,
15 Council member Anna Brosche, and then you have the
16 two supplementary reports that were provided by the
17 City auditor's office when they reviewed all the
18 documentation sent both initially last summer and
19 then what we sent recently on securities litigation
20 and commission recapture.

21 Ms. Brosche delivered her report to the
22 Finance Committee at the last committee meeting.
23 They accepted it, but Chairman Gulliford said it
24 would be up for discussion at the upcoming Finance
25 Committee meeting. So we will be there as your

1 representative to answer any additional questions
2 that they may have.

3 CHAIRMAN SCHMITT: I'd like to commend Beth
4 along with the rest of the staff of the Fund. This
5 was a lot of work to pull this documentation
6 together. They tried to make sure to give them
7 everything that they could possibly want that was
8 related to this. Beth organized it in a manner
9 that was -- and presented it well to them.

10 And, in summary, they found nothing to
11 indicate there was any wrongdoing related to either
12 of these topics, and I think a big part of that was
13 the presentation of the information.

14 Beth did a good job making sure we were
15 transparent, providing all the documentation, and,
16 again, presenting it in a clear manner so that they
17 could understand. Because these are some
18 complicated issues, but she presented it in a
19 manner that made it easy to follow and understand.
20 So she did a very good job.

21 MS. McCAGUE: There were three meetings, and
22 our trustee, Bill Scheu, was on board for two of
23 those meetings, and I appreciate his support.

24 MR. HAZOURI: I know I said this over and over
25 again. Other than these suits that Bill talks

1 about, and that will be yesterday's news hopefully,
2 but the relationship that y'all are having now and
3 the transparency that's going on on this Board,
4 with Beth, with y'all, it's just clear sailing. I
5 mean, there's a lot still in front of us, but it
6 gets better and better every day, I think.

7 This is just me observing not just as a
8 Councilman, but just being here and seeing what's
9 going on, and then seeing the lack of --

10 CHAIRMAN SCHMITT: Contention?

11 MR. HAZOURI: -- angst that existed when I
12 first got on the Council with all that was going
13 on. And it really is a good pathway to great
14 cooperation, I think, and I think it's going to be
15 a win-win for everybody, really.

16 And I appreciate your leadership.

17 CHAIRMAN SCHMITT: Thank you. Hopefully we
18 continue in that direction.

19 And you carrying that message back to the
20 other City Council members, I think, has a positive
21 impact as well --

22 MR. HAZOURI: I try to, yeah.

23 CHAIRMAN SCHMITT: -- and we appreciate that.

24 MR. SCHEU: You've been great.

25 CHAIRMAN SCHMITT: Anything else on that?

1 MS. McCAGUE: No.

2 CHAIRMAN SCHMITT: Okay. Under New Business,
3 2016-03-1, a Review of Current Securities
4 Litigation Policy.

5 MS. McCAGUE: So as a result of preparing all
6 those documents for the subcommittee and looking
7 over them, a couple of areas that we could clarify
8 became evident to me.

9 I sent you all the securities litigation
10 policy which has been in place since 2013, and
11 perhaps the Board was operating a little bit
12 differently then, but if you -- I hope you had a
13 chance to read the policy, but in particular I drew
14 your attention to paragraph 6 that says, "The Board
15 delegates to its Audit Committee the decision to
16 seek lead or co-lead plaintiff status."

17 Right now, we do not have an Audit Committee,
18 and I will share with you my preference as your
19 interim director, and I think when the new director
20 comes, at least for some time, the decision to make
21 whether or not we go to lead plaintiff status
22 should be at the Board decision. And so I would
23 ask you-all to consider that.

24 And then also I think some language -- I don't
25 have recommendations for you, but I think language

1 regarding the executive directors'
2 responsibilities, their roles and authority, needs
3 to be cleaned up, because it's a little confusing
4 to me as to exactly what the responsibilities are
5 for the executive director regarding commencement
6 of activities.

7 And so if you want me to work on that
8 language, I will be glad to do so, and I'll bring
9 something back to you next month. That would be
10 replace the policy that's in place, at least that
11 portion of it, and that is under the roles and
12 responsibility of the executive director.

13 But the first question is: Are you happy with
14 the language as it reads now, having the Audit
15 Committee responsible for determining whether or
16 not, based on other conditions being met, one of
17 those being that our loss has been at least
18 \$100,000, that the Audit Committee would make the
19 decision as to whether or not we would be lead
20 plaintiff, or do you want that a Board decision?

21 MR. SCHEU: Could we just bring up the policy
22 as a whole?

23 Beth should be really commended. She has
24 really educated us when we had the meeting on this
25 subject from the custodian.

1 MS. McCAGUE: Right.

2 CHAIRMAN SCHMITT: Or the trust.

3 MR. SCHEU: It was really helpful. And I
4 think what they ended up saying was we don't really
5 get any benefit out of being lead plaintiff,
6 because they notify us on any time there's a
7 settlement, and that's when we get our notice and
8 we participate in that.

9 But there's no increase in any share because
10 of our participation as lead plaintiff. The only
11 thing that happens is that we would get reimbursed
12 if -- we get reimbursed the out-of-pocket expenses
13 regardless, but also the time involved of the
14 executive director and other employees if we win.
15 But that has an impact on what the staff should be
16 doing.

17 The only real beneficiary is the lawyer. And
18 I think Rick first made me start thinking about
19 this a couple of months ago.

20 I really question whether we should be lead
21 plaintiff except in very unusual circumstances, and
22 I'd be in favor of changing the policy, that we
23 would adopt as a policy that we would only rarely,
24 in unusual circumstances, participate as lead
25 plaintiff on such conditions as then would be

1 approved by the Board.

2 But I don't know if you want to get into all
3 that today, but it seems to me -- I just really
4 have -- it's a plaintiff's lawyer game, and that's
5 really what it is.

6 CHAIRMAN SCHMITT: There are other things
7 involved. We may be the only party that has that
8 class.

9 MR. SCHEU: I get that, and that's the unusual
10 circumstance.

11 CHAIRMAN SCHMITT: Yeah. I wouldn't deem it
12 unusual. I think it still should be a Board
13 decision. I don't think we should pin ourselves
14 in, "unusual," "out of the ordinary," or anything
15 like that.

16 It's a decision, in my opinion, that the Board
17 needs to analyze each one individually and make
18 that decision.

19 I don't think we should defer it to an Audit
20 Committee or any other committee. I think that's
21 something we should discuss as a Board and vote on
22 it and determine whether we're going to go lead or
23 not go lead.

24 MR. SCHEU: That's what the policy says, so I
25 don't really have a lot heartburn about it.

1 It just really caused me -- your comments
2 really helped me focus on this as to whether we
3 really should even be doing it.

4 MS. McCAGUE: And what I told the subcommittee
5 is there are several reasons that a public fund
6 such as ours would move forward.

7 One is that, if you're in the lead position,
8 number one, you can help drive down the typical
9 expenses of the attorneys involved. So rather than
10 33 percent, you might drive the price down to 25,
11 20, or below that, number one.

12 Number two is, if you are the lead, then you
13 help determine how the case will be run.

14 Three, you are at the table when settlement
15 offers are being made. And if you are a good
16 negotiator, then you are helping to get a better
17 price for all the shareholders.

18 And the fourth is, and probably the most
19 important, in the case where you are the -- you may
20 be the only person in that class who's going to
21 file, and as I understand it -- Paul could help me
22 with this -- you don't know who's going to file
23 until the filings go to court and the court makes
24 the determination.

25 So is there a case where -- could there be a

1 case where our share class would not be represented
2 in any particular suit?

3 MR. DARAGJATI: There could. For example, the
4 Plains All American case where we purchased on a
5 secondary offering.

6 Generally, the courts want to avoid having a
7 lead plaintiff who has a very small number of
8 shares. They want a significant number of shares.
9 They want, for want of a better term, skin in the
10 game.

11 So in a situation like that where it comes
12 down to maybe two possible funds that would -- who
13 could serve as lead plaintiff, you don't know
14 whether or not the other fund -- because they're
15 doing all their own internal strategizing. I mean,
16 it's just -- you can't tell. So you have to assert
17 these issues on your own.

18 And Northern Trust is completely correct,
19 there is no extra financial gain tangibly to a lead
20 plaintiff, but those intangibles that Beth
21 discussed are quite important.

22 It's important when you have the ability to
23 gauge the direction of the litigation, because if
24 you get a fund in there who is willing to settle
25 quickly and easily based upon the advice of

1 attorneys that would rather settle quickly and not
2 get the best bang for their client's buck, you can
3 end up in a better situation if you're lead
4 plaintiff. It's just that cost-benefit analysis.

5 And I agree with the Chairman, it probably
6 should come to the Board.

7 When the initial suit is filed, it has to be
8 done quickly, it can't wait for a board meeting to
9 come up. But when it comes time to actually make
10 the decision to be lead plaintiff, it could be
11 something that's not --

12 CHAIRMAN SCHMITT: I have a recommendation for
13 rewording number 6. It currently reads, "The Board
14 delegates its Audit Committee the decision to seek
15 lead or co-lead plaintiff status or to play an
16 enhanced role in a class action under Paragraphs 3
17 and 4."

18 Someone would like to make a motion to change
19 that to, "The decision to seek lead or co-lead
20 plaintiff status or to play an enhanced role in a
21 class action under Paragraphs 3 and 4 will be made
22 by a majority vote of the Board."

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

24 MR. SCHEU: I'll second it, knowing that we're
25 going to keep the policy. I agree with that.

1 MR. PATSY: But I would also like to see Beth
2 come back with some recommended changes to the
3 executive director component.

4 MR. DURDEN: I have a quick question. Using
5 whatever language you want, the majority vote of
6 the Board would mean not a majority of the quorum
7 but it would always mean three, to clarify.

8 MR. SCHEU: By the Board. Just say "by the
9 Board."

10 MR. DURDEN: Just "by a vote of the Board."

11 CHAIRMAN SCHMITT: "By a vote of the Board."
12 Okay.

13 MS. McCAGUE: Thank you.

14 CHAIRMAN SCHMITT: Wow. I want to make sure
15 that's noted. Some good advice from OGC.

16 (Laughter.)

17 MR. HAZOURI: (Makes sound.) Here comes
18 Steve --

19 CHAIRMAN SCHMITT: Okay. So the motion is --

20 MR. HAZOURI: -- pop goes the weasel.

21 CHAIRMAN SCHMITT: -- to reword number 6 on
22 page 3, "The decision to seek lead or co-lead
23 plaintiff status or to play an enhanced role in a
24 class action under Paragraphs 3 and 4 will be made
25 by a vote of the Board."

1 That is the motion?

2 MR. PATSY: Yes.

3 CHAIRMAN SCHMITT: And the second?

4 Any further discussion? All in favor?

5 (Responses of "aye.")

6 CHAIRMAN SCHMITT: Opposed?

7 (No response.)

8 CHAIRMAN SCHMITT: Motion passes.

9 MR. SCHEU: Could I ask Beth to also noodle on
10 this, that in the case where our counsel
11 participates as part of the lead counsel thing,
12 that our retainer agreement include an offset for
13 fees earned by them in the lead counsel status
14 against the fees they otherwise charge us. Like we
15 paid them \$300,000 in fees, and one of these years
16 they received over a million dollars in fees. That
17 was a pure gift from us to them for which we
18 received no tangible -- corresponding tangible
19 benefit. I mean, we got our percentage as a member
20 of the class.

21 But it seems to me that if they're acting on
22 our behalf as counsel and really getting, in
23 essence, a referral fee -- that's really all it is,
24 because they're not -- they're doing a little work
25 -- that they should offset fees otherwise paid or

1 payable by us for general work by the amount of any
2 fees they receive in connection with representing
3 us as lead counsel.

4 CHAIRMAN SCHMITT: Well, along with that --
5 and I'd like to call on Mr. Klausner to expand on
6 this, but in general our fees that we pay, the
7 hourly rate that we pay, is reduced because of
8 that.

9 MR. SCHEU: Oh, I understand, but it's still
10 \$250 an hour. It just seems to me that that would
11 be a benefit to us of being a lead counsel.

12 CHAIRMAN SCHMITT: Sure.

13 MR. SCHEU: Because we would offset our fees.
14 Anyway, I just think that's something to consider.

15 MS. McCAGUE: Well, one point there, we could
16 certainly take a look at this as we look at the
17 better language around the executive director.

18 But in some cases -- and I believe I'm
19 correct, Paul -- but in this NII case -- I think
20 it's NII where we have to sign off on -- you know,
21 approve the court approving the attorneys' fees.

22 In this case, the attorneys' fees were granted
23 at X amount, which did not reimburse the attorneys
24 for everything they'd spent on the case even though
25 there was a favorable outcome. And so what we

1 wouldn't want to do is be in the position where
2 we'd get charged.

3 MR. SCHEU: No question about that. Whatever
4 it is that they are going to get net of what they
5 put into it, that that would be what the offset is,
6 so that we really get the benefit of their acting
7 on our behalf globally.

8 MS. McCAGUE: Right. Right. But to your
9 point, when we bring something like this to the
10 Board -- "something like this" being the
11 opportunity for a case -- we also would, as a
12 matter of process, be including who would the
13 representatives -- who would the legal
14 representatives be and what the expected payout in
15 terms of percentage, if the case is won, would be
16 to the attorneys so we have that on record.

17 MR. SCHEU: But I just don't want us to forget
18 it, because many of us won't be here then, and we
19 have sort of a policy with our retainer agreements
20 with our counsel that we would include something
21 like that.

22 I may be the only one that feels that way, but
23 it seems to me that that --

24

25 MS. McCAGUE: Let's explore that.

1 MR. SCHEU: -- would be really beneficial.

2 MS. McCAGUE: We'll explore that.

3 CHAIRMAN SCHMITT: I think it's worth

4 discussing.

5 MR. PATSY: It would go a long way towards the
6 transparency of the process.

7 MR. SCHEU: That's true. And we would say to
8 the City Council then: Well, sure we did that, but
9 that meant that those horrible corporate directors
10 that we got this judgment against, they paid the
11 legal work of the City.

12 MR. HAZOURI: Don't point at me.

13 MR. SCHEU: It's like the non-residents paying
14 the sales tax to help fund the pension.

15 CHAIRMAN SCHMITT: Okay. We'll move on to the
16 next item.

17 MR. PATSY: I --

18 MR. SCHEU: You resemble that, right?

19 MR. PATSY: I resemble that.

20 (Laughter.)

21 MS. McCAGUE: The next item is also an area
22 that Northern Trust educated us on, and that is
23 Commission Recapture Agreements.

24 We do have Commission Recapture Agreements in
25 place. As you go back in our records, over time we

1 have approved up to 10 recapture agreement
2 companies, but some of those companies never really
3 got up and organized, some went out of business,
4 some were merged. So what we'd like to do is just
5 a quick cleanup here.

6 What I would like to do is read into the
7 minutes the companies that provide recapture
8 services to us now so that we have that documented,
9 and there are four of them.

10 Two handle our equity transactions:
11 ConvergEx, which was previously Lynch, Jones &
12 Ryan, and Knight Capital Group, KCG.

13 Our fixed-income providers in this area are
14 CAPIS, Capital Institutional Services, and Abel
15 Noser Brokerage.

16 We will be producing updated agreements for
17 execution. The last agreements we have on file for
18 some of these are 2004. They're automatically
19 renewed, but I think they need to be updated.

20 And for the record, the companies which were
21 previously authorized but which we no longer do any
22 business with are the following: Andes Capital
23 Group; Cheevers & Company; Dominick & Dominick,
24 formerly Ticonderoga Securities, formerly Reynders,
25 Gray & Company; First Honolulu Securities, Inc.;

1 Magna Securities Corp; and Merrill Lynch Citation
2 Group. Those contracts are no longer valid.

3 I don't need a motion on that. I just wanted
4 to report that for posterity.

5 CHAIRMAN SCHMITT: All right. We'll show that
6 received for informational purposes.

7 Next item, 2016-03-3, back to Dan on Monthly
8 Economic and Capital Market Update. Actually, we
9 got four items there. 3, 4, 5, 6 are all for you,
10 Dan.

11 MR. HOLMES: Okay. Let's see. How are we
12 doing on time, and who are we going to lose here in
13 the next few minutes?

14 MS. McCAGUE: I think everybody's good for the
15 next few minutes, but I think --

16 Bill, do you need to leave at 11:30?

17 MR. SCHEU: Well, I'll leave whenever. I'm
18 here for the duration, but appreciate leaving
19 early.

20 MS. McCAGUE: Thank you.

21 I think we're good.

22 MR. HOLMES: Okay, terrific. I'll handle
23 things in that order then.

24 First, the Monthly Economic and Capital Market
25 Update. I have an update, and then an update to

1 the update.

2 First of all, if you look at the handout,
3 February was a bit of a continuation of January,
4 and by that I mean the majority of asset classes
5 turned in negative returns. However, compared to
6 January, they were less negative than the previous
7 month.

8 So from an economic perspective, the U.S.
9 economy continues to tread along its kind of low or
10 slow-growth pace.

11 On the positive side, we saw the economy
12 create 242,000 new jobs. It was slightly above
13 expectations, which was positive. Unemployment
14 remained the same at 4.9 percent, and continued
15 improvement in the labor market and in the service
16 sector, but for the fifth straight month the
17 manufacturing sector basically contracted.

18 And so we have this ying and yang going on.
19 Basically, the service sector is driving the
20 economy now, but manufacturing is contracting.

21 On the GDP side, the fourth quarter GDP number
22 was revised from 70 basis points to a positive 1
23 percent. That means that for last year, all 2015
24 GDP was 2.4 percent.

25 The Atlanta Fed projects GDP on a go-forward

1 basis, and they're saying or at least their
2 forecast now for GDP for calendar year 2016 is 2.2
3 percent, so about the same as last year.

4 As I mentioned, returns were not great for the
5 month, and that was kind of across the board. So
6 if you look at growth assets, basically all
7 equities were negative for the month. They're
8 negative for the month, the three months and the
9 last 12 months. So it's kind of hard to earn 7
10 percent when everything is negative, regardless of
11 how well your managers do.

12 The only thing that was positive for the month
13 was the Russell 2000 value was up 70 basis points,
14 high-yield bonds were up 60 basis points, and
15 global emerging markets were up -- emerging market
16 debt, I should say, up about 1.4 percent.

17 On the fixed income side, we saw some modest
18 earns for the month, three months and one year, and
19 it basically boils down to for the month the bond
20 market was up about 70 basis points, and for the
21 last year it's 1.5 percent, last 12 months, so 12
22 months ending in February.

23 Real estate remains the strongest asset class.
24 It doesn't have monthly return. The index doesn't
25 mark to market until the quarter, but for the last

1 12 months through the end of December, the real
2 estate index was up over 15 percent.

3 So other than a couple of hedge fund
4 strategies and real estate, everything is either
5 negative or just slightly positive.

6 So that's kind of the backdrop.

7 Now, the update to that update is basically
8 that March is a different story. And so we check
9 it and we talk about the markets every Monday
10 morning, as of the returns as of last Friday.

11 So as of last Friday, the returns were broadly
12 as follows:

13 The S&P 500 was up almost 5 percent for the
14 month of March. So what's that done is that's
15 brought the S&P basically flat on a calendar
16 year-to-date basis. So here fairly quickly, a lot
17 of that deficit has been erased.

18 International stocks as measured by EAFE, up
19 about 1 percent in March and still off 3.7 percent
20 on the calendar year-to-date basis, but emerging
21 market stocks, EM stocks, are up 8.2 percent for
22 March, and they're up a positive 1.1 percent on the
23 year.

24 Other things that are positive for the year,
25 high-yield bonds are up about 2.7 percent, emerging

1 market debt is up 4.6 percent, and MLPs, finally,
2 are up 4.7 percent for the month. They're still
3 negative for the year.

4 One of the issues that started off the
5 turnaround in MLPs was that Warren Buffett bought
6 -- his fund bought some shares of Kinder Morgan,
7 which technically isn't an MLP but still serves the
8 pipeline space. A number of deep value hedge fund
9 managers bought MLPs, and then in the interim, the
10 price of oil has been kind of inching up, and
11 you've seen some relief there.

12 Don't think MLPs are out of the woods yet, but
13 the market is starting to make a distinction
14 between what's going on in the pipeline sector and
15 ones that still are projected to have positive
16 earnings versus what's going on in the E&P sector
17 where they're facing questions of do I use earnings
18 to service debt or continue to make dividend
19 payments.

20 So we'll see. It'll be in the news for some
21 time. And right now, you'll probably see a number
22 of articles in the Wall Street Journal or various
23 papers about some bankruptcies. None of that has
24 affected your portfolio.

25 And, by the way, that's all towards the

1 wellhead. That's in the gathering and processing
2 lines as opposed to the long-haul pipelines. Okay?

3 And if anybody wants -- if anybody's curious
4 about what the current status of MLPs are, our
5 research piece is now up to about 40 pages, and so
6 I'll be happy to share it with you.

7 MR. PATSY: Send it to me.

8 MR. SCHEU: Send it to Rich.

9 MR. GREIVE: When is that coming out?

10 MR. HOLMES: It's the same one that you have,
11 we just keep updating it. You got the advanced
12 version.

13 MR. GREIVE: Appreciate that.

14 MR. HOLMES: Okay. So with that in mind, I'm
15 going back in time now and we're looking at returns
16 through February, okay?

17 So just to highlight, and I won't go through
18 it page by page, the highlights are as follows:

19 First of all, asset allocation was in line
20 with investment policy. We continue to be
21 overweight in equities and fixed income,
22 underweight in MLPs and real estate. That real
23 estate underweight is on the non-core side.

24 For the month, the portfolio declined by 12
25 basis points. So relative to the policy index,

1 it's 5 basis points above the policy index, while
2 on the fiscal year to date the portfolio is off
3 1.5 percent, 1 1/2 percent, and basically in line
4 with the indexes, 1 basis point above.

5 Domestic equities have been pulled out
6 recently. Eagle, which has been probably the top
7 performing manager, had a negative return for the
8 month. They're down a little bit. Brown is also
9 down.

10 The international portfolio relative to the
11 policy index is above the index for the month, but
12 the manager we saw have a negative return. Last
13 year the biggest negative return relative to their
14 index was Baillie Gifford. They had a positive
15 return relative to their index for the month, so
16 they're starting to turn that around as well.

17 Interestingly enough, the index on a fiscal
18 year-to-date basis is below the index. You've got
19 some negative tracking error there.

20 In the fixed-income portfolio, it's positive.
21 It was up almost a half percent for the month. It
22 was up about 80 basis points on the year. It's
23 below its policy index because of the exposure to
24 bank debt. The bank debt manager is above its
25 index, but on an absolute basis it's had a negative

1 return.

2 The real estate number here is preliminary.
3 It's not fully mark to market, but it's up 34 basis
4 points on the month and up over 4 percent positive
5 on the fiscal year to date.

6 And the MLPs actually were positive for the
7 month. Not the index, but year portfolio. Your
8 two-year managers outperformed, and so they were
9 positive 41 basis points for the month, and I
10 expect them to be more so in March as well, so
11 hopefully some turnaround there.

12 That's the big picture. If you want to go
13 into details with regard to any managers, which I'm
14 about ready to do in a different report, I'll be
15 happy to do it.

16 Okay. Next item is the Core Plus Manager
17 Search discussion. I wish everybody was here to
18 participate yesterday. I think it was a good
19 afternoon. I think it was time well spent.
20 Hopefully the two board members who were here would
21 agree with that. It was long. I mean, everybody
22 put their time in.

23 We listened to four managers. The four
24 managers presenting were Neuberger Berman,
25 BlackRock, Loomis Sayles and -- who am I missing --

1 MS. MANNING: Western.

2 MR. HOLMES: And Western Asset Management.

3 The committee of people who attended asked me
4 to go back and negotiate fees with a couple of
5 managers and then come back to the Board with a
6 recommendation based on those fee negotiations.

7 I'm happy to say that before we even got into
8 the presentations yesterday, we had already
9 negotiated some fees with the managers before they
10 even got in and made the presentation.

11 I think ultimately it's going to save the fund
12 -- at least what we've done so far, we've saved the
13 fund about \$100,000 in fees, and we're hoping to
14 reduce that further.

15 And so I'm going to -- I'll open it up to
16 questions at this point. I don't know how much
17 more detail you want given the fact that a formal
18 recommendation hasn't been adopted yet.

19 MS. McCAGUE: We may want to hear from -- I
20 know Rich was not able to come to the meeting
21 yesterday, but I know you studied the documents and
22 we may want to hear your opinion.

23 MR. PATSY: I apologize for not being here
24 yesterday because I certainly would have liked to
25 have been here.

1 I do know all four of the firms that
2 presented. I've done business with Loomis Sayles,
3 BlackRock, for probably about 10 years now;
4 Neuberger Berman for about three years now; and
5 WAMCO I've known tangentially.

6 When you look at the fixed-income market,
7 BlackRock, WAMCO, Loomis Sayles, they're all pretty
8 dominant as far as representations and portfolios.

9 I personally like Loomis Sayles, I like the
10 product, and that's why I asked Dan to include it
11 in the mix. It's not that I dislike the other
12 options. I like the go-anywhere aspect of the
13 Loomis Sayles product.

14 They have a similar product in the City's
15 employees' retirement system. I'm not sure it's
16 the identical product.

17 MR. HOLMES: It's a multi-strategy there.
18 It's a little bit more of a different form, but it
19 still has the same asset class buckets, just more
20 so of the non-core stuff.

21 MR. PATSY: I brought this up earlier in
22 looking at the options. The last meeting we made a
23 motion to authorize someone to do a core plus
24 search and come to this meeting with a
25 recommendation, come to the next meeting with a

1 recommendation in emerging market debt, and the
2 following meeting on a non-core real estate option.

3 What I'd like to do is make a recommendation
4 that we eliminate the emerging market debt option,
5 look at the possibility of hiring two core fixed-
6 income managers. And essentially what that does
7 is, it takes the -- the way I view this, it takes
8 the emerging market debt recommendation out of the
9 Board level, out of the strategic level, and puts
10 it more at the manager level.

11 So that when your core plus manager's view
12 emerging market debt as being a better solution for
13 whatever else is out there, then they can allocate
14 to emerging market debt. But when they view it as
15 a lesser option, they can allocate to someplace
16 else.

17 Given the way we're structured, to me that
18 makes more sense than hiring a standalone emerging
19 market debt manager.

20 We at our Fund have a dedicated emerging
21 market debt manager and allocation, and it's proven
22 to be challenging over the last three years that
23 we've had it, albeit the timing included in our
24 plan was not the best.

25 But that's my take on it.

1 If I was going to make a motion to hire
2 managers, I would recommend that we hire Loomis
3 Sayles and either WAMCO or BlackRock as one of the
4 two solutions.

5 I don't know the BlackRock product as well.
6 It's a quantitative process, so it's a little bit
7 more black box than the other processes.

8 So if you put my back to the wall, I'd say
9 Loomis and WAMCO. That's my two cents on it.

10 MR. SCHEU: If you cut out the emerging
11 markets, does that bump the roughly \$100 million,
12 \$114 million up to a larger number?

13 MR. HOLMES: Yes.

14 MR. SCHEU: What would be the number be,
15 roughly? I like that idea.

16 MR. PATSY: It should reduce the volatility.

17 MR. HOLMES: It's also going to reduce
18 respective return, too, from asset allocation.
19 Let's see. About \$7 million.

20 MR. SCHEU: That's not insignificant.

21 MR. HOLMES: Let me double-check my math.
22 Yes, \$7 1/2 million.

23 MR. SCHEU: So that makes it a total of about
24 121, roughly.

25 MR. HOLMES: Yeah.

1 CHAIRMAN SCHMITT: What's your take on that?
2 And I don't want to put you in a difficult
3 situation --

4 MR. HOLMES: No, no, no.

5 CHAIRMAN SCHMITT: -- but we need your
6 honest --

7 MR. HOLMES: We've worked together, and we
8 agree on some issues and we disagree on others.
9 Usually that's fine, although I might -- no.

10 I'm not necessarily opposed to it. I think
11 there's some merit to it from the standpoint --

12 MR. PATSY: Talk about damning with faint
13 praise.

14 (Laughter.)

15 MR. HOLMES: Administratively, it'd be a lot
16 easier, from a practical standpoint, if we remove
17 that, just using our capital market assumptions.
18 If we remove that and move it into core plus, by
19 definition volatility will go down with respect to
20 volatility but also with respect to return. So
21 instead of coming in at 7 percent, we may come in a
22 little bit below 7 percent. Its target allocation
23 is 5 percent.

24 Realistically, is it going to move the needle?
25 So if we say yes, then we're applying an accuracy

1 or inaccuracy to the asset allocation model that
2 just doesn't exist. The asset allocation model is
3 traditional, meaning various modeling, and we also
4 did stochastic modeling, but the bottom line is, is
5 that it's capital market assumptions based on what
6 we think are our best educated and conservative
7 guess as to what returns are going to be going
8 forward.

9 I think both returns will be in the same
10 ballpark. So statistically, if we put it down on
11 paper, it's going to be look a little bit less in
12 terms of expected return and volatility. From a
13 practical standpoint, I think they're both going to
14 kind of come in the same.

15 As I mentioned at yesterday's meeting, I think
16 that Loomis is more of what we have in the
17 portfolio in terms of leading with credit research
18 -- or -- I'm sorry -- leading with credit as the
19 main source of return. They also stated in their
20 presentation yesterday that they are correlated to
21 risk assets.

22 And as we talked about yesterday, by
23 definition, by the limitation of the state statute,
24 the majority of your portfolio is risk assets, it's
25 equity. We have to do that because we're limited

1 as to what other things that we can invest in.

2 So if we do that, if we use Loomis, the only
3 way I can support that is if we offset it with a
4 more conservative manager.

5 The problem is, what we talked about yesterday
6 is, one of the managers had offered -- that was
7 pretty attractive -- offered a fairly aggressive
8 fee schedule, and if we split the mandate, even if
9 we add the additional 5 percent from emerging
10 market debt, I don't know if the managers are going
11 to come off that much.

12 So, like I said, I don't think the fee alone
13 should be the determining factor, because
14 hopefully, over time, manager excess performance
15 was going to make up for fees one way or the other.

16 But we have a real chance at some significant
17 fee savings over and above what we had already
18 negotiated.

19 And so we can go back and ask the managers and
20 say: Hey, if we split the mandate, are you going
21 to still give us the same fee? They may say yes.
22 On the other hand, they may say no.

23 So, bottom line is, I'm going to have to go
24 back and do some homework and bring it back to you
25 here shortly.

1 MR. PATSY: Which manager had the fee
2 concession? Neuberger?

3 MR. HOLMES: We're on public record. I'd
4 rather not go into the fee negotiations.

5 MR. PATSY: Okay.

6 MR. SCHEU: Could I ask you a question? It
7 was very interesting to me yesterday. I think we
8 all sort of -- it forced -- at the end of the day,
9 Beth forced us each to sort of give our top two
10 picks.

11 MR. PATSY: Oh, I didn't know that.

12 MR. SCHEU: And I didn't know if you want to
13 do that today. But I'd be interested in how you
14 differentiate Neuberger and Western, because I
15 think --

16 MR. PATSY: It's hard. WAMCO, their product I
17 know better. I know 2008, they had a pretty rough
18 time, it was pretty stupid, but according to Dan
19 they've learned their lesson and their performance
20 is reflective of that.

21 MR. HOLMES: But, remember, Loomis was worse
22 in 2008 as well.

23 MR. PATSY: Well, they were, but it wasn't a
24 permanent loss of capital. Loomis Sayles -- let's
25 go back to the MLP discussion.

1 A lot of what's happening in the MLP world
2 right now is, the initial reaction out of investors
3 was to throw the baby out with the bath water,
4 everything goes over the side, and guys like Loomis
5 Sayles: Wait a minute. This is not a prudent
6 decision. There's some good things in here,
7 there's some good babies in this water.

8 And Loomis Sayles has had a track record of
9 going in and picking out very good assets that over
10 long periods of time recover. They're a true
11 value-oriented manager in the fixed-income world,
12 and that's a pretty rare animal.

13 So while Loomis Sayles was down in 2008, they
14 were back huge in 2009. So the market effectively
15 marked them down in 2008, but validated their
16 strategy in 2009.

17 WAMCO, on the other hand, the market did not
18 do that. They got into some multi-mortgages where
19 -- ultimately went to zero. They got marked down
20 tremendously in 2008 and didn't rebound in 2009.
21 '10, '11, '12, they came back, but not nearly as
22 strongly as if they'd avoided that decision in 2008
23 and recovered in 2009.

24 But according to Dan, my conversation with
25 Dan, they appeared to have learned their lesson.

1 And when you look at their performance, recent
2 performance, it's been very solid.

3 I don't know the Neuberger Berman product as
4 well. I know Neuberger Berman because they manage
5 high yield for us, and they're very conservative, a
6 very solid shop in that regard. I just don't know
7 this product very well at all.

8 Same thing with the BlackRock product. I
9 don't know that product at all. It appears to be a
10 very conservative strategy, though. And based on
11 the statistics provided by Summit, it seems to be
12 very uncorrelated with the rest of the fixed-income
13 managers.

14 Now, is it going to be as uncorrelated going
15 forward? I don't know. But thus far it's proven
16 to be very -- and, make no mistake, that component
17 of BlackRock, BGI, they're smart people, very
18 smart. They're just very quantitative. When you
19 ask them to explain it, it's like I get lost in
20 about the third sentence.

21 CHAIRMAN SCHMITT: So, today, are we not at a
22 point where we have a core plus manager
23 recommendation?

24 MS. McCAGUE: If I could say, from the
25 financial investment advisors who were at the

1 meeting yesterday, we did ask them to give us their
2 top picks.

3 And so, number one, the group overall was very
4 concerned about volatility. In this asset class,
5 they want to see as little volatility as possible.

6 Next, they're most concerned with price, so
7 this idea of: All right, there's one manager here
8 who's got a good price now.

9 But we believe, because of other conditions,
10 that they would go down much further. They wanted
11 to see that manager pursued, get that price down,
12 and then that would be the recommendation coming to
13 the Board.

14 Did I say that correctly?

15 MR. PATSY: That's their first option. Did
16 they have a second choice?

17 MS. McCAGUE: Their second choice was the more
18 quantitative approach.

19 MR. PATSY: See, I look at this from a little
20 bit different perspective, and I have the luxury of
21 having seen the performance of Loomis Sayles in the
22 City's employees' retirement system.

23 MS. McCAGUE: This is a different product,
24 though.

25 MR. PATSY: It is, slightly different,

1 slightly different. But it's going to have the
2 same kind of volatility, so in that regard -- and I
3 understand the volatility aspect of it.

4 Emerging market debt is going to be more
5 volatile than even Loomis Sayles product, so I get
6 it.

7 Dan's point about pairing a volatile manager
8 with a low volatility manager, that makes sense.

9 I wouldn't argue the second manager as far as
10 concerning the low cost. Like I said, I don't know
11 that -- if it's the same manager that I think it is
12 that we can't name, then I wouldn't be disagreeable
13 with that at all.

14 But my goal is reducing the exposure to
15 emerging market debt.

16 And I would throw the Eaton Vance senior loan
17 product into this, too. You're effectively -- we
18 would effectively delegate that option to the core
19 plus manager. That's an acceptable product in the
20 core plus world.

21 We do that with our high-yield manager, we
22 delegate that authority to them. And if they find
23 more value in senior loans than they allocate there
24 or if it's in high yield, they allocate to high
25 yield. So I would wrap that all in.

1 MS. McCAGUE: So we're learning here as we go,
2 as we're working with our advisors and so forth.
3 And so one of our learnings this time is: Okay,
4 let's back up the manager presentations for more
5 than 12 hours before the Board meeting, so that any
6 of these other negotiations that we charge Dan
7 with, he has a chance to pursue, and then at the
8 next following board meeting we could bring back
9 the absolute recommendation.

10 MR. PATSY: Well, what I would say is this:
11 Can we make a motion and vote on it based on --
12 contingent upon Dan being able to negotiate the
13 lower fees? If he can negotiate the fees, then
14 we'd proceed and we continue moving down the road.
15 If he doesn't -- is not able to negotiate the fees,
16 then it comes back to the Board and we make a
17 decision then.

18 MS. McCAGUE: Well, a difficulty with that is
19 -- is the Florida Times-Union still here? Is
20 Eileen still here?

21 MR. PAYNE: She's out there.

22 CHAIRMAN SCHMITT: Smoking a cigarette.

23 MR. SCHEU: That was one thing we talked
24 about --

25 MS. McCAGUE: So if it's reported in the paper

1 that this is our choice based on if we can
2 negotiate fees, Dan loses his negotiating power, in
3 his opinion.

4 MR. HOLMES: If the manager finds out that
5 they've been selected pending fee negotiation, you
6 know, the manager reads and says: Oh, we're number
7 one, and so their ability to -- their
8 willingness --

9 MR. PATSY: Let me ask you this: If the fee
10 negotiation fails, would they still be your best
11 recommendation?

12 MR. HOLMES: If we -- they will still be
13 lowest, lowest than the first consensus based on
14 the discussion yesterday.

15 MR. GREIVE: Just a suggestion: If we're
16 worried about losing a negotiating power if the
17 manager were to find out, through reading minutes
18 or whatever, that they were selected, what if the
19 Board were to approve the hiring of that manager
20 with a fee not to exceed --

21 MR. HOLMES: I don't think we're there yet,
22 because -- and I don't mean to cut you off, but you
23 have asked a lot of additional questions beyond
24 where we were yesterday, and if you want the
25 answers to those, I have to go and basically factor

1 in.

2 So if the Board's actually thinking about
3 rolling in those other asset classes, then I have
4 to go back to the managers and say: Hey, the Board
5 is going to make the pie bigger, but they want to
6 split it in half. Instead of it being this dollar
7 amount, it would be this dollar amount, and can we
8 have the same fee. And I can go back to a
9 couple --

10 MR. PATSY: Effectively, it shouldn't be a
11 different amount, should it?

12 MR. HOLMES: Yes.

13 MS. McCAGUE: Yes.

14 MR. PATSY: How much?

15 MR. HOLMES: If we're going to split it --

16 MR. SCHEU: It'd be the difference between 100
17 and 60.

18 MR. PATSY: It would be 100?

19 MR. SCHEU: If you split it.

20 MR. PATSY: And what would it be -- and so
21 it'd be 320 if we didn't?

22 MR. SCHEU: No. It'd be 121. And if you
23 divide that in half, it'd be 60 versus 114. So
24 that's a \$54-million difference.

25 MS. McCAGUE: Because in emerging debt, you

1 only have \$7 million, correct?

2 MR. HOLMES: Correct.

3 MR. PATSY: And throwing this senior loan
4 allocation into that bucket as well?

5 MR. HOLMES: It'll be a little bit more.

6 Go ahead, Larry.

7 CHAIRMAN SCHMITT: Isn't that something we can
8 do after this?

9 MR. PATSY: Sure.

10 CHAIRMAN SCHMITT: I'd hate to miss this
11 opportunity.

12 MR. HOLMES: Oh, we're not -- yeah, we're not
13 going to miss the opportunity. I mean, they were
14 on my email before I even got to the hotel last
15 night.

16 CHAIRMAN SCHMITT: Okay. And I have another
17 question.

18 MR. PATSY: His point is very simple: We miss
19 this opportunity to move the ball down the road.

20 CHAIRMAN SCHMITT: Yes.

21 MR. HOLMES: Okay.

22 CHAIRMAN SCHMITT: And let me ask you this:
23 Of these managers, are there any bad choices, in
24 your opinion?

25 MR. HOLMES: No.

1 CHAIRMAN SCHMITT: So all these products are
2 good, we just want the best.

3 MR. HOLMES: Correct. Let me -- I'd say no
4 with a caveat. I don't think Loomis diversifies
5 the bond portfolio.

6 CHAIRMAN SCHMITT: Okay.

7 MR. HOLMES: I think there's a high
8 correlation to risk out of the highest of the
9 managers.

10 MR. PATSY: I'm okay with that, though.

11 MR. HOLMES: I know you're okay, but based on
12 the conversation with the group yesterday, they
13 weren't okay. And so I'm just telling you the
14 opinion of the people who we interviewed, because
15 that's going in a different direction.

16 MR. PATSY: I just know it's worked out well
17 for the City's plan.

18 Joey, you got an opinion?

19 MR. GREIVE: Well, I don't want derail, to the
20 Chairman's question, the Board moving into core
21 plus, because this is something that we've wanted
22 to do for a long time, the police and fire. And
23 again to the Chair's comments, all of these
24 managers are top tier of the options that the
25 Financial Advisory Committee yesterday liked and

1 supported generally, so I don't want to derail any
2 of that over some on-the-margin stuff.

3 You know, you invest in high yield knowing
4 that it's going to be a little more volatile.

5 I wasn't at the meeting yesterday, and I
6 probably would have made some comments to help get
7 the committee more comfortable with the risk of
8 high yield, because that's why you invest in high
9 yield is that it is a little more risky, but over
10 the long term you earn more.

11 And Loomis Sayles has worked out very well for
12 the City, even in light of the difficult periods
13 where you have that downside part of the
14 volatility, because you get all the upside part of
15 the volatility, too, because they don't cash out
16 and sell and run for the hills and lock in their
17 losses. It's kind of a temporary nature.

18 My suggestion would be that the Board find a
19 way to move forward with core plus.

20 I'm not married to any one manager. If we can
21 get -- another one of my comments would have been:
22 Well, since the City invests with them, we can
23 probably get a -- well, I know we can get a better
24 fee with Loomis Sayles for both of us.

25 MR. HOLMES: No.

1 MR. SCHEU: No. They --

2 MR. HOLMES: They came in with the adjusted
3 fee and it was on the high side.

4 MR. GREIVE: No, no. A better fee than their
5 standard schedule, not a better fee on an absolute
6 basis.

7 But long story short, I think the Board should
8 find a way to move forward with the core plus. If
9 we need to come back and address the EMD, emerging
10 market debt, and picking another manager in core
11 plus to add to the manager we pick today, I think
12 that could be done next month or the month after.
13 I just don't want the Board to lose an opportunity
14 to move forward on core plus.

15 CHAIRMAN SCHMITT: And Let me present this to
16 the other trustees: Are you comfortable with
17 authorizing Dan, based on the input that he's
18 received from us today and FIAC members that were
19 here yesterday, to proceed with working the best
20 deal, not just fee-wise but fit-wise, into what
21 they deem is that best manager for this core plus?

22 MR. GREIVE: And then have the final
23 recommendation next month and move forward?

24 CHAIRMAN SCHMITT: I want to give him the
25 authority to do it, because we're going to be here

1 again next month --

2 MR. SCHEU: Doing the same thing.

3 CHAIRMAN SCHMITT: Yes.

4 MR. SCHEU: Well, I wanted to ask -- it was
5 great yesterday, particularly to hear the advisory
6 committee people, they were very helpful, and it
7 really did divide into -- I'll mention the names --
8 I think we ended up with either all or dividing --
9 Rich wanted to divide with Neuberger and BlackRock,
10 but Western was also attractive.

11 But we never heard the investment manager's
12 recommendation. Are you supposed to -- in the way
13 we do business, are you supposed to make a
14 recommendation? Because that would carry some
15 weight, too.

16 He's never done that yet. He's been playing
17 poker pretty well.

18 MR. HOLMES: I recommend them all.

19 MR. SCHEU: Yeah, I knew that. So you want to
20 divide it 25 percent to each.

21 MR. HOLMES: No.

22 CHAIRMAN SCHMITT: But part of that is --

23 MR. HOLMES: A lot of it -- I forget who I was
24 talking with. It may have been -- it was one of
25 the members yesterday, on the way out the door,

1 said: Oh, we forgot to ask your recommendation. I
2 gave him my recommendation.

3 And I also think that we might be on the verge
4 of negotiating a fee that is half of what the going
5 rate is. And if that's the case, that's a pretty
6 -- in this area, that's a pretty strong incentive.

7 CHAIRMAN SCHMITT: With returns that are
8 competitive with any of the other managers.

9 MR. HOLMES: Exactly. You're not giving
10 anything up on the return, and you've got an
11 opportunity to get an extremely competitive fee
12 which persists going forward. It doesn't adjust
13 based on assets. And so you're halfway ahead of
14 the game right there already.

15 Now, there's other things that go into that
16 negotiation as well, but at the same time, you
17 know, what I -- since I have to go negotiate the
18 fee as well or negotiate the fee of that particular
19 manager, I've got the ability to map out what fee
20 combinations would look like, what would it look
21 like, fees and risk return, everything, if we get
22 rid of those other managers or if we split it
23 between two managers, what that looks like.

24 I can map that out very easily in advance of
25 the next meeting, and that way the Financial

1 Investment Advisory Committee can look at it say:
2 We stick with our original recommendation, or: We
3 adjust based on something else, and the Board can
4 do the same as well.

5 So I think we're still moving ahead, but I'm
6 going to need time to -- I'm going to need at least
7 two weeks to negotiate -- I'm on vacation next
8 week, but I can have my staff start to do it.
9 They're waiting for instructions right now.

10 MR. PATSY: Let me ask you this, Dan: What's
11 the allocation to emerging market debt, 3 percent,
12 4 percent?

13 MR. HOLMES: I think it was 5, if I'm not
14 mistaken, but let me --

15 MR. PATSY: And what's the allocation to core
16 plus?

17 MR. HOLMES: 8.

18 MR. PATSY: 8? Okay. So, combined, that's 13
19 percent.

20 MR. HOLMES: Let's see. So core --

21 MR. PATSY: If we give you direction to
22 negotiate for that 8 percent, okay? And what's
23 senior loans?

24 MR. HOLMES: 2 1/2, and EMD is 5, so that gets
25 you to 15 1/2.

1 MR. PATSY: I'm sorry?

2 MR. HOLMES: So the target allocation to core
3 plus is 8, bank debt is 2 1/2 and --

4 MR. SCHEU: That's 10 1/2.

5 MR. PATSY: So it's 15 1/2, so splitting would
6 be 7 3/4 versus 8.

7 Now, if we say to give -- see, in my mind, EMD
8 and risk assets are synonymous.

9 MR. HOLMES: Correct.

10 MR. PATSY: From our advisory committee's
11 perspective, if you're talking EMD, you're talking
12 about nothing -- I don't want to say nothing
13 different, you are talking about something that's a
14 little bit different than the risk exposure you
15 would get from Loomis.

16 MR. HOLMES: Yeah. I would argue -- because
17 internally we look at emerging market debt as an
18 equity surrogate.

19 MR. PATSY: So what I would be willing to
20 recommend or make a motion on, give Dan the
21 latitude to negotiate up to 10 percent of an
22 allocation with this new manager with the fee
23 concession.

24 MS. McCAGUE: Well, that would mean we would
25 need to go back and change the allocation that we

1 just approved; is that correct?

2 MR. PATSY: Because we're --

3 MR. HOLMES: Yes.

4 MR. PATSY: -- eliminating senior loans and
5 emerging market debt.

6 MS. McCAGUE: My suggestion would be, because
7 we do want to make progress here, if we leave that
8 \$7 million in emerging market for the moment, it's
9 not going to have that big an impact on any
10 negotiations that Dan is doing right now for the
11 bigger piece.

12 Let's get this first piece done, and then come
13 back and look at the bank note piece, if you want
14 to, and the emerging debt piece.

15 Because what you're going to find is, when Dan
16 talks at the next session, the next topic, he's
17 also going to take on a big body of work that
18 represents a larger percentage of portfolio and
19 could make a bigger difference to us over time
20 environment than even this piece.

21 MR. PATSY: That's logical. That's logical
22 and I would agree with that.

23 MR. SCHEU: So could we authorize Dan -- I
24 think we're moving the ball forward, we've come a
25 long way -- to do what he describes and come back

1 to us at our next meeting? I really think that
2 that's the wisest -- sometimes you go slow to go
3 fast.

4 CHAIRMAN SCHMITT: And sometimes we go slow
5 just because we've always gone slow.

6 MR. SCHEU: I know it.

7 CHAIRMAN SCHMITT: And we are still going
8 slow.

9 MR. SCHEU: No, we're not.

10 CHAIRMAN SCHMITT: Extremely slow.

11 MR. HOLMES: For the Board's -- I was going to
12 get into this point in the next topic. We
13 discussed manager overview and what changes need to
14 be made. We're recommending changes to the
15 portfolio.

16 And at the last Financial Investment Advisory
17 Committee last Friday, they said -- they basically
18 expressed that they were comfortable -- I had laid
19 out that agenda, and it was step by step so that
20 everybody -- we'd get a chance to get on the same
21 page, and they basically expressed the fact that:
22 Look, we're comfortable with the work you're doing.
23 We've got a lot of changes to do, but instead of
24 bringing it back step by step, why don't you just
25 come back and make a whole laundry list of these

1 are the changes that are recommended, here are the
2 managers that we're recommending that you look at
3 to replace them, so that they can look at
4 everything in one fell swoop, and then we can
5 accelerate the pace of change.

6 MR. PATSY: So our next meeting is the 15th.
7 So if we do it the same way we did it this time, we
8 would meet with the advisory committee, Dan would
9 meet with the advisory committee and us in a
10 workshop format the afternoon of the 14th.

11 CHAIRMAN SCHMITT: Which I think doesn't work
12 well because --

13 MR. SCHEU: You could back it up a few days.

14 MR. HOLMES: We're not going to --

15 MS. McCAGUE: We would not -- I would not
16 anticipate we would have managers at the meeting
17 that Dan is talking about.

18 MR. HOLMES: Yeah.

19 MR. PATSY: Right. That's a good point.

20 MS. McCAGUE: We're going to look at strategy.
21 We're going to look at strategy. But it should be
22 in a workshop because the conversation here is
23 very, very good, and we need a time to have that
24 rich discussion without having the pressure of
25 getting the board meeting over by noon.

1 MR. PATSY: I said the 14th because I know I
2 can be there the 14th.

3 MS. McCAGUE: Okay, good. We'll make a note.

4 MR. PATSY: And I would have had this same
5 discussion yesterday if I'd been here.

6 MS. McCAGUE: Sure. It's a good discussion.

7 MR. HOLMES: So if I come back down on the
8 15th, you're forcing me to get my taxes done early.

9 CHAIRMAN SCHMITT: They should already be
10 done.

11 MR. PAYNE: Get an extension.

12 MR. HOLMES: You've been talking to my wife.

13 MR. SCHEU: You're going to be back here --
14 our meeting is the 15th, and when are you saying
15 the workshop would be?

16 CHAIRMAN SCHMITT: If we do it on the 14th, is
17 that a -- is that time frame a good enough time
18 frame to come to the Board the next day with a
19 recommendation?

20 MR. HOLMES: Sure. I mean, we're not going to
21 have replacement managers in place, but we'll have
22 the direction in place.

23 MS. McCAGUE: May I suggest this: The Friday
24 before, which is the 7th -- the 8th, that is the
25 date of our Financial Investment Advisory

1 Committee. Would you be ready to present then and
2 let's have that group that -- let's turn that FIAC
3 meeting into a workshop with the Board present.

4 MR. SCHEU: That's better for me. I've got an
5 annual physical the afternoon of the 14th. If we
6 did it in the morning, it'd be alright.

7 MS. McCAGUE: But if we did it on the 8th in
8 the afternoon --

9 MR. HOLMES: I'm sorry, I'm looking at the
10 wrong day.

11 MR. GREIVE: 3:00 to 5:00?

12 CHAIRMAN SCHMITT: Yeah, that is --

13 MR. HOLMES: I tell you what: That afternoon,
14 doing it from 3:00 to 5:00 gets me home at
15 midnight, and that afternoon -- that evening I've
16 got a kid's school that I need to -- is there any
17 way we --

18 MS. McCAGUE: Well, we'll see if we could back
19 that up.

20 MR. HOLMES: If there's any way we could move
21 it up so that we do it in the morning rather than
22 the afternoon, that would be a huge help to me.

23 MS. McCAGUE: All right. Let's plan for that,
24 and I'll see if I can't confirm that today, if that
25 would work on the Board members' calendars.

1 CHAIRMAN SCHMITT: The 14th also works. I'm
2 just concerned about doing the meeting the day
3 before, other items come up --

4 MR. HOLMES: 14th works for me. I had planned
5 on being here on the 15th anyway.

6 MS. McCAGUE: Okay.

7 MR. PATSY: I think I can do the 8th. I need
8 to check something first.

9 MS. McCAGUE: Well, if we did it the 8th,
10 would you have the recommendation ready for the
11 core plus fixed?

12 MR. HOLMES: Oh, yeah, core plus fixed would
13 be ready to roll then.

14 CHAIRMAN SCHMITT: Okay.

15 MR. PATSY: So are we saying it's a meeting on
16 the 8th, or a workshop on the 8th?

17 MR. HOLMES: Workshop.

18 MS. McCAGUE: Well, if we take a vote, that
19 part of the meeting would be an official board
20 meeting. The rest of it would be a workshop.

21 MR. PATSY: But do we have to -- 24-hour
22 notice --

23 MS. McCAGUE: Oh, we post workshop also.

24 MR. PATSY: Okay.

25 MS. McCAGUE: But we would post -- if Dan says

1 he'd be ready, then a portion of that meeting would
2 be --

3 MR. PATSY: So if he's ready on the 8th, then
4 he can have a recommendation and then we can --
5 okay.

6 MR. SCHEU: But that would be the
7 recommendation of the finance committee, not us.
8 Would we be meeting to vote? We'd vote on Dan's
9 recommendation at the meeting on the 15th. Are you
10 saying we'd have a JPPFP meeting and a finance
11 committee meeting?

12 MS. McCAGUE: I'm saying if Dan was ready for
13 the recommendation and the Board members were
14 together and we gave the proper notice, we could
15 have that single agenda item for a special
16 workshop, and before the next meeting then, Mr.
17 Chairman, we would have made our decision and Dan
18 could go about executing the agreements with the
19 new managers.

20 MR. PATSY: Sooner the better.

21 MR. SCHEU: Sounds good.

22 CHAIRMAN SCHMITT: Sounds like a good plan.

23 MR. PATSY: You need a motion?

24 CHAIRMAN SCHMITT: Dan, you got all that?

25 MR. HOLMES: I think so. Basically figure out

1 all the solutions before the 8th.

2 CHAIRMAN SCHMITT: Yes. And that if you have
3 a recommendation on the 8th and we have a quorum,
4 we'll vote on it on the 8th. If not, it will be on
5 the 15th.

6 MR. HOLMES: So this is what I'm anticipating:
7 Before the 8th, material gets sent out. On the
8 8th, have answers to the core plus bond manager
9 search questions, and then basically show the
10 entire portfolio, show what needs to get replaced
11 and how we intend to replace it. Does that make
12 sense?

13 CHAIRMAN SCHMITT: Yes.

14 MR. HOLMES: Okay.

15 MS. McCAGUE: So do we need a motion to
16 authorize Dan to do any negotiation, or we're fine
17 the way we are?

18 MR. HOLMES: I don't think you need to
19 authorize that. We've negotiated them already, so
20 we'll just try to negotiate them further.

21 CHAIRMAN SCHMITT: I view it as that's what we
22 pay you to do.

23 MR. HOLMES: I think we made up half of our
24 fee for the year yesterday, so we'll see if we can
25 make up the other half.

1 MS. McCAGUE: Good.

2 CHAIRMAN SCHMITT: All right. That concludes
3 the core plus discussion.

4 Next item is the Active Versus Passive,
5 Manager & Fee Reviews, 2016-03-6.

6 MR. HOLMES: Okay. So let me hit the
7 highlights because I know we're running long for
8 the day.

9 Do you have the presentation book in front of
10 you?

11 CHAIRMAN SCHMITT: We do.

12 MR. HOLMES: Okay. I'm going to knock these
13 down not necessarily in sequential order but in the
14 order it goes the fastest.

15 So bear with me. I'm going to cover the fee
16 schedule, the fee review first, and to do that, I'm
17 going to direct your attention to page 72 at the
18 end of the book.

19 Okay. We've put down the fee for every
20 manager. We have looked at that manager's fees
21 relative to size, mandate size, investment style,
22 and compared it to their peer group. We've ranked
23 them so you know if they're doing well in terms of
24 fees or doing poorly in terms of fees. And we've
25 shown what the actual fee calculation would be on a

1 prospective basis for the year.

2 I'm happy to report that, out of all of your
3 managers, two managers came in the last quartile.
4 In other words, they have expensive fees. One
5 manager -- one of those two managers, GAMCO, is
6 slated for termination.

7 Eagle is one of your best performing managers.
8 They've outperformed the benchmark on a net-of-fees
9 basis in the neighborhood of three to four times
10 their fee. So you're paying for what you're
11 getting there.

12 Other than that, you've got three managers --
13 strike that -- four managers that are at about
14 median, and the rest are in the top quartile or
15 above median in terms of fees. So what you're
16 paying in terms of fees is pretty cheap.

17 Relative -- just as an FYI, the fiduciary
18 audit or fiduciary investigation made a point of
19 saying that looking at fees on a prospective basis
20 and comparing them versus the universe of managers'
21 stated fees was not the right way to do it, and
22 they cited a 2004 fee review by Callan &
23 Associates.

24 So I don't know what fees were like 10 years
25 ago and what relevance they have to 2016. I went

1 back and got the Callan fee review for 2014 and
2 looked at those fees.

3 First of all, the majority of your fees
4 relative to that study are below the averages, so
5 you've done well here.

6 In the categories where you're above -- and
7 that's -- that study was based on what the
8 negotiated fees were versus what the managers'
9 stated fees were.

10 So compared to that universe of negotiated
11 fees, in the areas where you were above average in
12 terms of the fee or above -- or I should say median
13 instead of average -- it was only a couple of basis
14 points. But the majority of the asset classes, you
15 were below median in terms of fees, meaning lower
16 fees. Lower fees.

17 Something to know about that study -- I'm
18 going from memory here, so I have to go back to the
19 exact statistic. About approximately 20 percent --
20 I think it was 19 percent of the study was based on
21 public funds with over \$5 billion in assets.

22 MS. McCAGUE: That was in 2014?

23 MR. HOLMES: That was in 2014.

24 Over 50 percent of that universe they used for
25 the study have fees bigger than your portfolio, so

1 it's not an apples-to-apples comparison.

2 MS. McCAGUE: Have fees bigger than our
3 portfolio?

4 MR. HOLMES: Bigger than your portfolio. The
5 assets were bigger --

6 MR. PATSY: So they're --

7 MR. HOLMES: So what you know and what's
8 actually stated in the Callan study is that plans
9 that have more fees get lower -- I'm sorry. Plans
10 that have lower --

11 MS. McCAGUE: More assets.

12 CHAIRMAN SCHMITT: Higher assets.

13 MR. HOLMES: Let me get some more coffee here.

14 MR. SCHEU: Higher assets have lower fees.

15 MR. HOLMES: Higher assets gets you lower
16 fees. And over half the universe and, more
17 importantly, 20 percent of the universe they based
18 the fee study on were based on funds, and public
19 funds specifically, because the fiduciary audit
20 said, you know, public funds get lower fees.

21 Well, that statement was taken out of context,
22 but the bottom line is, is that that's based on 20
23 percent of the respondents with more than \$5
24 billion in assets.

25 MR. SCHEU: Is this the original report, or

1 the one that Bill Gulliford just gave?

2 MS. McCAGUE: The original.

3 MR. HOLMES: Then, in addition to that,
4 Summit's taken to task for using this kind of
5 analysis, and when you look in the Callan report
6 and you try to break it down by manager style and
7 manager size, Callan does the exact same thing.
8 They used the exact same approach that we did.

9 What they did is, the point that was used for
10 negotiated fees was basically aggregating all the
11 large cap managers together, all the bond managers
12 together, and was basically just taken at a large-
13 cap, style-neutral point.

14 Bottom line is this: Our analysis shows that
15 your fees in the very least, compared to public
16 funds, in the very least are median if not better.
17 You're not paying excessive fees.

18 MS. McCAGUE: Is Eileen taking notes?

19 MR. SCHEU: Are you writing that down?

20 MS. KELLEY: Yes, I am.

21 MR. SCHEU: It would be helpful, it seems to
22 me, to formally -- to put that in some sort of
23 narrative that we could deliver to the City
24 Council. It just -- that report was so screwed up.

25 MR. DARAGJATI: We are still working on that.

1 MR. SCHEU: Okay. I hope we'll do that at
2 some point.

3 MR. HOLMES: I've provided that analysis to
4 Mr. Keane in terms of my response to the whole
5 audit.

6 MR. PATSY: Dan, I know in the universe
7 comparison that we get on a quarterly basis, you're
8 able to dissect that and compare us to the universe
9 of public funds, the universe of public funds, 1 to
10 5, whatever the breakdown is.

11 MR. HOLMES: Right.

12 MR. PATSY: So what you're saying is, you
13 can't do that with the fee structures.

14 MR. HOLMES: No. No. But what the --
15 basically what Callan did -- and, first of all,
16 Callan's work was good. I mean, they basically --
17 they sent out questionnaires and they had
18 respondents to the questionnaires, and then they
19 augmented it with their own additional information.
20 So I think it's fair in terms of pointing out
21 trends, et cetera.

22 But I don't know why a 2004 report was used as
23 part of the fiduciary audit. That seems a bit
24 dated to me.

25 MR. PATSY: Or it's a typo.

1 MR. HOLMES: Yeah, it could be a typo.

2 But what's actually interesting is, in the new
3 study, it basically says that fees have -- the
4 trend has been fees have increased over the past
5 few years, and also points out that, yes, public
6 funds tend to have lower fees than corporate funds
7 and endowments foundations, but it fails to go on.
8 And where the Callan report continues and says:
9 Well, that's because endowments foundations and
10 corporate funds tend to make more use of private
11 equity, hedge funds and alternatives, and public
12 funds tend to make less use of it.

13 So if you've got -- if 20 percent of your
14 respondents have more than \$5 million in assets,
15 and the greater you have in assets, the more likely
16 you're going to have some of it in passive
17 investments, which are cheaper, and the more likely
18 you can negotiate fees down because you've got more
19 investments, and the less you have in alternative
20 investments, yeah, your fees are going to be the
21 cheapest among that overall universe comparison.

22 Well, we took your fees as they're stated here
23 and compared to that fee comparison, and you look
24 pretty darn competitive.

25 MR. PATSY: Here's the other problem. Public

1 funds tend not to report alternative fees on a hard
2 dollar basis. They tend to report -- for lack of a
3 better way to put it, alternatives tend to report
4 their performance on a net-of-fee basis, so all the
5 fees that are associated with that are wrapped up
6 in the fund and are taken out of the percentage of
7 the fund as opposed to us writing a check for
8 alternatives.

9 MR. HOLMES: They're not backing the layers of
10 fees out.

11 MR. PATSY: So they're reporting a headline
12 number for 2 and 20, or whatever it happens to be
13 at, if they're reporting it at all, so that --

14 MR. HOLMES: So that would --

15 MR. PATSY: If you look at the aggregate
16 number, it drives down the overall expense ratio.

17 MR. HOLMES: So, in reality, if you adjusted
18 for that, your fees would look even better.

19 MR. PATSY: Oh, yeah.

20 CHAIRMAN SCHMITT: I make a recommendation
21 here that we table the active versus passive
22 manager discussion until the workshop.

23 MR. HOLMES: Sure.

24 CHAIRMAN SCHMITT: Any other discussion on the
25 fees?

1 MR. PATSY: No, but I do have a question. Dan
2 mentioned GAMCO was cited for replacement. You
3 want to elaborate on that? I don't remember that.

4 MR. HOLMES: That's part of what I'm going to
5 cover in the workshop. There's three managers that
6 are underperforming that I think should be
7 considered for replacement.

8 MR. PATSY: Can we consider that now --

9 MR. HOLMES: Sure.

10 MR. PATSY: -- or do we need further analysis?

11 MR. HOLMES: The three managers are Gabelli,
12 DRZ in small cap, and large cap Sawgrass.

13 But nothing's been approved. I just want to
14 look at what our alternatives are. There's two I
15 feel fairly strongly about.

16 MR. PATSY: Well, I think off the top of my
17 head, I can -- I wouldn't -- make a motion to
18 replace GAMCO and DRZ.

19 Sawgrass -- the only question I had with
20 Sawgrass, when you look at the performance numbers
21 in February, they're much better than Brown, so
22 that made --

23 MR. HOLMES: I need time for discussion on
24 that.

25 MR. PATSY: Okay. But I would be comfortable

1 making a motion giving Dan the authority to replace
2 GAMCO and DRZ. GAMCO we could easily roll into
3 Eagle. I don't know if that would get us an
4 additional fee concession.

5 MS. McCAGUE: Well, this is part of the larger
6 discussion, because some of these managers in the
7 large equities domestic equity we're talking about,
8 the Board may decide we want to take a stronger
9 passive position there, and so that will dictate
10 the kind of managers that Dan is going to look for.

11 MR. PATSY: Okay. So you want to defer --
12 are you recommending that I make that -- defer that
13 motion to the next meeting?

14 MS. McCAGUE: I think that's the best thing,
15 when you can look holistically at all the
16 recommendations, because it is more about just
17 replacing managers with like kind. It's going to a
18 less expensive model.

19 Is that fair, Dan?

20 MR. HOLMES: Yes, ma'am.

21 MR. PATSY: I defer.

22 CHAIRMAN SCHMITT: All right. No other
23 discussions on the fees?

24 (No response.)

25 CHAIRMAN SCHMITT: We'll move on to the DROP

1 analysis. Do you want to do that one now or defer?

2 MS. McCAGUE: I just include it for your
3 information. And you can see that it's pretty
4 consistent here. 20 years is the mark where people
5 are opting to DROP. So I just provide that for
6 your information. We have a DROP class starting in
7 April, and that's the way it is.

8 CHAIRMAN SCHMITT: We'll show that received
9 for information purposes. That's 2016-03-7.

10 Under Administrative Reports.

11 MS. McCAGUE: I'll try to keep my remarks here
12 to less than 30 minutes.

13 I'll just give you an update on what we're
14 doing. I can talk about the Council subcommittee
15 work that we've done.

16 This is important for you to know. We're
17 preparing language to clarify parts of the pension
18 reform 304 that have to do with buy-back of time.
19 There are four individuals who were sort of caught
20 in the trap. They were in the process of buying
21 their time either on installment or one transferred
22 from another qualified retirement plan.

23 But they were -- that was process was -- in
24 the middle of that process, the pension reform took
25 place, and there's an issue of backdating their

1 beginning date of employment. So we're working
2 with counsel on that, and they have asked us to put
3 all of the clarifications you need together and
4 let's take a look at them at one time.

5 Another area that's a little bit trickier is
6 the election of DROP. This has to do mostly with
7 those people who have been here 30 years applying
8 for the DROP.

9 Another one is -- this has been on the docket
10 for sometime, and that is there's a group of
11 employees who first were known as City employees as
12 community services officers or special purpose
13 officers, and we needs some clarification.

14 These people who initially signed documents
15 that they would not receive a pension, later the
16 City agreed to allow them to buy back pension time
17 if they were going to work for Division of
18 Corrections or for the City, but at this point they
19 are not allowed in our fund.

20 So we need counsel to determine consistency on
21 that and understand what the cost would be to the
22 City.

23 There's one other area that I don't think is a
24 clarification, but I need to bring to the Board and
25 make sure that I understand where you-all are on

1 this, and that is, over time and currently, a group
2 of fire fighters has requested that the Board
3 accept their buy-back of time, time they spent as
4 fire fighters, as civil servants, for the military
5 on Cecil Field.

6 In the past, we only consider buy-back of
7 actual military time or buy-back of time spent at
8 the City or so forth, and so this would be a big
9 change for us and I would ask the Board's view.

10 My view is that that would be a City or
11 negotiated-benefit decision rather than just a
12 clarification, but I need your view on that.

13 MR. SCHEU: Didn't we talk about that before?
14 That also would require a legal opinion as to under
15 the statute, as you explained it to me, whether we
16 could do that is a legal issue, too.

17 MS. McCAGUE: Yes, I think it would be. The
18 statute is -- the way the statutes are written,
19 they're not particularly clear. And our ordinance
20 says one thing, Florida Statutes say that plus
21 more, and so we would need some more help on that.

22 MR. SCHEU: Because the ordinance can't change
23 a statute, and the statute would trump the
24 ordinance, so I think it would be good to get the
25 opinion of counsel on that.

1 MS. McCAGUE: Okay. All right.

2 MR. SCHEU: I don't think we should act until
3 then.

4 MR. DURDEN: I've been looking into it. I
5 don't have an answer to that.

6 MS. McCAGUE: Okay, thank you.

7 Okay. Let's see. We do have two of our
8 financial investment advisors already thoroughly
9 approved and officially at the City, Rob Kowkabany
10 and Craig Lewis. Mike Lukaszewski, Rodney VanPelt
11 and Brian Smith are moving along in the process
12 thanks to your work today.

13 Regarding the Image Storage Document
14 Management System, we did hire a part-timer and she
15 is working -- she's here on a temporary basis to
16 help us get our files ready to be imaged so that
17 when they are imaged, it is -- they are in better
18 condition than they are right now in terms of
19 organization.

20 We have asked for Office of General Counsel's
21 help in getting the contract signed with the vendor
22 that you approved us to sign a contract with last
23 month, Access. They would be our image storage
24 vendor, and we're waiting -- John Sawyer is helping
25 us with that.

1 Skylight Concepts was in -- they will be the
2 vendor that we acquired using the City process, I
3 think it was 2014. They're going to replace the
4 skylight, and that work should begin the last week
5 of March.

6 Joey and I are working on the Baldwin bill,
7 and it is actually progressing just a little bit
8 and I'm happy to report that. The amount of
9 chapter funds that we would receive if we can get
10 this accomplished would be \$10,000. Not a huge
11 amount, but it would be somebody's pension at some
12 future point in time.

13 We did hold a workshop. Thank you all very
14 much for coming. I thought Northern Trust did a
15 great job and they're a very good partner.

16 We did have another workshop yesterday for
17 core plus. Thank you all for attending that.

18 EFL Associates. This is the agency we have
19 hired to do the executive search for your permanent
20 replacement. They send us weekly reports, and I
21 can tell you that their most recent weekly report
22 says that they have five candidates who have
23 applied. We're going through a joint application
24 process, because the job is posted, of course, on
25 our coj.net website with the HR division.

1 And EFL also is recruiting and taking
2 applications, because they're responsible for
3 vetting all the candidates. So if a candidate
4 applies through them, then they tell the candidate
5 you must also fill out the application online with
6 coj.net so coj.net has all the applications and
7 vice-versa.

8 But there are five candidates right now, four
9 of which are under review. A fifth one would be
10 under a -- would not be under review process right
11 now based on the qualifications, according to EFL.

12 I do seek your approval. EFL would like to
13 spend \$2,300 to post this job search on Pension and
14 Investments website which would last for 60 days.
15 EFL says it's nice to post in the written document,
16 but it's very expensive and it's only one time. If
17 we go online, it's \$2,300 for 60 days.

18 In addition to that, they post it on other
19 websites in the pension world which are free, but
20 this one would cost \$2,300.

21 CHAIRMAN SCHMITT: Do we have a motion?

22 MR. PATSY: I'll make it.

23 MR. PAYNE: Second.

24 CHAIRMAN SCHMITT: Discussion?

25 (No response.)

1 CHAIRMAN SCHMITT: All in favor?

2 (Responses of "aye.")

3 CHAIRMAN SCHMITT: Opposed?

4 (No response.)

5 CHAIRMAN SCHMITT: Motion to allow EFL
6 Associates to spend up to \$2,300 to post the job
7 online is passed.

8 MS. McCAGUE: Thank you.

9 Also, if you-all could be looking at your
10 calendars -- I'll be working with you on this, but
11 EFL is telling us to target the first week of May
12 for interviews of finalists. So, again, I'll be
13 working with you this week to see if that is a good
14 date, because we would like all of our Board
15 members to be part of the finalists as they are
16 brought in. And that may be two people, it may be
17 three, who would make the finals.

18 And any of you who want to be more involved in
19 the process as we go forward in reviewing resumes,
20 we're happy to have your input, and I thank you for
21 it.

22 Speaking of help from the Board, I told you
23 last month that I'm in the process of reviewing our
24 HR policies. The last policy review I can see for
25 our salary in the personnel administration program

1 programs is 2006.

2 Our program is pretty much aligned with the
3 City's programs and benefits and so forth, except
4 for the way that we administer salary increases.
5 We use a two-year step plan program, the City uses
6 a different plan.

7 And it's my view that I think executive
8 directors should be able to work more on a merit-
9 based salary increase system rather than automatic.

10 I think it's fair to say, Debbie, that the
11 staff isn't jumping up and down with excitement
12 about this change.

13 So what I would ask is, I've gone through the
14 policies that currently exist here and compared it
15 with appointed employee policy at the City level,
16 and what I would ask is that a member of the Board,
17 and I'm also going to ask a member of the staff, to
18 serve with me on a committee to come back to you
19 with recommendations for changes. So I'm looking
20 for volunteers.

21 MR. PAYNE: I'll volunteer.

22 MS. McCAGUE: You're wonderful, Willard Payne.
23 Thank you.

24 Okay. Also, I talked before about my desire
25 to hire a part-time public records specialist. I

1 think I would need someone 20 hours a week.

2 We continue to get multiple requests for
3 records, and Debbie has been doing two jobs here
4 for months and months and months. And in order to
5 give the best service to the public and in order to
6 have a more rational approach to how we provide a
7 work environment for our employees, I think it's
8 important to hire this specialist.

9 MR. PATSY: Does it need to be a permanent
10 hire of a part-time person, or can it be done via
11 one of these staffing services?

12 MS. McCAGUE: Well, it could be done through a
13 staffing service.

14 I can tell you we looked into whether we
15 wanted a temporary or a part-time employee when we
16 hired for the image storage position, and I'm told
17 that, if we hire a temporary person, there is a
18 time certain where the job absolutely goes away.
19 And if I needed to hire somebody -- if I needed to
20 continue the job, then I'd have to hire somebody
21 new. So we elected just to go with the part-time
22 position here.

23 MR. PATSY: So this kind of position would be
24 ongoing because it's almost a permanent issue?

25 MS. McCAGUE: At this point, I would say there

1 is no end in sight.

2 MS. MANNING: Right, none.

3 MS. McCAGUE: And what we're doing about that
4 is we're trying to be quicker about getting out
5 responses. Again, one of the things that slows us
6 down is we do not have a records management system.
7 Once we get a record management system, then that
8 will speed things up.

9 But as it stands now, when people ask -- when
10 we get public records requests, I can't even say
11 how long it's going to take to get the records out.

12 And I think, from just a transparency and
13 again building up credibility, we've got to get
14 this in place, and I can't say how long it would
15 last.

16 MR. SCHEU: And that would also work in
17 conjunction with the General Counsel?

18 MS. McCAGUE: Oh, yes.

19 MR. SCHEU: They designated somebody over
20 there, so that would --

21 MS. McCAGUE: Yes. Martha Foote we work with
22 right now, and Alexis Lambert for public requests
23 that come from the news sources.

24 MR. SCHEU: You need a motion?

25 CHAIRMAN SCHMITT: Yes.

1 MR. SCHEU: So moved, part time, in the
2 discretion of the executive director.

3 CHAIRMAN SCHMITT: The motion is to hire a
4 permanent part-time public records specialist. We
5 have a motion and second.

6 Any further discussion?

7 MR. PATSY: Second.

8 CHAIRMAN SCHMITT: All in favor?

9 (Responses of "aye.")

10 CHAIRMAN SCHMITT: Opposed?

11 (No response.)

12 CHAIRMAN SCHMITT: Motion passes.

13 MS. McCAGUE: Thank you.

14 Before I just leave that, I will just say to
15 the Board again that the staff of five that we have
16 here is doing an incredible job, and, as you know,
17 they have been under fire for months and months and
18 months. And I just want you to know how much I
19 appreciate all the work that they are doing, and I
20 know that you do, too, and if you have the chance,
21 I hope you will share that with them.

22 We're working to get our newsletter started up
23 again for pensioners and for actives, and we've got
24 some focus groups in place right now with some
25 police officers to help us determine what kind of

1 content is going to be most helpful.

2 We're also working to reestablish faces, not
3 just the name of the fund, to our pensioners and
4 the community at large. And so thanks to Mr.
5 Scheu, I spoke to the Westside Rotary Club on March
6 2nd; I spoke to the NARC group, retired policemen,
7 on March 14th; the GEPP retirees, which included
8 some police retirees, yesterday; and on June 9th,
9 I'll be speaking to the Ponte Vedra Rotary Club.

10 But any other groups you know of that might be
11 interested in what's going at the pension, I think
12 it's a good idea that I get out in front of them
13 and speak.

14 And that concludes my report.

15 CHAIRMAN SCHMITT: Thank you.

16 The next item will be introduction of our
17 legal counsel, Paul Daragjati, in reference to
18 going into executive session.

19 MS. MANNING: May we have just a break for
20 her?

21 CHAIRMAN SCHMITT: Yes. We'll take a --

22 MS. McCAGUE: So our attorney is calling for a
23 shade meeting?

24 MR. DARAGJATI: That is correct.

25 CHAIRMAN SCHMITT: So before we go into the

1 shade meeting, before I do that introduction, can
2 we take a break first?

3 MS. McCAGUE: Please.

4 CHAIRMAN SCHMITT: And then we'll come back
5 and do that.

6 11:59, we'll take a quick break.

7 (Brief break.)

8 (Whereupon, at 12:08 p.m., a shade meeting was
9 held, and then at 12:58 p.m., the public session
10 resumed.)

11 CHAIRMAN SCHMITT: It is 12:58 and the Board
12 is back in open session.

13 A motion is in order to adopt the
14 recommendations of counsel and to authorize him to
15 take such actions as may be necessary to protect
16 the interest of the Fund.

17 Do we have a motion?

18 MR. PATSY: Motion.

19 MR. PAYNE: Second.

20 CHAIRMAN SCHMITT: Any discussion?

21 (No response.)

22 CHAIRMAN SCHMITT: All in favor?

23 (Responses of "aye.")

24 CHAIRMAN SCHMITT: Opposed?

25 (No response.)

1 CHAIRMAN SCHMITT: Motion carries.

2 That is the last order of business. It is

3 12:59. Meeting adjourned.

4 (Thereupon, at 12:59 p.m., the public session
5 of the JPFPP Board of Trustees meeting was
6 adjourned.)

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STATE OF FLORIDA)

COUNTY OF DUVAL)

I, Cindy Danese, Notary Public in and for the State of Florida at Large, do hereby certify that the foregoing pages are a true and accurate recordation of the proceedings which took place.

WITNESS my hand and official seal this 4th day of April 2016.

AAA REPORTERS

CINDY DANESE, Notary Public
State of Florida at Large.