JACKSONVILLE POLICE AND FIRE PENSION FUND
BOARD OF TRUSTEES MEETING

DATE: March 20, 2015

TIME: 9:00 to 10:07 a.m.

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

BOARD MEMBERS PRESENT:

Walter Bussells, Board Chair
Nathaniel Glover, Jr., Board Secretary
Adam Herbert, Trustee
Larry Schmitt, Police Trustee
Richard Tuten, III, Fire Trustee

STAFF PRESENT:

John Keane, Executive Director-Administrator
Kevin Stork, Controller
Debbie Manning, Executive Assistant

INVITED GUESTS PRESENT:

C. Ronald Belton, CFO, City of Jacksonville
Joey Greive, Fund Treasurer

ALSO PRESENT:

Chris Hand, Office of the Mayor
Stephen Durden, Office of General Counsel
Randy Wyse, Jacksonville Association of Firefighters

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

Denice C. Taylor, FPR
AAA Reporters
904.354.4789

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CHAIRMAN BUSSELLS: Call the meeting to order.

MR. KEANE: Everyone please rise.

Join us in a minute of silence for our deceased members.

(Pause)

Amen. Please remain standing and join me as we pledge allegiance to the flag of the United States of America, and to the Republic for which it stands, one nation, under God, indivisible, with liberty and justice for all.

MR. KEANE: Thank you very much, Mr. Chairman and members.

CHAIRMAN BUSSELLS: Let the record note everyone is present. As always, we're delighted to have our colleagues from the city with us, CFO and Executive Director of the General Employees Pension Fund with us today and guests.

I do not have any speakers' card today, so the speaking period is closed -- is opened and closed.

John, do you want to move to the consent agenda?

MR. KEANE: Yes, sir. Consent Agenda, regular items, Mr. Chairman and Trustees.

I would like to note that on Educational Opportunities, that the Division of Retirement sponsors an educational forum over in Tallahassee. They have it at the Turnbull Center there on the FSU campus.

This update on 175 and 185, both of our employee trustees are signed up to go over this year. And if anyone else would like to go, we just want to bring that to everyone's attention.

CHAIRMAN BUSSELLS: All right.

John, is there anything out of the ordinary or worth noting within the consent agenda materials?

MR. KEANE: No, sir. Regular items.

CHAIRMAN BUSSELLS: Can I get a motion?

MR. GLOVER: Motion.

DR. HERBERT: Second.

CHAIRMAN BUSSELLS: Questions or comments?

All in favor, say "aye."

(Responses of "aye.")

CHAIRMAN BUSSELLS: Opposed, like sign.

(No responses.)

CHAIRMAN BUSSELLS: Carries unanimously.

Old Business.

MR. KEANE: Debbie, do you want to give a report on our records retention program that we're working on?

MS. MANNING: I've enclosed what was done in February that we didn't go over, just basically still trying to get a handle on things and see what's here.

I did meet with Trustee Schmitt and Pam at his office. Their systems were down at the time, but they did explain how it works, their particular scanning system, the new system that they're using or will be using. Previously they were using Oracle, but they are almost ready to switch over to -- I believe it's called Onbase.

And we weren't able to go in there and work with it, but Pam was telling me that they're able to take the information that was already stored. They've set it up the way they're used to working with it for the new program and they're transitioning everything over. You just, you know, scan in the information, put it into your different categories.

It sounds like a wonderful system. They

gave me a contact person to call. So I will do that. The city works with it. They will help you with any problems, help you with the upload if need be, because we do have some documents that I've started scanning in already.

So we just have to find out the cost and how that works, but apparently several city agencies are using it and it works -- seems to work pretty well. That's another thing. I did want to talk to a couple of other city agencies that have it up and running.

But if anybody has the names of any other systems that they're familiar with that work, you know, we'll certainly take a look at that as well.

CHAIRMAN BUSSELLS: Well, Larry, if you-all are using it, it must have really good security to protect the confidential information and all that.

MR. SCHMITT: Yeah. And it's actually the system that the city is using, and we piggyback off of them to set up our system through them. So, yeah, it has the complete blanket security from the city to begin with.

MS. MANNING: Plus, that might be the

fastest way to get a system, you know, going because it is already being utilized through the city, so for us as well. So I will contact her and get more information and have it ready for you-all at the next mowing.

CHAIRMAN BUSSELLS: Great.

MR. KEANE: As the trustees are aware, Mr. Chairman, this is a very, very paper-intensive project here, just the regular Board meetings.

CHAIRMAN BUSSELLS: It's huge.

MR. KEANE: And then when we have the quarterlies with all these reports and things and we have the subset of reports that you-all don't even see that come in from the investment managers, you know, getting this scanned is -- well, in the early days of consolidated government, they had a microfilm facility down here where the jail is now. And they would just send reams of paper over there.

You'd come back and get you a little notebook, a little envelope, with all those things on it. It had hundreds of pages on one little thing. And people said this is the greatest thing in the world. It turned out it wasn't because they faded away.

But this program here offers a lot of potential for us in our limited space here. Debbie is doing a great job here.

CHAIRMAN BUSSELLS: Well, Debbie, as always, anything we can do to help or support you, just let us know. We'll do it because this is all so valuable.

MS. MANNING: Yeah. Until we get things going, you know, it will take time to scan the documents in, and they'll have to know what categories to put them in, you know.

Somebody just coming in off the street isn't -- you know, it's going to have to be categorized. So there's still a lot of work to be done.

MR. KEANE: That is a potential summer intern. Somebody off from college for the summer could come in and help us. We'd give them two weeks of intensive training on how it has to be done and get them to work. That helps them, helps us, and helps everybody.

MS. MANNING: Well, Larry even said he might have, you know, somebody over there that could assist us as well.

MR. KEANE: Send one of his extra trustees over here to help. A real trusty trustee.

All right. Show that as received as information, Mr. Chairman and Trustees?

CHAIRMAN BUSSELLS: All right.

MR. KEANE: Kevin, the budget.

MR. STORK: Okay.

Year-to-date, we're a little over a hundred thousand under budget. 60 percent of that comes from money manager fees. Allocation mix is different than what was budgeted, and we're saving on a basis-point basis on that.

And then, of course, we haven't filled the deputy director position yet, but then that's partially offset by overreaches in actuary and legal due to the special work on pension reform proposals. And then also the settlement fee that we pay. But that's it in a nutshell.

CHAIRMAN BUSSELLS: So we're coming in better than budget, Kevin, under budget here -- what is this -- five months into the fiscal year?

MR. STORK: That's right.

MR. KEANE: Yes, sir.

CHAIRMAN BUSSELLS: Almost halfway through and we're under budget over a hundred thousand.

That's good.

Do you have any concerns about -- I mean, looks like it's just doing great, but any concerns? You got what you need?

MR. STORK: No. We're fine on that. I always have a concern about what the market is going to do, and that's the biggest variable in the budget with the money manager fees. You know, if we earn more, you know, we're on more of a linear-type based budget. But so far it's holding very good.

CHAIRMAN BUSSELLS: Any questions on the budget?

Move on to the Actuarial Valuation Report, John.

MR. KEANE: Mr. Chairman and Trustees, we'll get Jarmon Welch on the phone at this time. Four items he's going to discuss with the Board this morning is actuarial valuation of the fund, the actuarial valuation of the senior staff plan, the requirement in Senate Bill 534. And also he's going to touch on the new requirements in 216.

(Pause)

MS. MANNING: Jarmon, good morning. This is Debbie at the pension office. We're here in the

Board meeting. Are you ready to discuss the actuarial valuation?

Okay. I'm going to put you on speaker. Hold on just a moment.

Jarmon, can you hear us okay?

MR. WELCH: Good morning, Everyone.

CHAIRMAN BUSSELLS: Hey, Jarmon.

MR. WELCH: Hi, Walt. So should we start right now?

CHAIRMAN BUSSELLS: Sure.

MR. WELCH: Okay. Do you have your actuarial reports in front of you?

MR. TUTEN: Yes, sir.

MR. WELCH: If you turn to Page 2.

MR. TUTEN: We have them, Jarmon.

MR. WELCH: Okay. On page 2 you will notice under the Key Statistics part that the number of active participants increased quite a bit. That's because they've hired, as you well know, for the first time in several years a fair number of police and fireman.

And so while the payroll was 130-, it went up to 134 million, and the city contribution went from 153 million to 155 million.

For the first time in quite a number of

years, it went down as a percent of pay. I think we kind of reached the peak of that city contribution going up as percent of pay.

So the good news is that we should be able to ride at the level of that for a period of time and then eventually start coming down. It will eventually go down to a level of, like, 30 some percent of pay a good number of years from now.

And this is the contribution for the current folks that are there. We're not allowed to count any new folks you hire. So, of course, the new people that are going to be hired -- I don't have the figures in front of me -- no doubt will have a weaker plan. So their contribution rates will be much, much lower. So we will blend the two together as we go forward, these higher rates with the current people with the lower rates for the new folks.

So in other words, what I'm saying is it's going to vary going forward in this situation that we've been in for some time now.

If you look on page 3, the year went along pretty much as we expected it to. You did earn 10.3 percent. You only expected to earn 7 percent. So you did pick up an extra, like, 52 million in earnings. That's item 1 on page 3. So that reduced the cost some.

But at the same time, the city, as I mentioned a littler earlier, was on a new increasing cost percentage scale. It had been climbing a mountain, and this percent that it was paying on was a year behind. So it was paying under 108 percent of pay basis, whereas because of the one-year lag in place of the 116 percent that would have been without the lag.

So that meant that amount created a loss which was covered by -- more than covered by the $52 million gain. So you ended up with a net gain of a little over half the 52 million.

Now, if we go to page 4 -- stop me at any point if you have a question.

Page 4 shows the worth of the plan. What it's all worth in item 1, that's the Present Value of All Future Benefits, assuming each party works until the age they come up to retire. So we not only knock out what they've earned for their prior service, but what we expect them to earn for their future service.

And you can see for the active people in 1.a Roman number (vi), that it's a little over a billion-dollar amount. It's 1,171,000,000 in 2014.

Inactive folks totaled 2,256,000,000. So this plan has reached its mature state, as a number of them have in public pension plans now, that most of the money is there for the retired people. Most of the liability is there for the retired people.

So the total you see of 3,428,000,000, that's the value of all the liabilities for all the current folks for all the pension going forward. If you had that much money on hand now, you could stop funding.

And, of course, what you have under Market Value of Assets, Number 2, is a little under -- well, it's 1.4 billion in total, but we have the two reserve accounts. So it's 1.389 billion they can apply.

And that leaves you with an unfunded in Number 3 of 1,622,000,000. As you can see, it's down 26 million from the prior year. And it will -- for the first time the payment in 3.a, for the first time you've started paying more than interest on the unfunded. Of course, if you only pay interest on something, the principal never decreases.

So the way the public plans are funded, particularly in Florida, is people fund them over long periods, and in the early years that don't even pay the interest on the unfunded obligation, which I think that method is going to eventually go away because I think it's no longer a good method.

But you've reached the point with this plan where you are paying a little more than 7 percent interest, and each year going forward you will increasingly pay more than interest. So we will find the unfunded to start coming down because of the payment more than interest.

As you go along the page, we see -- if you look at Number 6, Number 6 is the cost to the plan if you didn't have -- other than past service, it's the cost for each new year that the active people earn, and that's 35 percent of pay.

Expense Funding we have there in Number 7 is 7 percent of pay. That covers the money manager fees and the administrative expenses that you've brought for staff and consultants and so forth. So down at the end of the page, in 8, it shows the 171 million total cost of the plan.

Now, the good news about the plan, it's a fact that even though the cost percentage is very high and will remain that way for a period of time, you have started to accumulate enough assets that you look reasonable well compared to some other places that I work with. Like I'm the viewing actuary for Managers (indiscernible), and, of course, I manage the general employee plan in Jacksonville.

And in the past, if you go back four or five years, while your liabilities were in the area of where they were, your assets were much lower.

Of the proximate high level of funding that you're putting in now, you're moving into a more reasonable, comparative position. So I expect that to increase.

As we can see later in looking at your funding percent, which was, like, 42 percent and then 44 and now it's got up to 46 percent, it's going to creep forward year by year until you get to a level that's more reasonable.

Any there any questions?

MR. SCHMITT: I have a question. On the amortization payment for the unfunded liability, is that -- how many years is that amortized over?

MR. WELCH: I think it's 22. Let me check myself. It's right there at the end. It's 22.

MR. SCHMITT: Okay. So that's the -- so basically if we don't accrue any additional unfunded liability, that would pay off the unfunded liability in total after 22 years?

MR. WELCH: Yes.

MR. SCHMITT: Okay.

MR. WELCH: Well, 21, actually. It was 22, but going forward, it's 21 years. That's shown on page 23 of this report.

MR. SCHMITT: Okay.

MR. WELCH: What some Florida plans do, including your general plan and other plans, anytime they take up a new unfunded piece, they fund it over 30 years. That means you continually have something out there that you have to fund unless your assets expressly build up a lot, and that might change.

But my view of the way to do it is to have the period decrease year by year. So eventually you get to where whatever you have out, you can be handling in a short period.

And the American Academy of Actuaries and the Society of Actuaries, in their blue ribbon panels, they recently put out some theoretical papers and recommendations where they suggest that you no longer count these 30-year-periods, but you go to 15 years or less.

MR. SCHMITT: Okay. And --

MR. WELCH: If you go to 30 years would mean for future generations.

Okay. But to go along, next --

MR. SCHMITT: I just want to summarize real quick. I just want to make sure I understand it.

MR. WELCH: Okay.

MR. SCHMITT: If we continue to pay the amortization payment each year and our projections are correct, say we hit our 7 percent for the next 21 years on our investment returns, and our mortality tables are accurate, we will be at 100 percent funding in 21 years if all those assumptions are correct and we continue to make our payment.

MR. WELCH: Exactly. That's what will happen.

MR. SCHMITT: Thank you.

MR. GREIVE: Mr. Chairman, if I may.

CHAIRMAN BUSSELLS: Joey.

MR. GREIVE: Jarmon, just on that point, you know, on page 4 where we see the 109 million increasing to 111 million between 10/1/13 and 10/1/14, just to make sure I'm clear on the way it works, that amortization payment will continue to grow at the rate of payroll growth; is that correct?

MR. WELCH: At the assumed payroll growth rate, yes, 3.25 percent.

MR. GREIVE: Okay. So as long as we make that increasing payment over time, as Trustee Schmitt pointed out, we'll get back to that fund status over 21 years.

MR. WELCH: Yeah. It's cut down -- like, normally, when we have a mortgage, for example, and we amortize in terms of constant dollars, if the dollar doesn't increase from year to year, if you did that, you're expecting about 17 million more right now, but it would never increase. Every year you would be paying, like, 128 million, but it would never increase.

But the method you're on, you're paying 111 million now and it increases 3.2 percent a year. So you can see going forward 20 years, 21 years, at the end the account is going to be 70 percent bigger than it is now.

So you underpay now so, as I mentioned, you will have to overpay later. One day we may consider actually going to that level of payment method. But that's not particularly used that much in Florida, but it is in some other public plans across the country when they can afford to do that.

CHAIRMAN BUSSELLS: Yeah. Say, Jarmon, this is Walt. I just want to be sure I understand a point or two as well.

There's been a comprehensive, very meticulous work underway for some time on changing the pension structure and plans going forward. Of course, until it's enacted, none of that is reflected in this study, very properly.

However, should -- when action is taken, if it does include the plans to move additional funding on an accelerated basis into the fund, 400 million or whatever it winds up being, and the reserve funds are available for our members and beneficiaries, when action is taken on those, I would expect the amortization payment that is paid from our city's general fund budget every year to go down substantially, 20, 25 percent, because you will be able to take into account in your actuarial study that plan.

And so instead of perhaps 111 million that must come out of the general fund in a given year, fiscal year, that number could be 91 or 85 or whatever. And I'm generalizing to be sure I understand the way it's going to work, not get into the specific dollars-and-cents calculations. But is that generally correct?

MR. WELCH: Yes, Walt. The Board will have a decision to make and the city.

CHAIRMAN BUSSELLS: I understand that, but I just want to be sure I understand how the mathematics would work when action is taken on the various proposals now before us.

MR. WELCH: The decision that they would have to make when they -- when that 400 million, which is then present value that's 300 million by the folks in the city --

CHAIRMAN BUSSELLS: Yeah. Jarmon, we understand that. I just want to be sure we understand the beneficial impact on the city's annual budget process with the general fund in terms of this amortization payment amount when action is finally taken.

MR. WELCH: Yes. So the way it would work, it can work either of two ways, and you will have to make a decision about which way it works.

CHAIRMAN BUSSELLS: Yeah.

MR. WELCH: If that 400 million --

CHAIRMAN BUSSELLS: Jarmon, Jarmon.

MR. WELCH: Yeah.

CHAIRMAN BUSSELLS: No, no --

MR. WELCH: Pardon?

CHAIRMAN BUSSELLS: That's okay. I don't want to get into the ifs and ands, but I just want to be sure that we're all clear that there will be an immediate and significant benefit for the annual general fund budget when action is taken in due course.

MR. WELCH: Well, that's a decision that will have to be made.

CHAIRMAN BUSSELLS: I understand.

MR. WELCH: You can either reduce the ongoing current budget or you can reduce the period and keep the cost at the same level.

CHAIRMAN BUSSELLS: I understand that. Okay. Very good.

MR. WELCH: All right. Let's move forward to page 13 and 14.

And you can see this shows the participant table. It sums up the different categories of participants. At the top, Continuing Actives, you have -- on the right-hand column, you have 2,034 people. And those folks, when you match -- the issue is paid. We've got a 3 percent pay increase.

The prior year there was 2.9 and 0.4, and you can see that for some times the pay increases have been small, as you well know, but they mainly come about through these step raises rather than general across-the-board increases. People do get step raises. So that's the -- we've been using the 4 percent pay assumption, which in the next experience study we'll look at it to see if it's appropriate to continue that. We'll talk about when the next experience study is.

And then these are different categories there. The active people and the retired, disabled and so forth.

And the next page, page 14, shows the flow of people in the different categories. Under Actives in the left-hand column, you can see that you had 181 new entrants, after some years of hardly anybody new joining the plan. And then the different categories of people as they go along.

Okay. Two more pages we turn to, and then I'll be through with my part of the presentation here. If you turn to -- and this is very important now, what we're moving to now because it's such a new accounting thing.

And on page 16, we put in the information from the new GASB Standard 67. It's the new GASB standards that have been implemented this year. 67 changes the accounting for the plan financial statement. 68 will be the way it will be reflected in the city's financial statement. And what it did, it divorces accounting from funding.

So that earlier funding I just talked to you about will allow for funding, and the funding the way it's required by the state rules in the actual profession and so forth.

But this part of it, for the first time accounting is taking a different way of doing it. But for you, that difference is not very big. But for some payments, like the big state plans, it's enormously big. They even use different interest rates and different assumptions and different -- a lot of different things.

So here I've outlined in the following pages what's there under the new standard. What I'm trying to do is to show the standard and how it came about to the interest rate that we're using, on the actual basis that I'm using that have been computed.

And if you look on page 19, on 19 the standard requires you to show what the unfunded would be, and they call it Net Pension Liability, liabilities net of assets. So they call it Net Pension Liability, what it would be if we used a different interest assumption.

We're the one in the middle, Current Discount Rate. So you have 1.6 billion unfunded. If we had used 8 percent, you would be 1.2 billion unfunded.

If we had used 6 percent, you would have 2 billion unfunded. So you can see the choice of what interest rate we make for the assumption of going forward is very important.

And then to finish up this, on page 22 -- on page 22 I show a ten-year history, as requested by the standard, is required if you can do it. But we don't -- haven't done valuations every year for ten years. Some years you didn't do valuations. So the standard doesn't ask you to put it in there, but the years you have, like we have for several years, is there.

And the top part of that shows the flow of the unfunded. Well, it shows the flow of the total accrued liability, the value of everything that's been accrued and recognized as a liability.

The next section shows the flow of the assets, and then the difference between the two becomes the unfunded, the 1.6 unfunded down there.

So every year I will report to you how your liabilities changed and how your assets changed, and I always have. But this way of reporting how your liabilities changed in this specific format is new.

And it's interesting too because liabilities changed because you have to pay interest on things and because you have new -- maybe new benefits built up, and also because you have these gains and losses when people have a better or worse experience than expected.

Now, this completes -- it's just the heart of this report.

Can I go on to related issues, Walt?

CHAIRMAN BUSSELLS: You may.

MR. WELCH: Okay. You may have heard a lot of comment in the newspapers across the country, and in Jacksonville too, about this new mortality table called MP-14 that the Society of Actuaries put out and that the Academy of Actuaries has been looking at to see whether it's appropriate to use and the difference in new rules and so forth that have been adopted around Jacksonville. There's been talk about using the latest mortality tables.

You are a peculiar group in that at the police and fire plan, a lot of these statistics and stuff that are coming out really don't directly relate to you.

Your people -- for example, I just looked it over. The last five years, the thought among retirees that our time table said there's, like, 175 will die, and actually it's something like 240.

So our current table is very conservative. People are dying a lot quicker than our current table. Nevertheless --

CHAIRMAN BUSSELLS: Jarmon --

MR. WELCH: -- every mortality table that's come along --

CHAIRMAN BUSSELLS: Jarmon, Jarmon --

MR. WELCH: -- in the last 10 or 15 years -- so the thought is what about going forward --

MR. TUTEN: Jarmon?

CHAIRMAN BUSSELLS: I want to just dwell on that point a second because I do think it's important to keep in context. And I'm asking.

I've heard it said often that it is a long-time statistical fact that those who choose a career in public safety, police and fire, as is the case with our members and beneficiaries, on average, statistically, their life spans are not as long as the general population. Is that what you're saying? Is that accurate?

MR. WELCH: Yes, that's certainly accurate.

CHAIRMAN BUSSELLS: And so the fact we're using the general population 2000 actuarial tables, which I believe 90-plus percent of the 400-odd public sector plans in Florida use as well --

MR. WELCH: Yes.

CHAIRMAN BUSSELLS: -- there's a few that use earlier tables, as you just noted, is probabilistically very conservative because our experience, frankly, and just in the most recent year is that our beneficiaries don't live as long as the general population.

And so, therefore, by using the general population 2000 tables, that's pretty conservative from just a purely financial point of view, actuarial statistical point of view.

Is that what you're saying? Is that accurate, just generally?

MR. WELCH: That's what I'm saying --

CHAIRMAN BUSSELLS: Okay.

MR. WELCH: -- and, Walt, what I would suggest is, it's about time for -- since 1982 we've done an experience study generally every four or five years, and it's time for that again.

CHAIRMAN BUSSELLS: Yeah, okay.

MR. WELCH: The cost has always been 25,000.

CHAIRMAN BUSSELLS: Okay. But let's stay on the matter at hand. I just want to be sure that point was clear to all of us, starting with me, because it is important and reflects, I think, the conservatism in our current assumption setting.

So please continue. I interrupted you.

Thank you.

MR. WELCH: Yes. Well, I suggest that we do a current experience study and I can look at these factors.

I mean, some people would say to me, well, it's true, your people, your current retirees are dying a lot quicker than your table, and so your table is working very conservative to them.

But what about the young 20- and 30- and 40-year-olds and the fact that we change the mortality table every 15 years going back the last 60 years, can we say that we've got a table for them? Well, of course, we can't.

So what I would like to do is I would like to do the use of experience study and point out between these two different groups what I think is appropriate going forward.

CHAIRMAN BUSSELLS: Well, Jarmon, we'll put that on a future agenda and take it up in due course pursuant to our normal process for administration.

So please continue.

MR. WELCH: Okay.

Well, the other related things that we have are Senate Bill 534, which asks that we use interest assumptions of, like, 5 percent and give -- and say how long the current assets would provide the current benefit payments.

And we've given that information to the staff, and it's supposed to be put to where it's coordinated with the department administration so we're online with them in doing that. That's pretty much all I have.

MR. KEANE: Now do the senior staff plan.

MR. WELCH: Oh, okay.

The senior staff plan is fully funded. It's -- I'll turn to it now. Do you have a copy there in front of you?

MR. KEANE: We do.

CHAIRMAN BUSSELLS: We do.

MR. WELCH: There isn't much to say about it. I mean, it has the money that's there to cover the benefits that are there. There are benefits outside the senior staff plan that are above the limits for the senior staff plan.

The Internal Revenue Code only allows you to pay a pension up to a certain amount, 210,000, I think, and that increases some from year to year. The amount that is allowed to be paid under the plan has been fully funded.

So it -- any there questions about that? What else is there to say?

CHAIRMAN BUSSELLS: No, I think that's it. And you've valued it based on paying out what the IRS law allows to be paid out of those funds, not any additional amount?

MR. WELCH: Exactly.

CHAIRMAN BUSSELLS: All right.

Are any other questions on comments on that?

MR. KEANE: Jarmon, would you point out to the Board that the reason that the plan is fully funded is because of the untimely death of Dick Cohee caused an acceleration of the contributions; is that not correct?

MR. WELCH: Yes. It's really two parts. Dick, of course, obviously would have had a good number of years ahead of him and would have kept funding the pension, but when he died, it became an immediate liability to pay to Debra. Then that amount was gotten up until the fund became fully funded.

And, of course, in terms of the administrative pension, it was thought that he would retire at current times, but the numbers added up for him to retire at current times.

Now, of course, that hasn't happened and the new service has been earned, but the current pension is not being paid out as expected. So the pension not being paid out is paying for the new years of service. So we have balance there too.

So I don't really see any issue. The only thing that could rise to it, of course, if the stock market took off in some direction in a big way, then that could reopen things again. But it should just be a question of paying out the funds when they're due.

CHAIRMAN BUSSELLS: All right.

So at our meeting next month, Jarmon, our general counsel will have a memorandum summarizing and reviewing the various legal aspects of all that, particularly including the IRS law and regulations and how that affects all this.

And then we'll consider this further at the regular April meeting when we have that before us and have the general counsel with us. So we might have you call in in April as well to deal with that.

Any other questions or comments for the

actuary?

MR. KEANE: Thank you, Jarmon. Have a good day. We'll be in touch with you.

MR. WELCH: Thank you. You-all take care.

(The phone call was concluded.)

MR. KEANE: All right. Mr. Chairman and Trustees, it's going to require a motion to approve the two valuation reports for us to send them to Tallahassee.

MR. TUTEN: Make a motion.

DR. HERBERT: Second.

CHAIRMAN BUSSELLS: I've got a motion and a second. Any further questions or comments?

All in favor, say "aye."

(Responses of "aye.")

CHAIRMAN BUSSELLS: Opposed, like sign.

(No responses.)

CHAIRMAN BUSSELLS: Carries unanimously.

DR. HERBERT: Do we need to have a separate vote on each one?

MR. KEANE: Yes, sir.

CHAIRMAN BUSSELLS: I'm sorry.

MR. KEANE: Two motions.

DR. HERBERT: I move that we adopt the comments in the report regarding the senior plan.

MR. SCHMITT: Second.
CHAIRMAN BUSSELLS: I've got a motion and second. Any further questions and comments?
All in favor, say "aye."
(Responses of "aye.")
CHAIRMAN BUSSELLS: Opposed, like sign.
(No responses.)
CHAIRMAN BUSSELLS: Carries unanimously.
MR. KEANE: And Senate Bill 534, we just show that received as information.
CHAIRMAN BUSSELLS: Information.
MR. KEANE: I called the department. The legislation says we have to send it to them electronically. So I called them. I said, we're ready to send it, what do we do? They said, we're not ready to receive it, don't worry about it. I said, I'm going to send you a letter. They said, no, don't worry. I said, no, no, we're sending it to you. 60 days. You can do whatever you want.
CHAIRMAN BUSSELLS: Yes, I'd do that.
MR. KEANE: The next item, Mr. Chairman and Trustees, is a response letter that we went to Secretary Chad Poppell. He wrote a letter and said that the plan was underfunded and wanted to

know what steps we had taken.

And I gave him a brief summary of the steps the Board had taken to bring more money into the fund, twice reducing the actuarial assumed rate of return, reducing -- agreed to reduce benefits for certain current and future employees and rate of accumulated, dah, dah, dah, dah, dah, dah.

MR. TUTEN: John, have we ever gotten a letter like that from the state before?

MR. KEANE: No.

MR. TUTEN: Okay.

MR. KEANE: But, anyway.

And I also spoke with Secretary Poppell and told him we would send a response. And he said thank you, and we extended our best wishes for his tenure as secretary. Chad worked for the government here previously, and a good man.

So if we show that received as information, that closes that item out.

CHAIRMAN BUSSELLS: All right.

MR. KEANE: Next item, Mr. Chairman and Trustees, update on the temporary disability of Stephen Colvin. You'll recall last month the Board authorized a continuation through March the 27th.

That item has been resolved. He's been removed from the temporary disability payroll as of tomorrow and he is back on the city payroll. So that has been resolved and we'll show that received as information.

CHAIRMAN BUSSELLS: All right.

MR. KEANE: Succession planning.

Last month the Board authorized the establishment of a 401 DC Plan.

Dr. Herbert, do you want to give a brief report on where we're at on our other items?

DR. HERBERT: What I would like to do, Mr. Chairman, is we, as you will recall, asked for a report on the salary information that we need to make a decision about how much we're going to pay both the executive director and the deputy.

What I would like to do is, before we take this up, to share copies of the findings with all the Board members because I think that this is a critical issue, and rather than just talking about it or letting you just look at it and ask you to vote on it immediately, I would like to go ahead and get that out to everyone. I would like to make sure that Trustee Glover also has a chance to take a look at it.

So if there's no objections, what I would like to do is propose that at our next meeting we, just one more time, approve the position descriptions for both of those so that, again, there are no questions; and then with the information that you have about the salary survey, that we would then take formal action to vote on the plan.

I can tell you that we've had conversations with the Human Resources folks in the city. They've been very helpful. I think that we're in pretty good shape, but I would like for Trustee Glover to have a chance to look at all this also before we present it.

So if we could agree that we will put this on the agenda for our next Board meeting, we will make final decisions hopefully on both positions and be able to proceed immediately thereafter to initiate the search, with all Board members being fully aware of all of the data that we need to have to make an informed decision.

MR. TUTEN: Now, does that study cover both -- I mean, everything for both positions that we're going to need to have?

DR. HERBERT: That's correct, right. And the thing I was concerned about is, what is the range of the salary for the deputy? I think it's just important for us to legitimately indicate that we have looked at a study, study results, and base our decisions in part on that.

MR. TUTEN: Fine with me.

MR. GLOVER: And come back with a recommendation and we can all look at it, debate it, and decide where we want to go.

CHAIRMAN BUSSELLS: And we'll be sure that the new job descriptions, you know -- I know the city HR person has been involved with you on every step of the way, reviewing it and putting in comments and input, and we've responded and handled all that.

So all that will be nailed down tight for a job description, the minimum requirements, all of these things are clear.

DR. HERBERT: Right. And, again, what I would like to do is make sure that all the Trustees have that before the meeting so if there are any issues, we'll be able to have an informed conversation as opposed to just doing it without that kind of opportunity for review.

CHAIRMAN BUSSELLS: All right.

MR. KEANE: All right. Mr. Chairman and Trustees, we'll show that item deferred until next month.

Item of New Business. The mortality tables that we just recently discussed there with Jarmon. This is a series of e-mails that we've had back and forth with the council auditor, and I was asking for their views and opinions. And they suggested that we send it to the City Council, so I did.

And they know that it does not apply to public funds, and that's all been handled. And we'd like to show that received as information without objection.

Our next item is the Summit Flash Report. Dan Holmes is traveling today.

On page 2, on the top line, the Total Funds, our one-, three-, five- and ten-year numbers are all above the actuarial assumption.

MR. TUTEN: I like it.

MR. KEANE: Moving in the right direction. The market is very erratic. Depends on what day you take the snapshot of it whether we're up or down.

For the year we're still up over 35- or 40 million dollars. Although we have taken two big hits this past week, we're still in positive territory for the fiscal and calendar year.

Dan will be here to discuss these in depth at our main meeting.

CHAIRMAN BUSSELLS: So, John, for the first five months of this fiscal year, 5 out of the 12, the actual returns we've made with our current investment strategy and policy and such, 4 1/2 percent, and we're on pace to well exceed the 7 percent assumption.

Now, nobody can predict the future. It can all come undone tomorrow or it could double tomorrow. But almost halfway through the year, again, with the way we're doing the investments and all that, we're running ahead of the 7 percent.

MR. KEANE: Right. For fiscal year-to-date through February 28th, we're at 4.48, is the total fund policy, and we're at 3.59. So we're still ahead.

CHAIRMAN BUSSELLS: Good. Questions on the investment returns?

MR. KEANE: Show that received as

information.

CHAIRMAN BUSSELLS: Fixed income just won't stop making money, will it? It's phenomenal what interest rates are doing around the world and around the US.

MR. KEANE: Can you imagine an investor giving their money and buying an issue given by a sovereign government that says there's going to be negative interest?

CHAIRMAN BUSSELLS: Yeah. Well, it happened in Germany a few weeks ago.

MR. KEANE: Yeah.

CHAIRMAN BUSSELLS: Germans bought five-year fixed rate German government bonds with negative 8 -- was it 8 basis points?

MR. GREIVE: Right.

CHAIRMAN BUSSELLS: They get less back in five years than they put in to buy the bond.

MR. GREIVE: And, you know, Mr. Chair, that may be one of the reasons why interest rates in the US are so stubbornly low when people are expecting rates to go up.

But when you're faced with -- when global investors are faced with a negative yield overseas, well, the US, at 2 percent, all of a sudden looks pretty good.

MR. BELTON: That's right. It is not comfortable. I see your discomfort.

MR. TUTEN: Oh, it's coming. Just wait for it. It's coming.

CHAIRMAN BUSSELLS: I share the discomfort, but it's great, you know.

MR. KEANE: It's good for us still temporarily. But can you imagine an investor taking a handful of hundred dollar bills and throwing them up in the air with a peach basket and the wind's blowing and just stands in one place, don't even try to catch them?

That's what happens when you buy negative bonds. Going to get back less than you paid.

CHAIRMAN BUSSELLS: But I'll also observe, and I've heard you-all say this regularly too, whatever the ten-year treasury rate note was yesterday -- I'm not sure what it was -- did it have a one handle?

MR. GREIVE: It was just above. I think it was a 2, 2.2, 2.04.

CHAIRMAN BUSSELLS: 2.04.

MR. GREIVE: Right.

CHAIRMAN BUSSELLS: You know, my investment friends will say, yeah, I hear you, Walt, and everything, but now Germany -- this, that, this that.

If it goes back to 1 1/2 or 1 and you own those things, that's a double. All of a sudden your bond is worth double what you paid for it by going from 2 percent to 1 percent. So you got to keep that in mind. It's just stunning to me, actually.

MR. TUTEN: I think it would be smart to sit on the sidelines.

CHAIRMAN BUSSELLS: Yeah. Diversification is a good thing.

MR. KEANE: It is.

The next item, Mr. Chairman and Trustees, is the Economic and Capital Markets reports.

CHAIRMAN BUSSELLS: We'll pass on that.

MR. KEANE: We'll show that received as information. And for the Trustees, all these reports we already put on our website.

The next item is the Summit Asset Allocation Review. We'd like to defer that until the completion of the work on 2015-54. So we would like to show that deferred, Mr. Chairman and Trustees.

Our next item, Old Business. The Financial Services Advisory Committee that the Board established by rule pending the enactment of the 2015-54, I've showed a copy here of the application that we sent out.

We've had six people who have offered themselves or been suggested. We've sent these applications out. We're thankful for Representative Jones in the mayor's office. She shared a copy of their application packet with us and we've modified it to meet our needs, and that project is ongoing, and we'd like to show that procedure as information.

CHAIRMAN BUSSELLS: And so, John, we're full speed ahead implementing the overwhelming majority of what's commonly called the Scheu Commission recommendations, reform and modernization.

MR. KEANE: Yes.

CHAIRMAN BUSSELLS: We're full speed ahead on a great majority.

MR. KEANE: Yes, sir; yes, sir. We're moving right ahead.

CHAIRMAN BUSSELLS: I think it's a good thing. I'm pleased such, you know, well-qualified people are willing to do some free consulting for us, you know, be of service, because you'll get some free consulting from some pretty able people, looks like to me.

MR. TUTEN: Have any of them actually been down here for a meeting yet?

CHAIRMAN BUSSELLS: We'll keep that quiet until they agree to serve.

MR. TUTEN: Or we're trying not to scare them off before they --

MR. KEANE: No, we don't want to scare them off yet.

CHAIRMAN BUSSELLS: Well, let them agree to serve and then we'll submit them to the process.

MR. TUTEN: That's it.

CHAIRMAN BUSSELLS: But kidding aside, it's good. It's fantastic.

MR. KEANE: The next item, Mr. Chairman and Trustees, is the review that's being coordinated through Bob Klausner's office. We'd like to defer that until next month when he is going to be here.

CHAIRMAN BUSSELLS: And he'll have just a full memorandum that goes --

MR. KEANE: Yeah, everything.

CHAIRMAN BUSSELLS: -- back 25, 15, 10 years and summarizes the legal state and federal, the IRS and all that?

MR. KEANE: Yes. He'll have that on the senior management, and then a second part of his presentation will be the DROP information that was reassigned to them because of the council auditor's office.

CHAIRMAN BUSSELLS: Very good.

MR. KEANE: The next item, Mr. Chairman and Trustees is Ordinance 2015-54. We have a handout to give you that Debbie's handing out right now.

You're aware that Council President Yarborough re-referred the bill to the three committees at the last council meeting. The committees met this week.

The handout that we're giving you is a summary of the actions taken. On the left-hand side is the type of amendments that were offered. The right-hand side is where they are in the committee process and what have you.

There's no action the Board needs to take on this or the bill today except to receive it as information. It's part of our process. We want everybody to be up-to-date on where we're going and what have you.

The bill is scheduled to be on the City Council agenda for enactment on the third reading for Tuesday, and that's the most I can tell you about that right now.

MR. BELTON: Wednesday.

MR. KEANE: Wednesday. I'm sorry.

The council meeting has been moved from Tuesday to Wednesday because of the election.

We would like to show that received as information, unless anyone has any questions.

CHAIRMAN BUSSELLS: So, John, we'll continue to stay current as things progress, and then as the council chooses to act, we're ready to promptly do our part and move forward quickly.

MR. KEANE: Yes, sir.

CHAIRMAN BUSSELLS: And not in any way slow things down. We'll stay current with what's going on, and when it's timely, we'll go to work and do our part as quickly as we can.

MR. KEANE: Yes, sir.

The next item on the agenda is our Board Meeting Action List. Still our number one item is comprehensive pension reform. I've updated you in the right-hand column with what's going on, the committee thing.

The second item. We have two cases that are before the Florida Supreme Court. We're waiting to hear from them.

Our index accounts. We have nearly 26 percent of the assets of the fund in index accounts that are helping us stay under budget, as Kevin reported earlier.

Dan Holmes continues to monitor the performance of our current managers. We have the new asset allocation policy he's working on that we're holding off until 2015 is enacted.

Dr. Herbert has already given a report on the job descriptions that are going to come up next month.

I spoke with Office of General Counsel yesterday on the Baldwin bill, and they're waiting the information from the mayor's office. The mayor's office is coordinating with the Town of Baldwin to have the paperwork enacted down there.

Our website. Again, we're thankful for the great work that Mr. Croft is doing working with Debbie.

We've got a new lady now, right, Debbie?

MS. MANNING: Yes.

MR. KEANE: We send these reports, like the Summit reports that were presented here this morning. We send them over and they promptly get them on the website.

Overpayment and collections. We have a meeting Monday with the Office of General Counsel on a person who was overpaid due to a computer error.

Selection of Investment Advisory Committee members. We covered that. Bob Klausner is working on the training outline.

And that is where we're at. We've responded to the Department of Management Services' letter, as I previously talked to you.

So that completes that update on that, Mr. Chairman and Trustees. And that completes the agenda that we have for you.

DR. HERBERT: Mr. Chair, may I just ask?

John, I forgot to make reference to 2014-8-1, the adoption agreement for the Nationwide governmental 401(k) plan.

MR. KEANE: Yes, sir.

CHAIRMAN BUSSELLS: Should we just include this in our discussions next time?

MR. KEANE: That was adopted last month by the trustees, and it was -- they moved last month on adopting that as the retirement vehicle so it could go into the job notice and specifications.

When we put out the job notice, the first question they're going to have is, what's the retirement plan? And so it's already on the job notice.

DR. HERBERT: Okay. I just want to call it to everyone's attention because it's important.

MR. KEANE: It was adopted last month. Yes, sir.

CHAIRMAN BUSSELLS: And it's consistent with the defined contribution plan the city is already using for certain management executive positions.

MR. KEANE: Very similar.

CHAIRMAN BUSSELLS: The firms and so forth. And we're coordinated with our colleagues at City Hall.

MR. KEANE: Yes. Very similar.

CHAIRMAN BUSSELLS: That's a good point.

DR. HERBERT: I just want to make sure everyone knows it.

MR. KEANE: So that conclude the agenda, Mr. Chairman and Trustees.

We're continuing to monitor developments in Tallahassee with the legislative session. Had a hearing on a House bill that Representative Atkins has proposed that restructures the trustees and what have you. Most knowledgeable observers give it a dim chance of being enacted, but we're closely monitoring that.

There's several other bills. The House Speaker announced yesterday morning he's taking Florida Retirement System reform off the agenda. They're not going to talk about it any more this year.

As you know, last year there was argument between the Senate President and the House Speaker all the way down to the bitter end. And then on the last day, it got really nasty. So the Speaker has said, we're not going to talk about FRS. And that is the end of that story.

It's wonderful to have that type of power, especially when you don't want them to talk about it. But there's where we're at. We'll continue to monitor that.

There is one bright other thing that happened in Washington this week: A bill to modify the windfall elimination provision, the

Social Security Act, which applies to public employees who receive a Social Security benefit that's reduced for their surviving spouses. They're not going to repeal it, but they're going to modify it to make it -- take a lot of the sting out of it.

Likelihood of passage, slim. But we've seen slim things get in before.

That's the federal and state legislative update.

CHAIRMAN BUSSELLS: Should our colleagues in City Council choose to act Wednesday night, we can then talk about whether a special meeting rather than the regular April meeting the third Friday, if that makes sense. But we'll observe them and do our part timely as they choose to act.

MR. KEANE: Yes, sir.

And what the City Council has -- one of the amendments pending before them is the Board action date has been established as April 30th. So well past our regular scheduled date.

CHAIRMAN BUSSELLS: We've kept current with all this, so we can deliberate and consider it and meet that deadline, and we will, as we have in the past. We'll keep doing that.

MR. KEANE: Yes, sir.

I would also like to point out we invited -- I spoke with Brian Parks earlier this week on the 2014 as well as some of these other issues and some of these amendments and invited him to come to the Board meeting, reminded him --

CHAIRMAN BUSSELLS: Good.

MR. KEANE: -- that the council auditor and his staff are always welcome over here.

CHAIRMAN BUSSELLS: It would be great to get the council -- I know that everybody is super busy and everything, but if we get the council auditor to come every once in a while and join us here in the Board room, that would be terrific. Everybody just has so much going on, it's tough. But that would be a great thing.

MR. KEANE: We continue to invite him and continue to show him on the agenda as invited.

CHAIRMAN BUSSELLS: Good.

MR. KEANE: That concludes our presentation, Mr. Chairman and Trustees.

CHAIRMAN BUSSELLS: Before we leave, I just want to say if US treasuries go to 1 percent, we have a double. I'm going to advocate selling and taking the double. And we'll talk about that if that happens. I say put the $300 million in the bank.

MR. GREIVE: Yeah, no kidding.

CHAIRMAN BUSSELLS: It can happen. It's crazy, but it's happened in Germany and other parts of the world. I mean, it can happen, you know. It wouldn't be all bad. But we'll have a decision to make whether to take the double, you know, or think it might get below 1 percent or 3 quarters. I'll stop rambling now.

No further business commanding the attention of the Board, we're adjourned. Thank you.

(The Board meeting concluded at 10:07 a.m.)

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CERTIFICATE OF REPORTER

I, Denice C. Taylor, Florida Professional Reporter, Notary Public, State of Florida at Large, do hereby certify that I was authorized to and did stenographically report the foregoing proceedings, and that the transcript, pages 2 through 56, is a true and correct computer-aided transcription of my stenographic notes taken at the time and place indicated herein.

DATED this 1st day of April, 2015.

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

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