

JACKSONVILLE POLICE AND FIRE PENSION FUND  
BOARD OF TRUSTEES MEETING

---

DATE: September 25, 2015

TIME: 9:00 to 11:15 a.m.

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

BOARD MEMBERS PRESENT:

Richard Tuten, III, Board Chair  
Adam Herbert, Trustee  
Nathaniel Glover, Jr., Trustee  
William E. Scheu, Trustee

ALSO PRESENT:

John Keane, Executive Director-Administrator  
Stuart Kaufman, Board Counsel  
Steve Lundy, Staff  
Devin Carter, Controller  
Joey Greive, Fund Treasurer  
Tommy Hazouri, City Council Liaison

Dan Holmes, Summit Strategies  
(via telephone)

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

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P R O C E E D I N G S

September 25, 2015

9:00 a.m.

- - -

CHAIRMAN TUTEN: Call the meeting to order.

MR. KEANE: Everyone please rise. Join me in a moment of silence for our following deceased members: Walter H. Farewell, Retired Fire Rescue Captain; Paul F. Galloway, Retired Fire Lieutenant and the Senior Retired Firefighter; Douglas Haqq, Retired Firefighter Engineer; Lewis M. Franklin, Retired Police Officer; Ronald Davidson, Retired Police Officer; and Ailene Schmitt, mother of our Board Chairman, Larry Schmitt.

(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 Trustees. Please be seated.

CHAIRMAN TUTEN: Director, we have two people that want to speak today.

Mr. Lee, you're up first. You have three

1 minutes. Start the clock.

2 MR. LEE: Thank you. My name is Curtis Lee.  
3 My address is on file.

4 I'm sure you've all read the most recent  
5 Times-Union article.

6 The first issue I wanted to say is that the  
7 trustees with greater than two years of service  
8 should be personally sued for the violations of  
9 fiduciary duty; likewise, Mr. Klausner should be  
10 sued.

11 He violated the law in January 2010, causing  
12 the Police and Fire Pension Fund losses of about  
13 400,000. This is in connection with my oldest  
14 lawsuit. Yet this law firm pocketed that money.

15 The main topic is another related abuse:  
16 Mr. Keane's use of 407,000 frequent flyer points  
17 in late 2012 for his personal benefit.

18 These points were accrued on his business  
19 AmEx card, which was used for Police and Fire  
20 Pension Fund travel. They are not his to spend  
21 or cash in.

22 What did he buy for himself? Did he pay tax  
23 on this? These are issues I do not know because  
24 Mr. Keane refused to provide the related records.

25 You are hereby on notice. Take a look again

1 at my public records requests and provide the  
2 records by October 9th. Those requests have been  
3 pending for many, many months. If not, I will  
4 retain counsel with a view towards litigating.

5 When it comes to litigation, I have a  
6 successful track record against the Police and  
7 Fire Pension Fund. So I urge you not to spend  
8 more money to conceal Mr. Keane's abuses. Do the  
9 right thing and provide documents.

10 Regarding the Senior Staff Voluntary  
11 Retirement Plan, when the city sues, do the right  
12 thing. Do not cover Mr. Keane's legal costs.  
13 He's the beneficiary of that plan, more than \$2  
14 million worth. The City Council already declared  
15 it illegal. Please start showing common sense  
16 and ethics and stop defending Mr. Keane.

17 Lastly, in connection with future public  
18 records requests, when Mr. Keane is gone on his  
19 retirement, who do you consider the Senior Police  
20 and Fire Pension Fund official once Mr. Keane  
21 retires? Is it Mr. Carter? If not, why not? I  
22 need to know who to hold responsible among the  
23 Police and Fire Pension Fund staff.

24 So please respond on that issue shortly.

25 Thank you.

1 CHAIRMAN TUTEN: Next we have Bill Gasset.

2 (Councilman Tommy Hazouri enters the Board  
3 meeting.)

4 CHAIRMAN TUTEN: How you doing, brother?

5 COUNCILMAN HAZOURI: Mr. Sheriff, how are  
6 you doing?

7 Mr. Keane.

8 MR. KEANE: Good morning.

9 MR. GASSETT: My name is Bill Gasset. I'm  
10 from Jacksonville, Florida. I speak to you today  
11 as a businessman, as a private citizen, but I  
12 would like to say I would like to pay tribute to  
13 Mr. John Keane for his handling of the pension  
14 reform efforts the last couple of years.

15 I've also been involved, as you know, so I  
16 have some firsthand experience of what's going  
17 on. He's had to deal with seemingly constant  
18 change of data while trying to forge a response  
19 to protect the Board and its retirees.

20 He has had to suffer the slings and arrows  
21 of outrageous fortune and to take arms against  
22 the sea of trouble while defending the Board and  
23 the trust.

24 (Trustee Adam Herbert enters the Board  
25 meeting.)

1 MR. GASSETT: And in this process has had to  
2 operate and the Board itself with what some might  
3 consider a more hindering press rather than a  
4 helpful one.

5 I am glad that Mr. Keane has decided to stay  
6 on as a consultant because -- in helping  
7 institute -- implement this new reality that is  
8 going to be facing the Board, and the next couple  
9 of years will be quite trying.

10 As far as Mr. Hazouri's addition to the  
11 Board, I'm very glad that he's on board. I've  
12 known Mr. Hazouri going back to 1987. One thing  
13 I can say is he can be trusted, and that's very  
14 important, you know, coming from the politicians  
15 I heard yesterday.

16 And, secondly, he does bring to the Board an  
17 awful lot of wealth of experience in his prior  
18 years of service in government and in private  
19 affairs.

20 But, again, Mr. Keane, I think you deserve  
21 some round of applause for your successful  
22 efforts in the last two years.

23 CHAIRMAN TUTEN: Thank you, Bill.

24 That's it for the speakers.

25 MR. KEANE: Close the public speaking

1 period.

2 CHAIRMAN TUTEN: We'll close public  
3 speaking.

4 All right. We'll take up the consent agenda  
5 next.

6 MR. KEANE: Mr. Chairman and Trustees, the  
7 concept pension, items 1 through 8, are regular  
8 items, disbursements, pension distributions,  
9 refunds, application to the DROP.

10 We note that one applicant has withdrawn  
11 their participation in the DROP and will remain  
12 an employee.

13 Distribution of DROP benefits. We've had  
14 one rescission of DROP participation because the  
15 individual has accepted an appointment from the  
16 sheriff.

17 And that concludes the consent agenda,  
18 Mr. Chairman.

19 CHAIRMAN TUTEN: Do I have a motion to  
20 accept?

21 DR. HERBERT: Move approval.

22 MR. GLOVER: Second.

23 CHAIRMAN TUTEN: Been moved and second.

24 Call the question.

25 All in favor?



1 (Responses of "aye.")

2 MR. KEANE: Under Old Business, we have the  
3 final report concerning certain aspects of the  
4 DROP from our outside, independent CPAs. This is  
5 in addition to the CPA firm that does the  
6 independent audit. This is a different firm.

7 The Board had referred the audit performed  
8 by the City Council auditor to them for review.  
9 Their report is before you. They conclude that  
10 the calculations and operation of the DROP plan  
11 are in accordance with the ordinance code, and  
12 that there were no exceptions. No one got  
13 special consideration.

14 The report is in your packet. This is the  
15 front page of their report. It's got this  
16 checkerboard-looking thing on it.

17 CHAIRMAN TUTEN: Has this been delivered to  
18 the council?

19 MR. KEANE: Received it this week. Once  
20 it's received by the Board, I'll refer it to  
21 Mr. Sherman.

22 CHAIRMAN TUTEN: Do I need a motion?

23 MR. KEANE: Yes.

24 DR. HERBERT: What would the motion be  
25 regarding accepting this?

1 MR. KAUFMAN: Motion to accept the report.

2 DR. HERBERT: I move that we accept the  
3 report.

4 MR. GLOVER: Second.

5 CHAIRMAN TUTEN: All right. Been moved and  
6 second. Any discussion?

7 DR. HERBERT: So, John, are there any issues  
8 in here that we need to be aware of? Obviously  
9 you summarized it in a very positive sense, but  
10 are there any matters that we need to be mindful  
11 of going forward?

12 MR. KEANE: No, sir. As we had reported to  
13 the Board previously, we had permitted people to  
14 enroll in the DROP when they had 19 years and 11  
15 months, and then they go in the next DROP class,  
16 but they all had 20 years when the DROP started.

17 Council auditor said that that -- they  
18 viewed that as improper, although they admitted  
19 it was actually a savings to the city because the  
20 guy was in a little bit smaller thing.

21 But we're going to change the way we do the  
22 DROP, and you must have 20 years when you apply.  
23 The key to the operation of the DROP plan under  
24 the terms of the ordinance code is the date you  
25 apply, the date of election.

1           And the chart that is in their report here,  
2           and it's on page 5, at the bottom of page 5, it  
3           says, "Years of Credited Service at Time of  
4           Election. 20 but plus less than 30."

5           You can go in for 130 bi-weekly pay periods.  
6           We were letting people with 19 years and 11  
7           months get in because the election period is  
8           before the DROP starts just for requirements of  
9           the administrative processing. It has to go from  
10          here to the advisory committee, to the operating  
11          department, to city hall, and then back to here.  
12          But we will fix that.

13          DR. HERBERT: Again, when you say fix it, I  
14          just want to be very clear. So what does fix it  
15          mean?

16          MR. KEANE: Fix it means you have to have 20  
17          years to even make the election.

18          DR. HERBERT: Okay. Thank you.

19          MR. KEANE: They reviewed a selection of  
20          people that they randomly picked. We sent them a  
21          list of every single person who enrolled in the  
22          DROP, and they -- using their random number  
23          generator, they picked some people. But they  
24          also were directed by the Board to specifically  
25          review Richard Barrett, Bobby Deal and Richard

1 Lundy.

2 And as a result of that extensive review,  
3 they concluded that there was nothing wrong with  
4 the way we handled it.

5 MR. SCHEU: I'm new, so I don't know the  
6 procedures. But this -- these exhibits really  
7 didn't come to us before now. In other words,  
8 they weren't attached to the emails.

9 MR. KEANE: Right.

10 MR. SCHEU: So it would be helpful if we  
11 could get them ahead of time. It would take  
12 longer to read this. I read the opinion, which  
13 is next, the legal opinion, and I think I  
14 understand it real hurriedly. But it would be  
15 helpful to have it ahead of time so that we can  
16 digest it and then ask questions.

17 CHAIRMAN TUTEN: You're looking for the  
18 amounts they actually were compensated for, the  
19 DROP amounts or --

20 MR. SCHEU: No. I would just like to be  
21 able to read the report before I get to the  
22 meeting.

23 CHAIRMAN TUTEN: Oh, okay.

24 MR. SCHEU: It would be helpful, and then if  
25 I've got a question, I can call John.

1           CHAIRMAN TUTEN: Well, we had like an  
2 informal a couple months ago. They came and  
3 spoke, sort of laid out what was in the report  
4 before you got here.

5           MR. SCHEU: So that was before I got here.  
6 Okay. Thanks.

7           MR. GLOVER: But I hear your question. On  
8 other things that you would need to review so  
9 that you will be able to intelligently digest  
10 them and be able to ask intelligent questions.

11           Generally we get that kind of information,  
12 but we can be more sensitive, particularly to the  
13 new members and make sure that happens.

14           COUNCILMAN HAZOURI: Mr. Chairman, do I get  
15 to talk?

16           CHAIRMAN TUTEN: Sure.

17           COUNCILMAN HAZOURI: I mean, I didn't mean  
18 it like that. I don't want to interfere with the  
19 members. I just want to -- just to piggyback on  
20 what Mr. Scheu said.

21           I want to be able to catch up. I know that  
22 Richard Clark, during the process of all the  
23 negotiations and all, the pension bill, probably  
24 didn't come to a lot of the meetings.

25           I plan on doing that because I really want

1 to try to create a relationship between the Board  
2 and the council, and then sometimes I may have  
3 questions separate from what the council may ask,  
4 but anticipating what some of those questions may  
5 be down the road, I would like to also -- the  
6 agenda is really important.

7 I know I didn't get one. I guess it's  
8 online, but I would sure like to have it a day or  
9 so ahead of time. I know I liaison with JTA and  
10 we get the whole book and the whole agenda, this  
11 whole thing, ahead of time, several days ahead of  
12 time.

13 Maybe you-all can't do that, but so I can  
14 kind of look at it and see if there's some  
15 questions I need to ask our council auditor, Joey  
16 or someone, so it can be an intelligent question.

17 You know, I chaired this committee in the  
18 legislature for like 10 years, and so I  
19 understand what you-all are going through. I  
20 just want to make sure that I can get a handle on  
21 what I can share with my colleagues.

22 Communication is the biggest key that I saw  
23 since I've been on it for three months, and the  
24 lack of communication. And I think if we improve  
25 that -- I can't help with the press, but I can

1 help with the council, and that's what I want to  
2 do because I don't want misinformation going back  
3 and forth, and to know what the process is.

4 CHAIRMAN TUTEN: John, do you want to speak  
5 to that?

6 COUNCILMAN HAZOURI: Does that make sense  
7 you to, John?

8 MR. KEANE: Sure. Two points on that.

9 Our administrative assistant who normally  
10 sends this out, she's on vacation this week. So  
11 it's been -- we're trying to catch up.

12 COUNCILMAN HAZOURI: Okay.

13 MR. KEANE: So we apologize for the  
14 oversight in failing to send you the agenda, but  
15 in compliance with our Board policy, we did have  
16 it on the website. But we will make sure we send  
17 it to you.

18 And responding to Mr. Scheu, what we used to  
19 do, we take all those exhibits and put them on a  
20 disk.

21 MR. SCHEU: That would be fine.

22 MR. KEANE: And then we'll send them out to  
23 you in a pdf.

24 MR. SCHEU: Sure.

25 COUNCILMAN HAZOURI: Like I say, Debbie is

1 on vacation this week. She scheduled this long  
2 in advance when we thought the Board meeting was  
3 going to be last Friday. When the meeting got  
4 change, she couldn't change and I told her don't  
5 worry about it. We're lagging a little bit this  
6 week, but we'll make sure that's all fixed by the  
7 next meeting.

8 MR. SCHEU: Thank you.

9 COUNCILMAN HAZOURI: Thank you.

10 MR. GLOVER: Gentlemen, let me go back to --  
11 kind of piggyback on Dr. Herbert's question about  
12 this report. And you're right. We got a  
13 heads-up on this a couple of meetings ago. So we  
14 knew it was coming down.

15 But so I can understand, obviously the  
16 process, the administrative process, of how we  
17 were deciding the classes, and of course they  
18 apply a little early with the class -- effectuate  
19 a little bit down the line and that kind of  
20 thing. This has survived prior audits, right?

21 MR. KEANE: We've been doing it for years  
22 this way. And the reason is because of the --  
23 and the ordinance code anticipated that, and  
24 there's three or four places in the ordinance  
25 code, you know, as the Board adopts procedures to



1 handle or for administrative processing and  
2 reasoning.

3 By letting the people apply, it's like early  
4 voting. As the former Supervisor of Election,  
5 you're well familiar with it.

6 People can come down there and sign the  
7 thing. Did they vote that day or did they vote  
8 on Election Day? It's clear they voted on  
9 Election Day.

10 So we let the people sign up. The council  
11 auditors that came over here and looked at that,  
12 they decided that was one thing they could make a  
13 beef about, so they did. But, hey, look, we can  
14 fix that.

15 But on the other end, they went to great  
16 lengths to try to stretch and saying, Well, maybe  
17 they wanted to use the date of election for the  
18 people at the bottom, so we let me them elect too  
19 early; but then on the top end, they didn't want  
20 to use that date, you know.

21 This report says that everything we did, we  
22 did consistently. You can take issue that it was  
23 interpreted wrong, but it was interpreted wrong  
24 from 1999 all the way until now. It wasn't  
25 interrupted wrong for you and a different way for

1 him and somebody -- another way for them.

2 So that's what this report says. They said  
3 that we consistently applied the rules of the  
4 Board.

5 MR. SCHEU: Just to follow on that. It  
6 crosses over into B, the legal opinion. I read  
7 the legal opinion very hurriedly, but what it  
8 seemed to be saying is, notwithstanding the date  
9 of election, the DROP period was only the maximum  
10 period. You didn't get the extra time.

11 MR. KEANE: That's correct.

12 MR. SCHEU: And that was the important thing  
13 to me, that you weren't getting -- double dipping  
14 into it.

15 MR. KEANE: Correct.

16 MR. SCHEU: All right. Thank you.

17 MR. KEANE: So the report from GSK and the  
18 report from Cypen & Cypen were two special  
19 reports that the Board commissioned in response  
20 to the council auditor's report.

21 As you know, Mr. Scheu, we tried to get the  
22 council auditor to come over here. You even  
23 tried to get him to come over. They refused to  
24 come to talk about their audit.

25 So when Mr. Bussells was the chairman, he

1 just said, Go to outside people that never worked  
2 with the city before, never worked for the board,  
3 send them all the information and find out what's  
4 going on, and we did.

5 DR. HERBERT: I call the question.

6 CHAIRMAN TUTEN: Anymore discussion?

7 (No responses.)

8 CHAIRMAN TUTEN: All right. Call for the  
9 vote. All in favor?

10 (Responses of "aye.")

11 MR. KEANE: And that was an adoption of A  
12 and B. Is that correct, Mr. Chairman?

13 DR. HERBERT: That's correct.

14 MR. KEANE: Pension Reform, Phase 2, Pension  
15 System Enhancement. You have an attachment,  
16 Mr. Chairman and Trustees. We have been working  
17 with the ITD folks to make changes in the pension  
18 management and payroll management system to  
19 accommodate the changes.

20 It's a -- this document here covers 39  
21 pages, and those are projects that are being  
22 worked on right now to fix the logic and the  
23 thought process in the computer system to  
24 recognized the changes made by the pension reform  
25 ordinance.

1 I'll show that received as information.

2 CHAIRMAN TUTEN: Do they have a time table  
3 of when they're going to have all this in place?

4 MR. KEANE: This part has to be in place by  
5 the December pay period because of the  
6 calculations that are going to be required for  
7 DROP.

8 When the pension reform ordinance was  
9 enacted, it said on the effective date, which is  
10 now June the 9th. It's been suggested to the  
11 City Council that some more amendments to that to  
12 avoid these getting down to the daily calculation  
13 of the interest rate, Social Security rate.

14 All these are annual rates, and if you don't  
15 move to a common time frame -- but that's under  
16 consideration over at City Hall. We'll show this  
17 received as information.

18 Next item, Mr. Chairman and Trustees --

19 DR. HERBERT: John, help me. So what  
20 exactly do we need from council again?

21 MR. KEANE: The ordinance code is going to  
22 inquire an amendment for clarity.

23 DR. HERBERT: I'm asking partly because  
24 Councilman Hazouri is here, and I think it's  
25 important for him to understand what the issue is

1 that we need to have addressed.

2 COUNCILMAN HAZOURI: Please.

3 You're talking about the pension ordinance?

4 MR. KEANE: Yes.

5 COUNCILMAN HAZOURI: Another amendment?

6 MR. KEANE: Yes.

7 COUNCILMAN HAZOURI: Do you have some  
8 languages that you want to submit?

9 MR. KEANE: Peggy Sidman has the language.

10 COUNCILMAN HAZOURI: Thank you. Thank you,  
11 Dr. Herbert.

12 DR. HERBERT: Do you want that sent to you  
13 also?

14 COUNCILMAN HAZOURI: If you don't mind. I  
15 mean, Peggy will have it. Just so I can know  
16 what she's getting.

17 Let me ask you, basically, the ordinance,  
18 can you just tell me simply what it's going to  
19 say?

20 MR. KEANE: Okay. We take COLA, for  
21 example.

22 COUNCILMAN HAZOURI: Okay.

23 MR. KEANE: People got COLA. The rate  
24 changes on June the 9th under the literal  
25 interpretation of the ordinance code.

1           You know, we have suggested to the City  
2 Council Finance Committee chairman that that be  
3 changed so it becomes an annual thing since the  
4 COLA is annualized.

5           If not, every single person, when they go to  
6 retire, they're going to have different dates and  
7 so it's going to take hundreds of manual  
8 calculations, which then leads to the problem of  
9 human error.

10          COUNCILMAN HAZOURI: So you want a common  
11 date.

12          MR. KEANE: Right. We met with  
13 Mr. Gulliford and the council auditor on this  
14 some time ago and discussed it as soon as we  
15 started working with IT and saw the issues.

16          COUNCILMAN HAZOURI: And, Steve, I guess you  
17 know. You're following all that too.

18          MR. DURDEN: I have not contributed  
19 anything.

20          COUNCILMAN HAZOURI: Okay. You're here  
21 because you're here?

22          MR. DURDEN: I'm here.

23          COUNCILMAN HAZOURI: Just as a general  
24 counsel representative?

25          MR. DURDEN: Yes.

1 COUNCILMAN HAZOURI: Okay. I got it. Thank  
2 you. I'm sorry. I just wanted to make sure I  
3 knew what his role is today.

4 MR. KEANE: He's just a long-time friend  
5 over here, I think. I think he's just a  
6 long-time friend over here to see us.

7 COUNCILMAN HAZOURI: And his dad and his  
8 sister, they used to live across the street from  
9 me on Church Street, his father did, by Central  
10 Grammar. Just a little history here.

11 MR. SCHEU: He was just a mere lad when I  
12 first got here.

13 COUNCILMAN HAZOURI: I know. He had black  
14 hair and full-blown -- I can give you one to make  
15 it even look better.

16 (Laughter)

17 MR. KEANE: All right. Mr. Chairman and  
18 Trustees, the next item is medical reports for  
19 new hires.

20 We received a request from the sheriff's  
21 office to consider extending the validity date of  
22 preemployment medicals. They are currently valid  
23 for six months.

24 The sheriff's office report that sometimes  
25 they've encountered difficulties in getting the

1 whole class organized in time, and they have to  
2 then sometimes provide new medical tests.

3 We sent the request out to the fund's  
4 medical director. This has been discussed with  
5 him before and the Board. And the doctor said he  
6 believes that six months is the maximum time that  
7 he would be comfortable with still certifying the  
8 people in good health without having them  
9 reexamined.

10 CHAIRMAN TUTEN: Now, this is six months  
11 once they're on the job?

12 MR. KEANE: No. It's six months from the  
13 day they take the medical exam.

14 CHAIRMAN TUTEN: Gotcha. I mean, what's the  
15 sheriff saying, as far he thinks the six months  
16 is just not enough time?

17 MR. KEANE: Well, the sheriff didn't say  
18 that. One of his staff people --

19 CHAIRMAN TUTEN: Administrative staff,  
20 gotcha.

21 MR. KEANE: -- asked for a longer period of  
22 time, because if they enter into an issue and  
23 they have to defer hiring a class, then the  
24 medicals are going to expire and they're going to  
25 have to reexamine them.



1 DR. HERBERT: What is the proposal?

2 MR. KEANE: They asked would we change it  
3 from six months to a year. The medical director  
4 recommends that we retain six months.

5 CHAIRMAN TUTEN: So in other words, this is  
6 basically, once they take the medical exam, just  
7 to make it good for a year if they delay hiring  
8 them or hire them at eight months or nine months.

9 MR. KEANE: Yes.

10 CHAIRMAN TUTEN: Okay. I gotcha.

11 MR. KEANE: But the medical director  
12 recommends that we not accede to that request.

13 CHAIRMAN TUTEN: Right.

14 MR. KEANE: So with nothing, it's still six  
15 months. You don't have to doing anything. If  
16 you want to change it, it's going to take a vote.

17 CHAIRMAN TUTEN: Well, if the sheriff's  
18 administration or somebody else has some sort of  
19 proof of hardship as far as their hiring process  
20 and shows how they've been affected, you know,  
21 and it's an inordinate number, it's  
22 disproportionate to what's going on, that might  
23 be one thing.

24 But, I mean, has it been a problem, John?

25 MR. KEANE: Not that we're aware of.

1 DR. HERBERT: I don't see enough information  
2 on the table to have a vote on anything. This is  
3 strictly for discussion.

4 CHAIRMAN TUTEN: Right.

5 MR. KEANE: We'll show it received as  
6 information?

7 MR. GLOVER: John, if they want to make a  
8 case on this, I think we would need some  
9 background information.

10 MR. KEANE: We'll contact them.

11 MR. GLOVER: And someone should come and  
12 make a presentation that would either give us  
13 more information convincing enough for us to look  
14 at modifying it. Otherwise, I agree. We just --

15 MR. KEANE: We'll contact the staff out at  
16 the academy.

17 CHAIRMAN TUTEN: John, just as a side note  
18 to that, though, if something, let's just say  
19 hypothetically, was changed for the police. We  
20 would automatically have to change it for the  
21 fire, correct?

22 MR. KEANE: Right.

23 CHAIRMAN TUTEN: Okay.

24 MR. KEANE: All right. Next item,  
25 Mr. Chairman and Trustees, is update to the

1 budget.

2 Devin.

3 MR. CARTER: Okay. So your attachment,  
4 pretty much I got the investment report as of  
5 August at 1.5 billion, but as of today, it's  
6 about 37 million less than that, based on current  
7 market conditions, pretty much which have been  
8 unfavorable overall.

9 Down below we've got the expenses. Pretty  
10 much anything that's over has an explanation out  
11 to the side pretty much.

12 We haven't hired a deputy executive  
13 director. That's why we're under budget there.  
14 We're over a little bit on some expenses based on  
15 the fact that we had pension reform.

16 Then also these numbers here based on  
17 year-end, which is just next week, will include  
18 September, all expenses as we get all the  
19 invoices in.

20 So next month you will see two reports for  
21 the previous fiscal year and this current fiscal  
22 year.

23 Yes, sir.

24 MR. SCHEU: Just a couple questions again.  
25 I hadn't seen this before. So just for my

1           edification, the budget period is like other city  
2           agencies, October 1 through September 30?

3           MR. KEANE:    Correct.

4           So this is just showing the budget.   Okay.

5           MR. CARTER:    Yes.

6           MR. SCHEU:    Okay.   And as I see the money  
7           manager fees, I tried to do a rough calculation,  
8           and it looks like those fees are about 50 basis  
9           points.   Is that about right?

10          MR. CARTER:    Yes.

11          MR. SCHEU:    Good.   Okay.   That was one of  
12          the concerns of the task force, that we would  
13          examine that.   Thank you.

14          MR. KEANE:    Okay.   Received as information.

15          We're ready to get Dan Holmes on the  
16          telephone.

17          MR. SCHEU:    Could I just ask another  
18          question?

19          MR. KEANE:    Sure.

20          MR. SCHEU:    When do we adopt a budget for  
21          next year, or has that already been done?

22          MR. KEANE:    It's been done.

23          MR. CARTER:    It's been done.

24          MR. KEANE:    In June.   We're required to  
25          submit it to the city by July 1st.

1           MR. SCHEU: Could you send me a copy of  
2 that?

3           MR. KEANE: Sure.

4           DR. HERBERT: I think it would be helpful  
5 also for Councilman Hazouri as well so that he  
6 knows what's going on.

7           COUNCILMAN HAZOURI: I think I was supposed  
8 to have gotten background of some of you-all's  
9 formal minutes, but this -- these up-to-date ones  
10 would be better for me.

11          MR. KEANE: Sure.

12          MR. SCHEU: Related to this, just a  
13 question.

14                 What caught my eye on this, thinking it was  
15 a proposed budget, on the legal, one of the  
16 suggestions or observations of the task force was  
17 that we ought to be -- that the fund ought to be  
18 using the General Counsel's Office much more,  
19 which I think you-all had agreed to and that was  
20 in the legislation.

21                 What's the budget for legal and the  
22 allocation to the general counsel for next year?  
23 I don't need to know that now, but I would like  
24 to know because it would seem to me that would  
25 drop considerably.

1 MR. KEANE: I'll send that.

2 MR. SCHEU: Thanks.

3 COUNCILMAN HAZOURI: What were you referring  
4 to?

5 MR. SCHEU: The budget for legal. It's  
6 \$400,000 this year and the allocation to the  
7 general counsel of 40,000.

8 MR. CARTER: It's 40,000 next year also.

9 MR. SCHEU: And what's the legal for next  
10 year?

11 MR. CARTER: 40,000 for OGC. And pretty  
12 much external, I'll have to get that number back  
13 to you. I think it's wrapped up in professional  
14 services.

15 MR. SCHEU: Okay. It just seems to me it  
16 ought to drop considerably if we're going to use  
17 the General Counsel's Office.

18 COUNCILMAN HAZOURI: Just so I can  
19 understand this --

20 (Telephone ringing.)

21 MR. KEANE: Go ahead, Mayor. We're getting  
22 our consultant on the phone. Go ahead, Mayor.

23 Don Holmes, you there?

24 MR. HOLMES: I am. Good morning.

25 MR. KEANE: Good morning. Hold on just a

1 minute.

2 MR. HOLMES: Okay. I'll hold on.

3 COUNCILMAN HAZOURI: My thing is, if this is  
4 you-all's budget, you-all are going to use the  
5 general counsel from now on?

6 MR. KEANE: On some things.

7 MR. KAUFMAN: It's going to be for public  
8 records suits or --

9 COUNCILMAN HAZOURI: Well, let me ask you  
10 something that's really on point, then.

11 Through this legislation we just passed, on  
12 the mediation, trying to resolve this before this  
13 issue goes to court, where would those dollars  
14 come from if -- while you're mediating it or if  
15 you pursue it in the court? Where would these  
16 dollars from here -- I know where our dollars  
17 come from.

18 MR. KEANE: Out of the budget.

19 COUNCILMAN HAZOURI: Out of the budget,  
20 outside of what you just said? You would have an  
21 outside attorney, like Klausner or somebody?

22 MR. KAUFMAN: You're talking about the  
23 senior staff?

24 COUNCILMAN HAZOURI: Excuse me?

25 MR. KAUFMAN: You're talking about the new

1 issue?

2 COUNCILMAN HAZOURI: The last issue that we  
3 just passed, you know, about the legality or not  
4 based on Laquidara's interpretation and binding  
5 opinion.

6 So that funding, that's really important.  
7 That was a big question for us. The funds would  
8 come from your budget, which is still our tax  
9 dollars, obviously. And outside of what --

10 MR. SCHEU: It comes straight from -- it's  
11 all part of the budget because it affects the  
12 amount that comes out of the fund. So  
13 effectively it affects the unfunded liability.

14 COUNCILMAN HAZOURI: Right. Of course. And  
15 so none of these dollars would go to the general  
16 counsel because that wouldn't be something they  
17 would be defending while they're defending us, or  
18 representing us.

19 MR. KAUFMAN: That's correct. That would be  
20 a conflict.

21 COUNCILMAN HAZOURI: So potentially. Please  
22 settle somehow.

23 MR. SCHEU: Again, I've got a proposal to  
24 make as it relates to what the council did at the  
25 appropriate time.



1 COUNCILMAN HAZOURI: Looking forward to it.

2 MR. KEANE: All right, Dan. You ready?

3 COUNCILMAN HAZOURI: Yes.

4 MR. KEANE: Monthly Flash Report, Trustees.  
5 And it's the report -- we have -- Mr. Scheu is  
6 with us today, our new trustee, Dan, and also our  
7 new City Council liaison, former state  
8 representative, former mayor, former school board  
9 member, Tommy Hazouri. Councilmember Hazouri is  
10 here.

11 MR. HOLMES: Good morning to both of you. I  
12 look forward to meeting both of you.

13 COUNCILMAN HAZOURI: Good morning. Which  
14 one do you want to meet?

15 (Laughter)

16 MR. SCHEU: There you go.

17 COUNCILMAN HAZOURI: I didn't mean that.  
18 I'm talking about which cap you want me to wear.

19 MR. HOLMES: Taken tongue and cheek. I  
20 understand.

21 Okay. In front of you, you should have two  
22 pass-outs for review. First is entitled "Monthly  
23 Economic and Capital Market Update." I'm going  
24 to touch very briefly on that to give you a  
25 background for what's happened in the market over

1 the month of August.

2 MR. KEANE: We did not put that in --

3 MR. HOLMES: -- and then I'll spend a little  
4 more time on the Flash Report.

5 MR. KEANE: Dan, we did not hand out the  
6 monthly capital report.

7 MR. HOLMES: Okay. Well, then, orally, I'll  
8 just give you the big picture.

9 It's probably old news now because everybody  
10 has been paying close attention to what is going  
11 on in THE market. I think after the sell-off in  
12 China, everything knows that the Shanghai Index  
13 opens at 3 a.m. Eastern Time, for those paying so  
14 close attention to it.

15 The bottom line was August was a very ugly  
16 month, especially for the stock market. In terms  
17 of the US economy, US economy continues to grow  
18 at a modest pace.

19 Consumer spending and the housing market  
20 have accelerated, and that's provided a nice  
21 balance against the head wind coming from the  
22 news from China.

23 In August, unemployment showed continued job  
24 expansion. And, conversely, wage inflation  
25 continued to be below expectation and below what

1 the fed is targeting, and as a result, we've seen  
2 no move by the fed. No move by the fed has been  
3 translated into uncertainty.

4 The equity markets hate uncertainty. As a  
5 result, equity returns continue to trade off  
6 during the month of September.

7 Real GDP rose in the second quarter. The  
8 second estimate is 3.7 percent, which is stronger  
9 than the first estimate and also helps offset  
10 this low number for the first quarter.

11 So as like last year, the fed predicted a  
12 stronger second half of the year, and that's  
13 starting to happen this year as well.

14 In terms of yields, basically real yields  
15 rose slightly during the month of August, but the  
16 bottom line is we saw across the board equities  
17 down and bonds basically flat for the month.

18 So with that as background, I'll get into  
19 the Flash Report unless there's any questions.

20 MR. KEANE: Proceed.

21 MR. HOLMES: Hearing none, I'll ask you to  
22 turn to the first page of the Flash Report.

23 Flash Report's first page shows Asset Allocation.

24 The bottom line is, at the end of the month,  
25 at the end of August, the system had 1.579

1 billion in assets. So 1,579,255,000 in assets.

2 Asset Allocation was in line with targets,  
3 the target range. At the end of the month, you  
4 can see that it's remained for the fiscal year  
5 primarily overweight in US Equity, a little bit  
6 underweight in international, a little bit  
7 overweight in fixed income, and underweight in  
8 real estate.

9 MLPs and energy-related investments also  
10 have been less than a percent under target.

11 In terms of return, returns for the  
12 composite level are shown on page 2. At the top  
13 of page 2, we show returns -- and I'll  
14 concentrate on the one month, the calendar year  
15 and fiscal year basis, and then more importantly  
16 per the investment policy, over rolling three-  
17 and five-year periods.

18 So as I mentioned, it was an ugly month.  
19 Really no place to hide other than the real  
20 estate in the asset allocation that is approved  
21 by the system -- or by the Board. Stocks were  
22 down and bonds were basically flat, as I had  
23 mentioned.

24 In terms of total return for the system,  
25 down 4.2 percent for the month, a little bit

1 below the policy index. We'll get into that in a  
2 second.

3 For the calendar year, it's down about 2  
4 percent. Again, about 29 basis points below the  
5 policy index.

6 So far for the fiscal year-to-date, the  
7 system is essentially flat. It's down about 0.1  
8 percent, but it's above the benchmark, the policy  
9 index, by 0.66 percent.

10 Breaking down the composites, we see for the  
11 month domestic equity was down 5.9 percent. That  
12 was a little bit above the benchmark.

13 More importantly, the international equities  
14 were down 8 percent. That came primarily from  
15 the underperformance of emerging markets. And  
16 also to some extent the underperformance of one  
17 of the managers on a relative basis.

18 Fixed income we saw basically flat, down 23  
19 basis points, in line can with the aggregate  
20 index. And then real estate remained positive.

21 One thing I will caution is that in looking  
22 at the real estate, these are preliminary numbers  
23 and the real estate returns are net of fees.

24 And then, finally, looking at MLPs, MLPs  
25 continue to trade off in -- during the course of

1 August at negative 5 and 1/5 percent.

2 At least the one positive in the MLP space  
3 is that the yield is now above 7 percent.  
4 There's a 5 percent yield spread to ten-year  
5 treasuries.

6 Historically when the yield spread in  
7 treasuries has gotten to over 5 percent, the  
8 succeeding 12-month return has averaged above 30  
9 percent, somewhere around 50 percent.

10 Now, admittedly, a lot of that was skewed by  
11 19- -- I'm sorry, by 2008, 2009, but even without  
12 that, it's still ahead of the average to above 30  
13 percent.

14 So we're looking for more traction there and  
15 a better return going forward, but with the --  
16 still the 7 percent yield is a nice buffer  
17 against volatility.

18 In terms of the composites, what happened in  
19 US equity, basically Brown and Sawgrass have come  
20 back. We've seen the market rotate as we talked  
21 about last year from value to growth.

22 The market has recognized that with the end  
23 of quantitative easing. We've seen investors  
24 recognize that they were paying expensive prices  
25 for dividend and -- dividend paying and defensive

1 sector stocks.

2 The market has started to rotate back around  
3 to what in their eyes are very cheap, sustainable  
4 growth companies. And as a result, Brown's  
5 performance has made a very strong comeback over  
6 the last 12 months. But still behind since  
7 inception, but they're staying true to their  
8 style and the comeback is fully what we've  
9 expected.

10 Over the course of the month, Sawgrass  
11 picked up a little bit of running room against  
12 their benchmark.

13 On the value side, Eagle continues to do  
14 fairly well versus their benchmark over long time  
15 periods. They're a little behind for the month.

16 We continue to have GAMCO on the watch list.  
17 They're catching back up to their benchmark on a  
18 fiscal year-to-date basis, but given the returns  
19 from smaller names, the comeback of smaller names  
20 in the market, we would have expected their  
21 performance to be a little bit better.

22 So our research team is meeting with them  
23 and getting additional information. We'll report  
24 back at the quarterly meeting.

25 On the small-cap side, one other manager

1 that's under a bit of stress, which is Pinnacle,  
2 over the fiscal year-to-date, Pinnacle has  
3 underperformed their benchmark by a fairly wide  
4 margin.

5 We've seen this before. They tend to have  
6 higher highs and lower lows, but their  
7 information ratio is generally fairly high.  
8 Translated, they're getting -- they're getting  
9 paid for the volatility that's part of their --  
10 part of the residual of their process.

11 There's some stock-specific reasons why they  
12 have underperformed thus far -- so far this year,  
13 but long-term we believe that they're still a  
14 great manager and they're a top-tier manager for  
15 us.

16 On the international side, emerging markets  
17 has been the biggest detractor from performance.  
18 Emerging markets over the course of the month  
19 were down over 9 percent.

20 Your emerging markets managers outperformed  
21 that, but the one manager that I had mentioned  
22 before as bringing down the composite return is  
23 Baillie Gifford. Two issues with Baillie  
24 Gifford.

25 First: Growth has come back. If you look



1 at the benchmark returns between Baillie Gifford,  
2 on a fiscal year-to-date basis, their benchmark  
3 is down 72 basis points; whereas the value index  
4 that we use to measure Silchester is down over 6  
5 percent, 6.8 percent, on a fiscal year-to-date  
6 basis.

7 So it shows, like the US, a fairly wide  
8 disparity in the performance between growth and  
9 value stocks.

10 What really would penalize Baillie Gifford  
11 is their exposure to emerging markets within that  
12 all-cap portfolio. That's been a real drag on  
13 relative performance.

14 Again, longer term, they've performed well.  
15 They're above the benchmark since inception, and  
16 we expect them to do well -- better going  
17 forward.

18 The two emerging markets' portfolios, both  
19 above the index for the month. Longer term,  
20 Acadian has done well, and we'll happy about that  
21 as well. They remain closed to new business.

22 Any questions on the equity managers?

23 CHAIRMAN TUTEN: Hey, Dan, Rich, here,  
24 buddy. I've got a quick question for you, two  
25 things.

1           First thing. On these managers, can we get  
2 a performance evaluation on the upside and  
3 downside capture for these managers compared to  
4 the index? In other words, when the index went  
5 up 100, what do they usually get out of that, 90,  
6 95; and on the downside as well, because I know a  
7 long time ago we used to kind of get that and --  
8 or sporadically from Merrill and --

9           MR. HOLMES: Yes. Rich, we traditionally  
10 have provided that in what has affectionately  
11 been known as the manager-score-card kind of  
12 report. We typically have done that and reviewed  
13 the managers before the contract -- the end of  
14 the contract period when we have to renew  
15 contracts. I can provide that to you at the next  
16 quarterly meeting.

17          CHAIRMAN TUTEN: Okay. We're actually, I  
18 think, going to vote on renewing the contracts  
19 today, so that's fine. But, yeah, give it to me  
20 as soon as you can. It's just something I like  
21 to look at because when you follow the numbers as  
22 far as their index goes, it sort of -- it gets a  
23 little tedious.

24          The second thing, with the MLPs, Dan, I  
25 mean, the Middle East, Saudis, OPEC, they're --

1       it's a race to the bottom with them. They're not  
2       worried about the price of oil.

3               And long-term, I mean, do you see the MLPs  
4       in this country for transporting especially oil  
5       and fuel, I mean, are these going to bounce back  
6       from this, or is this something they're going to  
7       have to wait, you know, five, ten years to get  
8       out of. And if so, should we be looking maybe to  
9       ease up on the MLPs for a while?

10              MR. HOLMES: You know, Rich, our view is  
11       that the MLP space will recover. I think right  
12       now what you're seeing is the short -- the  
13       results of a short-term supply-demand imbalance.

14              Even with Iranian oil coming on, that makes  
15       up a very small part of the oil share. We don't  
16       expect it to have much of an impact.

17              OPEC is going to -- at least for the  
18       foreseeable future, keep their spigot open.  
19       We've seen some pressure in some of the shale  
20       drilling companies. We're starting to see some  
21       layoffs.

22              We fully expect there to be a few -- a few  
23       distressed, especially debt -- on the debt side,  
24       the stress debt situations, where some of the US  
25       companies, not necessarily the MLPs -- but, you

1 know, the oil and gas that's being produced still  
2 has to get from the upstream to the downstream  
3 consumer.

4 And the MLP construct for oil and gas  
5 pipelines, storage facilities, transfer  
6 facilities, et cetera, there is still demand for  
7 that. Plus there's inflation escalators in their  
8 contracts.

9 So we do believe that they will -- the  
10 market will eventually recognize that the MLP  
11 space is paying fairly high dividends and they're  
12 fairly cheap right now, and the market will  
13 rotate back around to those securities.

14 Longer term. So I guess one other thing to  
15 take away is, longer term, the correlation of the  
16 performance of MLPs relative to the price of oil  
17 or natural gas has been lower correlation.

18 In other words, the price of the commodity  
19 has not affected the performance of MLP  
20 securities.

21 When you have a DROP in the price of oil of  
22 this magnitude, over 60 percent, in such a short  
23 period of time, the entire sector has gotten  
24 painted. The entire energy sector has gotten  
25 painted with a broad brush.

1           When the market takes a step back and  
2 realizes that MLPs, the fundamentals of MLPs are  
3 solid and not directly tied to the price of oil  
4 and natural gas, I think you'll see the start of  
5 a comeback.

6           CHAIRMAN TUTEN: Dan, I'm really not  
7 concerned about the price of oil. I mean, that's  
8 part of it. But to me it's more of the supply  
9 and demand aspect of it.

10          I mean, with China and everybody else  
11 slowing down, or somewhat slowing down, you know,  
12 the demand for oil -- in other words, that's  
13 going to affect our production. That's what you  
14 see with the fracking and all that and the guys  
15 off the coast being laid off is because the  
16 demand is not there.

17          If the demand is not there, then obviously  
18 they don't need as much of our oil from here,  
19 which is going to directly affect the MLPs as far  
20 as transporting it.

21          That's what I'm -- is there any sort of  
22 metric that you have where you can measure that  
23 demand for a certain amount of oil or natural gas  
24 or whatever it is and how it affects MLPs,  
25 because that's what I see going forward. Could

1 be wrong.

2 MR. HOLMES: My point is, is that that  
3 supply-demand equilibrium over the long term does  
4 not affect the price of MLPs.

5 CHAIRMAN TUTEN: Well, let me ask you this,  
6 then, Dan. What is the biggest affector of MLPs,  
7 then?

8 MR. HOLMES: Right. Long term, the bigger  
9 affector -- or the biggest effect or  
10 determination of MLPs are basically they're  
11 long-term fundamentals relative to bonds and  
12 relative to stocks.

13 So what would raise warning signs for us for  
14 MLPs? First of all, there was a big unexpected  
15 spike in interest rates. That would be a drag on  
16 MLPs.

17 Some unexpected -- some unexpected -- let's  
18 see. Right now my biggest fear is a big  
19 unexpected spike in interest rates to MLPs. I  
20 think that's the biggest issue.

21 CHAIRMAN TUTEN: Yeah. I don't want to  
22 worry about that too much right at the moment,  
23 because, you know, I think the fed's sort of  
24 jittery at best.

25 Okay. Well, that was it. I mean, I know

1 I've been kind of giving you a hard time about  
2 MLPs for a while now, seems like. But I'm  
3 just -- to me I see a supply and demand issue,  
4 and if the demand is not there, both here and  
5 abroad, you know, if people aren't asking for oil  
6 and gas, then you're not going to put it in a  
7 pipe to take it somewhere, you know.

8 And I just kind of -- we don't have a lot in  
9 there compared to the rest of the fund, but still  
10 it's losing money big time, and I just want to  
11 make sure that, you know, we watch it.

12 MR. HOLMES: And I appreciate the concern.  
13 We're still a little bit below target there.  
14 There's why I haven't moved it back up to target  
15 when we see traction. Yeah, we think it's  
16 getting to be a buying opportunity. And when we  
17 see a little bit of traction, then we'll come  
18 back and make a recommendation and rebalance.

19 But over the short term, I think I passed  
20 out at the last meeting -- I think there was a  
21 five-page pass-out on MLPs. I can send that back  
22 out again.

23 CHAIRMAN TUTEN: That's fine. Yeah, I  
24 remember. That's fine. I'm good, Dan. If the  
25 other trustees want to get it, that's fine. You

1 can send it to them.

2 MR. HOLMES: I'll send it to John for  
3 distribution.

4 MR. KEANE: That would be good.

5 CHAIRMAN TUTEN: Okay.

6 MR. HOLMES: Very quickly, back to the  
7 composite report.

8 As I mentioned, basically interest rates and  
9 fixed income managers over the course of the  
10 month, basically real rates increased, fixed  
11 income managers were either flat to slightly  
12 negative during the course of the month. The  
13 fixed income composite was down about 20 basis  
14 points.

15 Looking at the fixed income managers behind  
16 that composite, we basically saw the Thompson  
17 Siegel basically in line with the index.

18 Credits in the portfolio has basically  
19 driven performance, and they're above the  
20 benchmark overall for the time periods shown.

21 The chips were down more with the -- getting  
22 in line with the rise of the real interest rates.  
23 They were down about 70 basis points.

24 With low inflation and -- with low inflation  
25 continuing and with the rise in real yields, we



1 are recommending using the TIPS money to repay  
2 the city. That's part of the rebalances  
3 recommendation.

4 And, finally, on the leveraged loan, the  
5 bank debt portfolio, the manager was basically in  
6 line with the benchmark for the month. Fiscal  
7 year, it's slightly below. The longer term is  
8 slightly below. And we'll talk about that more  
9 at the quarterly meeting.

10 Real estate remains positive, as I mentioned  
11 before. It was up over 1 percent, and on the  
12 fiscal year-to-date, it's the bright, shining  
13 star in the portfolio. It's over -- it's up over  
14 13 percent and significantly above the benchmark,  
15 and both managers continue to do well. JP Morgan  
16 and Principal are performing as expected.

17 Adding Principal to the portfolio has been  
18 very helpful. They've done very well over the  
19 fiscal year and basically since inception. They  
20 had an element of valued add in their process  
21 which helps diversify the portfolio and also pick  
22 up returns relative to the benchmark.

23 And we've already kind of talked about MLPs.  
24 Both managers, relative to the index, continue to  
25 do well, but it's that entire space that is

1 traded off.

2 And so even with the tradeoff over the last  
3 12 months in terms of performance, I mean, we're  
4 basically at the one-year mark where energy  
5 started to trade off. Even with that, since  
6 inception, both managers are up over 13 and 14  
7 percent respectively.

8 So that's the Flash Report in a nutshell.  
9 I'll entertain any questions.

10 MR. KEANE: Dan, is Principal -- are they  
11 still closed for new investments?

12 MR. HOLMES: I'm sorry. Say that again.

13 MR. KEANE: Principal Realty Advisors. Are  
14 they still closed for new investments?

15 MR. HOLMES: Yes. There's a queue to enter  
16 both managers' portfolios.

17 MR. KEANE: Okay.

18 MR. HOLMES: And I can -- I periodically  
19 touch base with them, get an idea where the queue  
20 is.

21 But Pinnacle's was shorter than -- I'm  
22 sorry, not Pinnacle. Principal's was shorter  
23 than JP Morgan's. But still it was almost a  
24 year, if not a year, the last time I checked.

25 MR. KEANE: All right. Thank you.

1           COUNCILMAN HAZOURI: Dan, this is Tommy  
2 Hazouri. I just wanted to ask you -- and I could  
3 ask them.

4           Is your portfolio conservative, aggressive,  
5 moderate overall for what they are investing in?  
6 Is this -- the whole pension portfolio, do you  
7 have a category that it's in, moderate,  
8 aggressive --

9           MR. HOLMES: No, sir; no, sir. That's  
10 usually -- that's usually -- that parlance, if  
11 you will, usually kind of falls in the retail  
12 part of the market.

13          But compared to other institutional  
14 investors, I would say that it is fairly -- I  
15 would say moderate to slightly conservative, and  
16 to qualify that, what I mean is, because of state  
17 statute, international equities are below 20  
18 percent of assets.

19          Usually we see more in international. In  
20 terms of the fixed income, probably about 4 to 5  
21 percent higher than what we usually see in fixed  
22 income.

23          But -- and then in real estate, it's  
24 probably about a little bit higher than what we  
25 would see in the institutional marketplace, but

1 we've kept that higher to offset the decline in  
2 yields for fixed income.

3 And it's just simply, we don't want to add  
4 more volatility to the portfolio by adding more  
5 to equities.

6 Right now we believe that US equities are  
7 overvalued, and I would rather have money in real  
8 estate now. We do pay attention to how expensive  
9 real estate is. We saw the cap -- we saw the cap  
10 rate spread to treasuries starting to get  
11 squeezed in the beginning of 2014. That has  
12 stopped.

13 Net operating income has gone up with  
14 leasing power, but it's something we monitor on a  
15 regular basis. And if we see that changing, we  
16 would come back to the Board and recommend taking  
17 money out of real estate.

18 So I would say it's basically moderate, if I  
19 had to put it in those terms.

20 COUNCILMAN HAZOURI: Thank you, Dan.

21 MR. HOLMES: Sure. Sorry for the  
22 long-winded answer.

23 COUNCILMAN HAZOURI: That's even more  
24 helpful. Thank you.

25 MR. KEANE: Dan, before we let you go, the

1 next item on the agenda is the contract renewal  
2 for our investment managers, and as we had  
3 previously discussed and again reviewed at last  
4 month's quarterly meeting, it's your  
5 recommendation that pending the further  
6 reallocation of assets due to pension reform,  
7 that we retain all of our current managers.

8 Is that correct?

9 MR. HOLMES: Yes, sir.

10 And that's not to say that everybody gets a  
11 pass, because there's a couple managers, like I  
12 said, we're keeping an eye on. But any contract  
13 that you have with managers is terminable with 30  
14 days' notice.

15 So if we make a decision to terminate  
16 managers and reallocate, you can do that and not  
17 worry about it having a long-term locked-in  
18 contract. Everything is liquid.

19 MR. KEANE: All right.

20 DR. HERBERT: May I ask a question of Joey?

21 CHAIRMAN TUTEN: Sure.

22 DR. HERBERT: Joey, with regard to the two  
23 plans that you work with for the city, are you  
24 renewing all of these contracts, for the ones  
25 that you have in your portfolio?

1 MR. GREIVE: So, through the Chair, to  
2 answer Dr. Herbert, we operate a little bit  
3 differently in that we don't renew our investment  
4 manager contracts every year. We have different  
5 terms. We have staggered terms with our  
6 investment managers. More just for operational  
7 burden, but that's by no specific design.

8 If we hire a manager today, when we think  
9 about the context in which we're hiring them, the  
10 segment of the portfolio, and we'll structure a  
11 term usually of three years with two two-year  
12 renewals, or a five-year term with a two-year  
13 renewal.

14 We review them continuously and we always  
15 reserve the right, just as you do, to terminate  
16 at your discretion. You can typically terminate  
17 with or without cause 30, 60, 90 days, depending  
18 on how you structure.

19 I think we've got 30 days in most of our  
20 contracts. And I think -- well, I'll defer to  
21 John.

22 MR. KEANE: Ten.

23 MR. GREIVE: Ten days for you also. Just a  
24 different way to do it. Not -- you know, right  
25 or wrong, just a different way to do it.

1 DR. HERBERT: Are there any managers on here  
2 that you see that have generated concerns for  
3 your portfolio?

4 MR. GREIVE: Well, you know, the same -- the  
5 same that Dan talked about being on the watch  
6 and, you know, being that we share eight money  
7 managers now -- actually, nine, in common, I do  
8 keep pretty close tabs on several of them:  
9 Eagle, Brown, Pinnacle, who we've got, you know,  
10 in our watchful eye too.

11 Baillie Gifford, Silchester and Principal,  
12 and then the two MLP managers, you know, we have  
13 in our portfolio too.

14 MLPs. Just as Trustee Tuten has been  
15 tooting the horn on MLPs for quite some time --  
16 no pun intended -- we have too over at the  
17 General Employees and Correctional Officers'  
18 Plan.

19 We used the cash rebalance that we needed to  
20 come up with to pay the city back a year ago as  
21 our opportunity to take about 40 percent of our  
22 exposure to MLPs off the table.

23 In hindsight, that was not a tactical play.  
24 That was just a rebalance. We've made so much  
25 money so fast in MLPs, just as you-all have in

1 the same time period, that we pulled some off the  
2 table.

3 As Dan said, you-all are still slightly  
4 short of your target with MLPs. I would not  
5 suggest pulling or reducing from MLPs now. Now,  
6 there may be a time to do that, but I don't think  
7 that's now, as Dan was saying.

8 Had we done that a year ago, it would have  
9 been good. But, you know, hindsight is 20/20. I  
10 would say that, you know, we monitor them.

11 Dan can certainly bring us recommendations  
12 to use this as a buying opportunity, as he said.  
13 But, you know, we've already got \$100 million in  
14 exposure. So you do have to think about how much  
15 exposure do we want? So the two MLP managers  
16 merit, you know, constant review.

17 The couple of areas of opportunity that I  
18 see for the portfolio, Mr. Chairman, if I may, I  
19 I'll keep this very brief.

20 I agree with Dan that you-all are positioned  
21 moderate to moderately conservative. And the  
22 reason I say that is within fixed income, you  
23 don't have as much as Core Plus type exposure,  
24 you know, investment group credit, high yield,  
25 stuff like that, as some plans do.



1           We've got a little more high-yield-type  
2           stuff than you guys do. Now, there are certain  
3           considerations in Chapter 175 and 185 that we  
4           need to be careful of in considering that.

5           But, also, within real estate, your two  
6           managers that you have are Core, meaning that  
7           they are typically high-grade properties in  
8           desired areas, like Atlanta, New York, Chicago,  
9           Boston. And it's all the high-quality stuff.

10          Being that that's the high-quality stuff,  
11          that's where most people have chosen to fly over  
12          the last year or two, and it's created these big  
13          backlogs of people wanting to invest money in  
14          them.

15          When there's a huge supply of capital  
16          chasing few assets, those assets get priced up  
17          and the opportunity kind of the goes away.

18          So we're investing in a very methodical,  
19          slow manner to throttle up the Core real estate,  
20          as John indicated.

21          But an area that I see that we can focus on  
22          going forward is Core Plus real estate. So maybe  
23          value add where you buy -- you hire a manager who  
24          buys something that maybe needs a little work to  
25          it, let them fix it up, and then they can raise

1 rents and make it look pretty and create value.

2 So a couple of areas of opportunity for the  
3 portfolio over the next year or two that I think  
4 we could look at.

5 But, you know, I work with Dan pretty  
6 closely on the investment managers. And I think  
7 we do need to keep a close eye on Pinnacle,  
8 because we've got exposure there too on the  
9 city's side. I agree with what Dan said with  
10 them, though. They're just a -- they're a  
11 volatile manager. They're going to do really  
12 well when their strategy is working and they're  
13 not going to do so well when the strategy is not  
14 working.

15 MR. GLOVER: Bill, through the Chair, the  
16 decision to add the Investment Advisory Board,  
17 was that based on anything other than the return  
18 track record? Because if you look at the return,  
19 all the returns over the last, let's say, three  
20 and five and ten years, they've been pretty good,  
21 I mean, with the process.

22 Was there any conversation in the task force  
23 that they could have been better, so we're going  
24 to add the Advisory Board, or was it more or  
25 less, We just think this would enhance it?

1           MR. SCHEU: I think it's the latter. We did  
2 discuss returns we compared with others, but I  
3 think the real point of it was, if you look at  
4 the Board, we're people that have expertise in  
5 lots of different areas, but not necessarily in  
6 investments.

7           So the task force felt that if you could  
8 give advice to the Board by a group of people  
9 that that's what they did for a living, that they  
10 really were investment professionals, that would  
11 enhance the ability of the Board itself to make  
12 those decisions.

13           And John was very helpful in that part of it  
14 because he kept insisting it was the Board that  
15 was the fiduciary, and the Board should not be  
16 bound by a recommendation of the Investment  
17 Advisory Committee, but it should -- it would be  
18 helpful to have that come to the Board for  
19 advice.

20           That's the reason for it. It's more of an  
21 enhancement nature.

22           MR. GLOVER: It certainly can't hurt.

23           DR. HERBERT: I'd like to follow-up on that.

24           John, in term of this process for the next  
25 year and looking at the contract renewals, would

1       you envision these recommendations going first to  
2       that committee before coming to us?

3               MR. KEANE:   Yes, sir.

4               DR. HERBERT:   Okay.  I just want to make  
5       sure.

6               So the question before us now is, Should we  
7       approve the renewal of these contracts for the  
8       time period designated?

9               MR. KEANE:   It's going to be in next item.  
10       Yes, sir.

11              MR. SCHEU:   I think my recollection is that  
12       the role of the Investment Advisory Committee,  
13       they must be consulted in certain places, not  
14       that their decision is binding.  But there are  
15       some places --

16              MR. KEANE:   Selection.

17              MR. SCHEU:   Selection.  Right.

18              COUNCILMAN HAZOURI:   Are these outside?  
19       Where do they come from, the investment advisors?

20              MR. SCHEU:   I think it's five people from  
21       the First Coast area.

22              COUNCILMAN HAZOURI:   Oh, it is?  They're  
23       from here, then?

24              MR. SCHEU:   Right, right.  And they're  
25       volunteers.  And none of their firms have any

1 business with the Board.

2 MR. KEANE: One is them is Mr. Gassett  
3 there. Bill Gassett.

4 COUNCILMAN HAZOURI: Oh, that's right. I  
5 knew that. I forgot. The Lord be with you.

6 MR. SCHEU: They haven't been approved.

7 COUNCILMAN HAZOURI: They have been  
8 approved?

9 MR. KEANE: Have not.

10 COUNCILMAN HAZOURI: When does that take  
11 place, and who does that, you-all?

12 MR. KEANE: The Board is going to do it and  
13 then send it to City Council for confirmation.

14 COUNCILMAN HAZOURI: So we approve it, even  
15 the advisory board?

16 MR. SCHEU: I think they do confirm, as I  
17 call.

18 COUNCILMAN HAZOURI: That kind of  
19 transparency really --

20 MR. SCHEU: That makes you fiduciaries in  
21 liable.

22 COUNCILMAN HAZOURI: That's all right.  
23 We're liable for everything. You know, the new  
24 phrase is "unintended consequences." I said, I  
25 want to start passing things with intended

1 consequences.

2 MR. KEANE: Anything else with Dan?

3 MR. GLOVER: Are they meeting in the  
4 Sunshine?

5 CHAIRMAN TUTEN: Do you want to call for a  
6 vote on that?

7 MR. SCHEU: They also -- and Pugh was  
8 particularly helpful in saying some of the things  
9 that they need to do.

10 MR. KEANE: We can tell Dan good-bye.

11 CHAIRMAN TUTEN: Dan, you still there?

12 MR. HOLMES: I apologize. I was on mute. I  
13 apologize. I was typing. I didn't want to have  
14 you hear my clicking of keys.

15 What I've done is I've pulled up the MLP  
16 research piece to which I previously referred,  
17 and I just emailed it to John. So if anybody  
18 wants a copy, they can get it right after the  
19 meeting.

20 CHAIRMAN TUTEN: All right. Thank you, Dan.

21 Anybody have anything else for Dan?

22 Dan, we appreciate it, Big Guy. We'll talk  
23 to you next time.

24 MR. HOLMES: My pleasure.

25 Just to put things in context, you were

1 talking about longer-term performance. One last  
2 parting note.

3 You know, I know that the returns over the  
4 last month and fiscal year-to-date had been  
5 pulled down because there's really been no place  
6 to hide in equities or fixed income.

7 But if you look at longer-term performance,  
8 the system continues to rank in basically the top  
9 portile over the 1-, 3-, 5-, 7-, and 10-year  
10 periods.

11 So longer term it's done fairly well and  
12 we'll endeavor to keep it there.

13 I hope you all have a good weekend.

14 COUNCILMAN HAZOURI: Thank you, Dan. Nice  
15 meeting you on the phone.

16 CHAIRMAN TUTEN: Thank you, sir.

17 MR. SCHEU: Thank you.

18 MR. KEANE: Mr. Chairman and Trustees, the  
19 next item on the agenda is the money managing  
20 contract renewals that we just had the discussion  
21 on.

22 DR. HERBERT: I move adoption of the  
23 contract renewals from October 1, 2015, through  
24 September 30, 2017, as outlined in the agenda.

25 MR. SCHEU: Second.

1 CHAIRMAN TUTEN: We have a move and second.  
2 Discussion?

3 (No responses.)

4 CHAIRMAN TUTEN: Seeing no discussion, all  
5 in favor?

6 (Responses of "aye.")

7 MR. KEANE: The next item, Mr. Chairman and  
8 Trustees --

9 COUNCILMAN HAZOURI: Mr. Chairman, could I  
10 just ask?

11 On what Joey was saying earlier, the ones  
12 that he's kind of monitoring, are you-all doing  
13 the same thing that he is?

14 MR. KEANE: Oh, yeah.

15 COUNCILMAN HAZOURI: The same way? So  
16 you-all kind of coordinate?

17 MR. GREIVE: Yeah. We share the same  
18 investment consultant.

19 MR. KEANE: Dan Holmes works for them too.

20 COUNCILMAN HAZOURI: What?

21 CHAIRMAN TUTEN: The consultant on the  
22 phone.

23 COUNCILMAN HAZOURI: Oh, very good.

24 MR. SCHEU: They have an overall manager,  
25 and then he --



1 MR. KAUFMAN: But not all the managers are  
2 exactly the same.

3 COUNCILMAN HAZOURI: Thank you.

4 MR. KEANE: New Business. Addendum to the  
5 Security Lending Authorization Agreement that is  
6 attached. We're changing from one security  
7 lending trust fund to another fund.

8 DR. HERBERT: Which item is that?

9 MR. KEANE: The Northeastern Trust Security  
10 Lending Agreement. 93.

11 DR. HERBERT: Oh, there it is.

12 Can you just highlight briefly what the  
13 addendum is?

14 MR. KEANE: We're just changing from the  
15 Northern Trust Core USA Fund collateral pool to  
16 the Northern Trust Collective Security Lending  
17 short-term, moving into a different account.

18 Some of the people that participate in the  
19 account we're leaving from, we no longer want to  
20 loan the securities to. We're tightening who can  
21 borrow our securities.

22 MR. SCHEU: This is a cash account?

23 MR. KEANE: No. This is the security  
24 lending. We lend our securities out, and the  
25 money comes back to us.

1 MR. SCHEU: Okay.

2 MR. KEANE: But we're reducing the pool of  
3 people that we can lend securities to. This is a  
4 revenue source for the fund.

5 MR. KAUFMAN: And it's on recommendation of  
6 the investment advisor?

7 MR. KEANE: Yes.

8 MR. SCHEU: I'll move it.

9 DR. HERBERT: I second.

10 CHAIRMAN TUTEN: Moved and second. Any  
11 discussion?

12 (No responses.)

13 CHAIRMAN TUTEN: All in favor?

14 (Responses of "aye.")

15 MR. KEANE: The next item, more good news  
16 from Northern Trust in our discussions with them  
17 for renewing our account. They agreed to lower  
18 the fees on two of our accounts, that EAFE index  
19 and the S&P 500 index. So we're going to save a  
20 few dollars there.

21 We'll show that received as information,  
22 Mr. Chairman and Trustees.

23 The next item on the agenda is the analysis  
24 of DROP enrollment statistics. We're happy to  
25 note several things in this class here. The

1 class is much smaller, only 14 people, which  
2 tends to reflect the stability within the  
3 workforce because of the result of the elections.

4 The apprehension and who is going to be here  
5 and who is going to get run off is mostly taken  
6 care of now. So we only had 14 people go into  
7 this DROP class. Their average whole year of  
8 service is 21, which is a slight improvement from  
9 the past. They're also a little bit older.

10 So the interaction of those three things  
11 helps in the long-term unfunded. People stay  
12 here an extra year and they're also a year older.  
13 So when they do retire, they'll have one less  
14 year in retirement. So all in all, that's good  
15 news in that.

16 MR. GLOVER: I suspected you would have  
17 reduction in the number of DROP when we settled  
18 the pension, when we signed off on the pension.

19 MR. KEANE: Yeah. Well, that's what this --  
20 that's part of it too.

21 I wanted to attribute it to the election and  
22 good leadership.

23 COUNCILMAN HAZOURI: And outstanding council  
24 members.

25 MR. KEANE: Sure. New council members.

1 MR. GLOVER: I don't know how I missed that.

2 COUNCILMAN HAZOURI: Well, you did.

3 MR. KEANE: We'll show that received as  
4 information.

5 The next item, Mr. Chairman and Trustees, is  
6 the memo that we received that we've been working  
7 on. We've briefed the Board previously.

8 The first four pay periods last year in  
9 October and November, the city did not contribute  
10 the correct amount. After many discussions,  
11 and we've been working on this several months,  
12 the money was transferred, and we're up to date  
13 with the city. The city is up-to-date with us,  
14 is the correct way to say that.

15 We'll show that received as information.

16 DR. HERBERT: John, Mr. Chairman, going back  
17 to the financial side, we approved the  
18 rebalancing of our accounts. Has all that been  
19 done? And when does the check go to the city for  
20 the \$102 million?

21 MR. KEANE: September 29th.

22 DR. HERBERT: So the rebalancing has  
23 occurred?

24 MR. KEANE: As of yesterday, settling today.

25 DR. HERBERT: Great.

1 COUNCILMAN HAZOURI: What account does that  
2 go in, Joey?

3 MR. GREIVE: So the Police and Fire Pension  
4 Fund will wire that to our local bank. We then  
5 use that cash, just cash, to -- and we combine it  
6 with other cash we have to make our 10/1 debt  
7 service payment as a city.

8 We've got about \$180 million in principal  
9 and interest that we need to pay on October 1st,  
10 which is why it was so important that I thank  
11 this Board for being timely in paying the city  
12 back.

13 COUNCILMAN HAZOURI: Me too. Me too.

14 CHAIRMAN TUTEN: We always pay on time.

15 MR. GREIVE: Yeah, you always do. You  
16 always do. And it's a good process. You know,  
17 over time, it works. There are the occasional  
18 year, like this one, where it does not work as  
19 well as we would like it to. But over time, it's  
20 a good process, and I think we should continue  
21 it.

22 COUNCILMAN HAZOURI: See, that's what it's  
23 about when you work together, good things happen.

24 MR. GREIVE: That's right. Team work.

25 CHAIRMAN TUTEN: A team. That's what I've

1           been saying from the start, we're a team.

2           COUNCILMAN HAZOURI: We're going to have a  
3           team here.

4           DR. HERBERT: John, I'm just very pleased  
5           that you addressed that on an expedited basis and  
6           we'll have all that taken care of.

7           MR. KEANE: Oh, yes. Everything's been  
8           identified and sold. Cash is going to be swept  
9           into our paid receipts account on Monday. The  
10          fed wire goes out Tuesday morning by 10:00. The  
11          city has the money by noon on Tuesday.

12          MR. GREIVE: I get to keep it for one day.

13          COUNCILMAN HAZOURI: You told me you handled  
14          a lot more than that.

15          MR. GREIVE: Oh, yeah.

16          MR. KEANE: The next item on the agenda,  
17          Mr. Chairman and Trustees, is update on security  
18          litigation matters.

19          Stu.

20          MR. KAUFMAN: Sure. Good morning.

21          At the suggestion of the Chair, let me  
22          introduce myself first for the new council  
23          committee members.

24          Stu Kaufman from Klausner Kaufman. We've  
25          been serving as counsel for the Board for, I

1 think, over 25 years now.

2 COUNCILMAN HAZOURI: I remember you well.

3 Thank you.

4 MR. KAUFMAN: Long time. Long time.

5 COUNCILMAN HAZOURI: You were just 12 when I  
6 was in the legislature.

7 MR. KAUFMAN: Mr. Klausner is a Jacksonville  
8 native and has been fortunate enough to work with  
9 John for over 25 years now.

10 Upon suggestion of the Chair, we thought it  
11 would be a good idea just to go over the  
12 securities litigation policy that the Board has  
13 had in effect for the last 15 years.

14 As you probably know, whenever there's a  
15 class action lawsuit brought pursuant to Section  
16 10b-5 of the SEC rules, Securities Fraud, usually  
17 an institutional investor is the largest  
18 institutional shareholder that has the biggest  
19 loss in the case.

20 And in those instances, they apply for lead  
21 plaintiff, because whoever has the biggest loss  
22 in the case is entitled to participate as lead  
23 plaintiff in a securities lawsuit.

24 So we have participated over the years in  
25 several securities class lawsuits. I think we've

1 recovered over 2 billion over the last 15 years  
2 on behalf of class members that held a particular  
3 stock that we were -- that the lawsuit was suing  
4 the company over.

5 Just for your information, the policy is  
6 that whenever there is a decision to be made,  
7 counsel, in conjunction with the executive  
8 director, makes the decision whether to  
9 participate or file as lead plaintiff in the  
10 lawsuit. And then it's reported to the Board as  
11 to the progress of the litigation.

12 Most recently we have reached a settlement  
13 in a case called the Tower Group. It's set for  
14 the final hearing in -- originally October. It  
15 was just reset for November 23rd.

16 So at that time the law firm that is  
17 representing us in that case, Bernstein,  
18 Litowitz, Bergman & Grossman, a huge securities  
19 law firm from New York, will petition the court  
20 to approve the final settlement and to approve  
21 the attorney's fees to Bernstein Litowitz.

22 Our firm acts as co-counsel in the case with  
23 whoever the securities' firm is, and we receive a  
24 portion of that fee, up to 5 to 10 percent of the  
25 fees awarded to the securities' law firm that's



1 handling the case.

2 The fund does not come out of pocket at all.  
3 Everything is on a contingency-fee basis, and any  
4 and all time expended by staff, such as  
5 deposition time, attendance at mediations, is  
6 reimbursed to the fund as administrative costs.

7 So if John is spending hours responding to  
8 discovery requests or if they want to take his  
9 deposition or he needs to attend a mediation, we  
10 submit to -- as part of the settlement,  
11 reimbursement of the administrative expenses at  
12 John's hourly rate of pay.

13 So the Board does not come out of pocket --  
14 the fund does not come out of pocket at all  
15 during these cases.

16 Just to advise. There's a couple of other  
17 cases going on right now. In fact, John and I  
18 are attending a deposition next week on one of  
19 the cases that Bernstein Litowitz is representing  
20 us in.

21 But in addition to Bernstein Litowitz, we  
22 have a number of other law firms that represent  
23 us in these types of cases as well. The vast  
24 majority of these cases we do not participate in,  
25 and we have made recommendations that we not even

1 file for lead plaintiff status.

2 And there's a threshold minimum loss that we  
3 have to have in order to even consider filing for  
4 a lead plaintiff. So if we have less than a  
5 six-figure loss, we're not even going to bother  
6 applying for lead plaintiff status.

7 It has to be a case in which we have a  
8 substantial interest in in order for us to get  
9 involved in those cases. So we just wanted to  
10 update you on the policy for that.

11 CHAIRMAN TUTEN: Stu, where was this Tower  
12 Company out of? Where were they located?

13 MR. KAUFMAN: I think -- I'm not sure where  
14 they're located. The suit took place in the  
15 Southern District of New York. So we sued them  
16 in federal court in New York.

17 CHAIRMAN TUTEN: Oh, really? Isn't there a  
18 Tower -- maybe I'm thinking of Tower Hill.

19 MR. KAUFMAN: The Tower Group was a -- it's  
20 an insurance company. And the fraud was based  
21 upon material misrepresentations made by the  
22 Board of Directors of the Tower Group as to their  
23 earnings.

24 DR. HERBERT: So, John, you're being deposed  
25 on the 29th in New York City?

1 MR. KEANE: Yes, sir. I'm going to New York  
2 on Monday to meet with the security litigation  
3 counsel. Stu Kaufman is going to be there.

4 We will have a deposition set for Tuesday,  
5 seven hours. I think it starts at 8:30 in the  
6 morning and is scheduled to run until 5 or 5:30.

7 MR. KAUFMAN: On Monday we'll go up and  
8 we'll do the deposition prep, get John ready for  
9 his deposition.

10 COUNCILMAN HAZOURI: Excuse me. How many --  
11 that's just you-all's deposition?

12 MR. KAUFMAN: It's our deposition as the  
13 lead plaintiff because John has the most  
14 knowledge on behalf of the fund.

15 COUNCILMAN HAZOURI: Right. No, I'm not  
16 questioning that.

17 How many more are there out there doing the  
18 same thing?

19 MR. KAUFMAN: At pension funds?

20 COUNCILMAN HAZOURI: Yeah. I mean, that's  
21 some of that class action.

22 MR. KAUFMAN: Most -- most large  
23 institutional --

24 COUNCILMAN HAZOURI: Right. Have sort of  
25 the same cap that you-all have?

1 MR. KAUFMAN: Whoever has the biggest lost  
2 files for the plaintiff.

3 COUNCILMAN HAZOURI: So this thing could go  
4 on -- like you get things in the mail --

5 MR. KAUFMAN: Go on for two or three years.  
6 Well, at the end of the case, you'll get a class  
7 action notice saying that if you want to  
8 participate in the settlement, you have to file  
9 your notice of proof of claim by a particular  
10 day.

11 COUNCILMAN HAZOURI: Is this potentially is  
12 a long-term process?

13 MR. KAUFMAN: Could be. I mean, sometimes  
14 the company will just turn around and settle  
15 right away. Sometimes we have to suggest we go  
16 to mediation right away and we're able to reach a  
17 quick resolution. Sometimes the cases drag on  
18 for years.

19 COUNCILMAN HAZOURI: Does this use  
20 additional funds outside of what you-all would  
21 normally be getting, and from surplus funds that  
22 you-all would be getting from this?

23 MR. KAUFMAN: Yes. Well, it's making up for  
24 any losses we suffered as a result of holding the  
25 stock.

1 COUNCILMAN HAZOURI: Right.

2 MR. KAUFMAN: So, I mean, you know, we're  
3 not going to get a hundred cents on the dollar,  
4 but we'll get back something on the dollar. And  
5 there will be some recovery to us and every other  
6 shareholder of the company.

7 You know, institutional funds are probably  
8 in the best positions to drive the litigation.

9 MR. KEANE: And my expenses for Monday that  
10 are covered, and then they send us a check at the  
11 end of the litigation. If I have to go a second  
12 time or a third time or go to the trial. How  
13 many ever days and hours, we get that money back.

14 COUNCILMAN HAZOURI: That's great.

15 MR. GLOVER: But I thought his question  
16 asked something that I'm kind of curious about.

17 If you've got a class action suit and you've  
18 got a lead plaintiff, John, if we were lead  
19 plaintiff, of course, we'd go up for a seven-hour  
20 deposition and that kind of thing.

21 But if there are 50 people in the class or  
22 50 funds in the class, will all of them have to  
23 go up at one time or another --

24 MR. KAUFMAN: No. It's just whoever is  
25 appointed as lead plaintiff.

1 COUNCILMAN HAZOURI: Oh, that's what I was  
2 asking a while ago.

3 MR. KAUFMAN: Such as in the Tower Group, we  
4 are co-lead plaintiff along with the Kansas City  
5 Employees Retirement System. So the depositions  
6 would be --

7 COUNCILMAN HAZOURI: I guess that's the  
8 question I meant.

9 MR. KAUFMAN: Gotcha.

10 COUNCILMAN HAZOURI: That's why I said, will  
11 it be protracted, because there are going to be  
12 all these people doing that. But you-all are the  
13 lead -- or co-lead?

14 MR. KAUFMAN: We are the lead. And, you  
15 know, the questions they'll ask him, Why did we  
16 invest in the stock?

17 COUNCILMAN HAZOURI: Right.

18 MR. KAUFMAN: And the answer is that, We  
19 don't have discretion over what stocks we invest  
20 in. That is up to the investment manager.

21 So then they might want to call our  
22 investment manager to give a deposition saying,  
23 Why did you purchase the stock; why did you sell  
24 the stock?

25 COUNCILMAN HAZOURI: Yeah. When I heard you

1 say seven hours, I said, if all of them are doing  
2 that -- that's why I said, is it going to be  
3 protracted to the next --

4 MR. KAUFMAN: You know, I think it will less  
5 than seven hours, but they have the ability to  
6 take the deposition for seven hours.

7 COUNCILMAN HAZOURI: You get paid by the  
8 hour. Talk slow.

9 (Laughter)

10 MR. KEANE: We -- as Stu has pointed out,  
11 we've been very successful. We were co-lead  
12 plaintiffs when we sued United Health. And it  
13 was a derivative action, to recovery money from  
14 the company.

15 Money came from the former CEO, the former  
16 general counsel. We got money from the auditors  
17 for the company, this Tower operation here.  
18 We're getting money from the auditors.

19 There's another one out in California that  
20 we're about to wrap up that we're managing to  
21 collect money and recover for the class.

22 It's been good for investors overall, and  
23 generally as part of these settlements, we get  
24 new corporate governance reforms installed to  
25 prevent future shenanigans and abuses.

1 MR. GLOVER: Through the Chair, I'm going to  
2 have to leave. We're leaving with a quorum, of  
3 course, but if there's something we need to vote  
4 on before I leave. Do you need my presence?

5 CHAIRMAN TUTEN: Well, I think we need to --  
6 well, the director -- the Chair, Mr. Schmitt is  
7 off today too.

8 So is there anything anybody wants to bring  
9 up?

10 DR. HERBERT: I have something.

11 MR. SCHEU: I do too.

12 DR. HERBERT: This ties -- first I just want  
13 everyone to know that I continue to communicate  
14 with our HR partner. And my hope is that by the  
15 end of next week or the following Monday, we will  
16 be able to get from her a list of the names of  
17 candidates for the executive director position.

18 Going back to our last meeting, my  
19 understanding is that what we agreed on is that  
20 as far as the Personnel Committee, Trustee Glover  
21 and I will go through those, screen through them,  
22 as our assumption was you don't want to look at  
23 40 or 50 applicants.

24 So we'll go through those, try to identify  
25 the top candidates with a view toward then



1 bringing those back to the Board for interviews  
2 and final decisions.

3 The one thing that I think does stand out  
4 that we have to deal with is, I have not had  
5 conversations about -- with John about possible a  
6 contract to help us out in a 1099-kind of  
7 fashion.

8 So it seems to me that the Chairman really  
9 ought to do that as opposed to me, although I'm  
10 willing to do it. But I think that the Chair  
11 really ought to do that.

12 But I have -- going back to our meeting last  
13 week -- is to look at some of those areas where  
14 we need to develop a contingency plan,  
15 recognizing that John's retirement is effective  
16 after his trip to New York; that is, the 30th is  
17 his last day.

18 So I would like to make a proposal. Until  
19 we can sort things out and have a much clearer  
20 sense as to what's going to happen after that  
21 date, I had a conversation with the chief  
22 financial officer for the city, Mike Weinstein.

23 And we talked about the fund's investment  
24 management challenges and our needs arising from  
25 John's retirement on the 30th, to assure that we

1 don't have any slippage there. We had a very  
2 good conversation.

3 And one of the things that he indicated was  
4 that -- and I was pleased that he said this,  
5 that, We're all in this together, and he would  
6 like to help us out during this transition  
7 period.

8 So, specifically, until we select our next  
9 executive director and CIO, or we come up with  
10 another strategy for dealing with some of these  
11 matters, what I would like to propose -- let me  
12 back up and say this.

13 That what the CFO has offered is for Joey  
14 Greive, who serves as city treasurer, to assist  
15 our Board with investment management aspects of  
16 our fund, much like he does for the General  
17 Employees and Corrections pension plans.

18 Mike discussed this relationship in the  
19 context that Joey's current role as city and fund  
20 treasurer would remain. He would authorize the  
21 city attorney to advise and direct the custodian  
22 and the investment consultants as to management  
23 decisions that we, as a Board, have approved.

24 So this again is the same role that John has  
25 performed for us and that Joey currently performs

1 for the other city pension fund.

2 So if we accept this offer, it would include  
3 granting of Joey signatory authority with  
4 Northern Trust, with the understanding that those  
5 powers would be limited to investment matters  
6 only; and our Board will continue to be the  
7 deciding entity; and Joey would implement our  
8 investment decisions, advise us on strategic  
9 investment options, and also work with our  
10 investment consultants.

11 I did indicate to Mike that I would bring  
12 this to the Board this morning, again,  
13 recognizing that we have to have something in  
14 place definitely for the 1st of October.

15 So if the Board shares my belief, that this  
16 really is an ideal offer that helps us to assure  
17 the fulfillment of fiduciary responsibilities, I  
18 would like to make three related motions.

19 But, first, are there any questions, or do  
20 you want to hear the motions that I would like to  
21 make for your consideration.

22 CHAIRMAN TUTEN: Anybody got any questions?

23 MR. SCHEU: I think that's great.

24 COUNCILMAN HAZOURI: May I ask one?

25 CHAIRMAN TUTEN: Sure. Go ahead.

1           COUNCILMAN HAZOURI: So you-all haven't  
2 considered -- and Joey is outstanding, and I know  
3 John will participate in whichever way he can  
4 with his background -- you-all didn't consider an  
5 interim director?

6           DR. HERBERT: We're still looking at that.  
7 I've been asking for names of folks. As we get  
8 names, my intent is to share those with the  
9 trustees through the executive director.

10          COUNCILMAN HAZOURI: Somebody seems like  
11 they need to -- if we want to call somebody or if  
12 we need to be in touch with somebody besides  
13 calling you or any member of the Board, and Joey,  
14 of course, we contact with every day -- but, I  
15 mean, I would say Joey, but of course he works  
16 for the city too.

17          DR. HERBERT: Right. Actually, I have -- it  
18 seems to me that there are two different issues  
19 here and I'm trying to separate them.

20          COUNCILMAN HAZOURI: Right.

21          DR. HERBERT: One is the investment side, to  
22 make sure that we don't have any slippage there.  
23 And there are just so many things that have to be  
24 addressed, that I want to make sure that we don't  
25 slip up and have problems for ourselves.

1           So since Joey has been working closely with  
2           John, we have -- we can share the management --  
3           money management --

4           MR. SCHEU: Investment advisor.

5           DR. HERBERT: -- the investment advisor. We  
6           have many of the same funds. It just seems to me  
7           that we have very little slippage there until we  
8           figure out what we're going to do.

9           If, in fact, we're able to identify a  
10          candidate for the permanent position, they can  
11          start sometime in November, then we're in great  
12          shape. If it goes until -- if a person can't  
13          come until December, then we have another issue.

14          So with regard to investments only, that's  
15          my proposal to us.

16          COUNCILMAN HAZOURI: Right. I understand.

17          DR. HERBERT: And maybe I should just read  
18          the -- I wrote down the motions that I would like  
19          to make:

20          "That the Police Fire and Pension Fund Board  
21          of Trustees accepts the offer of the city's CFO,  
22          that Joey Greive, the city treasurer, will assist  
23          our Board with the investment management aspects  
24          of the Police and Fire Pension Fund as we  
25          continue our search for a new executive director

1 and CIO."

2 Second: "We authorize the city treasurer to  
3 advise and direct the custodian and the  
4 investment consultant as to investment decisions  
5 that we, as a Board, have approved, effective  
6 October 1, 2015."

7 Third: "That effective October 1, 2015, the  
8 Board grants Joey Greive signatory authority with  
9 the Northern Trust with the understanding that  
10 those powers will be limited to investment  
11 matters only."

12 And, finally: "Our Board will continue to  
13 be the deciding investment entity. And effective  
14 October 1, 2015, Joey Greive is authorized to  
15 implement our investment decisions, advise us on  
16 strategic investment options, work with our  
17 investment consultants, and other related  
18 duties."

19 So, basically, again, this focuses solely on  
20 the investment side. It is for a time frame  
21 certain, that is, until we have a new executive  
22 director and CIO and/or until we make other  
23 decisions about an interim executive director if  
24 it looks like that's the direction in which we're  
25 going to go.

1           So those are the motions that I would like  
2           to make.

3           CHAIRMAN TUTEN:  What I'm feeling -- what  
4           I'm afraid of, Dr. Herbert, is we're going to --  
5           this is going to be something that's a long  
6           discussion.  And I don't feel comfortable on the  
7           Board without Larry being here.  He's the Chair.  
8           He's a trustee.  You know, this is kind of an  
9           important decision.

10          I have questions to ask Stu about this as  
11          well because we have -- you know, with our legal  
12          counsel, there's a reason we have a separate  
13          lawyer versus the general counsel.  It's not  
14          because we don't like them  It's just the way the  
15          state is set up.

16          I don't understand -- can he still be the  
17          city treasurer and handle these types of duties  
18          for us without any sort of conflict, that kind of  
19          the thing?

20          MR. KAUFMAN:  Yes.  You know, I do not  
21          believe that there would be any inherent  
22          conflicts that would arise.  Of course, Joey  
23          would have to follow our investment policy.

24          You know, as long as he's informed and up to  
25          date on our investment policy and follows our

1 guidelines as opposed to the city's or the  
2 general employee's guidelines, I don't think we  
3 have any issue with it.

4 I think the charter actually provides that  
5 the treasurer of the city serves as our  
6 treasurer. So I think it's inherent and a good  
7 idea that Joey actually take this role, if, in  
8 fact, it's something that he wants to take on.

9 CHAIRMAN TUTEN: Okay.

10 MR. SCHEU: I don't have any -- I think this  
11 is a good decision and it's short term that we  
12 have to get it. Unless you want to have a  
13 special meeting, this needs to get in place.

14 CHAIRMAN TUTEN: I mean, to me, in  
15 principle, I understand what you're saying and  
16 I'm not against it, per se.

17 But I just -- Stu tells us everything  
18 legally. And I know it's only short term, et  
19 cetera, et cetera.

20 I just don't feel personally comfortable  
21 voting on something that -- this is an important  
22 issue, just like voting for the director. Things  
23 like that, you know, I would just rather call a  
24 special meeting next week.

25 When does Larry -- do we know when he's



1 coming back?

2 MR. KEANE: Coming back Sunday, over the  
3 weekend. He'll be here Monday.

4 CHAIRMAN TUTEN: Okay. When are you coming  
5 back?

6 I mean, this sounds like we -- because to me  
7 there's another part to this as far as interim  
8 director we need to discuss, as far as what our  
9 plan is, the time table is, and all that kind of  
10 good stuff.

11 COUNCILMAN HAZOURI: And I'm not on the  
12 Board. I'm thinking long-term for you-all and  
13 for me and the council, he's great. I mean, and  
14 whatever you-all decide to do. Someone who is a  
15 good investor, it would be Joey.

16 My concern is there's a lot of things on the  
17 table right now with this potential suit that's  
18 going forward, with the forensic review that's  
19 going forward, that somebody's got to be in  
20 charge.

21 And even if it's on -- however -- you  
22 said -- you know, I've been through -- and you  
23 have is too, Adam, with the school superintendent  
24 and all, it could take several months.

25 And there's two people looking at a bunch of

1 names, and it's tough. You know, it's not easy.  
2 And you're going to have to interview and go  
3 through this long process. I suppose you-all are  
4 doing all that in public. I guess it's obviously  
5 going to be in the public.

6 I just -- I just think it's imperative so  
7 that we know -- and I'm not -- I can't speak for  
8 the council, but I'm speaking as a councilman and  
9 then as your liaison.

10 My observations of what's going on in the  
11 past, not just here, but in general, that you-all  
12 need an interim director as soon as possible.

13 And whether it's one of your members or  
14 what, because there's too many things down the  
15 road that need to be resolved and hopefully  
16 sooner than later.

17 CHAIRMAN TUTEN: Well, part of my point with  
18 Dr, Herbert was, like you said, I'm not saying no  
19 or anything like that, but the problem is --

20 COUNCILMAN HAZOURI: Right. That's what  
21 made me bring it back up.

22 CHAIRMAN TUTEN: -- this sort of -- what you  
23 mentioned. We're sort of now branching off into  
24 this whole -- we've got a big problem here; this  
25 is part of it, obviously.

1           And if we can solve it, great. But I don't  
2 feet comfortable without Larry here, and we're  
3 not voting for something simple here.

4           But other than that, you bring up a good  
5 point, that we can, you know, also delve off into  
6 this other stuff while we're there.

7           DR. HERBERT: Right. And as a matter of  
8 fact, I do have a proposal with regard to the  
9 management side as well, but that does involve  
10 Larry and he is not here.

11          CHAIRMAN TUTEN: Okay.

12          DR. HERBERT: And I'm not sure I want to put  
13 that out there and he reads in the paper as  
14 opposed to our being here to discuss it.

15          The thing I'm concerned about is that we  
16 have to have a decision made before October 1st.

17          CHAIRMAN TUTEN: Correct.

18          DR. HERBERT: So either we do that or the  
19 Chairman needs to negotiate a contract with John  
20 to do something --

21          CHAIRMAN TUTEN: Correct.

22          DR. HERBERT: -- on a more extended basis.  
23 But one way or another, we have to do something  
24 before the 1st. And I just don't want us to  
25 ignore our fiduciary responsibilities, but by not

1       having someone who is at least on top of the  
2       financial thing, I do think that the Chairman can  
3       play a roll on that management side short-term.

4               But he has to be willing to do that. The  
5       sheriff has got to agree with that; not that he  
6       would come out of his current duties. We'd have  
7       to work out something where he has some  
8       assistance to do those things.

9               CHAIRMAN TUTEN: Right.

10              DR. HERBERT: But I think we're absolutely  
11       on target with regard to that. But we just can't  
12       afford to go to October 1st and not have someone  
13       who is dealing with these investment issues.

14              CHAIRMAN TUTEN: Let me ask -- John, before  
15       we get to the whole contract thing, do you have  
16       terms of your agreement that you would agree to  
17       if we were to put you on a contract short-term,  
18       3, 6, 9?

19              MR. KEANE: Well, I could do anything to  
20       work with you.

21              But back to this particular issue. When the  
22       overall operation of the investment portfolio --  
23       we've worked with Dan -- looking in the rear-view  
24       mirror, worked with Dan and Joey all the time.

25              When we make decisions, the information we

1 bring to the Board, the recommendations, it's a  
2 consolidated opinion of all three of us. So  
3 that's not an unheard of operation.

4 But I don't mind -- I'm going to retire on  
5 September 30th. My application is getting ready  
6 to come up. So if the Board desires me to  
7 continue on a temporary role -- because another  
8 thing I'm getting ready to hand out is a list of  
9 current and projected projects that's ten pages  
10 long, and some of them, people got to tend to.

11 CHAIRMAN TUTEN: Well, me, personally, John,  
12 this part that you're bringing up, Adam, the  
13 financial part, that's the part that I'm least  
14 worried about.

15 Mr. Council has brought up just one thing.  
16 There's also a lot of other things that are  
17 coming up, not to mention the lawsuit or the -- I  
18 don't know what it's even called. Inquiry from  
19 City Council as far as, you know, your retirement  
20 plan.

21 There's a lot of things that, you know --  
22 that are still yet to be resolved, and I really  
23 wish they were. But, you know, I think we need  
24 to definitely have a special meeting for the  
25 ideas you were talking about as well with

1 everybody here.

2 If it has to be at your house on Tuesday  
3 night, great. Whatever.

4 I mean, in other words, it's got to be --  
5 it's got to be soon, but we need to -- I want  
6 everybody there to do their thing, make their  
7 statement, and let's get it over with.

8 MR. SCHEU: Just for timing of -- Monday is  
9 the 28th, Tuesday is the 29th. The 30th, I'll be  
10 in Mayo all day. So those are the only two days  
11 that I could be personally here for a special  
12 meeting.

13 CHAIRMAN TUTEN: I'm fine with whatever.

14 MR. GLOVER: I'm out of town Monday.

15 CHAIRMAN TUTEN: When is the 1st again?

16 MR. KEANE: Thursday.

17 CHAIRMAN TUTEN: Well, we got Tuesday,  
18 Wednesday. What you got?

19 MR. KEANE: Mr. Scheu, did you say you're  
20 available?

21 MR. SCHEU: Tuesday is the only day for me.  
22 I mean, I can do it Monday or Tuesday.

23 MR. GLOVER: I can call in, maybe even leave  
24 late. But Monday isn't good.

25 CHAIRMAN TUTEN: Well, my biggest concern is

1 throughout the history of being on this Board,  
2 what I've noticed, when we get into situations  
3 like this, what will happen. It's just like  
4 we've had with the councilman.

5 This thing -- inevitably we lead down two or  
6 three different roads. They'll all be related.  
7 We'll all need to consolidate.

8 And rather than have six special meetings on  
9 interim director, Joey, lawsuits, this, that, why  
10 don't we just go ahead and knock, at least the  
11 foreseeable future out of the way at one time,  
12 and then that will be that.

13 Like I said, me, personally, I don't feel  
14 comfortable -- you know, if you guys want to call  
15 the vote, we can call the vote. I just don't  
16 feel comfortable voting on something like this  
17 when one of our trustees is not here. That's  
18 just me.

19 MR. SCHEU: I don't mind voting on the  
20 investment side, because I think Joey is  
21 virtually doing that now. That's an easy one.

22 MR. GLOVER: I think it will be easy to do  
23 that.

24 MR. SCHEU: And I'll move those three  
25 motions -- second your motion.

1 MR. GLOVER: But the interim director and  
2 the director is the one that I wouldn't even --  
3 we shouldn't even consider without the Chair.

4 DR. HERBERT: Okay. So if you have a  
5 motion.

6 CHAIRMAN TUTEN: Do we have a motion?

7 MR. GLOVER: Yes.

8 CHAIRMAN TUTEN: Second it?

9 MR. SCHEU: Second.

10 CHAIRMAN TUTEN: Okay. We have a motion and  
11 a second. Any further discussion? I made my  
12 statements on why.

13 (No responses.)

14 CHAIRMAN TUTEN: All in favor?

15 (Responses of "aye.")

16 CHAIRMAN TUTEN: All opposed?

17 (One response of "no.")

18 COUNCILMAN HAZOURI: Does he get extra  
19 dollars for doing that?

20 MR. KEANE: It comes out of the general  
21 fund.

22 CHAIRMAN TUTEN: I'm not planning on voting  
23 for a budget proposal.

24 DR. HERBERT: In fact, when I talked with  
25 the CIO, he did say that there's no charge to



1 this. It's actually part and parcel of his  
2 responsibilities.

3 CHAIRMAN TUTEN: We'll put it in the budget  
4 if we need it. Don't worry about that. We'll  
5 get it from somebody here at the table, him or  
6 him. I don't know which one.

7 MR. GREIVE: Through the Chair, to the  
8 Chair, don't create that problem for me. I'll do  
9 it for free.

10 COUNCILMAN HAZOURI: You-all got a deal  
11 here.

12 DR. HERBERT: Mr. Chairman, should we shoot  
13 for next Tuesday?

14 CHAIRMAN TUTEN: That's fine with me. Go  
15 ahead.

16 DR. HERBERT: If President Glover is going  
17 to be in town on Tuesday, I can do it. I have  
18 one meeting, but I'll cancel it, if necessary.

19 CHAIRMAN TUTEN: I have a doctor's  
20 appointment Tuesday morning sometime, but we'll  
21 figure it out.

22 MR. SCHEU: I've got a lunch that I can  
23 change, and I've got a Board meeting at 5:15.

24 DR. HERBERT: What about doing it -- the  
25 doctor's appointment you have is when?

1 CHAIRMAN TUTEN: It's in the morning, early.

2 DR. HERBERT: What about noon on Tuesday?

3 CHAIRMAN TUTEN: In the afternoon? What  
4 time?

5 DR. HERBERT: At noon.

6 CHAIRMAN TUTEN: Oh, at noon. Yeah, it  
7 should be over by then.

8 DR. HERBERT: Will that work for everybody?

9 MR. KAUFMAN: Let me just advise that  
10 Mr. Keane and I will be in New York.

11 MR. KEANE: That's right. We don't need to  
12 be here for that.

13 CHAIRMAN TUTEN: Okay. That's fine.

14 DR. HERBERT: Does that work for you,  
15 Trustee Glover?

16 MR. GLOVER: Doesn't work, but I'll make it  
17 work. I'll take one for the team here.

18 MR. SCHEU: Before Trustee Glover leaves,  
19 I've got a proposal I want to make with regard to  
20 the council action.

21 The task force, as it was doing its work,  
22 one of the things as it related to the use of the  
23 general counsel, was that we felt that there  
24 ought to be more use of the general counsel  
25 instead of outside counsel because of the fee

1 arrangements, et cetera, et cetera.

2 But in making that examination, we also came  
3 to the realization that the JPFPP is, despite its  
4 independence, a board or agency of the city. And  
5 as such, under our consolidated form of  
6 government, it is bound by opinions of the  
7 general counsel.

8 And we've got our own counsel, and that's  
9 been a cause for the conflict here. The City  
10 Council has passed a resolution authorizing the  
11 general counsel -- instructing the general  
12 counsel to file suit against the Board, and I  
13 presume against the members of the special plan.  
14 I don't know how that will all fall out.

15 But it seems to that me we can save the  
16 taxpayers a lot of money, we can save a lot of  
17 time, preserve our rights, if we design our own  
18 questions and facts, set up the -- the hypothesis  
19 for the general counsel and ask the general  
20 counsel, taking into account the facts and the  
21 law, to give us an opinion on how we should act  
22 with regard to going forward on this.

23 That means we don't have to have anybody  
24 file any lawsuits. We save money. We preserve  
25 our rights.

1 Under the charter, the General Counsel's  
2 opinion is binding, but can be challenged either  
3 by an appeal to the attorney general or by filing  
4 suit in circuit court. So that right is  
5 preserved, but yet -- and there are efforts to  
6 try to resolve it, as I understand it.

7 This would help -- it seems to me it would  
8 help us pose the questions that Cindy's opinion  
9 overlooked; that is, was John eligible, since he  
10 was not a city employee, as I understand it, and  
11 what about the others; and also the conflict  
12 between Chapter 16 and Chapter 22 of the charter  
13 is which one -- I think it's 22, in reading Bob  
14 Klausner's opinion -- there's a supersession  
15 clause that says if there's anything in conflict  
16 between the two, 22 controls. 22 is the one that  
17 gives us the power to have the compensation.

18 It just seems to me that we could move  
19 quickly and save a lot of angst by requesting an  
20 opinion that we draft the -- the opinion.

21 So it's not -- Cindy's was a two-page  
22 opinion that really didn't deal with any of the  
23 facts. All it said was that the City Council was  
24 the only entity that has the power to set a  
25 pension for city employees.

1           Left unsaid was whether or not John was a  
2 city employee and what happens then. So it seems  
3 to me we can raise all the issues and save the  
4 money on both sides, because we're paying the  
5 fees on both sides as taxpayers.

6           COUNCILMAN HAZOURI: Well, I know.

7           MR. SCHEU: So I would like to make that  
8 proposal and see if we would be willing to  
9 proceed in that way.

10          CHAIRMAN TUTEN: We've already kind of --  
11 John, would you like to speak on that as far as  
12 what -- I mean, the fund, we've already been --  
13 we had -- Bob came in one time and broke it down  
14 and explained.

15          This was before you were here, Bill. But as  
16 far as what the rationale and the reasoning was  
17 before, why, when it came about, when it was,  
18 quote, unquote, invented.

19          The City Council got that report, didn't  
20 they? Or they were informed of --

21          MR. SCHEU: I read that opinion.

22          CHAIRMAN TUTEN: Okay. Right.

23          MR. KEANE: It all started when the former  
24 general counsel said that they wouldn't represent  
25 us anymore and told us to go get our own lawyer,

1       which we did.

2               MR. KAUFMAN: I mean, that was way back.

3       There's a potential conflict --

4               CHAIRMAN TUTEN: Well, as far as it relates  
5       to your plan and Dick and now Debbie, I mean --

6               MR. KEANE: Well, that's how we've -- that's  
7       how Article 22 came about. And it was enacted by  
8       the legislature.

9               And in October of 1990, right after I came  
10       over here, the city entered into a financial  
11       service agreement with the Board, codifying the  
12       things they were going to do.

13              And one of the things they said they would  
14       not do was issue me a paycheck. And they said,  
15       We don't consider you a city employee; we will  
16       not pay you. They paid the other staff members  
17       off the city payroll system. We put the money  
18       in. They paid it. But for -- to start with,  
19       just the administrator, refused to make the  
20       payment.

21              When Dick came over, it was amended and they  
22       said, The administrator and the deputy  
23       administrator.

24              Now, revisionists to history like to say,  
25       Well, he should have been in the General

1 Employees Pension Plan. Well, they wouldn't let  
2 us in the General Employees Pension Plan. In  
3 fact, they said we're not even a city employee,  
4 wouldn't even give us a check.

5 Now, they like to sweep all that out of the  
6 way and say, Oh, well, we don't want to talk  
7 about that because we may have been right, we may  
8 have been wrong. But whatever they did, forced  
9 the Board to do what the Board did.

10 CHAIRMAN TUTEN: Well, from what I can  
11 gather so far as the City Council -- and I don't  
12 want to put words in your mouth -- but from what  
13 I've read is, there's not a denial here that  
14 you're entitled to a pension, correct?

15 MR. KEANE: No.

16 CHAIRMAN TUTEN: You have some that think  
17 that you should have been in the city plan all  
18 along versus the plan that you just described and  
19 why it was created.

20 MR. KEANE: Right.

21 CHAIRMAN TUTEN: At the end of the day,  
22 we're talking about -- I think -- what did they  
23 say? About 40 grand a year, is what they were  
24 talking about?

25 So are they wanting to take this to court?

1           MR. SCHEU: That's what they authorized the  
2           general counsel -- and the general counsel feels  
3           a great sense of urgency because it's the second  
4           time they've told him.

5           What I'm saying is that I think this will  
6           bring up a much quicker, simpler, easier -- and  
7           we have a conflict because we've got an opinion  
8           from our lawyers and we got an opinion from the  
9           general counsel.

10          So I think we pull all that together and we  
11          say, General counsel, you decide, as the charter  
12          of the consolidated city government says, and  
13          then we can respond to that. But that way we  
14          don't have to be -- the whole purpose -- the  
15          general counsel is powerful, so that you won't  
16          have people suing each other among the city.

17          CHAIRMAN TUTEN: I'm with you, Bill, on that  
18          part of it. But I think this goes past the City  
19          Council, though.

20          If the City Council has voted to find out in  
21          court whether or not John's pension is legal, I  
22          mean, is there -- at this point is there anything  
23          that we can do to present to them that's going to  
24          withdraw --

25          COUNCILMAN HAZOURI: Time out. Yeah.



1           Because, you know, I don't know how the votes  
2           would have gone. I didn't text anybody.

3           (Laughter)

4           COUNCILMAN HAZOURI: So I didn't know how  
5           any of the votes would have gone. I think it  
6           would have been very difficult. It would have  
7           been a more controversial decision because I  
8           think, as you-all saw it the week or two before,  
9           that thing's been going on since I've been on the  
10          council, I mean, about how they're going to do  
11          it, even though it was a 2012 decision by Cindy.

12          But we did have the piece in there to keep  
13          from going to court, hopefully, that I guess  
14          determines mediation -- mitigation, mediation.

15          MR. SCHEU: Mediation.

16          COUNCILMAN HAZOURI: And to me, that's --  
17          and you're the lawyer, Bill, you just tell us,  
18          that opens the door for you-all to sit down and  
19          hammer out those issues, and hopefully it won't  
20          go as far as the court.

21          And I don't mean just settling whether or  
22          not you're entitled to it or not entitled to it,  
23          and whatever else, you-all are included.

24          We want it resolved. I think the biggest  
25          deal is, is the principle involved, and that's

1       what you heard from a couple of the councilmen  
2       is, is it legal? Not whether it's legal or not.  
3       If it is legal, then, you know, she was right.  
4       If it's wrong, it's wrong. It's behind us.

5               But that's not what's really happened.  
6       We've already addressed that issue, except for  
7       John and the others. We addressed it by changing  
8       the law and the pension bill.

9               CHAIRMAN TUTEN: Correct.

10              COUNCILMAN HAZOURI: And so now I think if  
11       Bill or whomever --

12              MR. SCHEU: That hadn't been changed yet to  
13       make the director a city employee. That's  
14       separate.

15              COUNCILMAN HAZOURI: No, no. What we  
16       changed was that you can't -- you know, that that  
17       pension -- well, we did say that the pension plan  
18       was -- I mean, this kind of pension plan would  
19       no longer exist under the next group of  
20       employees.

21              MR. SCHEU: Correct. That's correct.

22              COUNCILMAN HAZOURI: Yeah. Well, that's  
23       what I've referring to. And, you know, I'm just  
24       doing this from memory myself.

25              But I just think that if you-all can hammer

1 out a difference where it makes sense to the  
2 council, to you-all, and it's fair -- I hate to  
3 say -- to all concerned, then that's great.

4 If somebody on the council -- and they  
5 indicated that, wants a clear decision from the  
6 court, that's not -- I think Jason plays the  
7 pivotal role right now in trying to resolve this.

8 And I agree with what you're saying, Bill.  
9 If you-all can work something out that makes  
10 sense to the City Council and that makes sense to  
11 the taxpayers, I think that's where we need to  
12 go. I don't want to go to court. I don't think  
13 any of us do.

14 MR. SCHEU: All I'm saying is that we  
15 ought -- we ought to proceed on this separate  
16 line because Jason feels some pressure to file a  
17 lawsuit. And I'm just saying, Well, why don't we  
18 ask Jason for an opinion first and hopefully this  
19 will be settled.

20 COUNCILMAN HAZOURI: Well, he has that  
21 mediation piece in there, though.

22 MR. SCHEU: That's right.

23 COUNCILMAN HAZOURI: And that's why I think  
24 Bill put it in there -- I mean -- yeah, that's  
25 right. Gulliford put it in to -- you know,

1           because I think a lot of us felt the same way.  
2           We didn't want to pay -- use our tax dollars to  
3           take it to court. We didn't want you-all to use  
4           basically tax dollars just to defend it.

5           So if we could resolve it before that -- and  
6           I don't -- I can't speak for them, but that was  
7           my interpretation watching them.

8           MR. KAUFMAN: Just for your information,  
9           Jason has reached out to our office --

10          COUNCILMAN HAZOURI: Good.

11          MR. KAUFMAN: -- and we are attempting to  
12          schedule a meeting to address this without  
13          litigation.

14          COUNCILMAN HAZOURI: Jason would have  
15          felt -- and I can't speak to him -- that he  
16          needed to go to court under the -- before that  
17          amendment went in. After the amendment went in,  
18          it gave him some flexibility.

19          MR. SCHEU: He feels pretty pressured.

20          COUNCILMAN HAZOURI: And I think he wants to  
21          pursue it that way if he can avoid it and save  
22          tax dollars on both ends.

23          Now, how it's going to come out, John, I  
24          mean, that's going to be you-all.

25          MR. KAUFMAN: Yeah. But there will be a

1 meeting coming up prior to any litigation.

2 COUNCILMAN HAZOURI: Good. That's what it  
3 was all about, to avoid court, to avoid spending  
4 tax dollars.

5 I know people want a definitive answer about  
6 this, but more definitive would be, Are we saving  
7 the taxpayers dollars --

8 MR. KAUFMAN: Right.

9 COUNCILMAN HAZOURI: -- and are we avoiding  
10 a lawsuit? Because in the end the taxpayers  
11 lose, obviously, on both ends.

12 So if you-all can do that.

13 DR. HERBERT: I can follow-up, then. You  
14 currently are engaged in conversations?

15 MR. KAUFMAN: About scheduling a meeting to  
16 address this issue. Yes.

17 DR. HERBERT: Have you put forward any  
18 ideas? I'm not asking what they are.

19 MR. KAUFMAN: No, not yet. No. We just got  
20 a call yesterday to schedule a meeting.

21 MR. GLOVER: And you're amenable to  
22 scheduling that?

23 MR. KAUFMAN: Absolutely.

24 MR. SCHEU: Now, are you representing John,  
25 or are you representing the fund?

1 MR. KAUFMAN: I am representing the fund.

2 MR. SCHEU: Okay.

3 MR. KAUFMAN: But, you know, I'll tell you  
4 right now, though, if suit is filed, I think  
5 Mr. Klausner is probably the most important  
6 witness out there.

7 So it would be our recommendation for the  
8 fund to retain outside counsel. And we've had  
9 discussions with some attorneys to assume that  
10 role.

11 CHAIRMAN TUTEN: So the lawsuit hasn't been  
12 filed yet?

13 MR. KAUFMAN: Has not.

14 CHAIRMAN TUTEN: And you're going to talk to  
15 the city representative and try to find some sort  
16 of nice --

17 MR. KAUFMAN: Yeah. And I think they're  
18 going to hold off on any suit until we meet and  
19 confer and see if there's any --

20 CHAIRMAN TUTEN: Well, if they do file for  
21 some reason, then we'll just have to go and hire  
22 somebody else.

23 MR. KAUFMAN: Yes.

24 MR. SCHEU: Could we -- could we explore the  
25 possibility of seeking the General Counsel's

1 opinion as an alternative to litigation?

2 I mean, it just seems to me that we're going  
3 to get down this path -- I mean, this is going to  
4 be settlement, and you're either going to settle  
5 it, or if you can't settle it, then you're going  
6 to have to file suit.

7 All I'm saying is, let's slow the train down  
8 a little bit and say -- you know, this is what  
9 the charter provides and this gives us the  
10 opportunity to set out the facts, as Bob has laid  
11 them out in his opinion, so that we get a more  
12 efficient and cheaper resolution of it. That's  
13 all I'm saying.

14 So I would like to -- I'm not making a  
15 motion yet, but I would like to propose that we  
16 explore that possibility in conversation with  
17 counsel and the general counsel.

18 DR. HERBERT: Let me ask you this, and also  
19 counsel.

20 What do you think about putting forward this  
21 idea in your conversation with the general  
22 counsel?

23 MR. KAUFMAN: I think we could discuss it at  
24 the meeting. You know, I don't -- I'm not  
25 totally opposed to the idea, but certainly I

1 don't think that we can agree that any opinion  
2 that is issued by the general counsel is going to  
3 be binding upon us as a separate, independent  
4 agency of the City of Jacksonville.

5 COUNCILMAN HAZOURI: You're talking about  
6 now, or you mean Cindy's?

7 MR. KAUFMAN: I'm going to tell you that if  
8 Jason issues an opinion that says that it's his  
9 opinion has not changed, that is not binding upon  
10 us.

11 COUNCILMAN HAZOURI: Well, then that's the  
12 intent of the council. If it doesn't work,  
13 filing a suit.

14 MR. SCHEU: Well, I think it is binding upon  
15 us legally, but we have a right to go to circuit  
16 court to determine whether that --

17 COUNCILMAN HAZOURI: The Cindy one?

18 MR. SCHEU: No. Whether Jason, if he were  
19 to issue an opinion. If he were to issue an  
20 opinion. I think that's the way the charter  
21 works.

22 MR. KAUFMAN: I'll take a look at it.

23 MR. KEANE: There's another issue that they  
24 don't want to address over there.

25 It's not about the Police and Fire Senior



1 Management Pension Plan. Long before this Board  
2 created the Senior Management Plan, the  
3 Jacksonville Transportation Authority created a  
4 pension plan for its senior managers. Not the  
5 City Council, the JTA Board, you know. The JTA  
6 Board attorney that did that was Cindy Laquidara.

7 MR. SCHEU: That's in Bob Klausner's  
8 opinion.

9 MR. KAUFMAN: Correct.

10 MR. KEANE: I have a copy of it.

11 COUNCILMAN HAZOURI: And let me say this.  
12 I'm the liaison for the JTA, and I'm going to  
13 take that to them too. So I've got both ends of  
14 you-all. So that makes me feel better, that I  
15 can deal with both of them.

16 MR. KEANE: And there is another separate  
17 pension plan for city employees at the St. Johns  
18 River Power Plant that was not created by the  
19 City Council.

20 So here you have the city lawyer saying only  
21 the City Council can create a pension plan for  
22 city employees. And I agree that that says  
23 Article 16 correctly. I agree with that.

24 However --

25 CHAIRMAN TUTEN: Precedent.

1           MR. KEANE: -- they now claim those people  
2 aren't city employees. They claim these people  
3 out here aren't city employees. And they now  
4 have some idea that I may or may not be a city  
5 employee, although in 1996, Steve Rohan, the  
6 deputy general counsel, said I was not a city  
7 employee.

8           So you've got this whole vast array of  
9 letters and opinions at different times from  
10 different members of the general counsel staff  
11 saying different things.

12           And the Board went down -- what their first  
13 opinion was. Cindy Laquidara issued a memo. Not  
14 a binding legal opinion. She issued a memorandum  
15 responding to Councilmember Crescimbeni, and she  
16 said only the City Council can create a pension  
17 plan for city employees.

18           I think she's 100 percent correct. Instead  
19 of putting a period there, she should have been  
20 put a comma, and said, except the people that  
21 you're talking about at the Police and Fire  
22 Pension Fund are not city employees because we've  
23 already taken the position we won't even issue  
24 them a paycheck.

25           Now, you can't claim I'm a city employee

1 when you refuse to pay. Abraham Lincoln outlawed  
2 that.

3 CHAIRMAN TUTEN: Well, I think we've  
4 already -- we've discussed all that John, and I  
5 think the Board is pretty firm as far as, you  
6 know, that's the position of Stu and Bob, and we  
7 went over the history of everything --

8 MR. KEANE: Over and over.

9 CHAIRMAN TUTEN: -- but I'm with you, Bill.  
10 Believe it or not, down here, we're not about  
11 spending money just to spend it --

12 MR. SCHEU: Oh, I understand.

13 CHAIRMAN TUTEN: -- so Bob and Stu can have  
14 a bigger Hanukkah, okay?

15 MR. SCHEU: They're good lawyers.

16 CHAIRMAN TUTEN: The truth of the matter --  
17 I know. Or Christmas, you know. Either way.  
18 It's 2015.

19 But, anyway, the truth is at this point I  
20 don't know and I'm hoping Stu can do something.  
21 But at this point, from what we've seen so far  
22 from the council, this-that, this-that, at this  
23 point I don't know what else we can do to  
24 convince the general counsel and certain  
25 councilmen that, Look, this is what happened,

1       whether you like it or not, it was part of the  
2       deal back then.  It's happened before, as John  
3       illustrated.

4               And, now, if somebody could point out some  
5       sort of illegality that we didn't -- that they  
6       overlooked, that we overlooked that we don't know  
7       about, we're not against that.  I'm not -- I'm  
8       not fighting just to fight.

9               But at this point, I don't see anything that  
10       comes from the other side, just drawing a blank,  
11       to show me that our position should be any  
12       different than it was before.

13              MR. SCHEU:  What's come to them is they're  
14       holding up this two-page memo, as John describes  
15       it.  It's not a binding opinion.

16              And we're either going to get that  
17       resolution by a judge or by the general counsel.  
18       All I'm saying is that it would be cheaper and  
19       more efficient to go first to the general  
20       counsel.

21              MR. KEANE:  And that's the plan.

22              MR. SCHEU:  And you're right.  That if  
23       there's a -- if we don't agree with the opinion,  
24       we can certainly then file suit.

25              That's the way the charter works is -- when

1       it was set up so that you didn't have people in  
2       the city suing each other; the general counsel is  
3       a powerful position -- so that those issues can  
4       get resolved.

5               That's all I'm saying. And I would like to  
6       see us proceed that way.

7               MR. KEANE: And -- and that's the plan. The  
8       plan is they're going to have a meeting to do  
9       just what you're saying to do.

10              COUNCILMAN HAZOURI: And I think we've given  
11      you-all the opportunity to move forward with it,  
12      and how it ends up, I hope it ends up -- you  
13      know, great for the taxpayers and great for  
14      you-all and great for the City of Jacksonville.

15              And I know there are a few -- and it was a  
16      big issue, you know.

17              And no offense, John, I mean, all the  
18      publicity, it became focused on John. And, I  
19      mean, we all know that.

20              But, more importantly, it's a question of  
21      getting this thing resolved. I mean, when you  
22      stand up and you say, It's either legal or not  
23      legal, and this is what she said, it's not legal,  
24      so where did you go from there?

25              So I think what Bill did gave at least a

1 safe house for you-all to go to and try to hammer  
2 out whatever differences exist without having to  
3 go to court. I hope it works out, but at least  
4 you-all have got that.

5 MR. SCHEU: Well, if they don't settle, I  
6 hope you-all would be amenable to requesting an  
7 opinion before they file suit, because I think  
8 that's a disaster.

9 COUNCILMAN HAZOURI: Right. Yeah. I don't  
10 want -- none of us do, but I think some of them  
11 want a definite opinion. And I want it to be  
12 more because it's the right thing to do.

13 MR. GLOVER: But we don't -- it's headed  
14 that way. So do we need a motion here? I mean,  
15 I don't see why we need to vote on this.

16 MR. SCHEU: Well, I would like -- well, it  
17 seems to me that a motion to explore the  
18 possibility -- as some negotiations proceed, that  
19 we explore the possibility of asking for a  
20 General Counsel's opinion on the law and the  
21 facts involved, and that we would prepare that  
22 request and set out what we wanted to do.

23 And I would think Bob and I would work on  
24 that. That's what I have in mind, that we don't  
25 get down the road left with nothing but a

1 lawsuit.

2 MR. KEANE: Yeah.

3 CHAIRMAN TUTEN: Gosh, how do I say this  
4 tactfully?

5 DR. HERBERT: I'm inclined -- if I could.

6 CHAIRMAN TUTEN: Go ahead.

7 DR. HERBERT: I'm inclined to consider that.  
8 I think it would first be good for our attorney  
9 to talk with the General Counsel's Office to get  
10 a feel for where they're coming from.

11 And, frankly, I think that there are some  
12 options that we have available that we could  
13 potentially put on the table that also might  
14 cause counsel to say that they're willing to back  
15 off.

16 But this, I think, is an option. So as you  
17 talk with them, just to give us a sense as to  
18 what you think realistically is possible, and  
19 obviously also take a look at all the facts again  
20 to see how we might compile all of those --

21 MR. KAUFMAN: Okay.

22 DR. HERBERT: -- in a fashion that would  
23 help to move that conversation along.

24 MR. SCHEU: Jason and I have discussed it,  
25 so he'll be aware of your call.

1 MR. KAUFMAN: All right. Very good.

2 MR. SCHEU: I just wanted to raise that up  
3 as a possibility for everybody's benefit.

4 DR. HERBERT: It seems to me that's  
5 definitely an option.

6 Another option is that there may be some  
7 things that have not been talked about that would  
8 end up resolving this.

9 COUNCILMAN HAZOURI: Sure.

10 DR. HERBERT: And so what we want to do is  
11 have resolution if at all possible within this  
12 going to court.

13 Frankly, what I worry about is that this  
14 could get very nasty. All of a sudden when  
15 Klausner is able to come forward and say, Well,  
16 these are the conversations we had with the mayor  
17 and other folks, suddenly we end up deposing  
18 former mayors, City Council members and others --

19 COUNCILMAN HAZOURI: I don't remember  
20 anything back then.

21 (Laughter)

22 DR. HERBERT: -- and it becomes a very nasty  
23 situation for everybody, and I think we need to  
24 avoid that if at all possible.

25 So some kind of a compromise while also



1 being mindful of the fact that there are rights  
2 that the members of the senior plan have, and we  
3 cannot abrogate our responsibilities to them as  
4 well.

5 MR. SCHEU: Absolutely. Thank you.

6 MR. KEANE: How about let's deviate from the  
7 agenda just a minute while we're still on this  
8 subject.

9 I now would like to submit to the Board my  
10 application for time service retirement,  
11 effective September 30th.

12 That's going to take a motion, Mr. Chairman.

13 DR. HERBERT: Could you say what the motion  
14 is so we understand?

15 MR. KEANE: Motion is to approve the  
16 application for time service retirement,  
17 effective September 30th.

18 DR. HERBERT: I move.

19 MR. SCHEU: What is the impact? I'll second  
20 it, but what's the impact? Is this the vacation  
21 or is this --

22 MR. KAUFMAN: No. This is requirement.

23 MR. SCHEU: Fine. I just want to understand  
24 what we're voting on.

25 CHAIRMAN TUTEN: Yeah. Moved and second.

1 Discussion?

2 (No responses.)

3 CHAIRMAN TUTEN: All in favor, say aye.

4 (Responses of "aye.")

5 MR. SCHEU: With thanks.

6 CHAIRMAN TUTEN: And no opposed. Okay.

7 MR. KEANE: Now we can go back to the  
8 regular agenda. I knew you have to leave,  
9 Sheriff. We have some things here.

10 DR. HERBERT: Is there anything that's  
11 absolutely essential that we deal with today?  
12 Because Trustee Glover has to leave, and Trustee  
13 Scheu has something, and I have a doctor's  
14 appointment.

15 CHAIRMAN TUTEN: I got to go to work sooner  
16 or later.

17 MR. KEANE: Well, there's only one other  
18 item that needs a vote on, Mr. Chairman.

19 That's the redesignation of Jacksonville's  
20 oldest retired firefighter. There's a story in  
21 the paper this morning about Paul Galloway dying.

22 Succeeding him as our oldest retired  
23 firefighter is Retired Firefighter Engineer,  
24 Walter S. Farwell. And it takes action of the  
25 Board to designate this.

1 MR. SCHEU: So move.

2 DR. HERBERT: I'm very pleased to second the  
3 motion.

4 CHAIRMAN TUTEN: Any questions or  
5 discussion?

6 (No responses.)

7 CHAIRMAN TUTEN: All in favor?

8 (Responses of "aye.")

9 MR. KEANE: Everything else we can show  
10 received as information.

11 I do have one other thing to tell you about.  
12 At the last meeting during public comments some  
13 statements were made. Pass them out.

14 (Document distributed.)

15 MR. KEANE: We have an answer to that. That  
16 is the addendum to the agenda that is being  
17 handed out right now.

18 CHAIRMAN TUTEN: Can we talk about this  
19 John -- we'll let City Councilman Hazouri saying  
20 one last word.

21 MR. KEANE: Okay.

22 COUNCILMAN HAZOURI: I just want to say, I'm  
23 looking forward to working with you-all. I think  
24 the president of the council selected me because  
25 of my background in it. But more importantly is

1 that I do want to see that open communication,  
2 that transparency.

3 I think a lot of stuff that's happened over  
4 the years has been geared on individuals rather  
5 than what the Board is going to be doing.

6 And also I need to know -- I think I need to  
7 know this. This is for me, so in case anybody  
8 else asks me.

9 The forensic audit. Where do we stand on  
10 that? And I think Mike Weinstein is the  
11 point-person now, from what I understand in the  
12 house -- in the council.

13 But where are you-all on that as far as  
14 giving information, and what is the target date?  
15 I think you-all until next year is it, the 30th?  
16 I thought it was a few months. But then I  
17 heard -- I think you told me, Joey, next  
18 September.

19 MR. GREIVE: Sure. So you mentioned my  
20 boss, you know, who is kind of overseeing me at  
21 this point.

22 COUNCILMAN HAZOURI: Right.

23 MR. GREIVE: The forensic investigator has  
24 everything that he's requested, is my  
25 understanding. I'm not aware of anything else

1 outstanding. He has told us that definitely by  
2 the end of October, maybe earlier. We'll see.

3 COUNCILMAN HAZOURI: Because they said -- I  
4 think Mike told me that they've had as much as  
5 a year, but they thought they would have it ready  
6 sooner than later.

7 I just want to get that -- I just want us to  
8 have a clean slate with everything that we're  
9 doing so we can move forward and -- because we're  
10 all in this together.

11 So October?

12 MR. GREIVE: Yeah. I would think within  
13 about a month, at the latest.

14 COUNCILMAN HAZOURI: Thank you. Thank you,  
15 John. Thank you, Joey.

16 MR. KEANE: We would like -- we want to give  
17 you one thing to take with you.

18 COUNCILMAN HAZOURI: Thank you, John, for  
19 your service.

20 MR. KEANE: Yes, sir.

21 This is an email from Devin Carter who is  
22 responding to the statements made at the public  
23 hearing at our last meeting. And he says that:

24 "Public comment issues that were stated at  
25 the Board of Trustees meeting on 9/18/2015 have

1       been paid in full."

2               It was a matter of traffic infraction.

3               MR. SCHEU: I had asked John to give a  
4 report on this, and I appreciate you're talking  
5 care of that.

6               So you're all cleared up with all of those  
7 allegations that Mr. Lee had raised?

8               MR. CARTER: Everything is resolved.

9               MR. SCHEU: Thank you for doing that.

10              Thank you, John.

11              MR. KEANE: Traffic things.

12              (Councilman Hazouri exists the Board  
13 meeting.)

14              MR. KEANE: But as information for your  
15 reading between now and next meeting, here is a  
16 list of continuing and new projects that are on  
17 the table ongoing that need to be handled as we  
18 transition on October the 1st.

19              MR. SCHEU: It seems to me that you might  
20 recommend to the Chair that we ought to just have  
21 a special meeting to go through this, because  
22 there's -- I mean, it's all related to what we've  
23 been talking about.

24              If we're not going to have a special meeting  
25 next week, sooner rather than -- Joey just said,

1           whoever this is, is going to be standing in a  
2           fire hydrant.

3           DR. HERBERT: Is it possible for us to have  
4           a meeting on Tuesday, a special meeting?

5           CHAIRMAN TUTEN: What's today? Thursday?  
6           Friday. Yeah. We need to get with Larry,  
7           though.

8           MR. SCHEU: Can we do it Tuesday at 2:30  
9           Tuesday.

10          DR. HERBERT: Yeah. 2:30 if at all  
11          possible.

12          MR. KEANE: We'll notice it.

13          DR. HERBERT: Thank you.

14          MR. KEANE: So I'm going to show those -- on  
15          the addendum to the agenda, we're going to show  
16          that Number 3, email from Devin Carter, received  
17          as information; continuing projects list,  
18          received as information; and time service  
19          application, approved.

20          The other items on the regular agenda, we  
21          would just mark as received as information, which  
22          is the letter we sent to Mr. Bussells thanking  
23          him.

24          The Board had previously approved the  
25          replacement of the skylight that's leaking.

1 We've got all the contracts. They were drafted,  
2 by the way, by the Office of General Counsel.

3 MR. SCHEU: Good.

4 MR. KEANE: And they've all been signed and  
5 encumbered and we're ready to go. We have a copy  
6 of the Board Meeting Action List in your file.

7 I believe that concludes the regular and the  
8 addendum to the agenda, Mr. Chairman and  
9 Trustees.

10 CHAIRMAN TUTEN: Anybody got anything else?

11 DR. HERBERT: I move we adjourn.

12 MR. SCHEU: Second the motion.

13 CHAIRMAN TUTEN: All right. Meeting  
14 adjourned.

15 (The Board meeting concluded at 11:15 a.m.)

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## CERTIFICATE OF REPORTER

I, Denice C. Taylor, Florida Professional Reporter, Notary Public, State of Florida at Large, the undersigned authority, do hereby certify that I was authorized to and did stenographically report the foregoing proceedings, and that the transcript, pages 3 through 128, is a true and correct computer-aided transcription of my stenographic notes taken at the time and place indicated herein.

DATED this 7th day of October, 2015.

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

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