

JACKSONVILLE POLICE AND FIRE PENSION FUND
BOARD OF TRUSTEES MEETING

DATE: December 15, 2017

TIME: 9:05 to 10:55 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
Richard Patsy, Trustee
Chris Brown, Trustee
Willard Payne, Trustee
Nawal McDaniel, Trustee

STAFF PRESENT:

Timothy Johnson, Executive Director-Plan
Administrator
Stephen Lundy, Assistant Plan Administrator
Lawsikia Hodges, Office of General Counsel
Robert Sugarman, Fund Counsel
Joey Greive, Fund Treasurer
Pete Strong, Fund Actuary (via webex)
Dan Holmes, Summit Strategies (via webex)

CITY REPRESENTATIVES PRESENT:

Jason Gabriel, General Counsel

GUESTS: Randy Wyse, Jacksonville Association
of Firefighters
Steve Zona, FOP
Phil Vogelsang, Counsel for FOP
Chief Larry Schmitt, JSO
Michael Lynch, Jacksonville Association
of Firefighters
William Gassett

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BOARD MEETING

December 15, 2017

9:06 a.m.

- - -

CHAIRMAN TUTEN: All righty. Meeting adjourned.

(Laughter)

CHAIRMAN TUTEN: That's a little Freudian slip there. Yeah, buddy, you know where I'm at.

All right. Pledge of allegiance. How about that?

I 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.

All righty, then. Let's have a moment of silence for some deceased members: Larry Beck, firefighter-engineer; Mark Fletcher, retired firefighter; Dennie Haltiwanger, police sergeant; and Donald Whitman, retired fire lieutenant.

(Pause)

CHAIRMAN TUTEN: All righty. Oh, my favorite part. Take it over, Tim.

DIRECTOR JOHNSON: Thank you.

For item number IV on your agenda is the Recognition of Lieutenant Richard H. Tuten, III,

1 who has served this Board since 2013, 14 years, I
2 guess.

3 CHAIRMAN TUTEN: Yes, sir.

4 DIRECTOR JOHNSON: And today is his last
5 meeting. His term as a trustee expires at the
6 end of this month, and we wanted to take this
7 opportunity to recognize him for his service to
8 the Police and Fire Pension Fund.

9 We've got an award I'd like to give you, so
10 come on up.

11 CHAIRMAN TUTEN: Let's get it.

12 MR. PAYNE: All right.

13 DIRECTOR JOHNSON: So this is to Richard H.
14 Tuten, III, from the Board of Trustees of the
15 Jacksonville Police and Fire Pension Fund for
16 your service, July -- January, I'm sorry, 2003,
17 through December 2017. Thank you for your
18 service and dedication.

19 (Applause)

20 CHAIRMAN TUTEN: Thank you. Thank you.

21 Nice, compact. It will fit well with the
22 rest of them.

23 All right. It's been exciting. I can't
24 lie. The last five or six years have been a
25 little too exiting for my taste, but it was fun.

1 Hopefully I served the members well, and that's
2 pretty much the reason I came down here.

3 I think Mike will do a good job. Where is
4 Mike? There he is. I think Mike will do a good
5 job. If he doesn't, well, I'll call him.

6 (Applause)

7 DIRECTOR JOHNSON: And the staff and I
8 ordered this incredible cake. I hope you get a
9 chance to see it before you leave.

10 CHAIRMAN TUTEN: Oh, yes.

11 DIRECTOR JOHNSON: It's a cake that's on
12 fire. It's got a hose on top putting the fire
13 out. It says, "Thank you to Lieutenant Richard
14 H. Tuten, III." So you'll get a piece of that
15 later.

16 CHAIRMAN TUTEN: If I was to touch it, do I
17 get to keep it?

18 DIRECTOR JOHNSON: Don't do anything like
19 that.

20 CHAIRMAN TUTEN: All righty. Thanks
21 everybody. Moving on to --

22 DIRECTOR JOHNSON: Public speaking.

23 CHAIRMAN TUTEN: Public speaking.

24 First up we have Randy, president of the
25 local union, wants to talk about chapter dollars.

1 MR. WYSE: Good morning. Randy Wyse,
2 representing the Jacksonville Association of
3 Firefighters.

4 First off -- I don't have to talk just about
5 what I put on the paper. I want to thank Rich
6 Tuten for his longer service to the Police and
7 Fire Pension Board, and best wishes in the
8 future.

9 Really, laying out on the record, I think --
10 I would hope that Mr. Johnson would address it,
11 but there has been a grievance filed in relation
12 to -- as it relates to chapter dollars, which
13 we've done a little bit with already.

14 So anything moving forward -- again, I
15 wanted that on the record for everybody to hear
16 before any motions or anything like that.
17 Obviously, you'll do what's best -- what you
18 think is best. And it's interesting to see a
19 court reporter back.

20 And this could end up in arbitration. Be
21 careful what you say. Thank you-all.

22 CHAIRMAN TUTEN: All righty. Thanks to
23 President Wyse.

24 We have President Zona from the JSO.

25 MR. ZONA: Good morning. Steve Zona,

1 President of the FOP here in Jacksonville.

2 I'm going to echo what President Wyse said.
3 First, congratulations, Rich, on a long,
4 hard-fought battle. You were here in the
5 trenches when all the fighting was going on.

6 We also filed a grievance on the 11th over
7 the chapter funds. We believe based on this
8 contract that was ratified back in February that
9 the remaining chapter funds belong to the FOP for
10 their legal use.

11 And I'm just going to comment on something
12 else that's kind of concerned me. I listened to
13 this week the tape of the last Police and Fire
14 Pension Fund meeting. And not to single somebody
15 out, but this goes back to legal opinions and the
16 authority of the Board and so forth.

17 I listened to Ms. Hodges on tape saying
18 that, you know -- and I'm going to paraphrase it
19 because the exact words are there, forever
20 memorialized, but something to the effect of
21 contracts aren't just black and white; you've got
22 to look at the intent, and that she had spoke to
23 Mike Weinstein, and Mike assured her that the
24 intent was for the city to get the funds.

25 My phone never rang, President Wyse's phone

1 never rang, to get our opinion on what the intent
2 was.

3 So I'm just here to say that in the middle
4 of this grievance, I'm asking the Board not to do
5 anything with that money until we can go through
6 our process. I think the process to resolve this
7 is through grievance and arbitration, if
8 necessary, and that the Board should just hold on
9 to that money until it's been resolved.

10 That's what we're respectfully asking, so
11 thank you.

12 CHAIRMAN TUTEN: All righty. Thank you,
13 President Zona.

14 We have Phil Vogelsang.

15 MR. VOGELSANG: Good morning. Phil
16 Vogelsang, general counsel for the FOP.

17 Just to piggyback on what President Zona
18 said a little bit, we have filed a grievance in
19 this particular case related to the chapter funds
20 and what our bargaining -- what happened at the
21 bargaining table earlier this year.

22 And once this was adopted, one of the main
23 arguments that we would have is once this was
24 adopted by the City Council and ratified, the
25 2015 agreement, which entitled the city to 50

1 percent of the funds, of the chapter dollars
2 going forward, once that was -- once that was
3 ratified, that agreement was effectively to be
4 dissolved, and within the agreement it cites that
5 that agreement was dissolved.

6 So our question -- and Ms. Hodges obviously,
7 as an employee of the city, and like Mr. Zona
8 said, met with Mr. Weinstein by didn't speak to
9 any of the unions regarding their opinion on the
10 matter, but her employers actually get the \$5
11 million if her opinion is upheld.

12 So I think it's beneficial to her to only
13 bring in the city side and not our side. So
14 that's why I believe it's important for the Board
15 to let this arbitration play out so our side can
16 be presented to a neutral party.

17 And I think that that's what should govern
18 this Board and what happens with those chapter
19 dollars going forward.

20 We also learned after the grievance was
21 filed that I guess the city already took the
22 chapter dollars or has retained those. So I've
23 articulated that in the grievance that we want
24 the money back, put back into the chapter funds
25 so that we're able to use those for any legal

1 use.

2 But tying back to what I said before, if the
3 2015 agreement was dissolved, this Board should
4 not be able to then give those 50 percent of the
5 funds to the city under an agreement that doesn't
6 exist anymore.

7 The only agreement that exists related to
8 chapter funds is the one that we ratified and
9 collectively bargained at the table for the first
10 time that we -- the first time ever that we
11 bargained pensions.

12 So that's part -- part of our argument and
13 several other arguments, but that's left for a
14 grievance, and we'll hash that out with the city
15 through the grievance process, and if we can't
16 resolve it that way, then we'll end up in
17 arbitration.

18 So we would just ask, like Mr. Zona said,
19 that this Board vote to keep this matter on hold,
20 keep the funds held where they're at, and then at
21 the direction, hopefully, of an arbitrator in the
22 future, this Board can seek from the city the
23 funds that the city already has in chapter
24 dollars.

25 Thank you.

1 CHAIRMAN TUTEN: Thank you, sir.

2 MR. BROWN: Mr. Chairman, I'd ask that we
3 take up this matter right now, if we can, to
4 discuss basically what the status of things are
5 so that I have a better understanding of it.

6 CHAIRMAN TUTEN: Yeah, sure. That's cool.

7 Director Johnson, would you like to fill
8 everybody in?

9 DIRECTOR JOHNSON: I sure will.

10 So we're going to segue from the last item
11 on my report into the -- into the area of Old
12 Business.

13 So at the last meeting in November, it was
14 moved by the Board that on condition of signed
15 MOUs with the union, we would distribute a
16 holiday bonus to the retirees. So you'll see a
17 record in your Board book of the letters that we
18 received from the unions. And following that,
19 evidence of chapter money used to pay holiday
20 bonus to 2,510 retirees, for a total of \$2.1
21 million.

22 Following that, President Zona asked for a
23 reconciliation of the remaining money. So if you
24 take the 5.4 million that we started with, the
25 2.1 that we paid for the holiday bonus, there

1 remains \$3.3 million that could be used by the
2 Board to pay share plan, if it chose to. So
3 you've now heard the unions' response to how that
4 \$3.3 dollars should be viewed.

5 And so with that said, we have reached out
6 to our attorneys for legal direction. They are
7 aware of the grievances as well, and before the
8 Board consider next steps, it's probably
9 appropriate to hear from our attorney.

10 MR. BROWN: Just a question. So the three
11 and some odd million that is there, so that has
12 not gone to the city. This is -- the amount that
13 they were discussing was the amount from last
14 year?

15 DIRECTOR JOHNSON: So I'm not talking
16 about --

17 MR. BROWN: That portion of the --

18 DIRECTOR JOHNSON: -- the half of the
19 chapter money that was allocated to the city's
20 contribution last year. I'm only talking about
21 the half of the money that the Board
22 traditionally has had control over.

23 MR. BROWN: And so that money is going to
24 stay there, and I think we did decide that it's
25 just going to stay there until all of this gets

1 resolved. Is that --

2 DIRECTOR JOHNSON: That's not quite --

3 MR. BROWN: Okay.

4 DIRECTOR JOHNSON: -- accurate. What we
5 decided was that we weren't going to take up
6 share plan last month.

7 MR. BROWN: Right.

8 DIRECTOR JOHNSON: There was really no
9 discussion by the Board about what to do with it.
10 So if you look at the record, the Board just
11 decided to distribute the holiday bonus. It
12 didn't address the share plan.

13 And the Chair, I believe, felt it was only
14 proper for the membership to know that the Board
15 recognizes that there is conflict, and before the
16 phone starts ringing in January when that
17 distribution typically is made, that the Board
18 deliberate over it so that staff and other Board
19 members, when called, if called, can officially
20 express what the Board's wishes were relative to
21 that money.

22 MR. BROWN: Last question. When will any
23 Board action need to be taken at this point as
24 far as the distribution of that -- of that money?

25 DIRECTOR JOHNSON: I'm not sure there's a

1 deadline --

2 MR. BROWN: Okay.

3 DIRECTOR JOHNSON: -- that you're working
4 on. I'm not sure that you're backed in a corner.

5 MR. BROWN: Okay. So I didn't know if there
6 was going to be any proposal that we take action
7 or anything like that.

8 I think the spirit of what we discussed last
9 month is -- in that discussion, whether or not it
10 was codified, is just to hold on until things are
11 resolved. You don't want to take action while
12 there's still some sort of dispute that needs
13 resolution. I think that's probably the fairest
14 thing.

15 CHAIRMAN TUTEN: Well, we don't need to --
16 from the onset, I told Tim, like, look, whatever
17 the union, regardless of what the legal whatever
18 is, whatever the unions want, you know, we'll
19 hold the money, we'll send it, whomever, it
20 doesn't really matter, you know.

21 For the Board in this case to be able to sit
22 out a fight between the city and whomever and
23 just sit back and relax, well, I think that's the
24 best thing to do. Sit back and relax.

25 MR. PATSY: Easier.

1 CHAIRMAN TUTEN: And whatever happens, we'll
2 give whoever the money, wherever they want it.
3 That's the best thing to do.

4 MS. McDANIEL: May I ask, traditionally,
5 when are the funds distributed?

6 DIRECTOR JOHNSON: In January.

7 MS. McDANIEL: In January.

8 DIRECTOR JOHNSON: Yeah. Traditionally it's
9 distributed in January.

10 MS. McDANIEL: Okay.

11 DIRECTOR JOHNSON: And it is a credit --

12 MS. McDANIEL: But no deadline?

13 DIRECTOR JOHNSON: -- it's not really --
14 checks aren't actually handed to members, but
15 their accounts are credited with their share of
16 that money. So it's traditionally in January.

17 But again --

18 MR. BROWN: One more question on that. I'm
19 sorry, Tim.

20 DIRECTOR JOHNSON: Yes.

21 MR. BROWN: Is the money still earning the
22 same amount of interest it would earn as if it
23 were credited? I mean, it's just literally
24 accounting?

25 DIRECTOR JOHNSON: Yes.

1 MR. BROWN: Okay. So there really is no
2 financial impact to delaying the actual crediting
3 of that money to these accounts?

4 DIRECTOR JOHNSON: No.

5 CHAIRMAN TUTEN: All right.

6 DIRECTOR JOHNSON: Again, I -- I guess we
7 have two things: One, officially we need to get
8 some direction from the Board as to what they
9 want to do.

10 And, two, we haven't heard from our
11 attorneys. So the attorneys might have some
12 input or feedback with regard to what they've
13 heard so far.

14 CHAIRMAN TUTEN: Before we get into that,
15 we've got one more speaker.

16 DIRECTOR JOHNSON: All right.

17 CHAIRMAN TUTEN: We'll let him go and then
18 we'll get into -- all right. Bill.

19 MR. GASSETT: I don't mind waiting until the
20 end.

21 CHAIRMAN TUTEN: You want to wait?

22 MR. GASSETT: Yeah.

23 DIRECTOR JOHNSON: Do you want to comment on
24 it?

25 MR. GABRIEL: Mr. Johnson, thank you.

1 Mr. Chair, if I may, and I'll just T it off,
2 and of course we've conferred with Bob Sugarman
3 and Lawsikia. So, you know, the three of us have
4 discussed this issue.

5 What we have here ready for you today, of
6 course, you haven't had a chance to review it
7 yet, is a memo that outlines in detail, factually
8 and legally, what the position of the
9 consolidated government is on the 2016 chapter
10 funds. That's what the focus is. It's just that
11 tranche. You know, I think it's pretty clear
12 going forward how things are allocated, how
13 chapter funds are used and all that.

14 I believe it's very clear how the 2016
15 chapter funds should be allocated, and it's all
16 outlined in detail in this memo. We're going to
17 distribute this memo today. You-all will have an
18 opportunity to review it, look at it, digest it,
19 call us with any questions. And certainly, you
20 know, at your next meeting, we can discuss it
21 further. Or prior to that, you know,
22 individually.

23 But in a nutshell, what that memo states is
24 that the 2016 chapter funds are to be and have
25 actually already been allocated. We're going

1 back two years almost. It's amazing when
2 those -- the 2016 chapter funds were allocated,
3 calculated, credited and, you know, utilized in a
4 way that -- that it has been, as shown on the
5 allocation sheet that Tim Johnson has presented,
6 over -- over a year and a half, maybe two years
7 ago.

8 So factually you're going to see milestones
9 from about October of '15 till now where it's
10 been, you know, out there in the public how those
11 funds would be used, how they would be allocated
12 and how they're, in fact, credited.

13 And you're going to see some points where
14 the -- through the actuarial reports themselves
15 where the monies were actually stated in full
16 force and effect as to how they're going to be
17 used.

18 So everyone is fully aware of how the funds
19 were to be used and should be used. The monies
20 were allocated prior to October 1st, 2017. This
21 issue of future chapter funds are for future
22 chapter funds allocated, earned and accrued after
23 October 1st, 2017. I think all of that will be
24 crystal clear when you read the memo.

25 So just to let you know -- and, of course,

1 your desire and what you decide to do today or at
2 the next meeting is completely your discretion --
3 but that you have every authority to apply the
4 5.8 million or so of chapter funds, which is half
5 of the 2016 chapter funds, in one of those three
6 ways that are delineated in the 2015 agreement,
7 which, unlike what Mr. Vogelsang has represented
8 to you today -- he's completely wrong -- that
9 agreement is in existence, and while we do
10 believe you should -- and I'm going to get to
11 that in my part of this later on the Wyse report,
12 you know, in terms of our joint status filing,
13 it's an agreement that's in existence.

14 It's an agreement that you should probably
15 contemplate terminating soon, and we'll get into
16 that later, but that agreement is in existence.
17 You can ask Judge Howard at the federal
18 courthouse if it's in existence because it sits
19 before her under her jurisdiction.

20 So it has not been dissolved. However, for
21 all practical purposes, the collective bargaining
22 that has taken place over the course of the past
23 several months has rendered it, you know -- you
24 know, nonapplicable anymore anyway because
25 there's no reason for it. We'll get into that

1 later.

2 However, regardless of whether it exists or
3 not, the fact of the matter is there was a
4 treatment in collective bargaining in the 2017
5 agreements as to how chapter funds would be used,
6 allocated, distributed up through October 1st,
7 2017 and then afterwards. And that's a
8 delineating point. As to when the money actually
9 came into the coffers is irrelevant.

10 So to sort of summarize, a long-winded way
11 of saying, you have the authority to apply it. I
12 understand if you want to hold out for the moment
13 and wait for the grievance process to go through.
14 We will be handling the grievance process.

15 It's a process that will involve the fire
16 department, the fire chief and, of course, the
17 sheriff and JSO. And we're going to, you know,
18 walk it through the process appropriately.

19 But I just want to make it crystal clear
20 that this Board has every right to utilize that
21 50 percent of the 2016 chapter funds in one of
22 the three ways as outlined in the 2015 agreement,
23 which is in compliance fully with the 2017
24 agreements.

25 MR. BROWN: Procedurally, who -- who is over

1 that grievance? Who resolves that, what body?

2 MR. GABRIEL: That's a good question. I
3 mean, and each collective bargaining agreement
4 has a little bit of a -- it's a similar path but
5 different actors.

6 For, for example, on the fire side of it, I
7 believe there's -- there may be a director and
8 then it's the fire chief, and then -- it's like a
9 three- or four-step process. And then I think in
10 that case it's the HR director.

11 And if the result is unsatisfactory to
12 either of the parties and it does go to an
13 arbitrator, which is usually a retired panel of
14 judges -- at least I know that's the case on the
15 police side; I've got to look on the fire side.
16 It's all outlined in the grievance process.

17 On the sheriff's side is a four-step
18 process, I think, and the sheriff ultimately
19 makes a decision, and then an arbitrator.

20 CHAIRMAN TUTEN: Anybody else got questions?

21 MR. BROWN: Okay. So -- and I think in
22 terms of what Tim was asking, perhaps I would
23 make a motion that we delay allocating that money
24 to the share plan until that grievance -- there's
25 a final determination on the grievance, just an

1 abundance of caution, so that if that grievance
2 were to -- were to support what the union is
3 bringing up here today, that, you know, we won't
4 have to undo anything.

5 And I would make that motion -- I'd make
6 that motion, but then also perhaps ask our
7 attorney, Mr. Sugarman, if there's any other
8 implication, negative implication.

9 CHAIRMAN TUTEN: Okay. We have a motion.
10 Do we have a second?

11 MR. PAYNE: Second.

12 CHAIRMAN TUTEN: And a second.

13 Discussion? Bob -- or Rick, you got a
14 question?

15 MR. PATSY: I want to hear Bob's opinion.

16 MR. SUGARMAN: I believe that the motion
17 that was made is the most prudent measure because
18 you have an opinion from the General Counsel's
19 Office that you can, it is lawful to allocate
20 that money.

21 But the question is, should you? And my
22 concern, looking at the pension fund, is avoiding
23 the risk of double payment. So if we were to
24 give the money to the share account and -- put
25 the money in the share account, and if the unions

1 were successful in their grievance arbitration --
2 because, remember, it deals not only with the 5
3 million; it deals with the allocation of all of
4 the 175, 185 money. The unions have only agreed
5 to the allocation for the holiday bonus.

6 So if we were to take, say, \$3 million and
7 put it in share accounts, and then it turns out
8 without the union's consent, and then it turned
9 out that we didn't have control over that money,
10 that that was controlled by the unions, who will
11 then tell us what to do with that money, we would
12 run the risk of having to pay it again.

13 Now, we could just say, we'll take
14 everybody's account and debit it, but that's not
15 the way we like to treat our members. You don't
16 say, you've got something, and then take it away
17 from them. And it's an awful lot of work
18 administratively.

19 So the more prudent course is for us the
20 lucky course. Normally we have to interpret the
21 ordinance and -- which is based on the collective
22 bargaining agreement. But here the unions have
23 actually done all of us a service by saying
24 someone else is going to interpret it for us.

25 And it's going to be interpreted in the

1 manner in which the parties to the collective
2 bargaining agreement agree themselves.

3 So if we have a disagreement, we're going to
4 go to an arbitrator and arbitration panel. And
5 since our ordinance is derived from the
6 collective bargaining agreement, which is where
7 we would look to interpret it, and since the
8 parties who sign that agreement, at least as of
9 today, are in disagreement over what that means
10 and are now moving towards finding out what that
11 means, by their agreed-upon method, we can just,
12 as the chairman said, sit back and just see what
13 the answer is. When we get an answer, then we'll
14 do what we're told.

15 CHAIRMAN TUTEN: Okay. We have a question,
16 comment from the audience.

17 President Zona, you wanted to say something
18 real quick?

19 MR. ZONA: Yes, sir. Thank you.

20 I just want to make sure that -- I know
21 we're talking about the three million, 3.1
22 million that's left over, you know, that would
23 have gone to share plans.

24 But, more importantly, I'm also talking --
25 we're also talking about the money that the city

1 is going to credit to their account, like
2 Mr. Gabriel was talking about. We're asking that
3 that be held and not credited to the city for
4 their payment until this grievance is over with
5 and all through arbitration.

6 CHAIRMAN TUTEN: Okay. We have a motion and
7 a second by Willard.

8 Any further discussions, comments,
9 questions?

10 (No responses.)

11 CHAIRMAN TUTEN: All in favor?

12 (Responses of "aye.")

13 CHAIRMAN TUTEN: Any opposed?

14 (No responses.)

15 MR. PATSY: So where do we go from here?

16 MR. BROWN: So our motion was for the three
17 and some odd million.

18 So I guess moving out to the other half that
19 I guess Mr. Zona was talking about, Mr. Sugarman,
20 do you have --

21 MR. SUGARMAN: Well, let me just follow-up
22 on where we are now.

23 This motion having passed, Tim, this will
24 not appear on the agenda until the grievance and
25 arbitration procedure is concluded. So we should

1 request the unions and the city to tell us when
2 it's concluded and to give us the final decision,
3 which will either be a grievance settlement, a
4 grievance withdraw, or an arbitrator's decision,
5 and maybe it's appealed or not. Who knows?

6 But those are the possible steps, but we
7 need to be told when that happens. So -- and
8 we've always had good cooperation from the city
9 and the unions. They're our partners in this
10 endeavor so I'm sure we will get that. But
11 that's going to be the trigger to putting it back
12 on the agenda.

13 CHAIRMAN TUTEN: All righty, then.

14 MR. BROWN: So the one last question -- and
15 I'm sorry. I think we're going to at least take
16 care on some of the items that were on the back
17 of the agenda.

18 I just want to make sure that I know because
19 I get the questions from membership and others.

20 So on this other piece, is there any action
21 for us to even take, or is what's done been done
22 as far as the other half of things?

23 CHAIRMAN TUTEN: Well, there's two halves.
24 The city has their half and then we have our
25 half. Our half --

1 MR. BROWN: Is there anything else to do?

2 CHAIRMAN TUTEN: No. That's between the
3 city and the unions to slug it out.

4 MR. SUGARMAN: Is Pete on the line?

5 MR. JOHNSON: Yes, he is.

6 MR. STRONG: Yes.

7 MR. SUGARMAN: Pete, the five million
8 that's -- at the moment there's eight million in
9 dispute, but five million of that was credited by
10 the city.

11 Do you need to know what --

12 MR. STRONG: Yeah. Well, it was reduced up
13 front. In Jarmon Welch's -- or Pension Board
14 Consultants' 10/1/15 and 10/1/16 actuarial
15 valuation reports, you can see that the
16 calculation of the city's contribution for fiscal
17 year '17 first reduces an estimate of half the
18 chapter funds to be received in fiscal rear '17.

19 So what the city has put in for fiscal year
20 '17, which has already expired, netted out what
21 the expectation of half of the chapter funds
22 would be. So, you know, that's being held right
23 now as a receivable, as of 9/30/17, to complete
24 the fiscal year '17 contribution requirement due
25 to the plan.

1 So if it's -- if this five million does not
2 end up being allocated towards the city's
3 contribution, the city would have to make up that
4 payment to the pension fund.

5 MR. SUGARMAN: Yes. What will happen if our
6 pension -- if our -- if our annual audit and if
7 our valuation show a receivable from the city and
8 we send it to the state, the state will then
9 begin inquiring and may hold up our next money
10 until the city -- until the bill is pay.

11 So hopefully the grievance procedure will be
12 over by late spring or early summer, because then
13 we can tell them that that's resolved.

14 But when you approve an actuarial valuation,
15 that's the question. Are you showing it as a
16 receivable, in which case you're agreeing with
17 the credit that was given by the actuary, or are
18 you going to show it as something else?

19 And the actuarial valuation is going to be
20 in front of you in a month of two.

21 CHAIRMAN TUTEN: All righty. Moving on.

22 DIRECTOR JOHNSON: We're up to item VI,
23 Consent Agenda.

24 MR. BROWN: I make a motion that we accept
25 the Consent Agenda.

1 CHAIRMAN TUTEN: Do we have a second?

2 MR. PATSY: Second.

3 CHAIRMAN TUTEN: Okay, Rick.

4 Questions, comments? Anything out of the
5 ordinary on this Consent Agenda, Tim?

6 DIRECTOR JOHNSON: Yes, sir. There's two --
7 one item that's out of the ordinary.

8 Under 2017-12-04CA, this would be on your
9 page 3, there was one application for membership
10 that was for a member that was hired before
11 October 1 but didn't make it to last month's
12 agenda.

13 So I don't want it to look as though there
14 were hires and members added to the plan after
15 October 1. This is someone who was hired before
16 October 1 but just didn't get on a prior agenda.

17 So you don't have to do anything special.
18 In fact, that individual has already resigned
19 from the city. So they don't exist anymore, even
20 as a member.

21 But it -- for the record, it might look
22 unusual: Why did we have applications in
23 December when the plan closed to new members in
24 October?

25 MR. BROWN: That person already resigned.

1 They're not eligible for membership for any other
2 reason?

3 MR. JOHNSON: No.

4 MR. BROWN: Because I heard from the
5 advisory committee of some particular odd case.

6 DIRECTOR JOHNSON: That was it.

7 MR. BROWN: That was it. Okay. But we're
8 good.

9 MR. JOHNSON: Yes.

10 MR. BROWN: All right.

11 MR. JOHNSON: So that's -- that's it.

12 CHAIRMAN TUTEN: All right.

13 We have a motion and a second. Any more
14 comments, questions?

15 (No responses.)

16 CHAIRMAN TUTEN: All in favor?

17 (Responses of "aye.")

18 CHAIRMAN TUTEN: Any opposed?

19 (No responses.)

20 CHAIRMAN TUTEN: Perfect.

21 Counsel Reports. Director Johnson, do you
22 want to do the quick one, maybe the --

23 DIRECTOR JOHNSON: Yeah. I'll do an
24 introduction, if you-all don't mind for -- for
25 Jason Gabriel, who is General Counsel for the

1 City of Jacksonville.

2 We had begun a process, I believe, last
3 spring were we asked the Office of General
4 Counsel to give the Board advice relative to the
5 joint status report that was due to the judge
6 October 15 of 2017.

7 There were questions that the Board, through
8 the Chair, posed to the Office of General
9 Counsel, and there was not only an attempt to
10 answer those questions before October 15th, but
11 there were also individual meetings with Trustees
12 to talk about those questions.

13 So we had wanted to get the Office of
14 General Counsel here before that report was
15 submitted. We knew that wasn't going to happen.
16 We had hoped to get Jason here in November, but I
17 believe there was a scheduling conflict. And so
18 now the reason why he's here in December is
19 because he wasn't able to make it in November.

20 So he's going to talk about that joint
21 status report that was submitted to the Court and
22 what -- you know, what's contained in it.

23 I think there was a request in it and a
24 response to the request. And then I guess he'll
25 answer any questions that members of the Board

1 might have relative to that subject, or possibly
2 anything else that we might want to ask him
3 about.

4 So what that, I'll turn it over to the
5 Office of General Counsel and Jason Gabriel.

6 MR. GABRIEL: Thank you. And through the
7 Chair.

8 And I'll be brief because I know some of
9 these concepts, and we can talk about them as
10 much as you'd like to here today, but we've
11 discussed sort of *ad nauseam* over the course of
12 the past several months.

13 But in a nutshell, to just sort of
14 outline -- and this is on the -- you know, just
15 for shorthand, the Wyse case versus the City of
16 Jacksonville, which had been settled in 2015 and
17 which had resulted in that 2015 Pension Reform
18 Agreement, which is just recently been modified,
19 you know, with the 2017 collective bargaining
20 agreement.

21 And like Mr. Johnson said, we've had many
22 discussions about it both here at the Board
23 meetings, throughout the collective bargaining
24 process, and even individually.

25 But just sort of the highlight dates and

1 points on that, on or around September 18th of
2 2017, a few months ago, I had issued a memo that
3 went over some questions and answers that had
4 come from the Chairman, you know, as a result as
5 the conversations we've had.

6 And it was a good -- I think it was a good
7 exercise because I think it -- it got us to
8 reduce in writing and frame, you know, issues
9 that had been kind of talked about a bunch. So
10 that was a good -- I think a good call on the
11 Chair's part.

12 So we -- we answered those questions in that
13 memo on or around that time. And then around
14 September, October, I don't have the exact dates,
15 of course, our office had reached out and met
16 with the individual Board members -- each of you,
17 I believe, except, of course, Ms. McDaniel;
18 you're new, but we met with your predecessor,
19 Mr. Scheu -- to have -- and it's a professional
20 duty on the lawyer's part to communicate with a
21 client, and that's what we were doing and will
22 continue to do in the future.

23 But to meet individually with Board members
24 to go over some PFPF matters, particularly some
25 pending cases, which is what lawyers typically

1 do.

2 The disadvantage or advantage, depends on
3 how you look at it, with public entities is, of
4 course, a lot of what we do -- and I'm talking in
5 the realm of litigation -- is in the public. And
6 unlike private sector clients who can have, you
7 know, meetings in their office rooms without the
8 public and the media looking it at -- and not
9 that that's a bad things but it's a disadvantage
10 because, you know, strategies and things that you
11 do in litigation to gain an advantage are
12 telecast, you know, when you're a public entity.
13 That's all I'm talking about in terms of that
14 disadvantage.

15 You know, so that's -- I say that because
16 that's why we have these individual meetings with
17 Board members because we want to have candid
18 conversations that would be curtailed if we were
19 to have them in the public.

20 So that's the reason for and -- I'm only
21 explaining that that's the reason we're having
22 these individual meetings to discuss pending
23 cases, such as the Keane case, which, you know,
24 we're in the middle of at the moment. And even
25 the Wyse case, which has been settled, so it's

1 not a pending piece of litigation.

2 But when we looking to see if we could have
3 a shade meeting on the Wyse case, AG opinions
4 will tell you that you can't, even though it had
5 been settled. It's just -- that's the opinion of
6 the Attorney General's Office.

7 So in any event, we had these one-on-one
8 meetings, which I thought were very productive.
9 We went into some good detail on the status of
10 the cases. And that was an opportunity to update
11 and also communicate on where we were, and an
12 opportunity to tell each of the individual
13 members, you know, what was going to go into the
14 joint status report that we would have to file,
15 as Mr. Johnson pointed out, by October 15th.

16 So we had those meetings, productive, I
17 believe. And then what we did was based on those
18 conversations and based on what we outlined in
19 that memo from September 18th, we conferred with
20 the union attorneys and the unions, and -- and --
21 I'm sorry, not the union attorneys.

22 In this case, you know, the plaintiffs were
23 Randy Wyse and three other members of the fire
24 union. We had conferred with their attorney, and
25 then what we did is we filed this pleading called

1 a joint status report, which is required pursuant
2 to the 2015 reform agreement with the federal
3 court.

4 And we did that, I believe, on October 13th.
5 That's when we filed it, and we basically filed
6 it kind of explaining very generally and briefly
7 what had transpired over the course of the
8 previous several months, which was essentially
9 collective bargaining, and the change of benefits
10 that had occurred.

11 And because in recognition of collective
12 bargaining and the fact that this would most
13 likely happen over the course of the years to
14 come, there was no need to -- and this was
15 outlined in that September memo as well -- no
16 need to continue to do the joint status report to
17 go to a federal judge to let the federal judge
18 know every year what we had done that we're
19 allowed to do by Florida law anyway, which is
20 collectively bargain benefits.

21 We just thought it was unnecessary. It was
22 a moot point at that point. I think everyone
23 agrees to that. And so one of the things asked
24 for in that joint status was, hey, Your Honor,
25 could you dissolve the part of the order that

1 says you have to come every year and jointly
2 report?

3 And so what happened was about a month
4 later, on November 13th, in a very short order,
5 the judge granted that, basically removed the
6 joint status report requirements and -- and
7 stated that the joint status is accepted and
8 granted.

9 So everything, so far, so good on that.

10 Now, what that means is that reform
11 agreement still sits there. It's still
12 enforceable and, you know, sits under the limited
13 jurisdiction of the federal court.

14 But for all practical purposes, you know, in
15 terms of collective bargaining and things like
16 that that will very well occur, you know, in the
17 future, it may be for this Board's -- and I'm
18 kind of segueing into, you know, your future acts
19 here that you may want to consider, is you may
20 want to consider terminating that agreement.
21 There may not be a need for it anymore.

22 I mean, the first step -- and we kind of
23 talked about this two-step process, which was at
24 first, there's no need for the joint status
25 reporting. So that's been dissolved. And now

1 the question is, is there a need for agreement in
2 and of itself?

3 Because if you'll recall, the agreement kind
4 of had three tranches of things in there: Board
5 governance, which was some really good work; a
6 lot of thought had gone into that stemming from
7 the Task Force before led by Bill Scheu and
8 others and that, you know, eventuated into this
9 agreement. So that's codified. It's in the
10 code, even parts of the charter. So that's
11 there. And even if you dissolve the agreement,
12 it doesn't get rid of that. It stays.

13 And if anyone ever wanted a change in the
14 future, that's a whole discussion that would have
15 to take place with the rule makers at City
16 Council.

17 And Number 2 was the pension benefits.

18 And Number 3, as part of collective
19 bargaining and pension benefits was this
20 allocation of funds and different reserve
21 accounts and things like that.

22 All of these things have been negotiated,
23 resolved, save for -- I know we have a grievance
24 at the moment, but that's a separate point. And
25 so there may not be a need for that.

1 I put that out there. It's something to
2 just think about, marinate on, and at maybe a
3 next meeting we can even have a further
4 discussion of it. But it's something that
5 you-all should consider, is the need for that
6 agreement in the future.

7 And so that's -- I mean, that's basically
8 the status of that Wyse case that's been settled,
9 and that sits there at the moment.

10 MR. BROWN: Can I ask, Jason, so mentioning
11 that we could do it next month or discuss it
12 further, what are the steps that we would need to
13 take to dissolve that? I mean, is it simply
14 Board action? Do we have to confer with the
15 judge? How does that work?

16 MR. GABRIEL: Yeah, very good question about
17 the process.

18 So what that would take would be -- there
19 would be a resolution from this Board. You
20 essentially have three parties to that agreement,
21 and I won't get into the need and the necessity
22 and all that in terms of the agreement at the
23 moment.

24 But, yes, what would happen is -- to sort of
25 streamline it, you-all would consider it, you

1 would make a motion and a second with a majority
2 vote to dissolve or terminate the agreement. And
3 that in and of itself would then direct staff to
4 prepare a rather simple -- I would imagine, a
5 rather simple termination pleading. And then, of
6 course, you know, we would have to get with the
7 plaintiffs, you know, and have a discussion with
8 them as to whether they believe, you know, it
9 should be terminated or not.

10 I mean, we would probably have this
11 conversation prior to you doing this. And then,
12 of course, the city itself. And then the city,
13 via City Council action, would do something very
14 similar to the Board. They would resolve to
15 terminate it.

16 And then -- so if you get the three parties
17 to resolve to terminate resolution from here,
18 council ordinance or resolution, and then the
19 union -- I keep saying the union. Randy Wyse,
20 the plaintiff, and his other plaintiffs there, if
21 everyone agreed, we would file a joint
22 termination, three-party termination. It would
23 be rather simple, and you would terminate it.

24 So it would be resolution and then a court
25 pleading to do that.

1 MR. BROWN: So I guess my question is, is
2 there any reason to wait? Is there any reason to
3 wait to began -- to begin that process?

4 MR. GABRIEL: That's your call. If you want
5 to wait. If you're ready to do it, you can --
6 you can move to do it.

7 The only -- you know, the only consideration
8 is -- I mean, this is a -- we've had some, I
9 would say, informal conversations with -- you
10 know, both on the city and even with the
11 plaintiffs in that settled case.

12 We haven't had a conversation recently. I
13 mean, I suppose the Board could go ahead and move
14 to do so. And then, of course, the next step
15 would be we would have to talk to the plaintiffs
16 and the city.

17 So until all that happened, it wouldn't be
18 done. I mean, to answer your question, no,
19 there's no reason to wait --

20 MR. BROWN: So is the proper way to make a
21 motion, the proper wording, it would be to
22 dissolve this agreement contingent upon the
23 agreement of all parties involved. Is that --

24 MR. GABRIEL: You -- you could say that or
25 you could even move to terminate the agreement

1 along, you know, with your second, appropriately,
2 but move to terminate the agreement and then
3 instruct staff and your attorneys to prepare the
4 appropriate documentation to proceed with the
5 other parties and to take it to the federal judge
6 to do so. That's what -- that's what you would
7 do.

8 MR. BROWN: Okay.

9 CHAIRMAN TUTEN: Rick, do you have a
10 question?

11 MR. PATSY: Along that same line, is there
12 any benefit to waiting versus going ahead and
13 doing it today?

14 MR. GABRIEL: I would answer that and say
15 I'm neutral or ambivalent to the -- in terms of
16 waiting or not waiting. I don't think there's
17 any pro or con to doing it today versus doing it,
18 you know, in another month or two months.

19 I guess what I'm saying is, it's an
20 agreement that sits there and it will sit there
21 until the parties terminate it. So, you know,
22 one way to look at it is it's an agreement that
23 sits there and, you know, I suppose it could
24 always be breached. That's one con, you know.
25 So if everyone agrees to terminate it, then it no

1 longer exists and it doesn't sit there to be
2 breached.

3 But there's no -- I don't have a real -- I
4 think it's more of a -- that's not a legal
5 question, more of a policy, you know, sort of
6 related discussion as to whether there's some
7 wisdom in keeping it or waiting or terminating
8 it.

9 CHAIRMAN TUTEN: Before I chime in, and I'm
10 going to, Tim, did you have a question?

11 DIRECTOR JOHNSON: Yeah.

12 You know, there are three reasons, I think,
13 for postponing the discussion. Reason one is
14 that the current expiration of that agreement is
15 2030. That's a long time from now, which means
16 we've got plenty of time to talk about this.
17 We're not up against a deadline to get it done.

18 Two: We have at least one Board member that
19 has no history of what we're talking about. And
20 out of respect for her, it might make sense to
21 allow her time to get up to speed on the issue
22 that she's going to vote on.

23 And the last reason is that the people that
24 are going to live with the -- and I say this
25 cautiously -- consequence of this decision are

1 going to be a different body. Rich will be
2 replaced by Mike. So it's going to be different
3 people than the people that are here right now
4 that are ultimately going to live with this
5 decision.

6 So it might make sense to at least postpone
7 it until we get a chance to get Nawal up to speed
8 and we get Mike Lynch on the Board since it's
9 that term of officers that's going to have to
10 really live with the decision that they made.

11 CHAIRMAN TUTEN: Well, and I think another
12 part to that is, and I know when we had our
13 individual conversations with Jason, there were
14 parts of the deal that, you know, were still a
15 little fuzzy to me. There weren't clear-cut
16 answers from the General Counsel's Office.

17 As we've seen today, there's still a little
18 confusion as to who gets to do what from that
19 agreement. I'm not going to be here, but before
20 you decide to just get rid of a consent decree
21 that was issued by a federal judge, I think it's
22 imperative that everybody knows what's in that
23 and what does this really mean.

24 And that's one thing -- truly, I've talked
25 to Bob a little bit, you know. The Board really

1 doesn't have an idea of what this truly means for
2 the Board.

3 But as far as opinions go, I mean, Jason has
4 his, you know, and I'm not here to argue what
5 Jason today, believe it or not. I'd love to, but
6 I'm just so tired. I'm exhausted. I can't do it
7 anymore.

8 (Laughter)

9 CHAIRMAN TUTEN: But me, personally, I would
10 want -- I mean, Bob has an opinion. Jason has
11 his opinion. Why -- I think it would behoove the
12 Board to find somebody, a neutral third party, to
13 not only break down what this thing means, but is
14 it in our best interest to dissolve it.

15 Because if you don't and you do dissolve it,
16 like I said, you may not be here when whatever
17 happens, happens, but all this affects other
18 people down the road, not just the members, but
19 the Board members. I mean, it doesn't hurt. I
20 mean, me, personally, I think the Board basically
21 gets a lot of stuff pushed on it that it doesn't
22 need.

23 I'm fine with Tim. Let Tim find somebody,
24 whether it's a law firm or a consultant or
25 whomever, that knows, that understands this and

1 says, look, you know, this is what it means; this
2 is what's going to happen if you do this; this is
3 what's going to happen if you don't do it; here's
4 the downside to both, you know.

5 Because, honestly, can anybody raise their
6 hand and tell me when the last time is they read
7 that consent decree? I think mine was about a
8 month ago, I'll be honest with you. But most --
9 you know, there's -- I'd be very wary of just
10 throwing something out simply because, you know,
11 it seems like a good idea, unless you fully
12 understand it, you know.

13 Because like I said, we've seen today a
14 perfect example of there seems to be disagreement
15 between the General Counsel's Office and the
16 unions. So that's what I would do.

17 So I'm going to make a motion that we find a
18 third party, outside counsel, interpreter,
19 whatever you want to call them, that not only
20 examines what we have but decides if it's in the
21 Board's best interest to just go ahead and do
22 what the General Counsel wants to do.

23 MR. BROWN: Why would we want to spend that
24 money? Why is that necessary?

25 CHAIRMAN TUTEN: What now?

1 MR. BROWN: Why would we want to spend money
2 on that?

3 CHAIRMAN TUTEN: Because unless you can
4 honestly, Chris, look me in the eye and tell me
5 you understand everything about that consent
6 decree and what it means --

7 MR. BROWN: All the parties would have to
8 weigh in on it. That's part of the process.
9 It's not just literally us making that decision
10 without anybody else being a part of that
11 weighing in. Do you know what I mean?

12 CHAIRMAN TUTEN: Well, yeah. That's what
13 I'm saying. Why don't we find someone who is not
14 attached to the outcome? In other words, not the
15 General Counsel, who is very attached to the
16 outcome, not Bob, who is getting paid by us. But
17 somebody else that will say, okay, this is what
18 it means. Here's the downside. It's innocuous.
19 It doesn't matter. Whatever.

20 I'm not comfortable with just signing off --
21 and, look, you-all can defer it until next month
22 and then I'm gone. But I'm not comfortable at
23 all getting rid of a legal document simply
24 because it would make my life easier.

25 MR. GABRIEL: May I say something,

1 Mr. Chair?

2 CHAIRMAN TUTEN: Go ahead, Jason.

3 MR. GABRIEL: And I wasn't -- really, this
4 item was more informational. I was just giving
5 an update. I just laid the seed of a thought of
6 that issue of whether to terminate.

7 CHAIRMAN TUTEN: I understand.

8 MR. GABRIEL: I wasn't in any way suggesting
9 that you should or even talking about an action
10 item. I just think it's something that should be
11 contemplated.

12 I think Mr. Johnson outlined some good
13 reasons, you know, three good reasons why maybe
14 you should think about it and take it up at some
15 other date. And like you said, you do have time.

16 So I just -- and we can have those
17 conversations. And I think, you know, there's
18 just nothing today that you need to necessarily
19 do to effectuate that. I was just putting it out
20 there as a thought --

21 CHAIRMAN TUTEN: I know, Jason. It's just
22 my fear is, you know, it's going to be another
23 whatever, whatever, whatever, and then six months
24 from now we'll be talking about it again and
25 you-all will be talking about it again.

1 And, truthfully, you know, the Board itself
2 has never ever had any explanation of just how
3 this relates not only to us, but to the members
4 as far as long term. You know, consent decrees
5 are serious business. They're not just, you
6 know, a warranty from your car dealership on your
7 new Bronco, man.

8 MR. BROWN: My response to the motion would
9 just simply be, I think we should defer it,
10 because as Mr. Johnson outlined, we have new
11 members, two new members, that will really need
12 to kind of get brought in to understand the
13 nature of all this, and then we could just make a
14 decision. That would be my response.

15 CHAIRMAN TUTEN: So what was your motion?

16 MR. BROWN: Well, I didn't -- you motioned
17 and I -- I shooed you away.

18 CHAIRMAN TUTEN: Well, my motion is to
19 simply let Tim find somebody as part of that
20 process --

21 MR. BROWN: And I'm saying, I think at the
22 moment, let's not make that decision. That is --
23 there's a cost associated with that, and I think
24 that perhaps we could, as the months go on, maybe
25 determine we don't need to do that, is all I'm

1 saying.

2 CHAIRMAN TUTEN: Well, I think part of my
3 reasoning for it is because -- and I wasn't there
4 with your each individual sessions, but there was
5 a question that we asked the General Counsel
6 about that agreement specifically that ties into
7 this report that Mr. Gabriel could not answer.

8 And it has to do with that 2030 deadline,
9 and what it says underneath that paragraph there
10 pertains to our council. Okay?

11 And there was no answer for it. We'll get
12 into it. There still hasn't been an answer. And
13 if you just decide that you don't need to do all
14 this anymore, we're just going to get rid of the
15 judge's report, what you're doing is essentially
16 agreeing with everything that happened.

17 And read the consent decree, and then give
18 an answer for that one specific line that says
19 this is not going away until 2030, because -- and
20 I'm not accusing Jason of trying to back-door
21 anything. I'm not.

22 But there was no answer for that question at
23 the time and I still haven't gotten one. And
24 it's a very important question, and it's one that
25 we've had many contentious debates over, at least

1 I have, of our right as a Board to have
2 independent counsel when it comes to the city.
3 Not that Jason's not entitled to be our GC and,
4 you know, the city -- we've been down that road.

5 But that settlement agreement -- or that
6 2015 reform agreement and then that consent
7 decree all ties in with all that. And, you know,
8 if you don't want to go along with the motion to
9 hire somebody to look at this and figure out
10 whether or not we're entitled, that's fine.

11 But I'm here to tell you, be very careful
12 about what you decide to stop doing just because
13 it makes your life easier, because there is a
14 whole list of things tied to that consent decree
15 that have major ramifications down the road.
16 That's all.

17 All righty, then. Seeing as my motion is
18 not going anywhere, good luck to you. Good luck
19 to you. I'm on the record.

20 All right. Tim, is there anything more we
21 need from Jason on that?

22 DIRECTOR JOHNSON: If you don't have
23 anything more to present, Jason, then we can move
24 on to the next item.

25 MR. GABRIEL: Absolutely. And I'll just sit

1 here and enjoy Mr. Tuten's last meeting.

2 CHAIRMAN TUTEN: Jason's just happy. He's
3 so happy. Okay.

4 (Laughter)

5 DIRECTOR JOHNSON: Item Number 2 pertains to
6 Ordinance 2017-759 regarding reemployed
7 pensioners and the impact of allowing retirees
8 that might be rehired by the City of Jacksonville
9 to keep their pension benefit while they're
10 employed by the sponsor.

11 We have an impact statement with regard to
12 it. We also have Chef Larry Schmitt here to
13 explain -- sir?

14 MR. LYNCH: I don't want to interrupt.
15 Congratulations. Thank you for your service. I
16 have a prior engagement.

17 CHAIRMAN TUTEN: Thank you, Mike. Thank you
18 for signing up.

19 DIRECTOR JOHNSON: So we've got a lot of
20 names under here. We've got Chief Larry Schmitt
21 here, prior trustee of this Board, to explain
22 what was behind this ordinance.

23 Lawsikia is here to explain what's in the
24 ordinance, and Pete Strong is here to explain the
25 impact of the ordinance.

1 So with that, I can turn it over to Chief
2 Larry Schmitt -- there he is right here -- and he
3 can give the Board an update.

4 CHIEF SCHMITT: Good morning. I'll give you
5 a quick overview and then answer any questions.

6 Really, from the sheriff's office
7 perspective, the benefit to this by adding the
8 chaplain and stable manager positions is those
9 positions get added to the cap within the
10 sheriff's office.

11 If there -- if we bring them back in any of
12 these other positions, like logistical-technical
13 support officer, we have to pay them out of
14 part-time hours, but those hours are funded
15 separately.

16 So for our budget purposes, having those
17 positions as a permanent full-time position adds
18 them to the number of positions within the
19 sheriff's office, which makes it easier for us to
20 budget for those positions here.

21 As you'll hear, the impact on the pension is
22 zero. Those that we bring back in these
23 positions cannot accrue towards the pension.

24 They don't gain any additional pension credits.

25 So the only thing they get from us bringing

1 them back, any of these positions, is an hourly
2 salary. They don't get pension benefits.

3 So I'll be happy to answer any questions
4 that you might have.

5 Yes, sir.

6 DIRECTOR JOHNSON: Three new hires?

7 CHIEF SCHMITT: Yes, correct.

8 DIRECTOR JOHNSON: Are they -- are they new
9 hires or are they redesignating existing people?

10 CHIEF SCHMITT: The ones that would be
11 filling these positions are currently -- well, I
12 think there's two right now. I don't think the
13 third has been hired, hired back. They're all
14 retired police officers. Two of them are
15 currently logistical-technical support officers.

16 So, again, we have to fund those -- we
17 get -- we get a set number of part-time hour
18 positions in our budget each year for the city.

19 By making them an actual position within our
20 cap, we can actually hire them and show them and
21 budget them as a full-time person without pension
22 benefits.

23 DIRECTOR JOHNSON: I'm with you.

24 And is it possible that the same designated
25 positions, if they were created by the

1 firefighters, would be included in this
2 ordinance?

3 CHIEF SCHMITT: I believe this only applies
4 to sheriff's office positions. I would have to
5 verify that. But I think it only applies to --
6 and that goes back to our positions, which are
7 designated by the city so the -- if the fire
8 department wanted to create a chaplain position,
9 they would have to actually add that within their
10 cap and be funded through the budget process.

11 MR. BROWN: And I would ask, the job
12 descriptions for these, aren't -- they're
13 referencing the sheriff's office anyway?

14 CHIEF SCHMITT: Right. I don't think the
15 fire department will have a stable manager or any
16 need for a stable manager.

17 MR. PATSY: So, Larry, every time you want
18 to add a position like this going forward, you've
19 got to come back and it's got to be an exception
20 every single time?

21 CHIEF SCHMITT: For these specific
22 positions, yes. If we want any position to be
23 added to our cap under this provision, then it
24 would have to be -- go through the same process.

25 MR. PATSY: Okay. Okay. So if you wanted

1 to create an assistant secretary to the
2 sheriff --

3 CHIEF SCHMITT: Right, and have it be a
4 retired police officer fill that position --

5 MR. PATSY: Right.

6 CHIEF SCHMITT: -- and still be able to
7 collect their pension check but not accrue toward
8 another pension, yes, we've got --

9 MR. PATSY: And it's got to go through the
10 City Council and go through --

11 MR. BROWN: Not a can of worms here, but I'm
12 just asking, if this discussion is taking place
13 about working towards allowing the city entities
14 to hire -- hire retirees back, since they'd be
15 under a completely different plan anyway, they
16 won't be coming into the pension -- I know
17 there's -- you can't get two pensions -- does
18 that discussion move forward so that these
19 entities don't have to go through this kind of
20 red tape, bureaucratic process?

21 For example, if the sheriff's office wants
22 to hire a retiree that has a pension payment,
23 that's collecting that, rather than him have to
24 give that up, he just gets hired under the new --
25 you know, the new hiring practices, which is a

1 defined contribution plan, has that been -- I
2 know that would have to change. Has that
3 discussion taken place at all?

4 MR. SUGARMAN: This is driven by the
5 Internal Revenue Code. Last year when the IRS
6 came out with their new normal retirement age
7 proposed regulation that will become official
8 next year, but upon which we can rely, it said
9 that we can make in-service distributions.

10 In-service, somebody who's working.
11 Distribution, getting a pension check. To
12 people -- we can do that for people who have
13 reached normal retirement age, if it's expressly
14 allowed by our pension ordinance.

15 So we had spoken, met -- when this first
16 came out with the city, saying, well, the easiest
17 way is you just make it apply to everybody. And
18 they said, no, we don't want to do that, we want
19 to limit it. And that makes good sense. So
20 we -- that's why we will have to go through this
21 every time a new position is created.

22 CHAIRMAN TUTEN: Well, I think the initial
23 reason why it was frowned upon, bringing back
24 older guys that were retired, was simply because
25 of the way the pension used to work.

1 You know, rather than hire an old guy and
2 him not contributing to the pension, you hire a
3 young guy, he puts into the pension, the city
4 puts in. But now the dynamics have kind of
5 changed, you know. And I've sort of softened my
6 stance, how cares? Because they hire a new
7 guy -- usually these positions are for
8 experienced people anyway. You know, they need
9 some sort of niche or something, like a -- I
10 don't know, certified expert dog catcher or
11 something.

12 But -- but, you know, some of them, you
13 know, it really -- I mean, if it was up to the
14 council and you guys, what you really ought to be
15 working on is just sort of -- some sort of
16 streamline where you don't have to go through
17 this process with us, because new employees, when
18 we hire them, if they were going to fill that
19 job, they're not putting into the pension fund
20 anyway.

21 So as far as the pension fund goes, we're
22 kind of out of collecting any money from them,
23 whoever they hire, you know. So that's why the
24 original -- with just bailiffs and stuff like
25 that now, it's just whomever, man. As far as I'm

1 concerned, you can hire who you want it. It's
2 not going to change anything, not with us at
3 least.

4 CHIEF SCHMITT: And that's getting a little
5 out of what we're talking about here. But for
6 the sheriff's office, it's definitely a financial
7 benefit to be able to hire back somebody who has
8 the experience that we're looking for --

9 CHAIRMAN TUTEN: Oh, sure.

10 CHIEF SCHMITT: -- without having to pay
11 them additional pension benefits. We pay them an
12 hourly rate, and that's a lot less expensive than
13 having to pay a new hire that isn't collecting a
14 pension benefit.

15 CHAIRMAN TUTEN: Well, I think the City of
16 Jacksonville is going to do a lot of that down
17 the road, to be honest with you.

18 MR. BROWN: Is a Board action needed that we
19 need to direct staff to come up with a municipal
20 ordinance?

21 DIRECTOR JOHNSON: No, we --

22 MS. HODGES: No.

23 DIRECTOR JOHNSON: Do you want to explain
24 it?

25 MS. HODGES: Right. So through the Chair,

1 and I appreciate Chief Schmitt being here.

2 But this really -- the reason why it's
3 coming before you is because you might recall
4 this process when we went through the 2017 reform
5 agreement, but anytime there are changes to the
6 pension plan -- this is a change to the pension
7 plan because we're adding on -- it's actually
8 three categorized folks.

9 I have an inmate supervisor as well, Chief
10 Schmitt. Inmate work crew supervisor, the
11 chaplain and the stable manager. So anytime
12 there's a change to the pension plan, it's
13 required that council consider your comments.

14 So, really, the action here, you may have
15 comments, you may not have comments, but whatever
16 your comments are, I think Tim just needs to
17 articulate those in a letter and send it to the
18 council to say, here's what my comments are. And
19 then they'll consider them and do what they want
20 with them, the same way they did with your
21 comments to the pension reform.

22 DIRECTOR JOHNSON: Additionally, there's
23 been an impact study done by our actuary. I'll
24 let him explain what it says. It's part of your
25 Board book.

1 But, again, based on Lawsikia's direction, I
2 would just write a letter to the president of the
3 council, sharing your comments that I think will
4 be guided by the impact it's going to have on the
5 fund.

6 Pete, are you there?

7 MR. STRONG: Yes.

8 MR. BROWN: Would we weigh in on that -- I'm
9 sorry, Pete --

10 MR. STRONG: Yeah. Because these -- because
11 these retirees are still needed to be treated as
12 retirees in our census data, we're not going to
13 even take into consideration the fact that
14 they're reemployed. All we're focused on is
15 valuing their retirement benefit continuing to be
16 paid.

17 For that reason, there's no actuarial impact
18 because they're not accruing any additional
19 service. So there's -- it's essentially just
20 still like they always were, retirees in our
21 census data.

22 MR. BROWN: In light of that, I make a
23 motion that you draft that letter.

24 MR. GREIVE: Saying what?

25 MS. HODGES: No comments.

1 MR. GREIVE: We have no comments.

2 MR. BROWN: Saying what Tim has just
3 explained that summarizes what Chief Schmitt has
4 just explained, that the actuary said there's no
5 fiscal impact.

6 DIRECTOR JOHNSON: The Board has no
7 objection?

8 MR. BROWN: No, not at all. That's what I
9 would include in the letter.

10 MR. PAYNE: I'll second.

11 CHAIRMAN TUTEN: So we got a motion. Do we
12 need a second, Tim?

13 DIRECTOR JOHNSON: Yes.

14 MR. PAYNE: I'll second.

15 CHAIRMAN TUTEN: Any further comments,
16 questions?

17 (No responses.)

18 CHAIRMAN TUTEN: All in favor?

19 (Responses of "aye.")

20 CHAIRMAN TUTEN: Any opposed? No.

21 (No responses.)

22 CHAIRMAN SCHMITT: And I'll take a little
23 liberty here before I step off the podium.

24 Thank you, Rich, for all your service.

25 You've always been --

1 CHAIRMAN TUTEN: Thank you, Larry. It was
2 fun, buddy. I'm glad I'm going to end it. Just
3 tell me where the party's at, please.

4 (Laughter)

5 CHAIRMAN TUTEN: Before we go any further,
6 Bill, would you like to speak, buddy?

7 We've got one more public speaker. I
8 apologize. I got so caught up in that cake,
9 looking at it. It's right there eyeballing me.

10 (Laughter)

11 CHAIRMAN TUTEN: Oh, yes. My last meeting
12 going out, with a Bill Gassett financial
13 presentation, baby. I love it.

14 MR. GASSETT: First of all, Happy Holidays
15 to everybody. And while I -- somewhat auspicious
16 being the last speaker of the year, I might want
17 to present to you a subject you might want to
18 consider next year, and that's what I'll talk
19 about.

20 What I've passed out to you here is the
21 September statement of your returns, and you
22 might want to frame this because this goes back
23 to September of '07, the last high point before
24 the crash of '08 and recovery.

25 And what it shows here is that the concept

1 of a balanced portfolio, which you guys are
2 prescribed to require, the person who invented
3 that term should be taken out and shot. It
4 hasn't served anybody at any time, in spite of
5 the glamour of the title.

6 If you look at our mathematics, for example,
7 in the one-year return, having to follow their
8 program instead of relying strictly on the equity
9 market as you've had very good returns there, it
10 cost you guys \$46 million in an opportunity lost.

11 We went back over ten years and did that,
12 because it did include the '08, you know, crash
13 and '09 difficulties, and basically it cost the
14 firm -- the firm, I'm sorry -- the membership
15 \$293 million almost for that ten-year period.

16 Actually, that number would be higher
17 because money that you had saved could be
18 reinvested, I would imagine, and it would
19 probably cost more, about 315-, 320 million.

20 What this -- and one thing that helps here
21 is to consider this for valuation, even though
22 you can't do it, is as I've suggested before,
23 please send a letter to the City Council telling
24 them that if you -- as long as you have to
25 operate in this prescribed asset allocation

1 model, it would be impossible for the fund to
2 meet its financial obligations ever.

3 I mean that -- but the answer is ever. And
4 the reason being is if you guys are required to
5 make 10 percent a year net each year, not
6 collectively by average, but each year because of
7 the nature of the funds that you're managing,
8 don't -- so having said that, please give it some
9 thought to consider that.

10 I think you still have the financial
11 advisory service board. You might assign them a
12 project and ask them to come up and see if they
13 can verify what we've been seeing here.

14 Lastly here, I would like to pay a tribute
15 to Richard. I've known him for about four or
16 fives years. It seems like my first meeting him
17 was when we started the time of troubles.

18 And I just want to pay you a compliment on
19 behalf of the -- as a taxpayer, that I've always
20 appreciated your comments because they seem to
21 me, and I say this in a positive manner, so kind
22 of a pebble in the shoe, which you need, to make
23 sure things are looked at further down the road
24 and examined carefully.

25 I would also like to say that he's a snappy

1 dresser too.

2 CHAIRMAN TUTEN: Well, thank you, Bill. And
3 thank you for the presentation. Just to give you
4 something a little to think about -- and, Pete,
5 you still on the phone? Is he there?

6 DIRECTOR JOHNSON: He's there.

7 MR. STRONG: Yes.

8 CHAIRMAN TUTEN: What -- you know, Bill
9 usually presents us with stuff about, you know,
10 what we should be investing in or sort of
11 compares what we have versus what we're going to
12 need.

13 Let me ask you off the top of your head, you
14 may not know, now that we have a closed plan,
15 let's say, you know, in the future, you know, we
16 needed 7 percent return each year.

17 What do we really need now as opposed to
18 just our assumed rate of return? Can you even
19 spitball that? Do you understand my question?

20 MR. STRONG: I mean, are you asking what you
21 should be invested in or what your true rate of
22 return --

23 CHAIRMAN TUTEN: Well, yeah. In other
24 words, let's say we had an open plan still and
25 all the new guys are putting in. They're putting

1 in for 30 years. Our assumed rate of return is 7
2 percent, correct?

3 MR. STRONG: Yes.

4 CHAIRMAN TUTEN: Well, now that you
5 technically have a closed plan and there's no new
6 guys coming and putting in, I mean, don't we have
7 to assume that we're going to have to earn more
8 than 7 percent every year to kind of keep things
9 where they are? Am I off? Or you understand
10 what I'm saying?

11 MR. STRONG: No, no. You're -- we still
12 value everything assuming a 7 percent return on
13 the investments.

14 Now, you know, there's going to be a
15 negative cash flow situation where there's more
16 money going out the door than coming in. But
17 we're still assuming 7 percent is earned on
18 what's invested.

19 Now, I think this ties in nicely to what
20 Dan Holmes' current project of working on an asset
21 liability study, which will reflect the closed
22 nature of the plan.

23 And I think that will help to point the
24 Board in a different direction as far as, you
25 know, how should we be investing the money to,

1 you know, maximize earnings and minimize risks,
2 you know, based on the closed nature of the plan.
3 So -- and that could lead to a different
4 investment return assumption going forward too.

5 But for now, you know, before that ALM study
6 is completed, I think 7 percent is still
7 currently reasonable based on your assets. You
8 know, as the assets slowly move towards being a
9 little bit more conservative in the future, then
10 we will have to readdress that 7 percent.

11 CHAIRMAN TUTEN: Well, I was just thinking,
12 I mean, you know, it's sort of an inverse
13 relationship between, you know, how much you
14 actually need versus what you think you need
15 because we don't -- the membership that's
16 actually paying in is shrinking and the
17 retirement bills are going to be going up.

18 And I would just, you know, hate to see us,
19 you know, sitting on 7 when truthfully we can
20 only assume whatever --

21 MR. STRONG: Yeah.

22 CHAIRMAN TUTEN: -- because we're going to
23 need more cash. But, anyway, Pete, thanks.

24 Bill has a comment if you'll listen --

25 MR. GASSETT: Yeah. Let me say, you have

1 two separate investment buckets. One is for
2 future retirees, and the 7 percent is more than
3 adequate and you guys have more or less met that.

4 But the problem is with the existing plan,
5 you've got to make 10 percent because every month
6 you've got to send out a check.

7 And the 7 -- and another thing, Randy is not
8 here, his counterpart, but when these guys sit
9 down with the -- to bargain, they're going to
10 want to do a vis-a-vis situation, they should, if
11 I was them, saying, okay, fine, when my guy
12 retires, I don't care if it's a 401(k) or defined
13 benefit or defined contribution, I want to make
14 sure he enjoys the same thing that people are
15 getting -- that are on to today.

16 So understand that little bit of a
17 difference there because the 7 percent number is
18 not -- well, I made my point. You see what I'm
19 saying there? I hope.

20 CHAIRMAN TUTEN: Yeah, you did, Bill. And I
21 appreciate it. I appreciate your reports and I
22 appreciate you being part of the process,
23 brother.

24 MR. GASSETT: Happy holidays.

25 CHAIRMAN TUTEN: Thank you, Bill.

1 All righty. Do we need to go over the Flash
2 Report? Is there anything -- is Dan on the
3 phone?

4 DIRECTOR JOHNSON: Dan's on the phone.
5 There's two important items that are on his
6 report.

7 Dan, are you there?

8 MR. HOLMES: I am.

9 DIRECTOR JOHNSON: Good morning, Dan.

10 MR. HOLMES: Good morning.

11 Rich, let me be -- I would be remiss not to
12 chime in and say it's been a pleasure working
13 with you. I appreciate all the hard work and
14 your independence and all the perspective that
15 you brought to the Board.

16 CHAIRMAN TUTEN: Thank you, Dan.

17 MR. HOLMES: I think it should be noted that
18 you're going out on a high note. One of the
19 issues that I have to talk to today is, is that
20 as of this week, the -- when the city makes its
21 contribution, the total market value of the
22 pension plan will be over \$2 billion.

23 CHAIRMAN TUTEN: Nice.

24 MR. HOLMES: And so at least for today, I'd
25 like to think that's due to your leadership.

1 CHAIRMAN TUTEN: Thank you. It is. Thank
2 you.

3 (Laughter)

4 CHAIRMAN TUTEN: I'm the only one that's
5 been here the entire time, so I don't know who
6 else you're going to give credit to, but I'll
7 take it. Thank you.

8 MR. HOLMES: So I wish you well and God
9 speed. So I'll miss seeing you at the meetings.

10 So we've got the Flash Report up. Tim and
11 Steve, do they have the updated Flash Report in
12 front of them as a pass-out?

13 MR. LUNDY: Yes, I included that in the
14 book.

15 MR. HOLMES: Okay. Great. Thank you.

16 The Flash Report I used with the FIAC last
17 week was very preliminary. There were a number
18 of the managers that had not -- whose custodians
19 had not provided market values. So this is --
20 the one that you're looking at today is updated.

21 So the big take-aways are as follows:

22 First, if you look at page 1, Asset
23 Allocation remained in line with the investment
24 policy. We remained overweight slightly to
25 equities, both US and International relative to

1 target. A little bit underweight in Real Estate
2 and about on target for Fixed Income and MLPs.

3 Total market value at the end of November
4 was \$1.9 billion. And like I said, we're in line
5 with the Asset Allocation ranges in the policy.

6 If you direct -- I'll direct your attention
7 to page 3, which shows Net of Fees performance.
8 And so the big take-away for the month of
9 November is basically that equity markets
10 continue to be positive, economic strength
11 continues. It has continued throughout this
12 year. So as a result, most risk assets were
13 positive for the month.

14 The total fund was up 1.3 percent on a net
15 basis for the month of November. And if you look
16 at the other trailing time periods, for the
17 fiscal year so far, the plan is up 2.7 percent
18 and above its policy index on a net basis.

19 And also for the calendar year, the plan was
20 up over 16 percent net of fees, and it's almost 3
21 percent above its policy benchmark.

22 So very good year, both on a fiscal and a
23 calendar year basis. We're off to a good start
24 for this fiscal year as well.

25 In terms of what's driving performance,

1 obviously equities on both an absolute and
2 relative basis, but mostly absolute. So you can
3 see that for the fiscal year so far this year,
4 equities are up. The US Equity portfolio is up
5 over 5 percent, 5 1/4 percent. International
6 Equities were up 2.75 percent.

7 So that's one change over the fiscal year
8 compared to the calendar year-to-date.

9 The calendar year-to-date. International
10 Equities have outpaced US, but for the short
11 period of time since October, November, basically
12 US Equities have led.

13 Fixed Income was stronger than the benchmark
14 over the calendar year primarily because of the
15 active management in the portfolio and Coreplus.
16 Loomis has led over all the time periods that
17 they have been in place. They've done a very
18 good job.

19 And whereas over the last month, a number of
20 the portfolios and the benchmarks were negative,
21 Loomis remains strongly positive because of their
22 greater yield built into the portfolio.

23 I did just -- excuse me -- just skip over
24 the International Portfolio. I'll note that so
25 far for the calendar year, the International

1 Portfolio is up over almost 33 percent and 8
2 percent above its benchmark. So on a relative
3 basis, it's the leader followed up on the
4 relative basis by the Fixed Income portfolio.

5 What's driven the International portfolio
6 this year has been, first of all, all the
7 managers that have done very, very well have been
8 the active managers. Active has very much
9 outperformed passive this year.

10 In addition to that, the overweight to
11 Emerging Markets, both with the dedicated
12 Emerging Markets manager and the Emerging
13 Markets' exposure in Baillie Gifford's portfolio
14 has really helped out.

15 And, finally, Manager Performance.
16 Silchester and Baillie Gifford, especially, have
17 done very well this year, with Baillie Gifford
18 outperforming their benchmark so far this -- this
19 year by 19 percent. And so good -- good for
20 them, but also it also calls into the question
21 the need for rebalancing as well. So we're
22 paying attention to that.

23 Finally, the real assets, Real Estate and
24 MLPs. So Real Estate on a net-of-fees basis is
25 up about 5.8 percent net and above the benchmark

1 so far this calendar year. For the month, it was
2 up about 45 basis points. There is no benchmark
3 reported for the -- for the month.

4 But what we see is, is that Real Estate
5 returns are finally returning back to kind of
6 what we would consider normal or expected return
7 range. That would be basically 7 and 9 percent
8 on a nominal basis gross of fees.

9 So we still expected to earn a return north
10 of Fixed Income for now, but that's
11 investment-grade Fixed Income. But, again, we
12 have to factor in the illiquidity premium there
13 as well.

14 And then, finally, MLPs. MLPs were off in
15 the month of November. They were down about 1/2
16 percent. You were above the benchmark, which was
17 down by 1.7 percent. We still remain positive on
18 MLPs. So far they're positive in the month of --
19 in the month of December. We've seen tax loss
20 selling trail off, and we've seen some price
21 appreciation this month due to both distributions
22 and also they stand to benefit because of tax law
23 changes. So we're hoping that will start to turn
24 around here with the changes to the new year.

25 So that's the big picture with regard to

1 absolute and relative performance in the trends
2 throughout the year.

3 Let me stop and see if there's any
4 questions.

5 CHAIRMAN TUTEN: Hey, Dan, Tuten here,
6 buddy. No comment on MLPs. That's just going to
7 be you guys' burden to bear in the future. I can
8 tell you where it's headed though, if you want to
9 know.

10 Any who, let me ask a question. I was
11 looking at the managers and, you know, I get
12 jittery when we start giving individual managers,
13 you know, close to 200 million apiece. I know
14 we've got 2 billion, et cetera.

15 Have you ever given thought to maybe
16 lowering the amounts we give some of these
17 managers and maybe just expanding in that sector
18 with a different manager, maybe to sort of spread
19 out the -- you know, the possible ups and downs?
20 Because some of these guys have done real good,
21 especially the international guys, but -- oh,
22 where are they?

23 You know, like Baillie Gifford's doing
24 great, but they have about 150 million and, you
25 know, I'm just wondering how long that's going to

1 last. It might be better just to have maybe same
2 sector but a different manager have a little less
3 money to sort of maybe offset where there's --
4 you know, where some of these guys come down. Or
5 you don't care. Whatever.

6 MR. HOLMES: We definitely look at it. We
7 definitely care. One thing with the -- we are
8 mindful of what the fees are, and having more in
9 the managers will help reduce some of the fees.

10 We are having discussions with the FIAC
11 about the addition of an International Small Cap
12 manager. In order to fund that, money would have
13 to come from Baillie Gifford, and to some extent
14 Acadian we well.

15 Silchester is closed. We were fortunate to
16 get the money that we did get invested with them.
17 And so I prefer not to touch money there.

18 But on the International side, somebody will
19 come down. On the Domestic Equity side, once the
20 AL study is finished, we're going to look at the
21 structure of the Domestic Equity portfolio. I'm
22 not concerned about the 11 percent weight and the
23 dollar amount in the S&P 500. That's a very low
24 fee and keeps -- helps keep relative fees down.

25 We may or may not do something with the

1 (indiscernible). So we do pay attention to it,
2 but at the same time I'm less concerned about the
3 total dollar amount as I am the percentage of the
4 portfolio.

5 CHAIRMAN TUTEN: Gotcha. Thanks, buddy.

6 MR. PATSY: Hey, Dan, this is Rick. I've
7 got a question for you.

8 On International Equity, on the Index Fund
9 and the one-year number, it seems like a big
10 difference between performance between the fund
11 and the index. What's -- what's up with that?

12 MR. HOLMES: On the 71 basis points tracking
13 here?

14 MR. PATSY: I'm looking at page 6. 83 basis
15 points underperforming the benchmark with an
16 Index Fund. I would expect a little bit of a
17 difference, but that seems like a pretty
18 significant number.

19 CHAIRMAN TUTEN: Net of fees. How much --

20 MR. HOLMES: Yeah, I agree. That's normally
21 outside the -- I'll double check that. It may be
22 a cash flow issue, but also may be a trading
23 issue over that time period as well in terms of
24 either reconstitution of the index, which I
25 doubt. But I'll double check that, Rick.

1 MR. PATSY: Okay. Okay.

2 CHAIRMAN TUTEN: Yeah, that is odd when you
3 look at all of them.

4 MR. PATSY: Yeah. And it looks like it's a
5 little funky on the quarter too, three months.
6 These are time-weighted returns, so dollars
7 shouldn't -- cash flow shouldn't be an issue,
8 should it?

9 MR. HOLMES: No, I agree. I meant with
10 regard to them having to manage additional cash
11 flows in the fund, it may have made them trade
12 differently. But I'll double check.

13 MR. GREIVE: And like Rich said, maybe it's
14 a net-of-fees issue on this page, on page 6. We
15 don't pay 82 basis points.

16 MR. HOLMES: Yeah. It's still -- it's
17 still -- the tracking error for those time
18 periods, the three-month, the calendar
19 year-to-day, and the trailing one year all seem
20 high, regardless if it's net of fees or gross of
21 fees.

22 So I'll check on that return calculation,
23 see if I can find out a reason for that, Rick.

24 MR. PATSY: It's not going to be a big
25 impact. We only have 1.3 million, but it looks a

1 little funky.

2 CHAIRMAN TUTEN: Bill, do you want to ask a
3 question?

4 MR. GASSETT: Yeah. Did you include the
5 currency change in the value of the dollar?

6 MR. HOLMES: It does.

7 MR. GASSETT: It does? Okay. And it seems
8 like the dollar's done what in the last six to
9 eight months.

10 CHAIRMAN TUTEN: All righty. Anything else?
11 Dan, do you want to keep going, buddy? What do
12 you got?

13 MR. HOLMES: Sure.

14 The second issue that I have before you is
15 the allocation of cash from the city. There's a
16 presentation in the slide deck that we gave to
17 the FIAC. And then there's also an undated
18 version of that to show you the actual cash flow.

19 So Tim and I had talked, and what we wanted
20 to do was present the FIAC with a number of
21 different options for discussion with regard to
22 how to allocate the 113 million contribution from
23 the city.

24 Given where valuation is and domestic
25 equities and other asset classes that might be

1 overvalued, and given kind of what's going on in
2 the geopolitical scene, we wanted to discuss
3 possibilities ranging from holding all of it in
4 cash to holding some of it in cash and deploying
5 it to managers on a pro rata basis or
6 overweighting Fixed Income or just in general
7 increasing International MLPs, areas that were
8 undervalued relative to, you know, our thoughts,
9 and then also put any excess in Fixed Income.

10 So we've presented those options and
11 discussed what possible motivations might be
12 on -- across that and it led to a lively
13 discussion.

14 At the end of the day, the FIAC is
15 recommending to the Board adoption of the second
16 option, which is maintaining a \$5 million cash
17 reserve. In other words, keeping 5 million of
18 that contribution in cash and deploying the
19 remaining 108 million on a pro rata basis to
20 available managers.

21 By available managers, I mean, for instance,
22 Silchester is closed and we can't put more money
23 there. The real estate managers have
24 contribution cues, so we would not be able to add
25 any more money to them, even by the end of the

1 year or the next quarter. So it's basically
2 making pro rata contributions kind of across the
3 board where we could.

4 We've also provided -- I think Steve has --
5 or hopefully Steve has provided a updated version
6 of this. Since we updated market values for the
7 Flash Report, we've updated the market values of
8 how -- what the contribution would look like.

9 Steve, did you pass that out as well?

10 MR. LUNDY: Yes. It should be inside the
11 folder there.

12 MR. HOLMES: Okay. So it's a three-page
13 handout entitled "Allocation of Cash
14 Contribution."

15 The first page basically reflects the
16 discussion I just had in terms of the FIAC
17 recommending 5 million be kept in a cash reserve,
18 the remaining 108 invested on a pro rata basis
19 among the remaining open managers.

20 And then, finally, page 3 shows our
21 rebalancing spreadsheet that shows the effect of
22 how those assets would be invested.

23 And so the first thing I will do is draw
24 your attention to line B4, so that's under the
25 Fixed Income column. The fourth segment down

1 shows cash and paid receipts, and that shows an
2 actual market value of \$113.3 million in the
3 portfolio. That's about 5.6 percent in terms of
4 the percentage. That reflects that contribution
5 amount going in cash.

6 The second thing I'll point out is at the
7 bottom of the page, line D, Total Funds. You can
8 see how that cash contribution has now made 2
9 billion -- made the total market value of the
10 plan exceed \$2 billion. So congratulations to
11 everyone sitting around the table.

12 And then if you go all the way out to the --
13 on the right hand -- I'm sorry, in the center of
14 the -- center right of the table, it shows how
15 the dollars are reallocated. And so you can see
16 in that blue -- and that's contained in the blue
17 column. The blue column shows a hundred million
18 dollars being taken out of cash and redistributed
19 among the various asset classes.

20 And then on the far right-hand side, the
21 column entitled "Ending Percentage," and then in
22 the -- it shows the ending percentage, and then
23 the two right-hand columns shown in blue shows
24 the difference relative to target in both
25 percentage terms and in dollar terms.

1 So Domestic Equities would result in a 2
2 percent overweight in large cap, a 1.1 percent
3 overweight in small cap, or small to mid cap, a 2
4 percent overweight in International developed.
5 Emerging Markets are about on target, a little
6 bit overweight by 0.2 percent.

7 Core Fixed Income, a slight underweight by
8 0.1 percent. Coreplus is overweight by 0.4
9 percent. And Cash, under target, but that's
10 fine. We have enough cash.

11 And then in Real Estate, we'll remain about
12 4.8 percent underweight, and MLPs will remain
13 underweight by about 0.4 percent.

14 So it's in line with target. It's -- we're
15 proceeding under the theory that until -- until
16 the strategic target changes, the FIAC desired to
17 keep a long-term time frame and allocate along
18 the lines of the target -- target asset -- I'm
19 sorry, target asset allocation.

20 So I'll stop and see if there's any
21 questions there. The Board is being asked to
22 ratify the FIAC's recommendation.

23 CHAIRMAN TUTEN: Dan, I mean, obviously
24 we're long-term outlook, but is there anything
25 that they're wanting to do that you have a

1 problem with? Or what's your long-term outlook
2 from the Summit point of view?

3 MR. HOLMES: It's fine from my point of
4 view. What we wanted to do was basically have an
5 open dialogue, and by "we," I'm talking with
6 regard to both myself and Tim Johnson.

7 We wanted to have an open dialogue and allow
8 the FIAC to provide its views. And when they
9 voted at the end of the discussion, this was the
10 consensus of the FIAC. I have no problem with
11 this.

12 CHAIRMAN TUTEN: Okay.

13 MR. PATSY: Is this your preferred solution,
14 Dan?

15 MR. HOLMES: Yes.

16 MR. PATSY: Okay.

17 MR. BROWN: I make a motion we accept the
18 FIAC's recommendation.

19 CHAIRMAN TUTEN: Was that a second?

20 MR. BROWN: No, it's a one.

21 MR. PATSY: We're just questioning.

22 CHAIRMAN TUTEN: We're trying to think of
23 questions for you, Dan, so just hold tight.

24 MR. PATSY: Dan, when we do this pro rata, I
25 looked through this and I don't see any real

1 underweights other than you talked about already
2 with Real Estate and MLPs.

3 Is the expectation that we're going to bring
4 MLPs up to target and then allocate pro rata, or
5 are we just going to do pro rata?

6 MR. HOLMES: Well, we're getting pretty
7 close. We're only -- we're less than a percent
8 off of the MLP target. And so I think this is
9 simply kind of the math. I think everything is
10 moving in the right direction.

11 MR. PATSY: That didn't quite answer my
12 question.

13 MR. HOLMES: So am I -- I'm not worried
14 about the -- so the difference is what, \$7
15 million relative to target for MLPs?

16 MR. PATSY: Okay. Basically what you're
17 saying is no, we're not going to bring it up to
18 target before we do the pro rata.

19 MR. HOLMES: Correct.

20 MR. PATSY: And that is because why?

21 MR. HOLMES: I'm sorry.

22 MR. PATSY: Why? Why aren't we going to
23 bring it up to target before we do the pro rata?

24 MR. HOLMES: It would just simply -- no
25 other reason other than this is simply the way

1 the math worked out. I mean, if -- if the desire
2 is to bring it exactly to target, we can do that,
3 but I think the difference is immaterial.

4 MR. GREIVE: I think to provide Rick with a
5 little bit of comfort, if I may, through the
6 Chair, the way the math should settle, I think,
7 MLPs, won't they be moving a little closer to
8 target than they are today? Because both of them
9 are getting money; whereas, you know, some of the
10 other asset class managers can't take any money
11 because they're closed or, you know, whatever.
12 So they should move maybe a basis point or two in
13 the right direction, at least.

14 But, yeah, not -- not all the way to target.
15 I mean, I think my view would be probably in
16 alignment with where Rick is going --

17 MR. PATSY: Right, right.

18 MR. GREIVE: -- in that MLPs have been beat
19 up and it's a decent time to buy.

20 MR. PATSY: I just want to make sure it's
21 not a conscious bet that, hey, I like MLPs but
22 I'm not a hundred percent confident --

23 MR. GREIVE: Right.

24 MR. PATSY: -- as far as allocating there.
25 I just want to make sure it's not premeditated as

1 opposed to -- not inadvertent. It's just, you
2 know, a rounding error.

3 The second thing is, when are we -- if we
4 adopt it today, when are we doing this?

5 MR. GREIVE: I can partially answer that.
6 We'll wire -- if the Board acts favorably today,
7 the city will wire the 113.4 this afternoon. And
8 then Kevin and Steve and Tim can get the money
9 invested probably by Monday.

10 DIRECTOR JOHNSON: Oh, yeah. We're prepared
11 to pull the trigger immediately.

12 MR. PATSY: Okay. That's good. No other
13 questions.

14 MR. BROWN: Are you seconding it?

15 MR. PATSY: I'll second it.

16 CHAIRMAN TUTEN: Nothing wrong with being a
17 trouble-maker, Rick. Trust me.

18 MR. PATSY: I learned from the best, man.

19 CHAIRMAN TUTEN: Stir the pot.

20 MR. GREIVE: You get a cake on the way out.

21 (Laughter)

22 CHAIRMAN TUTEN: All right. We have a
23 motion and a second. Any further questions,
24 comments?

25 (No responses.)

1 CHAIRMAN TUTEN: All in favor?

2 (Responses of "aye.")

3 CHAIRMAN TUTEN: Any opposed?

4 (No responses.)

5 CHAIRMAN TUTEN: No. Okay.

6 Where are we at on the agenda?

7 DIRECTOR JOHNSON: We're to my report.

8 Dan, I don't want to cut you off, but if you
9 have anything else you want to offer.

10 MR. HOLMES: No. Just congratulations to
11 Rick -- I'm sorry, to Rich.

12 CHAIRMAN TUTEN: Thanks, Dan.

13 MR. HOLMES: Congratulations to the full
14 Board for making \$2 billion.

15 MR. BROWN: I thought you said you were
16 going to give us a cake.

17 DIRECTOR JOHNSON: The cake is there. The
18 second one is yours. Dan, I should have
19 acknowledged that.

20 MR. HOLMES: No problem. I did not mean to
21 provide a cake and take away from the celebration
22 of Rich's retirement. So I was just excited by
23 the fact we hit \$2 billion, finally.

24 So Rich now has two cakes to take home.

25 CHAIRMAN TUTEN: Yes, sir. I'll take them.

1 MR. HOLMES: Okay. It's been a pleasure
2 working with everyone this year. A lot has been
3 accomplished. We've got a lot more to do, but in
4 the meantime, I hope everybody has a great
5 holiday season.

6 CHAIRMAN TUTEN: You too, Dan. Take care,
7 Buddy.

8 MR. BROWN: Thanks, Dan.

9 MR. PAYNE: Thanks, Dan.

10 (Mr. Holmes disconnected from the meeting.)

11 CHAIRMAN TUTEN: All righty. Executive
12 Director's report.

13 DIRECTOR JOHNSON: Yes, sir.

14 So if you'll turn to your Executive Director
15 Report tab in your Board book, I will give you
16 some highlights.

17 There's only one action item in my report
18 despite the fact that there is a lot of paper.
19 Everything I'm going to say to you will -- you
20 know, there are notes to back it up in the Update
21 section on page 2. And so I'll just hit the
22 highlights.

23 The first two documents you see are the
24 letters that were signed with the FOP and the
25 firefighters that supported the motion from last

1 month relative to the holiday bonus.

2 Behind that is the quarterly report of DROP
3 enrollment statistics. This is prepared by
4 Stephen Lundy. I'll give him an opportunity.
5 This is a routine report we do for the Board.

6 But, Stephen, if there's anything you want
7 to comment on, I wish you would.

8 MR. LUNDY: Sure.

9 Nothing really of note for this fiscal year
10 so far other than the years of service average is
11 up just a little bit and so is the average age of
12 people entering, and not quite as many people
13 signing up.

14 DIRECTOR JOHNSON: All right.

15 If you will turn a few pages, you'll see
16 that we have our elections conducted
17 independently, and this is the official report of
18 the results of the elections that we just had.

19 And you'll recall that we had advisory
20 committee Board members who ran unopposed, and so
21 the result of the election was just to identify
22 their terms, you'll remember, from the staggering
23 legislation we did a couple months ago.

24 Now, the only exception is that we did have
25 two individuals running for the retiree

1 representative, and the results of those
2 elections are all here.

3 So there's no action for the Board, but for
4 the sake of sound governance, we published the
5 results certifying the election.

6 Yes, sir.

7 CHAIRMAN TUTEN: Total number of eligible
8 votes for Fire Advisory Committee. That's 1,226
9 firemen -- firefighters basically on the job,
10 right? And only 178 voted? And it's not any
11 better for the cops.

12 Seriously? What's the problem with these
13 people, man?

14 MR. GREIVE: They're not as passionate as
15 you, I guess.

16 CHAIRMAN TUTEN: That's just asinine. 12
17 percent, 14 percent. No wonder those idiots
18 passed that contract. Okay.

19 Nobody is paying attention, man. It kills
20 me. I tried to tell them. But, anyway, I
21 apologize.

22 MR. PATSY: Don't sugarcoat it, man.

23 CHAIRMAN TUTEN: Oh, I'm not. You got the
24 easy one, trust me. You don't want to hear what
25 I say at the fire station.

1 DIRECTOR JOHNSON: We received a letter from
2 the Board treasurer, Joey Greive, across from me,
3 as it pertains to the supplemental payment and
4 how they're changing the calculation behind that
5 payment over at GEPP.

6 And we're looking at that right now. The
7 ordinance that covers that is different for
8 police and fire, although it substantially says
9 the same thing.

10 And so before I make the decision to change
11 the way we calculate that supplemental payment
12 and match the way Joey does it, I've asked the
13 Office of General Counsel to read our legislation
14 and to give me an opinion about it.

15 MR. GREIVE: Makes sense.

16 DIRECTOR JOHNSON: It's nothing substantial.
17 I think, Joey, if you want, you can comment on
18 it. It's just -- it's not that the increase --
19 there's not going to be an increase in the
20 benefit. It's just in terms of how we pay it
21 out.

22 MR. GREIVE: Right, right. And not to
23 belabor it, it's kind of a simple change. We're
24 just -- instead of if someone had earned a
25 supplement for the year of \$1,800, instead of

1 dividing by the 26 pay periods to pay that \$1,800
2 out, we're going to divide by 24 pay periods. So
3 their payment will go up for the 24 pay periods
4 that they get it, and then their payment will,
5 you know, be zero for that supplement for those
6 two pay periods per year where it's a third pay
7 period in a month.

8 And the only reason we did it was just to
9 comply with what we felt was a little more
10 closely with the black-and-white letter of the
11 law in our code. And, you know, Tim and
12 Lawsikia, I'm sure, will review Chapter 121 for
13 your code.

14 But our code is written such that you can't
15 pay more than \$150 per month. So in a month
16 where you had a third pay period, we were paying
17 more than 150 per month.

18 Now, there's reasonableness that you can,
19 you know, take into account and say, well, it's
20 an average of 150 a month. But we just wanted to
21 comply more plainly with the black-and-white
22 letter of the law.

23 So we're making the change in January.
24 We're going to communicate it out. It's not
25 going to impact any of our retirees until the

1 first month where there's a third pay period,
2 which I think is April or May. So we've got
3 time. You guys would have time.

4 And like I said, it's not a big deal, just
5 something -- I just wanted to forward it to
6 you-all. Since I'm making the change, I wanted
7 to give you-all the heads up.

8 DIRECTOR JOHNSON: Well, this is great, and
9 I'll make this brief.

10 One, we're sharing best practices. So
11 anything that I do that I think is going to help
12 across the street and vice-versa, we share.

13 The other thing is that any time you change
14 a retiree's paycheck, it's serious.

15 MR. GREIVE: Yeah.

16 DIRECTOR JOHNSON: Even if it's not
17 substantial, it's a change, and so we want to
18 take it seriously. All right.

19 MR. GREIVE: My view on that was that
20 they're not going to complain for the first three
21 or four months that their paycheck goes up --

22 DIRECTOR JOHNSON: Right.

23 MR. GREIVE: -- but that first pay period
24 when it goes down for the first time, we're going
25 to get a flood of calls. So we're going to

1 communicate that out pretty substantially before
2 that happens.

3 MR. PATSY: I'd make sure the phone service
4 goes out too when the check doesn't show up.

5 (Laughter)

6 DIRECTOR JOHNSON: All right. So the only
7 other item, pretty simple, is this colorful
8 calendar that Steve Lundy prepared for not only
9 the trustees but the two advisory committees.

10 This identifies the dates of our meetings if
11 approved for 2018. We publish this in advance to
12 the public. That doesn't mean that the Board
13 can't change dates or the committees can't change
14 dates, but we do give the public notice of when
15 we're going to be meeting.

16 Pretty easy to follow. Red identifies the
17 holidays. Green identifies benefit advisory.
18 Blue is the trustees. Yellow is the FIAC. We
19 also have educational workshops for our members
20 for DROP and for vesting that we put in there.
21 There aren't -- these aren't Board dates but
22 they're member dates, and we identify the pay
23 dates. These are the dates that we pay benefits
24 to the members.

25 These calendars have been through both of

1 the other committees. They've approved the dates
2 of their 2018 meetings. So all I would ask is
3 that to take a motion to approve the dates of the
4 Board's meeting and this official calendar so
5 that we can publish it.

6 CHAIRMAN TUTEN: And it will be disseminated
7 on the website?

8 DIRECTOR JOHNSON: It will be on the
9 website. We have a new video monitor outside.
10 It will be published in the paper as well so
11 nobody can say they didn't know when you-all were
12 meeting.

13 MR. GREIVE: Published in the paper?

14 DIRECTOR JOHNSON: Yeah. We go -- let
15 everybody know.

16 MR. BROWN: I make a motion to accept the
17 calendar.

18 MR. PAYNE: Second.

19 CHAIRMAN TUTEN: You got the second,
20 Willard?

21 MR. PAYNE: Got the second. Yeah, sure.

22 CHAIRMAN TUTEN: Willard's had more motions
23 in this one meeting than the entire time he's
24 been here.

25 MR. PAYNE: That's exactly right.

1 CHAIRMAN TUTEN: Okay. Motion and a second.
2 All in favor?

3 (Responses of "aye.")

4 CHAIRMAN TUTEN: Any opposed?

5 (No responses.)

6 CHAIRMAN TUTEN: No. Perfect.

7 DIRECTOR JOHNSON: All right. So we do have
8 one more item to get to and I appreciate
9 everybody's patience here.

10 If you'll go to your agenda, you will see --
11 if you're like me, your book is kind of folded
12 around.

13 All right. So you'll see that we had a
14 second item under Old Business. We talked about
15 the share plan. The second item under Old
16 Business relates to the same issue that we had on
17 the Consent Agenda.

18 And Trustee Brown may have heard about this
19 from the benefit advisory committee as well.
20 Every application for membership comes through
21 the advisory committee and then goes to the
22 Board.

23 These four applications did not make the
24 November agenda. These were people under trustee
25 rule who had been hired by the city but had

1 pre-existing conditions that they were still
2 resolving.

3 So they go back and forth. They might get
4 retested for blood pressure or for cholesterol,
5 and then once they're cleared out of that, they
6 become official members of the pension plan.

7 So that's all this means. So you haven't
8 seen these folks yet. They should have been on
9 last month's agenda.

10 So all I need you to do is take action to
11 apply these applications for membership in the
12 plan under the understanding that they were
13 approved by the benefit advisory committee.

14 MR. BROWN: So I'll make a motion to accept
15 all four applications for membership.

16 MS. McDANIEL: Second.

17 CHAIRMAN TUTEN: All right. Motion and a
18 second. Any further comments, questions?

19 (No responses.)

20 CHAIRMAN TUTEN: All in favor?

21 (Responses of "aye.")

22 CHAIRMAN TUTEN: Any opposed?

23 (No responses.)

24 CHAIRMAN TUTEN: Probably nice people. Why
25 not?

1 DIRECTOR JOHNSON: Your next meeting is
2 January 19, 2018. At that time Mike Lynch will
3 be here as our firefighter representative.

4 You will have a presentation of the
5 actuarial report presented by Steve -- Pete
6 Strong, who will be here in person to present the
7 actuarial report. And we'll have an election of
8 officers for the Board's upcoming year.

9 CHAIRMAN TUTEN: Rick's your chairman.
10 Chris is your secretary. Boom. We're done.

11 Gentlemen, it's been a pleasure, but don't
12 call me. I'll call you. We're done.

13 (The Board Meeting concluded at 10:55 a.m.)

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1 CERTIFICATE OF REPORTER

2
3 I, Denice C. Taylor, Florida Professional
4 Reporter, Notary Public, State of Florida at Large,
5 the undersigned authority, do hereby certify that I
6 was authorized to and did stenographically report the
7 foregoing proceedings, pages 3 through 100, and that
8 the transcript is a true and correct computer-aided
9 transcription of my stenographic notes taken at the
10 time and place indicated herein.

11 DATED this 5th day of January, 2018.

12
13
14 _____
15 Denice C. Taylor, FPR
16 Notary Public in and for the
17 State of Florida at Large

18 My Commission No. FF 184340
19 Expires: December 23, 2018
20
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25