MINUTES
GENERAL EMPLOYEES' PENSION BOARD
POLICE OFFICERS' PENSION BOARD
FIREFIGHTERS' PENSION BOARD
HELD AT CITY HALL

August 14, 2015	**8:30 a.m.**	**Commission Conference Room**

1. CALL TO ORDER

Chairman Kelly McGuire called the meeting to order at 8:37 a.m.

General Employees' Pension Board members present were Chairman Kelly McGuire, Secretary Sam Butler, Dave Ponitz, and Michael Furman.

Police Officers' Pension Board members present were Acting Chairman Amanda Hayes, Royce James, and Andrew Harris.

Firefighters' Pension Board members present were Chairman Joe Dupree, Secretary Dominic Morgese, Tommy Bozeman, and Lee Strong.

Also present were Janna Hamilton of Garcia Hamilton & Associates, John Grieco of Delaware Investments, Andy Temming of Renaissance Investment Management, Lee Dehner of Christiansen & Dehner, Charles Mulfinger and Scott Owens of Graystone Consulting, and Patrick Donlan of Foster & Foster.

2. APPROVAL OF MINUTES OF MAY 15, 2015

Mr. Dave Ponitz referred to Item 10, Discussion of Vested Members Election of Retirement Options, and asked Ms. McGuire if Mr. Donlan had provided a study/cost and suggested the best way to handle the death benefit to the beneficiary for a five-year vested member; whereby, Ms. McGuire stated that there was no decision made at the last meeting.

Mr. Joe Dupree requested a correction on page 19 to correct the spelling of the last name of Matt ~~Matheny~~ to Marteeny.

Mr. Michael Furman moved, seconded by Ms. Kelly McGuire, to approve the minutes of the May 15, 2015, meeting as amended. The motion passed unanimously.

Mr. Andrew Harris moved, seconded by Mr. Royce James, to approve the minutes of the May 15, 2015, meeting as amended. The motion passed unanimously.

Mr. Dominic Morgese moved, seconded by Mr. Tommy Bozeman, to approve the minutes of the May 15, 2015, meeting as amended. The motion passed unanimously.

3. PUBLIC COMMENT

There were no public comments.

4. ELECTION OF FIFTH TRUSTEE

Mr. Joe Dupree stated that Mr. Brian Daly did not wish to be reappointed to serve another term. He stated he did not have a nominee at this time.

The board requested to delay this item until the next meeting.

Mr. Dominic Morgese confirmed that the fifth trustee did not have to live within the city limits; whereby, Mr. Dehner confirmed that was correct.

Mr. Morgese suggested Mr. Paul Lane, noting that he currently sat on the board of the Healthy Start organization. He stated that Mr. Lane had the time to serve and knowledge of the pension plans. He asked for discussion from the board.

Ms. Lois Towey, recording secretary, stated that the next meeting would be December 9, unless the board held a special meeting to appoint the fifth trustee.

5. DISCUSSION OF ANNUAL CONFIRMATION OF BENEFITS LETTERS

Ms. Towey stated that she would be sending out the annual confirmation of benefits letters in the next few weeks. She stated that this would be the third year the letters had been sent to the retirees whereby they had to have the form notarized and returned confirming they were entitled to continue receiving their monthly benefits. She stated that it took about three month to complete.

Mr. Dupree asked if the retirees were paid in advance or arrears; whereby, Ms. Towey stated that the police and fire retirees were paid at the first of the month for the current month and the general employees were paid at the end of the month for the prior month.

Mr. Dupree asked if a check was refunded when someone passed away; whereby, Ms. Towey stated that the check would be prorated according to the number of days in the month.

Ms. Kelly McGuire stated that for police and fire it would be a refund because they had already received the benefit payment.

Ms. Towey stated that in most cases the benefit payments were by direct deposit, and Regions either recalled the funds or sent a letter requesting the funds be returned. She noted that Regions performed death searches on a monthly basis. She stated that the confirmation of benefits form was sent out annually, which enabled us to update their addresses and phone numbers. She stated that some follow-up letters were sent reminding them to send the forms back, noting that there was one retiree that she and the City Clerk had to visit in order to obtain the notarized form.

6. PRESENTATION OF GARCIA HAMILTON & ASSOCIATES (Fixed Income)

Ms. Janna Hamilton stated that Garcia Hamilton & Associates was awarded the Institutional Investor Award of 2014 Fixed Income Investment Grade Manager of the Year. She stated their goal was to outperform their benchmarks, net of fees, over a full market cycle using their high quality strategy with less risk and low turnover. She stated their core principles were to preserve principal, maintain liquidity, and provide high current income.

Ms. Hamilton stated that she would be reviewing the General Employees' plan, as the results of all three plans were very similar. She stated that they underperformed for the quarter at -1.0% vs. the benchmark at -0.6%.

Ms. Hamilton stated that there was nice outperformance for most of the time they had managed our assets. She stated that quarter-to-date the account was up 90 bps. with the benchmark up 50 bps. She stated the fiscal year-to-date numbers were up 2.8% vs. the benchmark at 2.2%, and hopefully if things stayed flat there would be a reasonable outperformance for the fiscal year.

Ms. Hamilton stated that they looked for opportunities in the market. She stated that their duration remained longer than the benchmark index, and they remained underweight in Corporate bonds versus the index and were overweight in Governments, paper, Treasuries, Mortgages, etc., which had benefited the portfolio. She stated that long duration throughout the last year had benefited the portfolio with the exception of the last quarter. She stated they saw an increase in rates. She stated the Fed did not increase rates and they believed the Fed would not be as quick to raise rates; and even if they did, they felt it would move sideways or to a lower camp meaning they could decrease slightly.

Ms. Hamilton stated that the 10-year Treasuries during the quarter increased 40 bps. all across the board, short, medium, and longer term. She stated that Treasuries had a longer term and were the main reason they underperformed during the quarter, but again, they had gotten most of that back in this quarter.

Ms. Hamilton stated that Corporate bonds were the biggest on spread product and had the most negative excess return, over 80 bps., which was their smallest position in the portfolio, which helped the portfolio in the quarter. She stated that they felt with the backdrop of the weak global economies and environments out there, these were the catalysts that had given them their longer duration and the reason they did not expect interest rates to go up on the long end. She stated they saw a continuation of a weak global economy and did not think the U.S. was as good as they would like it to be. She stated that the job numbers showed some improvement, but they felt those numbers were distorted because they did not include the non-participation rate, which were people who had quit looking for jobs but were still unemployed.

Ms. Hamilton stated that they expected the economy would continue to slow down as earnings had come down. She stated that energy and oil prices were down and they expected some economic fallout going forward resulting from the Texas bankruptcy talks. She stated that China had devalued their currency, which would make inflation concerns even lesser and the U.S. dollar continued to get stronger. She stated with all these things in the backdrop, they expected that rates would stay flat to slightly down over the next one or two quarters. She stated they were not very concerned with inflation at this time. She stated that many interest rates outside of the U.S. were even lower than ours were. She noted that their lower returns were still better than some of the options out there, as Germany had a negative number and other countries had negative returns in their bonds right now. She stated they felt the U.S. had one of the best economies and one of the safest havens.

Ms. Hamilton stated that their duration was probably about 10% longer vs. the benchmark, which was the maximum they would go to duration. She stated as soon as the market changed and they anticipated a flat or downturn, they would reverse that, but that was where they were now. She stated they also amped up the portfolio with Treasuries and were moving out some of the financial corporate bonds and moving into Apple and FPL bonds with an AA or AAA ratings vs. an A rating. She stated they were very conservative, and their biggest bet was in the duration, but again it was only 10% longer than the index, just enough to add some value.

Ms. Hamilton discussed the current fixed income market factors stating that their model of sentiment showed that the market had moved from negative to neutral; monetary, the Fed was still being accommodating by keeping liquidity in the market, so their position was neutral there; valuation, the 10-year Treasury yield was higher than expected, as their expectation was that yields would come down slightly, so their position was positive there; economic, concerns with the economy made it positive for the bond market; inflation, she stated they were not concerned with inflation, so their position was positive there, also.

Ms. Hamilton noted that a year ago there was probably 55% in Corporates, and now they had 10%. She stated that a year ago there was 1%-2% in Treasuries and now they were equal to the benchmark at 57%. She stated they had about 24% in Govt. backed mortgages. She stated they were very defensive in the quality within the portfolio. She stated that duration was 4.3 vs. the benchmark (Barclays Capital Intermediate Govt./Credit) at 3.9. She stated that they would continue their stance of a longer duration for the time being. She reiterated that they underperformed last quarter, but they had gotten most of that back and were ahead about 40 bps. quarter-to-date.

Ms. Hamilton stated that she read the boards' concerns about the duration in the minutes, which she stated she hoped she had answered/mitigated some of those concerns. She stated that their duration was slightly more than 10%. She stated they had a good track record, but as much as they would like to never miss a quarter, it would happen; but they were happy to have a nice update so quickly.

Ms. Hamilton thanked the boards for their business.

7. PRESENTATION OF DELAWARE INVESTMENTS (International Value)

Mr. John Grieco of Delaware Investments stated that Delaware was headquartered in Philadelphia with $180 billion under management. He stated Delaware had managed our portfolio since July 2005.

Mr. Grieco stated that Delaware had investment teams throughout the country and the London team had been around since 1990. He stated the key leadership had been together since 1990, as stable, continuous management in place which had been in place for many years. He noted they went from zero to $62 billion in assets over the last 25 years. He stated the distinguishing characteristic of this group was their investment approach. He stated that team leaders were David Tilles, Clive Gillmore, Elizabeth Desmond, Hamish Parker, and Nigel May, all who had 24 years of experience with Mondrain Investment Partners. He stated this very experienced team had been applying a value-oriented, defensive investment approach, which they called yield/dividend/discount methodology analysis. He stated they had seen this approach work very effectively preserving capital through all the downturns over the last 25 years. He stated it was a low risk/low volatility approach and had produced very competitive performance numbers.

Mr. Grieco stated that during the ten-year period they had managed our accounts, which included a very traumatic period in 2008 whereby the market went down over 40%; today our accounts were ahead at 5.6% vs. the EAFE at 5.1%. He stated it was significant to note that they had been following a lower risk approach to achieve these returns. He stated the key to the philosophy of their group was to lose less during the downturns. He noted the EAFE was down about 5.0% last year, and they were down only 0.6%. He stated they had 5.05% more capital this year and the market was up approximately 5.0% this year, but key was that they did not have to make up the 5.0% that the average investor lost last year, so they had lost less at the downturns and were fully invested at the bottom in order to maximize/compound returns over time.

Mr. Grieco stated they had had a process in place for 25 years which used a dividend discount analysis looking for valuation and buying stocks cheap. He stated since the stock market crash, the whole world had turned into a macro economist, but the reality was that the economy and stock prices were not really directly linked. He stated that looking at the economy and predicting the economy did not necessarily mean one would make money in the stock portfolio. He stated that what drove stock returns was experience and what investors were willing to pay for those earnings, the price/earnings ratio, and valuation. He stated when you bought stocks with low valuations, you had a better chance of making money regardless of where the economy was going. He stated the bottom line was that their focus was on the bottom up and they tried to identify companies that they could be confident about predicting their long-term dividend capacity, and from those numbers they were able to determine what they believed was a fair value to pay for the stock today, and they were only interested in buying companies at a discount. He stated they applied some top down analysis, but it was more about valuation. He stated they tried to identify markets and currencies that were undervalued, as well.

Mr. Grieco stated that the portfolio typically held 40 stocks that were broadly diversified. He stated the portfolio's market capitalization had drifted higher over the past five years with the average/medium market cap today at about $57 billion, which were larger companies that were diversified typically globally. He stated for example, Banco Santander branches seemed to be opening up in their area. He stated Santander was a Spanish based company whereby 70% of their revenues came from outside of Spain. He stated a key element to remember was that just because they were domiciled in Spain did not mean they were tied into what was happening in that particular regional economy. From a sector standpoint, he stated Delaware had been defensive since the downturn in 2008. He stated they had typically been pretty significant investors in the financial areas, in banks and insurance companies, but after the crash they pulled way back from that area, and now had about 10% in Financials. He stated the market weighting was more like 25%. He stated they had been significantly undervalued in Financials, as Financials hurt them badly in 2008 and 2009. He stated that was what they did, confidently predicted what they expected to happened over the next five, ten, 15, 20 years.

Mr. Grieco stated the key was that they had been investing in more defensive sectors such as Healthcare, which continued to be 17% of the portfolio, which was a big overweighting vs. the market at 12%; basic Consumer Staples companies represented 16%; Telecom was found to be very, very cheap and they held 16%; the Energy area was pulled back recently to 9%; and Utilities at 9% vs. the market at 4%. He stated that 60% of the portfolio was invested in very defensive, large, highly-diversified companies. He stated that this was their approach consistently. He stated it had helped them in some ways, particularly last year, as the Healthcare area was very good to them. He stated it had kept them back during years where there were more cyclical moves in the market, because they were not buying cyclical companies, and were buying companies they felt were more consistent and less likely to be down a lot and then up a lot.

Mr. Grieco stated this American Depository Receipt (ADR) portfolio was started in 1997, so they had had 18½ years to analyze the performance. He stated that the market today was measured by their price/earnings ratio of 17% vs. the market P/E of 18%. He stated that market was not cheap today but they did not feel a lot of it was excessive or overvalued, but some sectors were definitely showing excess. He stated they had always ended up with a pretty generous earnings yield in the portfolio, which was now at 3.9% vs. the dividend yield from Europe, Australia, and Far East of the EAFE index at 3.0%. He stated that there was always a significant dividend yield on this portfolio. He stated they were long-term buyers and did not sell very often. He stated their holding period was about seven years, but portfolio turnover was about 15% in the last 12 months. He stated that 11 of the 18 years they had outperformed, two years were very close to the EAFE, and five years they underperformed the benchmark.

Mr. Grieco stated that all the periods of underperformance were during very good market environments where people became very confident and were buying stocks at high-priced earnings multiples. He stated that those were the periods they typically tended to lag.

Mr. Grieco stated that when they started their portfolio in the late 1990s, they were at the top of the tech boom, which collapsed in 2000 and the market dropped 20% with their portfolios down only about 7.0%. He stated they had had a long recovery, and then in 2008 the market was down 44% and they were down 39%, which was not their best downturn year, because of Financials. He stated that typically Financials had always helped them during down periods, but in a financial crisis owning Financials was not a good thing. He stated that since 2009, there had been a period of rebound, which was a very unusual period where there were massive centralized banking interventions and interest rates at zero, which factors influenced the market in a not so fundamental of a way. He stated that their alliance was still on basic fundamental analysis on what these companies should be worth in normal time periods. He stated they had lagged a couple of years, but over the long-term period their return was 7.6% vs. the benchmark of 4.8% over the full 18½ years.

Mr. Grieco stated their approach had been effective, and they felt investors wanted to feel comfortable that their risk was being managed, and this portfolio was about risk management more than anything else. He stated they wanted to preserve during the downturns and participate when the market came off the bottom. He stated that the management team was experienced with a very solid bench of analysts and portfolio managers. He stated that dividend discount analysis allowed everyone to get organized around one specific analytic process rather than everyone going in a different direction and forced everyone to come back to the table with a long-term analysis of a business and where they confidently expected to see dividend increase and dividend returns increase over time. He stated this was a very important part of the process and a very effective way to cut through accounting problems when investing in different European and Asian areas. He noted that accounting standards changed from country to country and dividends did not.

Mr. Grieco stated that they were not particularly overweighted in any particular country, maybe a little more in Europe at 66% vs. the EAFE at 65%. He stated the London based folks were very comfortable in Europe. He stated the Pacific area was 29% vs. the market at 35%, so they were underweight particularly in Japan as they were not convinced that Japan was out of the macro issues that had been holding them back.

Mr. Grieco thanked the boards for the past ten years of business.

Mr. Scott Owens, Graystone Consulting, stated that lower quality companies had rallied in Europe and he asked what Mr. Grieco thought would happen in the U.S.; whereby, Mr. Grieco stated that we probably would not have a robust economic period going forward and everything suggested slow economic growth, but earnings had consistently been made, so they did not think the dividend capacity of these companies had been exhausted and there were still opportunities to see reasonable earnings growth and dividend growth. He stated the key was interest rates within the last five to seven years, which he stated would definitely go up in the future. He stated they felt the quality issue would become more of a factor when they got back to a more normalized capital market structure, as we had not been in a normal period. He stated that this approach did well during quiet markets, but where it fell back was when there was a liquidity driven, over confident, higher risk-taking market environment, such as in the tech bubble. He stated we had had an unusual period of time to have some lower quality things happen.

8. PRESENTATION OF RENAISSANCE INVESTMENT MANAGEMENT (International Growth)

Mr. Andy Temming of Renaissance Investment Management stated that they had been with us since 2009 and appreciated our business. He stated that they had about $4.5 billion under management with about 30% in international strategies. He stated Renaissance had been international managers since 1994. He stated that Mr. Joe Bruening, Lead Portfolio Manager, Mr. Michael Streitmarter, Mr. Eric Aber and he were the current investment team. He stated they managed through a quantitative screening process on the front end and fundamental analysis on the back end. He stated the portfolio contained 50-60 stocks.

Mr. Temming stated they were a conservative growth manager and actually took in consideration valuations and had to look at valuation in addition to growth to manage the portfolio. Fiscal year-to-date, he stated the portfolio was up about 1.5% relative to the benchmark. He stated they used the ACWI ex US, not the EAFE, given the fact they had a sizable emerging market exposure. On the one, three, and five-year basis, he stated the portfolio had done quite well and since inception it was up about 12.5% relative to the benchmark at 10.8%. He stated that the second quarter was up about 60 bps. and through the first half of the year, it was up about 250 bps. relative to the benchmark. In the third quarter, he stated that China and Emerging Markets had not done well.

Mr. Temming stated they had an overweight in Information Technology with an average weighting in the second quarter of 19.0% relative to the benchmark at 7.5%. He stated their return at 3.6% vs. the benchmark at -2.6% indicated that they were picking the right stocks in this sector. He stated they believed that the Information Technology sector would be a long time winner.

Mr. Temming stated that they used to have an overweight in Energy, which was currently an underweight and continued to struggle, as oil prices were low around $42 per barrel today. He stated they had a 4.0% weight vs. the benchmark at 7.2%, which was underperforming the benchmark at -6.4% vs. 2.4%. He stated they continued not to favor Energy and expected to have an underweight going forward. He stated that they had moved away from Energy and Materials into Industrials which had been positive for them over the last 1½ years.

Mr. Temming stated that so far this year Developed Markets were doing much better than Emerging Markets indices. He stated Developed Markets were up about 2.5% vs. the benchmark at 0.3%. He stated that Japan benefited the portfolio at 4.0% vs. the benchmark at 3.0%. He noted they had increased their exposure in Japan to almost 14%, as they liked the weakening currency and how they had found companies that were exporters, such as Toyota.

On a year-to-date basis, Mr. Temming stated that on top was Information Technology and on bottom was Energy. He noted that Financials had been a good performer at 22.4% vs. the benchmark at 27.2%. He noted that in 2011 they had a 2.0% weighting. He stated they had taken a strong liking to Financials and most of it had come from insurance whereby they were trying to position it for rising rates.

Overall this year, Mr. Temming stated that Developed Markets continued to shine at about 350 bps. total relative to the benchmark. He stated that through the end of June, China and Hong Kong had done well, but they expected some volatility going forward. He stated they would continue to focus on that market, as well as ancillary countries such as Indonesia and Thailand, who exported business into China.

Mr. Temming stated their quantitative stream was structured 40% value, 40% growth momentum, and 20% quality. He stated they were lower than the benchmark on a price/earnings (P/E) basis, with higher EPS growth, and return on equity and return on assets were higher than the benchmark. He stated they were slightly higher than the benchmark on a hard cap basis, as they had moved more towards large cap names. He stated they were an all cap manager, and only had one or two small cap stocks that were under $3 billion in the portfolio.

On an outlook basis, Mr. Temming stated they were actively looking in the Materials sector, not base materials such as steel or copper, i. e., chemical companies to try and lift their exposure. He noted there was a zero percent weight in Utilities, as they had been burned in 2012 in Brazil for regulatory issues, and had been out of Utilities since then. He stated that in the past it had helped them to have an underweight, but so far this year they had not done so poorly. He stated they had a slight underweight in Health Care but had picked up a couple of global pharmaceutical companies. He stated they had concerns about the price of Health Care.

On the Consumer Discretionary side, Mr. Temming stated their exposure was more auto related, such as Toyota and Bridgestone, which had been good exposure in the U.S. market and European. He noted that the one downside was China, which was currently choking off growth.

Regionally, Mr. Temming stated that they were about 28% in Emerging Markets, which had averaged about 30% in prior years. He stated they expected it to go closer to the benchmark (24.3%) in the next quarter or so. He stated the one benefit Emerging Markets were showing relative to Developed Markets was cheaper valuation of about 25% discount to the EAFE index of Emerging Markets.

Mr. Temming stated that there was an underweight in Western Europe relative to the benchmark at 37% vs. 46%, but it had increased in the last six to nine months, as they had actively tried to add names in Europe with European exposure. He stated they were comfortable with the quantitative easing (QE) that was ongoing there and now that the Greeks had finally signed their bailout, they believed some of the volatility would be lower.

In the Asia-Pacific region, Mr. Temming stated that they had a slight overweight, which had jumped up because of the increases in Japan recently.

In the Central America region, Mr. Temming stated there was a slight overweight in one Panamanian and one Brazil stock, but the economy continued to lag there.

Mr. Ponitz asked about the North American region; whereby, Mr. Temming stated that it was more Canada and Mexico, and some Bermuda and reinsurance stocks, which were more global in nature but go to Bermuda for their tax statements. On the Canadian side, he stated they had an auto related name there, as well as a couple of other names.

Mr. Ponitz asked if there was a reason their weighting was 50% higher than the benchmark; whereby, Mr. Temming stated that those stocks in general screened well and they liked the fundamentals such as insurance, which had had a nice run, especially on the reinsurance side given there had been a lack of catastrophes in the past two or three years and they had positioned the portfolio on the insurance side to take advantage of when rates finalized. He noted that in insurance they could make money on underwriting and investing in assets, and assets were invested on a fixed income basis.

Mr. Temming stated that quantitative easing had helped increase Eurozone Bank lending to the private sector. He stated there had been a nice upturn and expected it to go up further as the Eurozone recovered and QE continued. He stated that unemployment rates were much higher in Spain and Greece and other parts of the Eurozone, but they did not have any exposure in Spain or Greece and they expected that to continue. He stated that they were performing better on an economic basis, but it was pretty bad on the unemployment front. He stated that Greece's GDP continued to drop since 2004, and had had 11 years of negative growth.

Mr. Temming stated that the dollar had significantly appreciated in the last year and continued to appreciate. He stated they kind of wanted the Fed to start raising rates because they believed a lot of the build up demand for the dollar was hopefully in the number and we would see a little more not as much of a strong dollar. He stated in the last five times the Feds had raised rates in the next six to nine months the dollar had depreciated all through the countries. He stated it was definitely something they were fighting but currently they were trying to find companies with undervalued currencies to combat this.

Mr. Temming stated that Chinese A-shares traded at large premiums to H-shares. He stated they tended to stay on the H-shares side which had a little better valuation, but they targeted the consumer demand, such as smart phones.

Mr. Temming stated that commodities were weak and getting weaker, at a six year low. He stated they did not expect them to ramp up anytime soon.

Mr. Temming stated that PMIs were improving in Europe. [Purchasing Managers Index (PMI) is an indicator of the economic health of the manufacturing sector. A PMI of more than 50 represents expansion of the manufacturing sector, compared to the previous month. A reading under 50 represents a contraction, while a reading of 50 indicates no change.] He stated they also had quantitative easing in Europe and had moved their exposure higher in the last six months.

Mr. Temming stated that they were comfortable that they had done well at about 200 bps. so far this year. He stated they expected volatility to continue through the end of 2015. He stated that China was definitely the main topic, as well as the U.S. anticipated an interest rate hike. He stated they felt comfortable internationally, even though there was risk there they were trying to target Europe, Japan and Emerging Markets.

Mr. Owens noted that Renaissance liked certain Financials but were underweight to the benchmark; whereby, Mr. Temming stated there were pockets of Financials, such as insurance, that they felt comfortable with. He noted that there were some banks in Emerging Markets that they may be taking a closer look at.

9. INVESTMENT MONITOR REPORT (GRAYSTONE CONSULTING)

Mr. Charles Mulfinger, Graystone Consulting, stated that we had had the managers presenting today for quite a long time.

Mr. Mulfinger stated that we hired Renaissance right after the market bottomed, so they have had a market that had gone up, but because of their valuation overlay, he had not expected them to perform as well as they have in this time period. He stated that both international managers have had very good performance for us, and since 2009, they had beaten their benchmarks in all time periods.

Mr. Mulfinger stated that we hired Delaware in 2005 and during the past ten years they had been more defensive, so in times when the market had declined, they had historically declined less, whereby we picked up more value overall, even if they did not participate as much as on the upturn because of less decline, we had done well. He stated that over the last ten years we had had higher return and less risk.

Mr. Mulfinger stated that in the fixed income area we were not supposed to beat the benchmark by as much as Garcia Hamilton had. He stated Garcia Hamilton made some pretty big bets in the fixed income market and historically had been right over the past 12 years. He stated that Mr. Garcia had made decisions to shorten the duration length, even though it was only 10% more or less than the benchmark, and they had gone to the correct sectors, so moving from Corporates to Governments back to Corporates had added value when they made those decisions. He stated that this quarter was the first quarter in a long time that Garcia Hamilton had had lower returns in fixed income, which they stated they had already made some of it up. He stated their view was that interest rates would come down and interest rates would decline, which was not the view across the marketplace, which was that interest rates would rise sooner or later. He stated that it was his firm’s view that rates would rise. He noted that Ms. Hamilton stated that if they saw interest rates rising, then they would shorten their duration.

Mr. Ponitz asked Mr. Mulfinger how Garcia Hamilton would shorten the duration; whereby, Mr. Mulfinger stated that Garcia Hamilton would take bonds in their portfolio with a longer maturity and sell them to buy bonds that had shorter duration, in other words, they repositioned the portfolio. He stated that Garcia Hamilton was an active fixed income manager. He stated that normally fixed income managers were pretty boring and stable, with not a lot of movement, but Garcia Hamilton was very active and over a 12-year period they had done very well.

Mr. Mulfinger stated that the returns for this quarter were positive gross of fees and negative net of fees, barely up or barely down. He stated it was a difficult quarter. He stated that one of the reasons it was negative net of fees was because we had a lot in bonds, bonds were negative, and Garcia Hamilton was more negative. He stated that it was not anything to be concerned about, it was just what the market did, as it was more volatile, but we were above the benchmark.

Mr. Mulfinger stated that in the General Employees plan there was more in equity and less in fixed income, but we were within the policy range. In the Police and Fire, he stated they hit a "no" as far as policy range, but if we counted cash as part of fixed income, they were still within their range. He stated he counted cash and in his opinion neither Police nor Fire needed to rebalance.

<u>Economy and Market</u>
Ms. Scott Owens stated that the market during the second quarter had been pretty volatile. He stated there was a lot of speculation on what would happen in Greece, but he noted that Greece was a very, very small contribution to the economic impact of the European median. He stated the concern was what would happen to that trading block if it fell apart, which was where the volatility came in. He stated that there were concerns of unemployment in Spain and Italy, and he suggested that if Greece exited and did well, maybe Spain and Italy would exit, also. He stated that volatility had started to subside and there had been multiple deals signed, and as of right now, it did not appear that there was any threat of them leaving the European Union (EU) (EU is a politico-economic union of 28 member states that were located primarily in Europe. The EU operates through a system of supranational institutions and intergovernmental-negotiated decisions by the member states.)

Mr. Owens stated there was also a lot of discussion of what the Fed would do in June, whether they would raise rates or not, which created a lot of volatility. He noted that when there was good economic news, the market would go down, and when there was bad economic news, the market would go up. He stated that when there was good economic news, spending increased and unemployment was down, but the market would go down because that lent to the idea the Fed would be raising rates, and the opposite was true with the bad news. He stated that consensus was that the Fed would probably raise rates this year probably by a quarter and everyone was expecting it, but if something different or unexpected happened, there would be a different impact to the market response.

Mr. Owens stated that the economy continued to grow in the right direction, continuing to grow slowly. He stated the GDP for the second quarter was 2.3%. For the first quarter, he reported that GDP was -0.2% and revised to +0.6%, employment rate dropped from 5.5 to 5.3, and wage growth continued to move up very slightly. He stated the housing market continued to do well as rates had moved up during the quarter and it continued to be in the recovery mode. He stated the NMI and PMI (service indices of manufacturing index) were both positive between 53 and 55 respectively. He stated that above 50 indicated that the economy was expanding. He noted that those indicators had been above 50 for 64 months in a row. He stated that in July the service index jumped up to 60, which indicated good news. He stated the number of unemployment claims was at a four decade low.

Mr. Owens stated that we were also at the tail end of the earnings season and earnings were revised downward as they beat a lower target. He stated they had talked about low quality rally for the past three or four years and how companies with no earnings/negative earnings stock prices had led the market. He stated that there was a pretty big dispersion in the reaction of stock price to earnings, in other words, companies that beat estimates on average their stock price went up about four or five percent, and then companies that disappointed and did not meet expectations were down about four or five percent.

Mr. Owens reported that the Dow Jones Industrial Average was down about 0.29% for the quarter, and in the large cap space measured by the Russell 1000 Index was up 0.10%, the mid cap sector was actually down -1.54%, and the overall small cap was up 0.42%. He stated that both value and growth in the large cap space were positive, mid-cap space both were negative, and small cap growth outperformed value over all sectors. He stated it was a mixed bag. He stated that the asset classes and sectors that were positive were barely positive and the sectors that were negative were negative by a relatively larger margin, down -1.5% vs. 0.10%.

Mr. Owens stated that of the ten sectors of the S&P 500, five were up and five were down. He stated the most positive were Health Care and Consumer Discretionary at 2.8% and 1.9% respectively, and the most negative was Industrials down -2.2% and Utilities down -5.8%. He stated a couple of quarters ago he talked about the best/worst performers where there was about 23 percentage points or 2,300 bps., which was a big dispersion between the best performer and worst performer. He stated that this quarter there was a lot less dispersion, a very tight trading range, a lot of volatility in the market, and the difference between the best performer and worst performer in the sectors was only about five percentage points.

Mr. Owens stated that the international sector actually did better at 0.62% for the broad market index (MSCI EAFE), and the small cap sector, which was the best performing sector at 0.42%. He stated that the international markets were negative at -1.8% because the value of the dollar went down during the second quarter which acted as a natural hedge and gave the U.S. a positive return. He stated that last quarter the opposite was true in local currency, as the international was up 12% and U.S. up 5% because the value of the dollar went up during that quarter.

Mr. Owens stated that Emerging Markets were the best performer in equities and were up 0.18% as compared to the fixed income space (Barclays Capital Aggregate) at -1.68%. In the Corporate bonds, he stated they were down -2.88% and Government bonds down -1.5%. He stated that duration was a measure of risk in the bond portfolio and was a percentage change in price from a 1.0% change in interest rates. For example, he stated that if there was a duration of five and interest rates increased by 1.0%, then the value of the bond went down by 5.0%. He stated the bigger the duration, the bigger impact it had on the change in interest rates. He stated that long bonds for the quarter were down -7.75%, which Ms. Hamilton reported had hurt them during the quarter, but their overweight in Government bonds had helped them.

Mr. Mulfinger summarized that we were still in a slow growth environment. He stated the U.S. market was choppy (up and down) with growth doing a little better than value. He stated the international market was up more than the U.S. market but less than 1.0%. He stated the bond market was negative and the interest rates went from 1.92% at the end of March on the 10-year Treasury to 2.35% at the end of June, which was bad. He stated that when rates moved up, it hurt bonds. He stated that the 10-year Treasury was back down to 2.137% as of yesterday, which was a big lowering of the interest rate and was the reason Ms. Hamilton reported they were up since the quarter.

<u>Performance</u>
Mr. Mulfinger stated the value of the General Employees' portfolio was $42,583,662 with a loss net of fees of $19,722. He stated the portfolio was overweight in large cap value, large cap growth, small-mid cap value, small-mid cap growth, slightly underweight in the two internationals, and overall overweight in equities at 68% vs. 65%. He stated the policy allowed us to go to 70%; therefore, we did not need to rebalance. He stated the fixed income was at 31.77% vs. 35%, and the policy allowed us to go up to 30%, so we were fine.

In Police and Fire, Mr. Mulfinger stated that fixed income was below 30%, but they added cash so it was above 30%.

<u>HGK</u>
Mr. Mulfinger stated that HGK's return was better than the benchmark but they were expecting it to be higher this time, but they were overweight in Energy, and as Energy prices pulled back they gave back some of their outperformance at the end of the quarter. He stated he would expect this quarter to be difficult for them with Energy prices hitting 6½ year lows as of yesterday. He noted the one, three, five-year and since inception returns were all a little less than the benchmark and a little more volatile. He stated he had an informal watch on them because of their underperformance as compared to the benchmark. He stated we had hired HGK at the bottom and had not had them during a down period.

<u>Sawgrass</u>
Mr. Mulfinger stated that Sawgrass was more defensive. He stated that when the market was not doing well, they would be expected to go down less or up a little more, but that was not what happened, as high quality companies still have not been the ones that led the market. He stated in this quarter, companies with no earnings (Facebook, Amazon) who had higher price vs. earnings still dominated the performance. He stated that this had started to turn, but it had not as of yet. He stated that Sawgrass was overweight in Energy, Industrials, and Consumer Staples, which were three of the top underperformers. He stated they were underweight in Consumer Discretionary, Health Care, and Financials, which were three of the top performers. He stated that their weighting hurt them and being more defensive did not help them in the quarter.

He reported that for the one-year, three-year and since April 2012 time periods, their returns were up but over the whole time period the return was equal to the benchmark at 15.52% vs. 15.52%. He stated they had positive alpha, positive sharp, less risk and had added value to adjust for risk.

<u>Polen Capital</u>
Mr. Mulfinger stated that Polen's return was amazing. He stated that their returns had been below the benchmark by a big difference in underperformance. He stated he was worried because Mr. Polen had passed away and hoped they would make up the underperformance. He stated we stuck with them and for the quarter their return was 2.40% vs. the benchmark at 0.12% and for the one-year 19.26% vs. 10.57%. He stated that Polen had explained that the companies they owned were meeting their earnings expectations but they were not getting rewarded, as fundamentals were not getting value, which had now happened. He stated that three-year and since inception returns were still a little below the benchmark. He stated in this quarter Polen underweighted Energy, Materials, Industrials and Utilities, which were all at the bottom, and overweighted Consumer Discretionary and Technology, which were at the top, and they had good stock selection.

GW Capital

Mr. Mulfinger stated that if Mr. Scott Mullet was here he would say it was a disappointing quarter at -2.45% vs. the benchmark at -1.28% and a terrible year at -9.01 vs. 1.00%. He stated that GW was a theme-based manager, and our only theme-based manager, who looked at what was going on in the world and picked the industries they believed would do well based on what was going on in the world, top down. He stated all the other managers were bottom up, whereby GW looked at the companies first. He stated that initially when we hired GW they were right on and all their top down picks were working. He stated that recently GW had a heavier position in Energy and their stock selection had hurt their performance.

Mr. Mulfinger stated that the three-year return was now below the benchmark because of the one-year return. He stated the five-year return was below the benchmark, but the since inception return was above, which included the one-year, three-year and five-year returns, so long-term GW was still doing well at 16.62% vs. 14.91%. He stated it was just the shorter term performance that was down, which he stated we would see in a theme-based manager, as well as more volatility and more risk.

Apex Capital

Mr. Mulfinger stated that the boards had hired Apex in January, who started off a little below the benchmark but had had a good quarter at 3.84% vs. the benchmark at 0.60% and since inception at 10.84% vs. 9.78%. He stated they were overweight in Health Care and Financials and underweight in Materials, Industrials, Consumer Staples and Utilities. He stated it was a great quarter, but too short of a time period to say much more.

Delaware

Mr. Mulfinger stated that Delaware was a little below for the quarter and one-year, but the three-year, five-year and since inception returns were all above the benchmark. He stated that longer term numbers were more important than shorter term numbers. He stated Delaware had higher return with less risk and had added value. He stated they were overweight in Health Care, Technology and Utilities, but this group actually hurt them a little as well as some stock selection in Telecom, Consumer Staples, and Consumer Discretion, but the return difference was close and the longer term return was good.

Renaissance

Mr. Mulfinger stated that Renaissance beat the benchmark in every time period, which was a little better than he would anticipate because of their valuation overlay. He stated their overweight in Telecom, Financials and Technology and Japan helped their return. He stated they had higher return, less risk and added value.

Garcia Hamilton

Mr. Mulfinger stated that the return was below the benchmark at -1.03% vs. -0.62%, because of their longer duration. He stated they underweighted Corporates which helped but not enough to offset the new longer bonds. He stated their long-term return at 5.34% vs. the benchmark at 3.82% was great.

Total Return

Mr. Mulfinger stated that the total return was up 0.06%, which was better than the policy index for all three funds for the quarter. He stated for the one-year it was a little below the benchmark at 3.30% vs. 4.09%, but the three-year, five-year and since inception were all above the benchmark with less risk. He stated there was higher return, less risk, positive alpha, positive sharp, and added value to adjust for risk.

Investment Policy Checklist

In the Guidelines, Mr. Mulfinger stated that they were all “Yes” as far as the characteristics that we needed to follow as far as weightings, but under the objectives, HGK was “No” as discussed earlier, Sawgrass was also “No” but they took less risk, Polen was “No” but their short-term performance was outstanding, so they were actually catching up, and all the rest of the investment managers were “Yes.”

Risk & Return Analysis

Mr. Mulfinger stated that we had higher returns and less risk. He stated that when the market went up, we had only captured 98.32% and on the down we had only captured 94.81% and because we were capturing less on the down than what we missed on the up capture resulted in a positive alpha and positive sharp, which added value in both risk measurements when adjusted for risk. He stated the trustees had done well and the managers had done well for them.

Tactical Asset Allocation (Graystone’s view)

Mr. Mulfinger stated that his firm viewed an equal weight in the U.S. equity market. He noted that both international managers had mentioned multiples on U.S. stocks had gotten more expensive and that was the reason the weight had changed from an overweight.

In fixed income, Mr. Mulfinger stated they were overweight in bonds, as they believed monetary policy would benefit Europe and Japan, which had changed from overweight.

In Emerging Markets, Mr. Mulfinger stated the only reason they were overweight there was because they were dirt cheap and the P/E multiple was around 12, which was much less than the U.S. market. He stated they were overweight in Credit bonds, but it was in inflation-linked securities that there was a change to overweight. He stated they believed they were starting to see early signs of inflation; and if they were right and the market anticipated it before it happened, then they would go to an overweight in TIFs.

Mr. Mulfinger stated they were underweight in REITS, which was never recommended to the boards, overweight in Commodities, and we did not own Master Limited Partnerships, Hedge Funds or Managed Futures.

To summarize, Mr. Mulfinger stated that the quarter was slightly better than the benchmark for all three plans and long-term there was a little higher return and less risk.

Mr. Morgese asked about stock prices of companies with low or no earnings and if they were absolute dollars as compared to expectations; whereby, Mr. Mulfinger stated they were absolute dollars. He stated that the market would not be driven long-term by companies that did not have earnings. Historically, Mr. Mulfinger stated there were periods of time when low quality had done well and low earnings had driven the market, but over the long-term cycle companies with earnings had done better.

10. DISCUSSION OF CHANGING RATE OF RETURN ASSUMPTION (Current 7.0%)

Ms. McGuire clarified that the change in the assumption rate of return was for actuarial purposes. She asked Mr. Donlan if the change could be effective with the next valuation because she did not want it to impact the city's contribution for October 1, 2015; whereby, Mr. Patrick Donlan of Foster & Foster stated that when they did the October 1, 2015, valuation for the General Employees' plan, the assumption would go to 6.75%, which would affect the funding requirements for FY 2016-17.

Mr. Mike Furman moved, seconded by Ms. Kelly McGuire, to approve reducing the assumed rate of return to 6.75% effective for the next valuation on October 1, 2015, for FY 2016-17. The motion passed unanimously.

Mr. Ponitz asked about the current rate of return; whereby, Mr. Donlan stated that it was 7.0% net of fees. Ms. McGuire stated that the rate had been reduced by 0.25% each year for the past few years.

Mr. Donlan stated that the lower the assumption, the higher the city's contribution would be. He stated that more contributions would be paid into the funds. He stated that they developed a minimum funding requirement based on the best estimate of future experience, using the assumed rate of return.

Mr. Mulfinger presented an asset allocation study (with a strategic seven-year risk/return assumption) stating that at our current asset allocation the probability was 43.7% that we would have a 7.60% (7.00% + 0.6% fees) per year return over the next seven years. He stated that we should focus on longer term, and based on the next 20 years the probability of a 7.60% return was 53.3%.

Mr. Andy Harris moved, seconded by Mr. Royce James, to approve reducing the assumed rate of return to 6.75% effective for the next valuation on October 1, 2015, for FY 2016-17. The motion passed unanimously.

Ms. Amanda Hayes left the meeting at 10:33 a.m. The Police Officers' Pension Board did not have a quorum at this time.

Mr. Lee Strong left the meeting at 10:35 a.m.

Mr. Tommy Bozeman stated that the Fire Board favored staying at 7.0%.

Mr. Donlan noted that the state of Florida had a website where they posted an annual report with the assumptions for all 491 plans and only 32 had below 7.0%. He stated that was only 6.5% of the plans in the state that had an assumption below 7.0%.

11. DISCUSSION OF REVISION TO THE INVESTMENT POLICY

Mr. Mulfinger stated that there were a few things that needed to be revised/updated in the Investment Policy, such as the actuarial rate of return needed to be revised from 8.0% to 6.75% for general and police and 7.0% for fire, Perimeter Capital to Apex Capital, and Davis Hamilton to Garcia Hamilton.

12. DISCUSSION OF FIREFIGHTERS' ORDINANCE AMENDMENT REGARDING EXPIRED CONTRACT DATED MAY 20, 2014

Mr. Joe Dupree stated that there were a couple of things that were incorrect:

On page 3, Sec.16-67(2)(g) BAC-DROP should say market rate of return but not less than zero, instead of six and one-half percent.

On page 1, Section 1, Salary, he stated that calendar year should be fiscal year, and further down in the paragraph it mentioned a cost-of-living increase; whereby, Mr. Dehner stated that the cost-of-living increase language was required for tax compliance.

Mr. Bozeman asked if Mr. Dehner would revise the ordinance amendment with the addition of the share plan; whereby, Mr. Dehner stated that was correct. He asked if they had determined how they wanted the share plan distributed, and he stated he could send them a copy of a share plan.

Mr. Dupree stated that the pension membership had not decided how they wanted to distribute the share plan, whereby, Ms. McGuire suggested they provide the information to Mr. Dehner prior to the next meeting so he could prepare the ordinance amendment. She stated that she had provided Mr. Dehner with a copy of Article 34.

13. APPROVAL OF BUDGET FY 2015-16

<u>Police</u>
Ms. Towey asked Mr. Dehner if the Police Board had to schedule a meeting to approve their budget, since they did not have a quorum at this time; whereby, Mr. Dehner advised that it would have to be published prior to October 1, 2015, which it was now by virtue of this meeting; therefore, it could be approved at their next meeting in December. He stated that it also needed to be published prior to October 1.

Ms. McGuire asked where it needed to be published; whereby, Mr. Dehner stated that it should be distributed or published on the city's website and sent to the Department of Management Services.

Mr. Dehner stated that this budget was for the fiscal year ending September 30, 2016, and an annual accounting was required for fiscal year ended September 30, 2015.

Mr. Dehner stated that this was the first year a budget and annual accounting were required for the police and fire plans. He stated it was more unfunded state mandates for information that did not add to the beneficial administration of these plans.

Ms. McGuire asked Mr. Ponitz if he favored the same information prepared for the general employees' board for informational purposes; whereby, Mr. Ponitz stated he was just inquiring if all funds had to do this. The board was in favor of having a budget and annual accounting prepared for the General Employees' Pension Board for informational purposes only.

Fire
Mr. Dominic Morgese moved, seconded by Mr. Tommy Bozeman, to approve the Annual Budget for FY 2015-16. The motion passed unanimously.

Mr. Dehner advised that the document should be sent to the City Commission and Department of Management Services, as well as being posted to the city's website for all employees to review.

14. ATTORNEY COMMENTS

Legislative Update
Mr. Dehner stated that Senate Bill 534 (now F.S. 112.664) was the legislation that required Mr. Donlan to make calculations that made the plans not look well. He stated these had been electronically filed with the Division of Retirement, a hard copy to the boards, and posted to the city's website, so we were in compliance.

Mr. Dehner stated that Senate Bill 172 and House Bill 341 would affect the police and fire plans providing that the parties would negotiate how the state money would be used and if an agreement was not reached, then a default agreement would split excess state money 50/50 with the half that benefited the plan members going into a share plan. He stated it was his understanding that the firefighters' had just negotiated this recently. He stated he had prepared an ordinance with prior provision changes and advised he would add the share plan to that ordinance, along with tax compliance changes.

Mr. Dehner stated that another bill, House Bill 1309, mandated local law plans such as ours to utilize the same mortality tables and assumptions as FRS effective January 1, 2016, and would need to commence with the October 1, 2016, valuation report for compliance.

Mr. Dehner stated that he was in the process of amending the plans for tax compliances. He stated it would not have a substantive impact on benefits or funding, but the language was required to be in the plans.

Financial Disclosure
Mr. Dehner reminded the board members to file their financial disclosure forms, as fining started on September 1 for non-compliance.

15. OTHER BUSINESS

Beneficiary Death Benefit

Ms. McGuire stated that Mr. Ponitz had brought up at prior meetings that there was a five-year vesting for members but for purposes of leaving their benefit to a beneficiary, there was a ten-year vesting period. She stated that the board had discussed Mr. Donlan performing a study for the cost to change the ordinance such that if the member was five-years vested and died, their beneficiary would receive their benefit as opposed to a refund of their contribution.

Mr. Donlan stated that he provided the study last February, which did not change the percentage of payroll, but increased the present value of future pre-determined death benefits from $408,000 to $420,000. He stated the total liability of the plan would go up about $12,000, which was not enough to make a difference on the percentage of payroll that the city had to put in.

Ms. McGuire stated that Mr. Dehner was drafting an ordinance amendment to reflect IRS compliance changes and suggested this would be the appropriate time to include the five-year death benefit. She stated she could not say if it would be recommended by city staff or if the City Commission would be open to it.

Mr. Donlan noted that the original ordinance changed vesting to five years but the death benefit section referred to ten years; whereby, Ms. McGuire suggested that the board at that time probably made that assumption but did not understand the death benefit section and did not realize that should have been changed at the same time.

Mr. Michael Furman moved, seconded by Mr. Dave Ponitz, to correct the death benefit such that it coincided with the vesting period. The motion passed unanimously.

Mr. Dehner suggested it might have been an oversight at that time.

The General Employees' Pension Board and Police Officers' Pension Board adjourned at 10:55 a.m.

Mr. Dominic Morgese left the meeting at 11:03 a.m. The Firefighters' Pension Board did not have a quorum at this time.

Multiple Military Buybacks

Mr. Dupree stated that at previous meetings they had asked about multiple military buybacks, a 100% PLOP option, and a 100% to survivor/beneficiary of a vested member.

Mr. Bozeman stated that he thought Mr. Donlan would write a letter stating it was cost neutral to the plan; whereby, Mr. Donlan recalled that Ms. McGuire stated that these items would need to go through collective bargaining.

McGuire stated that the items still had to go back through the union rep to Human Resources requesting to bargain these changes. She stated she did not recall the military buyback or PLOP discussion during the recent bargaining process.

Mr. Donlan stated that the board had directed him to perform a study for the 100% survivor benefit, which was 0.2% of payroll.

Mr. Dupree asked if the 100% survivor benefit had to be bargained; whereby, Ms. McGuire stated that the city had to have the opportunity to negotiate it and the city could decide negotiation was not necessary and to send it forward or not.

Mr. Bozeman noted it said in the union contract "*the city agrees to allow pension plan members to recommend improvements to the pension plan,*" and he asked if that circumvented having to go through negotiations if it was brought about by the plan members; whereby, Ms. McGuire stated that if they were talking about something that impacted the union contract, then it had to go through the union rep. She stated she thought it had been discussed at the last negotiation meeting, but she would have to review the minutes of the meeting.

Mr. Dehner summarized their comments/changes:

- Calendar year to fiscal year
- DROP participants hired before May 20, 2014, 6½% plan earning to be replaced with not less than zero.

Ms. McGuire asked Mr. Dupree and Mr. Bozeman if the plan members had voted on the changes they presented today; whereby, Mr. Dupree stated they had brought these concerns to them and they brought them up here to find out what to do with them.

Ms. McGuire stated that as board members they did not get to decide on ordinance changes before they were voted on by the plan members. She suggested they review the minutes to see if it was agreed that it did not have to go back through negotiations; and if so, they could move forward with taking it in front of the pension members, and if it was voted in favor of them, then Mr. Dehner could include them in the ordinance amendment.

Mr. Dupree asked if this ordinance needed to have the stop/start language; whereby, Mr. Dehner stated that there should not have to be a stop/start because it was now included in the statute.

Mr. Dupree stated that this union contract had expired, so they would need an ordinance amendment for it and then another one for the new contract; whereby, Ms. McGuire stated that there would one ordinance to include both contracts.

Mr. Donlan asked about the new union contract; whereby, Ms. McGuire stated that the only thing new was the splitting of the existing state money so that half would be used to pay down the unfunded liability and half would go into a share plan.

Mr. Donlan asked if the contract addressed state money going forward; whereby, Ms. McGuire stated that it did not.

Mr. Donlan stated that there was the 2002 base amount and 2003 amount and the money in between them had to be used for additional benefits over and above the minimum. He stated that new people had exactly minimum benefits and sometimes the Division of Retirement in their Q&A would say if they did not meet the minimums for all members, then they did not meet the minimums. He stated they said we had to look at the worst case scenario and in that case the frozen amount would be $223,682 or back to the 2002 amount, if they were treating it that way. He stated that if they were treating it as if there were a bunch of people with higher multipliers, then the frozen amount was $348,933. He stated he would find out what the default amount really was.

Ms. McGuire stated that the contract specified a specific dollar amount in reserve that could be used now; whereby, Mr. Donlan stated that as long as the city and union agreed on an amount, then they did not follow the default. He stated that he would calculate the exact frozen state money going forward and then half would go into a share plan.

Mr. Bozeman stated that the union members had not agreed to the share plan; whereby, Mr. Donlan stated that if they had not agreed to it, then it went to default which was the share plan.

Ms. McGuire asked if the city's half went to reduce the unfunded liability or the city's contribution; whereby, Mr. Donlan stated that it went to reduce the city's contribution first. He stated if it was not called "prepaid," then it could be used to reduce the unfunded liability.

Ms. McGuire stated that if the frozen amount was no longer $368,000, which was the number required to keep the 3.37% multiplier, then the firefighters would not be paying for their increased multiplier, which would now be shifted onto the city.

Mr. Donlan stated that the old stuff was gone according to the new state law, so if the old ordinance language constituted mutual consent, then they could deviate from the default. He stated that if it was not mutual consent, then it fell to default, no matter what the ordinance said.

Ms. McGuire stated that there would be a serious problem with funding the 3.37% multiplier if the new law nullified the funding from the state money; whereby, Mr. Donlan stated that was exactly what the state law did, but the city and union could agree to keep the same structure.

Ms. McGuire stated that Mr. Dehner could structure the ordinance so that the 3.37% multiplier was still being funded through the state premium tax money; whereby, Mr. Dehner stated that the key was whether or not we were under the default or mutual consent.

16. ADJOURNMENT

The meeting was adjourned at 11:20 ~~p.m.~~a.m.

Respectfully submitted,

Lois Towey, Recording Secretary

Attest:

Kelly A. McGuire, Chairman
General Employees' Pension Plan

Ken Artin, Chairman
Police Officers' Pension Trust Fund

Joseph F. Dupree, Chairman
Firefighters' Pension Trust Fund