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

February 12, 2016	8:30 a.m.	Commission Conference Room

1. CALL TO ORDER

Chairman Kelly McGuire called the meeting to order at 8:39 a.m.

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

Chairman Ken Artin called the meeting to order at 9:10 a.m.

Police Officers' Pension Board members present were Chairman Ken Artin, Secretary Shane Jarrell, and Andrew Harris.

Chairman Joe Dupree called the meeting to order at 9:10 a.m.

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

Also present were Michael Pendergast and Adam Gerentine of HGK Asset Management, John Gunther and Steve Atkins of Polen Capital Management, Greg Gosch and Marc Davis of Sawgrass Asset 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 DECEMBER 9, 2015

Mr. Sam Butler moved, seconded by Mr. Dave Ponitz, to approve the minutes of the December 9, 2015, meeting. The motion passed unanimously.

Mr. Shane Jarrell moved, seconded by Dr. Andrew Harris, to approve the minutes of the December 9, 2015, meeting. The motion passed unanimously.

Mr. Dominic Morgese moved, seconded by Mr. Tommy Bozeman, to approve the minutes of the December 9, 2015, meeting. The motion passed unanimously.

3. PUBLIC COMMENTS

There were no public comments.

4. PRESENTATION OF HGK ASSET MANAGEMENT (Large Cap Value)

Mr. Adam Gerentine, Managing Director of Sales and Marketing at HGK, and Mr. Michael Pendergast, CEO, CIO and Portfolio Manager of the Large Cap Value Strategy, were present today.

Mr. Gerentine stated that all three plans were invested in the large cap value strategy and had returned 3.54% for the quarter vs. the Russell 1000 Value at 5.64%, which was about 200 bps of underperformance for the quarter. He stated that it had been a challenging year for HGK as they had underperformed by a little over 900 bps. for the year, which now had an effect on their long-term performance of the fund. He stated that since inception they had underperformed by about 2.7%. He stated that a lot of the underperformance had taken place in the past year, from Thanksgiving of 2014 on. He stated they had seen some struggles and challenging market environment. He stated HGK had not made any changes to the portfolio as far as the process or investment guidelines.

Mr. Michael Pendergast stated HGK had been very disappointed in the near term performance of the product, as it was not what they expected or what their clients deserved. He stated they had been wrong on two counts: 1) they had been surprised by the persistence of the momentum characteristics of the market that had continued for the past 1½ years. He stated that when positions in the portfolio according to their valuation model hit their price target intrinsic value, they sold them and recycled the money back into companies that were selling at a discount to their intrinsic value. He stated they had done this for 25 years, but it was currently not working. He stated this was one area they had miscalculated the persistence of that trend; and 2) they had been positioned in some of the areas that had been most affected by the declining commodity prices, particularly Energy and some of the Industrial space that was tied to the Energy industry. He stated they underestimated the precipitous decline in oil prices. He stated they responded in the portfolio and reassessed those positions, as it had been four or five positions in the portfolio that had been problematic and accounted for all of the underperformance. He stated they had chosen to sell one or two of those positions that were more structurally challenged in a low commodity environment and recycled the money into other names within the space they felt had strong balance sheets and favorable geologies that would come out of the cycle in a much better position than they currently were.

Mr. Pendergast stated that Energy stocks had the largest decline in the portfolio. He also pointed out that there were significant amounts of gains in the portfolio, as they tended to sell stocks when they hit their price target moving the money into areas which they felt were more discounted to their intrinsic value, but again that had not helped/worked in the portfolio.

Mr. Pendergast stated they continued to believe their discipline led them to areas of undervaluation in Energy and Consumer Discretionary, Industrials, and Information Technology; and conversely to areas like Consumer Staples and Health Care where there was overvaluation. He stated they tended to take profit from those sectors.

Mr. Pendergast stated HGK bought high-quality companies at discounted prices using a fundamental bottom-up approach. He stated their process was based on the value of the company (the amount of cash the business was expected to generate over its life) by determining the intrinsic value by calculating the expected cash flows bringing them back to the present, netting out the debt and comparing the value of the expected cash to receive versus the stock price. He stated that if the value of the cash was greater that the stock price, it was undervalued, which was their definition of value. He stated this had been time tested and enjoyed for 25 years, and it had not been changed. He stated that companies created wealth by taking the cash invested in their business and reinvesting it to grow their business to earn a return above their cost of capital. He stated it was a two-part process: return on value based on cash and the value of wealth creation based on the rate of return of that cash. He stated that had not changed in 25 years and had produced very strong and powerful long-term results, but it had not worked in this current market environment.

Mr. Pendergast stated that their top ten holdings were all high-quality, large cap value companies. Given the current market environment, he stated that many of these companies were involved in value enhancing or value unlocking strategies, either internally by the company or by some outside activist or catalyst. Case in point, he stated that American International Group (AIG) was in the midst of a restructuring brought upon by Maculus Investors, which should unlock value stocks over 70% tangible book value; Johnson & Johnson was now being approached about breaking up their business pharmaceuticals, consumer staples, and medical devices to unlock value; General Electric was going through a major transformation jettison, mostly financial services businesses becoming more industrial; EMC Corporation had been taken over by Adel Corporation. He stated EMC traded at a discount to the cash value of the deal, basically selling at a discount to the cash value in addition to the tracking stock in VMware; MetLife was another company breaking up and separating into retail businesses trying to unlock value. He stated CenturyLink was a telecommunications company, who had been diversifying with a yield of about 8.0%. He stated they recently reported very strong earnings and were undertaking a strategic initiative to do some type of spinout of the data service business, which would be a substantial unlocking of values. He stated that a lot of the stocks in the portfolio had gotten to the point where their value was so evident they were starting to see external catalysts look at these companies in order to increase value for shareholders, because the stocks were so undervalued.

Mr. Pendergast stated that since the latter part of 2013, they had become concerned about the overall valuation of equities and one of the things they looked at that was important to their process was the discounting mechanism of those cash flows. He stated the implied discount rate for the market was at an extraordinarily low level, which meant investors were demanding more return for the risk they were taking in the equity market. He stated the only other time they had seen this kind of complacency and low risk tolerance was in late 1999 and early 2000 during the tech and telecom bubble, which deflated and resulted in an elevated risk level and a lot of the tech and internet companies went out of business and declined significantly in value. He stated this period was very reminiscent of that particularly with internet-related and ecommerce-related companies that were selling at astronomical multiples with very large market values, with the rest of the market being very reasonable to undervalue.

Mr. Pendergast stated they had avoided a lot the momentum stocks, but they had been concerned for over 1½ years about the overall level of the market and continued to take profits in companies that hit their price targets in an effort to be more defensive, as they have recycled that back into stocks they felt were discounting a lot of the uncertainties in the marketplace. He stated this had not worked as the market continued to forge ahead and those winners continued to drive performance and the composition of their index. He stated that it appeared that the market was starting to go through the correction mechanism as some of the stocks were starting to correct quite significantly.

Mr. Pendergast reiterated that these were not normal markets and the factors such as price to operating cash flow (buying companies that were selling at a relatively modest multiple cash flow over time tended to produce strong results). He stated that the significant value factors that drove performance had been the worst areas in the market with respect to what drove performance, which was momentum. He stated that low interest rates had forced fixed income investors into the stock market to try to earn a return, who had gravitated towards quality companies at any price and what was working, which was momentum. He stated hopefully we were in the midst of that change currently. He stated over the long-term value tended to produce very strong results and they were confident that going forward value would come back to the forefront.

Mr. Pendergast stated they looked at various sectors, such as Energy and Industrials, that had been hit through the weakness in energy prices. He stated they looked at the economic/cash returns in areas like Energy, Information Technology and Industrials where the market was implying the returns for those businesses were much worse than they actually were. He stated that those areas in the long run were the areas of opportunity because as they continued to perform on an economic basis, ultimately the market would realize that their businesses were not permanently impaired. He stated that in areas like Consumer Staples, Telecommunications, and Utilities, the market implied that their returns would be higher than the actual law and they had been for the last five years, which was realistic. He stated that people were paying a premium for the “quality” at any price, because they knew those businesses, knew the business models were not as sensitive to the ups and downs of the economy, and they felt those companies were able to weather the current environment; but the problem was they paid a premium over and above what the intrinsic value of those businesses were worth. He stated over the long run buying overvalued businesses/companies was not the way to create wealth to their clients. He stated their discipline had been in place for 25 years and had worked over numerous market cycles and would continue to work as they got through this cycle as it had in 1999 and 2000.

Mr. Pendergast stated that as the health care sector had started to correct, they had added positions in Merck and Pfizer, both companies offered 3.5% to 4.0% dividend yields, were buying back significant amounts of cash, had interesting product pipelines, and overall were doing things in the best interest of shareholders in representing quality and value in the portfolio. He stated that Applied Materials was a semi-conductor equipment manufacturer, who was one of the major chip technology manufacturers, and was going through a new capital spending cycle. He stated their stock yielded about 2.5% to 2.7%, with lots of cash on the balance sheet, as they bought back stock and did the right things for shareholders. He stated that Parker-Hannifin was a very high-quality, industrial company with a large aerospace presence that had been hit in the market place to a level that was extraordinarily attractive to HGK.

Mr. Pendergast stated that they were not making any excuses and had been wrong on two counts: 1) they had underestimated the persistence of a trend in the market place that did not coincide with the way they invested; and 2) some of the areas they had moved money into had been impacted by the decline in energy prices. He stated they felt the decline in energy prices would be short lived, as the independent companies would go out of business and the surviving companies would do very well, because as production declined, they would see a very sharp snapback in oil prices. He stated that major development programs had been canceled, and capital spending budgets had never been cut two years in a row. He stated companies were not drilling for oil or developing large off-shore fields which meant that when supply and demand came into balance there was no more oil to meet the demand, which was growing at 1.2 million barrels per year. He stated that would very quickly surpass the supply with no additional capacity to offset it. He stated we were setting ourselves up for a major reversal and spike up of energy prices, which was the nature of a cyclical business. He stated HGK had positioned the portfolio and continued to upgrade the quality and names in the portfolio. He stated that two of the names that had been problematic (structurally impaired) because of this environment were sold at substantially higher prices and the money recycled into high quality, stronger balance sheet companies that had been in business for 50+ years and had seen these cycles and would come out of this, as they were more efficient and would be more profitable as costs came down. He stated that HGK believed they would do very well once the market moved back towards and environment that looked at things like cash flow as a means of valuation in the portfolio.

Dr. Andrew Harris asked about the 1999-2000 timeframe as compared to today; whereby, Mr. Pendergast stated that it was the same in some instances because of the psychology and sentiment of the market, as the top ten names in the S&P 500 last year provided all the return and the other 490 companies were down 6.0%. He stated this leaned correctively to a handful of stocks with very large market capitalizations that had masked the underlying weakness seen in the market, which was the same in late 1999 and early 2000. He stated that expectations were so high with those companies there was not a lot of profitability, just like companies today that were selling at 100-200-300 times earnings, such as Netflix that was selling at 600 times earnings.

Mr. Pendergast stated that the valuations were extraordinarily high today, but not as high as in 1999-2000. He stated that everyone was gravitating to the same areas because they worked (i.e., momentum), but that had to change and when it did the money would be reallocated. He stated he felt a lot would have to do with the economic outlook as it improved. He suggested there was an overreaction to concerns and the portfolio was very sensitive to the strength of the dollar because many of the companies they owned sold a fair degree to foreign markets. He stated it was a competitive disadvantage to those companies when other countries were trying to buy goods and services in dollars. He stated that the dollar had been a macro trait as everyone was convinced that the dollar will continue to appreciate versus other major currencies, but we have started to see the dollar weaken. He stated we were sort of backtracking our interest rate policy and the U.S. economy did not seem to be as strong as it was perceived to be, and everyone was crowded into that long dollar trade. He stated there was no more money to move the dollar higher and if perception changed with respect that the dollar would weaken, this caused concern.

Mr. Pendergast stated there were other areas of the market where there was a speculative, crowded, one-side nature, which again was similar to 1990 and 2000, and when it changed it fell under its own weight because there was no more money left to push the needle to one extreme; and when sentiment changed, it could be a very violent correction or reallocation of where investment money went within the stock market, such as in April 2000. He stated he could see that happening again at some point, but value investing had always worked and historically coming out of periods like this, they were usually set up for a very pro-long period of strong performance by value managers. It happened in 1999 and 2000 and lasted until 2008, and prior to that in the late 1960s and early 1970s, where they had a period of underperformance followed by a decade of very, very strong performance as investors reallocated their money from overvalued areas to undervalued areas.

Mr. Pendergast stated that this cycle had been very difficult. He stated their discipline had been in place for 25 years which had been successful and had not changed and was based on sound investment principles. He stated the companies in the portfolio were very high quality, and dividend yield was about 3.0%, which was fairly significant in the portfolio. He stated the multiples were undemanding in the portfolio and it was a well-diversified portfolio. He stated that many of the businesses were icons of the American industry selling at extraordinarily undervalued prices.

5. PRESENTATION OF POLEN CAPITAL (Large Cap Growth)

Mr. John Gunther, Relationship Manager and Partner, and Mr. Steve Atkins, Investment Analyst and Partner with Polen Capital, were present today.

Mr. Gunther stated that they were hired about four years ago and there was a period of time the boards were concerned about their performance, as they had some relative underperformance that coincided with the passing of their founder, David Polen. He stated that Mr. Mulfinger did a large amount of due diligence on Polen to insure they continued to provide a high level of investment management. He stated that last year they were the top equity fund in the United States, and he thanked the boards for their continued support. He stated that their mission at Polen Capital was to preserve and grow client assets to protect their present and enable their future. He stated that they believed in protecting capital, especially in down markets, but fortunately last year was a year they were able to grow assets with a return of a little over 15%. So far this year, he stated that they were in an environment where it was more important to protect the capital.

Mr. Gunther stated Polen was managing about $7 billion in total firm assets and continued to expand into the institutional market. He stated there had not been any changes on the investment team, but they had expanded employee ownership up to 60%. He noted Polen had a strategic partnership recently with a company based in London called iM Square. He stated they would handle all their non-U.S. distribution with clients overseas. As part of that transaction, he stated they took ownership in Polen Capital which freed up more equity in Polen Capital enabling them to expand their number of employees from 6 to 16, who now have ownership. He stated that all the investment team members were now equity partners, further aligning the interests of employees at Polen Capital with that of their clients.

Mr. Steve Atkins stated Polen Capital was a <u>High Active Share Manager</u> that was very concentrated with about 20 holdings on the average and very different from the benchmark. He stated they favored being very different than the benchmark which they felt could add a lot of value net of fees that we were charged, rather than being similar to the benchmark as it was difficult to add value net of fees when they were too close to the benchmark. He stated they prided themselves on being very different and were very selective about the businesses they owned. He stated they were not interested in companies that were in or similar to ones in the benchmark so they were able to reduce their risk relative to whatever benchmark they were being compared to. He stated they wanted to own 20 of the best businesses they could find. He stated the best businesses were ones that had very strong, durable, competitive advantages, abundant cash flow, very strong balance sheets, great management teams, and strong secular tailwinds that were pushing those businesses forward for years to come.

Mr. Atkins stated they believed <u>Time Arbitrage</u> was on their side and a significant advantage. He stated their average holding period was about five years or so. He noted that since the 25+ years this product had been active, they had owned only about 100 companies in the portfolio. He stated it was a very low turnover portfolio, and Polen felt the long holding period would unlock the value of the businesses in which they invested.

Mr. Atkins stated they did not make market predictions or forecast the market. He stated they were bottom up fundamental managers and stayed fully invested at all times in the best businesses they can find.

Mr. Atkins stated that the <u>Risk Management</u> they did was at the company level, and they felt they could control risk by owning great businesses that produced great results--those that had very strong balance sheets, ample cash flow, and not particularly economic sensitive. He stated that those businesses controlled the risk in the portfolio because they were unlikely to suffer any significant impairment even when the economy was not good. He stated they were proud of the fact that in the history of their company they had not owned any business that suffered any impairment to its capital. He stated they had used this process for over 25 years, which a process they were invested in along with their clients.

Mr. Atkins stated the fourth quarter performance was 8.10% vs. the Russell 1000 Growth at 7.32%. In the one year ended December 31, 2015, the portfolio returned 15.99% gross of fees and 15.30% net of fees vs. the benchmark at 5.67%. He stated there was roughly 1,000 bps. relative outperformance. Since inception, he stated the performance net of fees was 14.09% vs. the benchmark at 13.87%. He stated they were quite pleased that they were able to recoup their prior underperformance, which was a testament to their process and our patience with them.

Mr. Atkins stated Polen felt that the EPS Growth (earnings per share growth) in the businesses that they owned drove their long-term performance. He referred to a chart of S&P 500's returns relative to its EPS Growth over a long time period where we would see that they correlated very closely. He noted that the EPS Growth of Polen's portfolio had averaged annually about a mid-teens rate over the past five years, which corresponded closely to what their returns had been over that same time period. He stated they would expect over the long time periods that EPS Growth and share prices to track each other very closely. He noted that the EPS Growth had significantly underperformed the actual returns of the S&P 500 over the past five years, which implied that the S&P 500 had been driven more by multiple expansions than by underlying EPS Growth. He stated that it was also likely that some of the underperformance seen from the market year-to-date was correcting that trend because the bars in the chart should be close to each other over the long-term time periods. He stated they did disconnect at times over the short term, but in the long term they should reconverge. He stated that either the EPS Growth had to go up or the gross returns had to come down.

Mr. Dominic Morgese asked when companies bought back the shares if that was the EPS or were they outstanding shares; whereby, Mr. Atkins stated that when they were retired, they were no longer considered outstanding.

Mr. Atkins stated that Polen had only done one trade since August 2015, whereby they added incrementally to their position of Abbott Labs and Seldyne. He stated that the past year had been a very low turnover year for them, even more so than usual, reflecting that companies in the portfolio were doing quite well fundamentally; and when they were doing well, there was no reason in their opinion to sell them unless their valuation had become too excessive, which they had not seen yet. He stated they acknowledged some of the valuations were somewhat on the high side for some of their holdings, but not necessarily excessive yet relative to their growth.

Mr. Atkins stated that Google changed their name to Alphabet Inc. last year. He noted Polen owned both the Class A and Class C shares. He stated it was their absolute largest holding at roughly 10% weight. He stated they owned both classes because Google decided to issue a new class of shares (Class C), which have no voting rights (Class A had a small amount of voting rights). He stated there was also a Class B that was owned by the founders of the company who had a super majority of voting rights. He stated that Google issued a Class C of shares to make sure that no one could get control of their company by owning a large amount of shares and thereby imposing some kind of undue influence on their company, and as an investor you would have to accept that.

Mr. Atkins stated that Google's core business on a constant currency basis, adjusting for strong dollar and currency issues, had been growing about 20% to 25%, in fact accelerating, which was impressive given the size and growth and maturity of the business. He stated the main reason it was their largest absolute weight was because they dominated the business with roughly 80% shares in most markets other than China, where they were banned. He noted that for Google to be growing that much was truly impressive and spoke to the power of their franchise, and that was why it was their largest absolute weight.

Mr. Atkins reiterated that 2015 was a low turnover year for Polen. He stated they initiated two new positions, Adobe and Facebook; three additions to the portfolio, Fastenal, Nestle, and ADP; one trim, FactSet Research; and three sells, Allergan, FactSet Research, and W. W. Granger, which was their last absolute sell in August 2015.

Dr. Harris asked about ADP; whereby, Mr. Atkins stated that they liked ADP because they were a very steady, consistent business. He stated they were happy to own businesses that produced very consistent (12%-15%) EPS Growth for very long periods of time, and they believed ADP was that type of business. He stated that ADP was not flashy or fancy, but it was very entrenched in payroll processing and also had a good human resources software business.

Mr. John Gunther commented that Polen had only owned 105 businesses in 27 years.

Mr. Dominic Morgese asked about their rationale for trimming back businesses; whereby, Mr. Atkins stated that sometimes a position would get a little bigger than they wanted so they would size it up relative to its growth rate; for example FactSet, which was one of their slower growing businesses, had become a little extended relative to what they thought the appropriate growth rate was in terms of size, so they trimmed it. He stated that sometimes they would trim a business in order to add new cash to the portfolio.

Mr. Atkins stated that they were very proud of their ability to protect capital in down markets. He noted that it took about 3.3 years from 1999 to get back to their original investment for their clients as compared to 6.1 years for the S&P 500 and 12.6 years for the Russell 1000 Growth. He stated they had protected capital very successfully and that was one of the reasons why their relative returns had been very strong over the long term.

6. PRESENTATION OF SAWGRASS ASSET MANAGEMENT (Large Cap Growth)

Mr. Greg Gosch, Institutional Client Service, and Marc Davis, Equity Portfolio Manager, were present today.

Mr. Greg Gosch stated that Sawgrass was 100% employee owned and they had never had an equity manager leave the firm. He stated Sawgrass strived for consistency in their people and processes and felt that having ownership in their own direction had helped them achieve that up to this point, and they were striving to continue that as well.

Mr. Gosch stated that Sawgrass had 27 new clients in the last two years in both fixed income and equities that believed in the Sawgrass people and Sawgrass story. He stated they were very proud and humbled by that, but they could not have done this without great clients such as us that helped support them and liked the job they had done so far. He stated their small cap portion of their equity side was recently hired in 2016. He stated that Sawgrass had their first Canadian client as of last year, who was actually a U.S. client with a Canadian division. He stated that Anixter was a technology company that had a pension fund in their Canadian division.

Mr. Gosch stated that their equity growth team had experience and continuity, as the core of their equity team had worked together for 25 years, dating back to Barnett Capital Advisors.

Mr. Marc Davis stated they had tried to provide longer term outperformance in the portfolio with much less risk by finding the balance between the upside return and protecting capital when the market was down. He stated they used a fundamental quantitative process, whose models were designed to find characteristics of stocks that gave longer term downside protection balance but also gave upside participation in quality companies. He stated their models were looking at attractive valuation, stocks with low price volatility, profitable companies with favorable profitability characteristics, and had stability built in in their sells, earnings and margins. He stated they felt they were buying good long-term business with the combination of those factors together that provided protection on the downside.

Over the last five years, Mr. Davis stated that their diversified large growth composite returns had been very solid relative to the index at 13.6%, about 100 bps. ahead over that time period, which put them in the top 20% of all growth managers. He stated the risk during that time period was measured by the sharp ratio to the standard deviation, whereby Sawgrass's portfolio ranked in the top 1.0%. He noted that even though returns had been roughly 100 bps. ahead of the index, underneath the surface the volatility within the five-year portfolio had made a difference in the risk characteristics. He stated that the portfolio had only captured a little over the down side at 77.41%, which was measured against the top 2.0% of all growth manager which showed very little volatility. He stated that standard deviation was in the top 1.0%.

Mr. Davis stated that over short periods of time, Sawgrass knew that there would be times when the market would be challenging to their philosophy and the things they focused on would not be as rewarding, but he felt good about the longer term rolling effect of how they did things. He stated the market had been very strong the past five years and they had been able to provide performance in a much lower risk frame.

Mr. Davis reported that the return for the fourth quarter of 2015 lagged about 130 bps. He stated that 2015 was a challenging year relative to the index at 2.1% vs. the Russell 1000 Growth at 5.7%, whereby the longer term numbers showed very strong returns (three-year return of 16.25% vs. 16.8%, since inception at 13.4% vs. 13.9%). He noted that one of the biggest things that managers experienced during the year was the narrowness of the market, as there were very few stocks relative to the Russell market that drove a lot of the major indices higher, which was even more pronounced in the large growth world. He stated that a handful of stocks drove a lot of the returns for the index. He stated the portfolio owned one of those names, Google. He stated that a lot of the other stocks that were big drivers of the index were not the type of stocks they would generally have in the portfolio because of the risk characteristics. He noted that the market had been driven by only a few names [Facebook, Amazon.com, Netflix and Google (FANG)].

Mr. Davis stated that some of the stocks that did well for the year were Google and VeriSign, who were consistent growers and were attractively valued given that growth, and they provided the downside protection that they were looking for in the market. He stated that some of the stocks that dragged in the portfolio were EMC and Wal-Mart. He stated it was a higher turnover year than they had experienced in the last several years. He stated the activity was very positive on the portfolio, but it was not enough to keep up with the outside returns of some of the larger names that did so well in concert with the drags they had from a handful of names in the portfolio.

Mr. Ken Artin asked about Union Pacific; whereby, Mr. Davis stated they were fortunate to get out of it before the decline got worse. He stated that anything in transportation had been lagging for quite some time and would start to rollover quicker than some of the other names. He stated Union Pacific in that area was one of the more diversified businesses who had had a very good run.

Mr. Davis stated that all the quantitative factors or models were on a sector specific basis, so they would always have stocks that scored very well in each sector and those that did not, which they would compare against each other. He stated the idea was not to have a bunch of stocks that did well in just one sector, as they wanted to have broad representation across the index and have their sector weighting not very far from the index. He stated they would have some variation at times, but generally this would be the type of pattern we would see in the portfolio, a relatively broad sector diversification relative to the index.

In the fourth quarter, Mr. Davis stated there was not as high of a turnover as the second and third quarters as the market started to shift around. He stated he mentioned two of the laggers during the year, as Qualcom and Wal-Mart, were sold out of the portfolio, as well as Praxair. He stated they also had been looking for a name in Financials and added Berkshire Hathaway.

Mr. Davis stated that the S&P 500 had a high in 2007, a low in 2009 and then a tremendous rally all the way up to August 2015. He stated there had not been much in the way of pullbacks since 2011, as it had been a very smooth ride and the markets were more balanced, until just recently, when the markets had become more volatile after that big run. He stated there was a pullback at the end of 2014 and a pullback so far this year. He stated the market had gotten more challenging in the past couple of months, as they had become more risky. He stated they were very focused on downside protection making sure it kicked in as they managed the risk in the portfolio. He stated that so far the portfolio had performed like they hoped it would in the first six weeks of the year, even though it had been challenging so far this year.

Mr. Davis stated the market had had a big run over the past six years and had actually gone past where they were in 2007, but from a risk standpoint they felt the market had some challenges going forward.

7. INVESTMENT MONITOR REPORT (GRAYSTONE CONSULTING)

Mr. Charles Mulfinger of Graystone Consulting stated he was glad their report was through December 31, 2015, rather than today, because things certainly did not look good. He stated through December 31 the return was 3.0% on the overall pool of accounts, which was pretty good in a difficult environment.

Mr. Mulfinger stated there were a lot of things to discuss today, one being the small/mid cap manager replacement either today or very soon. He stated that GW Capital managed our small/mid cap value space and their long-term performance had done very well, as they had been beating the benchmark. He stated they were a theme-based manager, which meant they selected their stocks top down (themes) looking at the global economy first, then the industry that should do well, and then they looked at the companies. He stated in the last two years they had struggled in the themes, such as an overweight in Energy (today they were underweight in Energy), but back 1½ years when energy prices started to fall was when it impacted their returns.

Mr. Mulfinger stated that GW was a small boutique firm out of Seattle and the founder of the company was the largest shareholder owning 58% of the company, and the portfolio manager was the second largest shareholder owning 15% of the company, so combined they had by far a majority ownership. He noted they had a meeting internally in January and decided to close the firm, which was unheard of for a firm with $2.2 billion in assets. He stated they had had a few emotional/defensive phone calls from clients over the past 1½ years, but he never thought they would make the decision to close the firm. He stated the firm could have been sold, or new portfolio managers could have been brought in, or something else done that would have benefited the owners.

Mr. Mulfinger stated that he had spoken with Mr. Scott Mullet the day after they made the decision to close the firm, who said they would be staying on until March 31 to give their clients time to find a replacement.

Mr. Ken Artin asked about the dollar amount held by GW; whereby, Mr. Mulfinger stated that the weighting was 5.0% but the dollar amount was $1.9 million for the General Employees, $1.3 million for Police, and $1.2 million for Fire.

Mr. Artin suggested options might be to move the assets to one or more of the other managers, move the assets to cash, or hire a new manager and move the assets to them; whereby, Mr. Mulfinger stated that those options were available.

Mr. Mulfinger stated that the boards could put the assets into an Exchange Traded Fund (ETF) or an index to hold the place until the boards had the chance to interview. He stated that his concern was that the employees would not necessarily be looking out for the best interest of the existing clients, because they would be more interested in looking for a job. He stated the principles would be staying on board until March 31, but every single consultant was out notifying their clients that GW was closing on March 31, and the clients would be pulling their money out of the fund quickly. He stated as a fiduciary, he did not believe we would want GW to continue to manage our money while the firm was under siege.

Dr. Harris asked about the assets in the past couple of months; whereby, Mr. Mulfinger stated that it was like the market and not specific to them. He stated GW had lost value, but everyone else had, too, because the market had been in a decline since December 31.

Dr. Harris suggested we could pull our money out and hold it until the market improved; whereby, Mr. Mulfinger stated that we could leave the money with GW and if the market continued to go down, we would go down with it. He stated if we pulled the money out and went to cash, we would not lose any additional money, but the risk was that the market was down a lot already, so if we pull the money out and the market rebounds in the small/mid cap value space and we were in cash, then we would not participate on the up market after the market had been in a very big down turn.

Dr. Harris asked about the probability of that happening over the next six weeks; whereby, Mr. Artin stated that their job as trustees was not to do market timing, as the trustees were supposed to protect the assets. He stated that if there was a situation where people were not watching the store which could add additional risk, then the board needed to move quickly and move the assets to cash or an ETF.

Mr. Dominic asked if we needed a money manager for an index; whereby, Mr. Mulfinger stated that was the same thing as an ETF.

Dr. Harris stated he felt the board should take some ownership on the decision of what to do with the assets at this time (i.e., cash, ETF, etc.).

Mr. Artin asked Mr. Mulfinger what action the board should take today; whereby, Mr. Mulfinger stated that the portfolio managers were staying to continue to manage the fund, but he was concerned there would be artificial selling in the market on the holdings left with the firm, which could help exacerbate the price down. He stated he did not want us to be there if he could avoid that.

Mr. Mulfinger stated he did the manager search so that the boards would be prepared to make their decision and so that Mr. Dehner would have time to draft a contract with the new manager. He stated he favored moving to an ETF at this time, but he did not like the idea of moving to cash, because that would be market timing.

Mr. Mulfinger stated that he had selected three small/mid cap managers based on qualitative, quantitative information. He stated that Edge Asset Management had come back to him and said their minimum was $25 million and they would not relax that requirement.

Dr. Harris stated that it sounded like to him that the board had a short-term and long-term solution, and he asked what they should do in the short-term; whereby, Mr. Tommy Bozeman stated that he thought Mr. Mulfinger was saying that there did not have to be a long-term solution because he had already prepared the search presenting qualified companies for the boards to pick from.

Mr. Dehner advised that the major difference between an ETF and contract was that the ETF could happen very quickly than contracting with a firm.

Mr. Bozeman suggested the portfolio managers would not let the assets take a down turn if they could help it, because it would not look very good for them when they were looking for future employment. He did not feel it was urgent to pick a new manager as long as it was done before March 31; whereby, Mr. Mulfinger stated that the earlier the boards chose a new manager, the better it would be.

Mr. Jim Shaw stated that the board put their trust in Mr. Mulfinger to guide them towards making the right decisions for the assets; whereby, Mr. Mulfinger stated the boards had an investment policy they had developed which he recommended they follow and be objective to the policy as much as possible. He stated that this was a very unusual circumstance, but we did not want to market time or go into cash, and the ETF could be a solution, if the boards did not want to make a decision today.

Mr. Mulfinger stated if the boards did make a decision today, they would still have time to have the contract negotiated, and he did not feel we would be in any real risk by doing that. He stated the boards could go to an ETF right now and allow negotiation to go with the contract, or the boards could go to an ETF and fly the managers in for interviews (like we normally would do). He stated any of those options were fine with him.

Mr. Mulfinger reiterated that it was amazing to them that there was this kind of emotional decision made by the founders because they walked away from a tremendous amount of long-term value in the company.

Mr. Mulfinger stated that it was important that HGK was here today because he talked about them at the last couple of meetings. He stated HGK's CEO and CIO, Mr. Michael Pendergast, the founder of the strategy, said they were disappointed with their underperformance and did not like underperforming. He stated the purpose of having Mr. Pendergast at the meeting gave the boards the opportunity to say if they felt comfortable with Mr. Pendergast and HGK going forward, noting the underperformance they had had recently and since we have had them. He stated he heard them say they were overweight in Energy and momentum, and they believed that area was positioned well going forward.

Mr. Mulfinger stated the people were the same, the process was the same, but the toughest thing was to say when to cut them loose because of performance. He stated they had underperformed and they said they had underperformed and were disappointed. He stated that it boiled down to whether the boards still had confidence and trust in them and wanted to keep them as a manager, or did the boards wish to go through the process of a search and replace them. He noted we did the same thing with Polen a couple of years ago, as Polen had underperformed in addition to other issues, and now they were the best money manager in the country in the last 12 months. He stated they were not recommending it was time to fire them, but they had underperformed.

Mr. Artin noted that the last time HGK had a period of underperformance was in 2009 and they pulled out of that well; whereby, Mr. Mulfinger stated that was correct. He stated that price earnings multiples were crazy in 1999 and that was when they would not own those kinds of companies being a value manager, but in that space they were more defensive in the space itself. He stated in 2001 and 2002 when the market got hurt badly, they did not get hurt nearly as badly. He stated their longer term performance was better, and they were saying momentum stocks and small universe companies had done very well which was not where they put their money. He stated they had even taken money away from those as they got more expensive and put them in other areas they thought were more defensive, but at the same time they put more money in Energy, which had really hurt them and us. He stated we would benefit when that area of the market came back and when non-momentum stocks came back. He stated that was what we should hope to see and HGK was telling us they expected. He stated if it did not happen, then it would be time to terminate them.

Mr. Mulfinger stated that there were two important issues today, HGK and GW. He stated that the trustees were asking the right questions and understood the issues with both managers.

Economy and Market

Mr. Scott Owens stated the volatility regarding certain factors that started back in the third quarter when China decided to devalue their currency, was a big deal and why the market responded so negatively. He stated the market thought that the growth in China would not be what they were stating, and China would be exporting deflation because of lower prices; but then in the fourth quarter we found out that was not the reason because of the reserve currency status that they were trying to get, so the fourth quarter rebounded nicely, which created some volatility.

Mr. Owens stated the Fed finally raised interest rates by 0.25%, which they said they would do four or five times over the next year very systematically. He stated this would have an impact on decisions, and then the data came out and suggested they would not raise interest rates, which created some uncertainty. He stated there was also some divergence, which created volatility. He stated that OPEC stated that they were going to drive prices down, putting an oversupply in the market. He stated that was in concert with what had been going on in our country for the past several years, as the U.S. wanted to be oil independent, energy independent, so the U.S. had dropped billions of dollars into energy infrastructure with supply from OPEC and us, so now there was an oversupply. He stated the demand was still there, it was just that we had an oversupply, which was driving prices down and squeezed earnings and profitability and affected the amount of new projects.

Mr. Owens noted that Mr. Marc Davis stated he believed there would be a significant increase in oil prices in the near future. He stated that he was speaking with an analyst in the Energy space and asked him how long this would last, and he said that if OPEC wanted market share, people would go out of business/bankrupt, which would reduce the amount of supply and allow OPEC to decrease the amount of supply so their profit margins would go way up. He stated he read somewhere that OPEC's fiscal policy was based on about $70-$80 per barrel of oil. He stated OPEC wanted to drive the competition out of business, as OPEC had more cash than everyone else so they could hold out longer. He noted that the extra money the consumer had at the gas pumps would eventually go back into the economy; but when there was a lot of volatility, people tended to hold on to that money a little tighter than when there was not a lot of volatility.

Mr. Owens stated that the economy was 67% driven by the consumer, so a bigger part of the economy was driven by that sector. He stated they expected to see that this year towards the end of the year. He stated that our economy continued on solid footing and leading indicators were lagging as the GDP was 0.7% for the fourth quarter. He noted the GDP in Europe was about 2.4%; but inflation was very low at about 1.0%, with unemployment at 4.9%, and wages were starting to move up. He stated that things were moving in the right direction. He stated that manufacturing had been impacted because of what was going on in the Energy sector, with a PMI below 50, which was a contraction. He stated the service index at 55, which had come down slightly, was still growing. He stated that housing was up over 10% for new home and existing home sales. He reiterated our economy continued to be on solid footing, nothing exciting, low volatility, slow growth, and they continued this expectation for a couple of years.

Mr. Artin asked what would tip the scale and slow the economy down; whereby, Mr. Owens stated that we were very globally integrated now and the concern was a global slowdown. He stated that exports were a small part of our business, and the GDP was at 7% to 8%; but if there was a global slow down across the board, it would drop prices which would squeeze the margin. He stated what we did not want to see was a higher unemployment rate, which would certainly have an impact.

Mr. Mulfinger stated that a currency war would be a disaster. He stated if China was being perceived as forcing their currency down, instead of letting it free flow, and the emerging markets came out and said they were going to force theirs down because they wanted to export more, it would have a big impact on the United States, as the U.S. had been strong, so our ability to sell abroad would be diminished. He stated that very low oil prices created volatility that could cause businesses to not spend money in the U.S. which could be self-fulfilling and create a great recession. He stated their firm did not see that, as they saw slow growth with a 20% probability on a recession.

Mr. Jim Shaw asked about OPEC, whereby, Mr. Mulfinger stated that our technology in the past few years had increased dramatically, such as fracking, whereby production could be shut on and off. He stated we were in a different position than we had been historically. He stated OPEC forced prices down by over supplying and could put companies out of business, which they were doing. He stated that OPEC came out this morning talking about lowering production and oil prices went up 5.0%. He stated his firm felt that oil prices would be lower for longer as their analysts said they did not see it moving up that fast. He stated that if OPEC put people out of business, there was supply that could come back on, as it was not as if OPEC had killed the future supply. He stated that OPEC had done what they could to take back market share and had killed a portion of the supply, but the new technology out there today enabled the U.S. to reach oil and natural gas much easier and much less expensive than in the past in the U.S.

Mr. Owens noted that OPEC controlled prices on the down side, but we now control prices on the up side with the new technology. He stated that there was a huge cost to drill oil wells, and after one was capped, it had to be redrilled.

Equity Market
Mr. Owens reported that the indices performed well with the Russell 1000 Index at 6.5%, Russell Mid-cap Index at 3.62% and Russell 2000 Index (small cap) at 3.59%, with larger companies doing better than smaller companies. He stated the Dow Jones was at 7.70% and S&P 500 up 7.05% for the quarter. He started that growth outperformed value for the quarter. He stated for the large cap, it did about 200 bps. better; for the small cap, the Russell 2000 Growth Index was 4.32% and Russell 2000 Value Index was 2.88%, and there were about 100 bps. between mid cap value and growth. He stated that all ten sectors of the S&P 500 were positive with Materials, Health Care and Information Technology having over 9.0%, Energy was positive at 0.20% and Utilities at 1.10%.

International Market
Mr. Owens reported Developed Markets were up 4.71% for the quarter and the 12-month period at -0.81%; Emerging Markets were 0.73%, but still down significantly for the 12-month period at -14.60%.

Fixed Income Market
Mr. Owens reported that the Barclays Capital Aggregate (broad market index) was down -0.57% with Barclays Capital Govt/Credit down -0.91% and Barclays Capital Credit (corporate bonds) down -0.52%, partly due to the duration of the bonds. He stated the longer the duration, the bigger move you would have. He stated it was pretty much negative across the board in fixed income. He noted the Barclays Capital High Yield was the worst at -2.07% for the quarter.

Mr. Mulfinger stated that the ten-year Treasury got down in the 1.60% range yesterday. He stated that it was 2.27% at the end of the quarter and because of the fear and what was going on in the market place, it moved down to 1.60%, which was huge in bonds. He stated there had been a lot of appreciation (move up) in the price of bonds since the quarter ended because of the fear.

Performance
Mr. Charles Mulfinger stated that the General Employees' total portfolio balance was $41,177,390 with a nice gain of $1,175,781 net of fees, which was a little over 3.0%. He stated that the equity weightings were within range and did not need to be rebalanced. He stated that fixed income was also within range.

HGK
Mr. Mulfinger stated that HGK returned 3.44% vs. the benchmark at 5.64% for the quarter, one-year -13.35% vs. -3.84%, and three-year and five year and since inception were below the benchmark. He stated we hired them at the bottom of the market and had had them in primarily an up market. He

stated if we looked back to 2007 or 2008 they would have looked better because since then they would have protected us more in a decline, but we had only had them since the market had gone up, so we could not tell that for the time period we had had them. He stated that 3.0% below the benchmark since inception was disappointing, which was what HGK reported.

Mr. Mulfinger stated HGK was overweight in Energy, Industrials, and Materials and underweight in Health Care, Financials, and their stock selection was the reason they were below the benchmark.

Mr. Mulfinger stated he thought after hearing HGK's story he heard comfort, and willingness to give them more time, even though we were not happy with their underperformance.

Mr. Joe Dupree stated that he was not happy with HGK, as they had not beaten the benchmark in all time periods. He stated he personally did not like their performance.

Mr. Mulfinger stated that the trustees should look at the environment. He stated since 2009 (the bottom of the market) the market had been up with no down market, so we had not had a market cycle in that time period. He stated we had not seen the benefit of that protection. He stated that this quarter, he hoped we would see that, but we may not because they were heavy weight in Energy, but it may be explainable. He stated that HGK said they would wait and hope that Energy recovered, rather than selling out at this time. He stated we would not want to miss that, since we rode the time when they underperformed in the up market.

Mr. Dominic Morgese asked why there were two large cap growth managers; whereby, Mr. Mulfinger stated that initially the boards chose a very concentrated portfolio when we added Polen Capital, so to diversify that concentration we hired Sawgrass.

Mr. Dupree suggested diversifying the large cap value space in order to try and catch both sides of the up and down markets; whereby, Mr. Mulfinger stated that the boards should stay with small-mid cap, and not add another large cap value manager.

Mr. Jim Shaw suggested diversifying the managers; whereby, Mr. Mulfinger stated that was what the boards did with the growth area, and that was the reason we had both value and growth managers.

Mr. Owens stated that if we chose a low volatility manager, it meant they would not go up as much and not go down as much. He stated that we picked a manager that would not go up as much and we had to see what happened on the down side to get the full benefit of it. He stated if we chose a manager that was more volatile, then when the market went up, we would expect to go up a little more, but when it went down, we would expect it to go down more. He stated we picked a manager on how they looked relative to their peers and how it looked to everything else in our portfolio. He stated they put all the pieces of the puzzle together as part of the process.

Dr. Harris stated that HGK was less volatile as part of the process; whereby, Mr. Mulfinger stated they had more defensive characteristics as they focused on cash flow.

Dr. Harris stated that we should expect HGK to underperform in this market and expect their return to be higher in a down market; whereby, Mr. Mulfinger stated that what we should hope for was over a cycle, an up and down market, where we would get a little higher return with less risk.

Mr. Dupree asked about HGK's performance during 2006, 2007 and 2008 when the market was down; whereby, Mr. Mulfinger stated that he would bring their ten-year performance numbers to the next meeting so the boards could see how they did during the time periods when the market was in distress.

Ms. Towey noted that HGK's return was 12.13% since inception; whereby, Mr. Mulfinger stated that was a very good return but not relative to the benchmark. He stated from an absolute standpoint, we made good money, but in an environment where everyone made good money, we should have made a little more.

<u>Sawgrass</u>
Mr. Mulfinger stated that when we hired Sawgrass, they were supposed to be more defensive and less momentum driven. He stated they also overweighted Energy and underweighted Materials, Health Care and Information Technology and that was the reason our return was a little less than the benchmark. Since inception, he stated that the market was not as strong and being more conservative benefited them, so we were up 2 bps. more than the benchmark. He stated they had less risk and a little bit more return.

<u>Polen Capital</u>
Mr. Mulfinger stated that it was amazing that Polen Capital was able to beat the benchmark since inception at 15.0% vs. 13.78%, when they were 15.0% below the benchmark when we first hired them. He stated the quarter, one-year, three-year and since inception were higher than the benchmark. He stated they had an overweight of 50% in Technology. He stated they were concentrated in only 20 stocks and took bets. He stated they were also overweight in Energy.

<u>GW Capital</u>
Mr. Mulfinger stated that GW was the small-mid cap value manager we would be replacing. He stated GW had a 5.0% weighting. He stated we also had a small-mid cap growth manager and it was also important to have a small-mid cap value piece. He stated he believed that value style should come back into favor over time, but we should not go to cash or not be in the small-mid cap value space.

Irrespective of performance, Mr. Mulfinger stated that going back go 2008, which included the down market, they were up 13.00% vs. 12.60%. He stated their short-term returns were below the benchmark because their short-term returns were poor, but the longer term included all time periods and they were still above the benchmark. He stated it was kind of crazy that they closed shop.

<u>Apex Capital</u>
Mr. Mulfinger stated that we picked a more aggressive manager which was hired in January 2015. He stated they would be more volatile in the small-cap growth area. He stated their return for the quarter was a little below the benchmark and since inception this quarter caused them to be a little below the benchmark. He noted we had had them a really short period of time. He stated he would not be surprised if they did not get hurt in this quarter because they owned some high multiple type stocks, such as Facebook, Technology, etc.

<u>Delaware</u>
Mr. Mulfinger stated that Delaware was more defensive. He stated their return for the quarter was a little less, but the one-year, three-year, five-year and since inception were more positive with less risk. He stated they had a higher return with less risk and had added a lot of value. He stated in 2005 we had captured the down market which was where we saw the additional benefit.

<u>Renaissance</u>
Mr. Mulfinger stated that Renaissance was overweight in Utilities and underweight in Energy. He stated they had beat the quarter, one-year, three-year, five-year and since inception returns at over 3.0% per year in outperformance over the whole time period, which was outstanding. He stated they were overweight in Tech and Industrials and underweight in Materials. He stated they had higher returns and less risk and had added tremendous value.

Mr. Mulfinger stated that the area where we saw the most value added was in the international space, which was typically a more efficient market. He stated the research in the investment companies was usually greater and typically a more efficient market. He stated when the trustees heard comments or read articles about active share and the reason managers talked about active share, it meant that their portfolio was different than the index that they were being compared to; therefore, they could offer a value that you expected from them.

<u>Garcia Hamilton</u>
Mr. Mulfinger stated Garcia Hamilton's return was slightly less negative than the benchmark by one basis point. He stated they overweighted duration, which should have hurt them, but they went higher quality which helped them. He stated they were doing phenomenal because an overweighted duration in a market where rates went higher in that quarter, they should have been more negative, but because they went higher quality they actually ended up being one bps. less negative, which should help them in this quarter. He stated the quarter, one-year, three-year, five-year and since inception returns were all above the benchmark. He stated since inception at 5.20% vs. 3.68% was outstanding. He stated they had really been a big winner.

<u>Total Return</u>
Mr. Mulfinger stated the total time-weighted return was 3.05% vs. the benchmark at 3.43%. He stated that the one-year was negative at -1.02% vs. 0.36%, and the three-year, five-year and since inception returns were more positive than the benchmark. He stated more importantly, we were more positive with less risk. He stated we had higher returns with less volatility, which was very good. He stated the portfolio had exceeded the benchmark going back to 2001 by 14 bps. per year (5.92% vs. 5.78%). He stated the standard deviation (volatility, move up and down) was 10.46% vs. the policy index at 10.83%, which was less volatile. He stated the volatility vs. the market was 0.95% of the move up and down; but when the market fell at the worse time, we fell at -28.93% vs. the market at -31.33%, and when the market went up, we captured 98.13% of the up and 95.02% of the down. He stated when the two were put together, we actually made 38 bps. more than what the benchmark would have done based on the risk taking. He stated we should hope the sharp was higher because it was measuring how efficient we were (return divided by risk), so the higher the number the better. He stated the sharp ratio was 0.43% vs. 0.40%, which was good. He stated the benchmark explained 97.42% of the return and as long as it was above 80.0%, it was statistically significant, which was good.

Mr. Owen stated we had the down side protection over a full market cycle that allowed us to have higher risk adjusted returns.

<u>Investment Policy Checklist</u>
Mr. Mulfinger stated that the "no's" from HGK were discussed and Apex because we have only had them for a few months.

Tactical Asset Allocation (Graystone's view)
Mr. Mulfinger stated they were overweight in the U.S. market and international (developed countries) and emerging markets because they had gotten cheaper. He stated their view was that we were not going into a world recession.

Within bonds, Mr. Mulfinger stated that they did not like bonds, but they liked Corporate bonds, but they did not believe we would go into a recession, so higher quality Corporates should be fine. He stated they did not own any other bonds.

Mr. Mulfinger stated the ordinance did not allow us to own any of the ones under the Alternative Investments section.

Mr. Mulfinger stated for the quarter the return was a little below the benchmark at 3.05%. He stated it was a good quarter, but a little below the benchmark. For the whole time period, he stated there was a higher return with less risk.

Small-Mid Cap Manager Search
Mr. Mulfinger presented the small-mid cap manager search information to the board. He stated these were the top three candidates, out of more than 20 managers that did small-mid cap strategy.

Mr. Artin stated there were two choices, Boston Partners and Cambiar (pronounced Kam-bee-R), because Edge Asset Management required a $25 million minimum.

Mr. Artin asked Mr. Mulfinger if there was any significance they should pay to the market cap vs. the index, as Boston Partners' market cap was $3.3 billion and Cambiar's was $5.1 billion; whereby, Mr. Mulfinger stated that normally he would say no because Cambiar was a little bigger company in the companies they owned, so they would potentially be more defensive, but their standard deviation was actually higher, so it did not fit and he could not come to that conclusion. He stated he was not concerned that they bought a little bit bigger companies because they were still in the small-mid cap space.

Mr. Mulfinger stated Boston Partners had 167 companies, which was a lot of companies, as compared to Cambiar at 37 companies. He stated that Boston Partners' fee would be 1.0% and Cambiar's would be 65 bps.

Mr. Mulfinger stated that Boston Partners had only three key professional for the 167 companies, but they had a lot of analysts. He stated they were a value shop with long-term returns at the company back to 1973. He stated the small-mid cap space only went back five years, but it was long enough and he was not concerned.

Mr. Mulfinger stated that both companies had beaten the benchmark in the time periods. He stated they liked them both, but he did not like the fact that Boston Partners' fee was 1.0% and wished that it was more negotiable. He stated that could be a benefit of having a manager sit in front of them for a presentation so they could ask them if they would reduce their fee, or the boards could ask Mr. Mulfinger to go back to them and ask them if they would do so. He stated they had asked for their best price and Boston said it was 1.0%. He stated Cambiar's 65 bps. was better from a fee standpoint. He stated that neither of the firms were market timers, both were bottom up, but Boston's returns were slightly higher, but there was no real difference.

Mr. Artin asked about the standard deviation; whereby, Mr. Mulfinger stated that it was the volatility associated with their returns. He stated that in the past Cambiar's was demonstrated to be higher.

Mr. Dupree asked if that was because they only had 37 securities; whereby, Mr. Mulfinger stated that a more concentrated portfolio could cause a higher volatility.

Mr. Mulfinger stated that both firms had been around a long time, and both were team managed. He noted that Robeco out of the Netherlands owned Boston, and was a very big organization with $74.2 billion in assets and $1.08 billion in this strategy. He stated that Cambiar were owners and well paid and more of a boutique firm managing $11.2 billion with $108 million in the strategy. He stated in the small-mid cap you could be more nimble with less money, which was not bad, just a difference in the firms.

Mr. Mulfinger stated that he did not dislike either firm, as the due diligence was done on both. He stated he favored Boston a little more even though he did not like 167 companies being managed, but he liked the fact they had higher returns with less risk. He stated he favored Cambiar because their returns were good and they beat the benchmark. He stated their risk was a little more, but they had a more concentrated portfolio, which meant they should be able to outperform over time because of having less securities. He noted they had eight portfolio managers managing 37 stocks. He stated those were the strengths and weaknesses, but either firm would be fine. He stated Cambiar's 65 bps. fee was certainly better than Boston's 1.0%.

Mr. Tommy Bozeman moved, seconded by Mr. Jim Shaw, to hire Cambiar as small/mid-cap investment manager based on a fee of 65 bps. and pending successful contract negotiations. The motion passed unanimously.

Dr. Andrew Harris moved, seconded by Mr. Shane Jarrell, to hire Cambiar as small/mid-cap investment manager based on a fee of 65 bps. and pending successful contract negotiations. The motion passed unanimously.

The General Employees' Pension Board did not have a quorum at this time.

8. DISCUSSION OF FOSTER & FOSTER STUDY FOR GENERAL EMPLOYEES' COLA

Mr. Dave Ponitz asked when the last time the General Employees' had been given a cost-of-living (COLA) increase; whereby, Mr. Patrick Donlan, Foster & Foster, stated that normally a benefit improvement would be amortized over 30 years, but since this was just for the retirees, the window of time was shorter so he amortized it over 15 years which seemed to be more appropriate. He stated that the Unfunded Actuarial Accrued Liability (UAAL) associated with a 1.0% cost-of-living adjustment would be $247,690 amortized over 15 years, or 0.4% of payroll. He stated a 2.0% COLA would be twice that amount.

Mr. Lee Dehner stated that the last COLA adjustment was on October 1, 2005.

Mr. Donlan stated that it cost about $28,000 per year plus interest, but it would actually end up being less than that over time because it was being funded as a percentage of payroll and the general employees had a shrinking payroll (because the fund was closed to new hires).

Mr. Joe Dupree asked about the number of retirees; whereby, Mr. Donlan stated there was a total of 153 for retirees, beneficiaries and disability participants.

Mr. Dupree noted that Daytona Beach was doing a thirteenth check instead of a COLA; whereby, Mr. Donlan stated the ad hoc COLA was similar in that it did not compound. He stated that an extra check would be like an 8.0% increase. He stated that an automatic COLA was very expensive, so this plan had said that periodically they would look at giving a one-time increase.

Mr. Sam Butler expressed his concern that the UAAL would look worse; whereby, Mr. Donlan reiterated that it would increase the UAAL by $247,690. He noted that the current UAAL was $9.4 million. He stated the board would not be making a decision, only informing the city of what the cost would be.

Mr. Ponitz stated that he was ready to make a motion.

Ms. Kelly McGuire stated her concern about adding unfunded liability or the city utilizing additional money toward retirees because the retirees knew what their benefit was when they retired, and she felt it was their responsibility to address any inflationary issues that might occur. She stated she was primarily concerned as a board member with the existing employees and maintaining their benefit.

Dr. Harris suggested that it could be damaging to the existing employees by offering a COLA to the retirees; whereby, Mr. Butler stated that the UAAL would be increased and impact the city's annual funding. He stated he did not favor a COLA adjustment at this time and suggested revisiting it at a later date.

Mr. Ponitz stated he chose not to make a motion after the above discussion.

Mr. Dehner advised that the next valuation would include a new state imposed mortality table, which could also increase funding requirements.

Dr. Harris asked about the average annual benefit; whereby, Mr. Donlan stated that the average annual benefit was $16,000. Mr. Butler commented that if you removed the top three benefit amounts and bottom three amounts, he calculated the average annual benefit at $12,000.

The General Employees' Pension Board adjourned at 10:10 a.m. because Mr. Ponitz had to leave the meeting and there was no longer a quorum.

9. DISCUSSION OF FIREFIGHTERS' DRAFT ORDINANCE

Mr. Joe Dupree stated he brought copies of their two contracts from 2012-2014 and 2015-16, which would be incorporated in the ordinance amendment, along with IRS compliance changes. He suggested they go through the draft ordinance page by page at this time.
Mr. Dehner stated that there were items in the ordinance Mr. Dupree had questions about which pertained to Internal Revenue Code Compliance, which the board had directed him as needed to do. He stated these items were not negotiated because they were for compliance purposes.

Twelve Months Sliding Scale
Mr. Dupree suggested one could have 300 hours on one fiscal year and another 300 hours on another fiscal year, enabling them to pick up two calendar years within that 12-month scale; whereby, Mr. Dehner stated they could do one of three things: designate fiscal year, calendar year, or either one.

Mr. Patrick Donlan suggested just saying “year” and the actuary could figure out what was best; whereby, Mr. Dehner suggested “per year.”

Ms. McGuire stated that the agreement in the contract was that they would look for the 300-hour limit in a calendar year, because they had to define the time they looked for those 300 hours. She stated that they would not be doing a 12-month rolling period for every person, so they agreed that it would be on a fiscal year basis. She stated that the fiscal year started on October 1, and they needed to be clear that they would not be going back and recalculating certain other time periods. She stated that once the 300 hours was reached, there would not be any more pensionable overtime for the remainder of that fiscal year.

Mr. Dupree suggested a sliding scale that fell between two fiscal years; whereby, Ms. McGuire stated that you could not take the 300 hours and move it to suit what worked to make your pension higher. She stated that it had to be defined so that the city paid up to 300 hours within a year. She stated that nobody was taking the 12-months sliding scale away, but they did not get to pick which hours they applied the overtime to or take the overtime out of after the fact when their career was over in order to get the best 12 months. She stated that it had to be determined at the time they worked it. She noted that the contract said “fiscal year.” She stated that the 300 hours also had to be the first 300 hours worked. She stated the only thing that changed was that they stopped taking pension out after they worked 300 hours of overtime. It did not change the fact that they got the best 12 consecutive months.

Mr. Dupree referenced page 3 of the draft ordinance where it said, “…*as adjusted for cost-of-living increases in accordance with Code Section 401(a) (17) (B)*”; whereby, Mr. Donlan stated that the dollar limit of a pension benefit was $210,000 plus cost-of-living, which was an IRS limitation.

Mr. Dupree asked if he could send email to the board members of the changes and explanations; whereby, Ms. McGuire suggested he send his marked up draft to Ms. Towey and she would distribute it for him, so he would not be violating the Sunshine Law.

Mr. Dupree referred to page 4 of the draft ordinance, paragraph (b), asking about the 3.37% multiplier; whereby, Mr. Dehner stated that he did not include the entire provision, as the three (* * *) indicated that there was more to the paragraph.

Mr. Donlan stated that the 3.37% was adjusted on how much state money came in. He stated it was currently 3.35%. He stated underneath that paragraph where the (* * *) were, it said that it would be adjusted.

Mr. Dupree stated he thought that the 3.37% was fixed; whereby, Ms. McGuire stated she would have to go back and check the contract. She noted that it had gone back to 3.37% while negotiations were going on because of the state money received.

Mr. Dehner stated he would have to know whether the 3.37% was fixed or not.

Mr. Tommy Bozeman asked about the "*normal retirement age*" at the top of page 4; whereby, Mr. Dehner stated it was an Internal Revenue compliance requirement.

Mr. Bozeman asked about Section 3, paragraph (a); whereby, Mr. Dehner stated that legally in Florida one would have to file a disability claim, and to be adjudicated for disability had to have current employment status. He stated if there was a situation where the city terminated someone, then they would not have that any longer, and this language would give them an opportunity to still file an application within a 30-day period.

Mr. Matt Marteeny joined the meeting at 11:50 a.m.

Mr. Dupree was catching Mr. Marteeny up on the 300-hour discussion; whereby, Mr. Donlan stated that administratively the 300 hours had to be done by fiscal year, because the city had to keep track of it so they could stop taking pension out of anything over 300 hours.

Mr. Marteeny asked about 12 consecutive months; whereby, Mr. Donlan stated that they would still look at the best 12-month period, so if you wanted to maximize your benefit from overtime, then they could look at when they would retire and maximize it by working 300 hours at the end of the fiscal year and then another 300 hours at the beginning of the next fiscal year, but you could only get 300 hours in each fiscal year. He stated that this was the agreement in the contract.

Mr. Marteeny stated that was a big issue as it was not how it was discussed in the contract, as it did not bilaterally agree to change how the final compensation was calculated; whereby, Mr. Donlan stated they were not changing anything about how they calculated the final compensation.

Mr. Marteeny stated he did not believe he would be getting true numbers reported for those months after the 300 hours; whereby, Mr. Donlan stated that the state law said they could not include overtime over 300 hours per year, and you had to pick calendar or fiscal year, something that could be administrated, and fiscal year was apparently what was in the contract.

Mr. Marteeny did not believe fiscal year was agreed upon, as they only discussed fiscal year to track the 300 hours so the employees would know when they had reached 300 hours because their staffing program was set up to be fiscal. He stated that they never bilaterally agreed that they would change the way that they defined a year within the pension plan.

Ms. McGuire stated that they were not changing that, but he wanted to take 300 hours in a fiscal year, the first 300 hours, and then when they retired they wanted to be able to go back and take those 300 hours and apply them to different months to maximize their 12-month wages. She stated that administratively it could not be done.

Mr. Marteeny stated he did not mean to maximize it, but just capture it on both sides; whereby, Mr. Donlan stated that they could still maximize it, but they had to plan for it, as the city had to stop taking member contributions out once they hit 300 hours in a year.

Ms. McGuire stated that the 8.4% also had a federal tax consequence. She stated that they did not change the 12 months, as they would provide Foster & Foster with the monthly pensionable payroll amount for their ten-year work up when they retired, and then the actuaries would go through it and find the best combination of 12-month cycles for them, but the state dictated that they could only include 300 hours in a year, which had an impact on that. She stated it was not something the city changed or was negotiated, but was simply a byproduct of the fact that the state said 300 hours of overtime was all you got in a year, and there had to be some way to administer that. She stated that she understood what Mr. Marteeny was saying, as it did have an impact.

Mr. Donlan stated that there would probably be periods within the ten-year period that would have periods of 300 hours of overtime.

Mr. Marteeny stated that if fiscal year was the way it would be calculated, he suggested that it may need to be readdressed in negotiations. He asked if it could be changed to calendar year; whereby, Ms. McGuire stated that it would be hard to convert to calendar year, but they could certainly discuss it.

Mr. Marteeny stated that this was not what was discussed at contract negotiation meetings.

Mr. Shaw asked if someone was not able to stay employed, if it would hinder them in applying for disability benefits; whereby, Mr. Dehner stated that would be a personnel issue, and the purpose of this language was for someone terminated for medical reasons by the city, because without that language they would not be eligible to file or be considered for disability because they did not have active employment status.

Ms. McGuire stated that the difficulty on this issue was when someone did not believe they were disabled and were terminated or forced to resign. She stated that the person would want to apply for a disability in case they lost their case and did not get their job back.

Mr. Shaw stated that no disability payments were made until the litigation was concluded; whereby, Mr. Dehner advised that pension disability payments were effective on the date when and if the board determined entitlement to the benefit. Mr. Donlan stated that the person could draw benefits and then come back to work, whereby the payments would be stopped.

Mr. Dupree referred to page 8 where it mentioned the cost-of-living adjustment for retirees; whereby Mr. Dehner stated that this was for IRS compliance.

Ms. McGuire asked about page 5, paragraph (f), where credited service was changed to *participation*; whereby, Mr. Dehner stated that was Internal Revenue Code compliance language.

Mr. Bozeman asked about page 6 at the bottom of the page, "*Total return of the assets…*"; whereby, Mr. Donlan stated that it just added more clarity to the language, but did not change how it was applied, and was another IRS requirement.

Mr. Bozeman referred to the top of page 8, "…*any supplemental benefit payable to DROP participants or…*"; whereby, Mr. Dehner stated that meant if one was ever amended into the plan.

Mr. Donlan commented that on the BAC-DROP hindsight was 20/20; whereby, Mr. Dupree expressed his opinion that everyone would be smart to go into the BAC-DROP at market rate no less than zero.

Mr. Donlan asked Mr. Marteeny if he recalled if the 3.37% multiplier was fixed in the contract; whereby, Mr. Marteeny stated that he believed it was.

Mr. Dupree referred to page 10, paragraph (3), asking about the definition of "administratively practicable" and the forms and where they could be obtained; whereby, Mr. Dehner stated that it was a reasonable amount of time to perform what was being asked.

Mr. Dupree expressed his concern that the retiree might have to wait for months to receive their payment; whereby, Ms. McGuire stated that the paperwork would not be done until their final check was cut, which could be a couple of weeks after they left employment.

Mr. Dupree asked about the "*forms designated by the board*"; whereby, Ms. McGuire stated that the forms were in the Human Resources Department.

Mr. Dehner stated that one of the reasons written requests were required was that several years ago the federal law was changed for mandatory distribution in excess of $1,000, and if we could not find the person to give it to them, then the board would have to open an IRA account and deposit the money there, so requiring a written request avoided all of that.

Mr. Marteeny stated that it was his understanding that any share plans should run parallel with the plan and not be separated out administratively; whereby, Mr. Dehner stated that was correct.

Mr. Dupree referred to page 12, paragraph (+5), "*Amendment of DROP. The DROP may be amended by an ordinance of the city at any time and from time to time, and retroactively if deemed necessary or appropriate, to amend in whole or in part any or all of the provisions of the DROP";* whereby, Mr. Dehner stated that this would have to be bargained.

Mr. Bozeman requested that the language in paragraph (+5) include "*subject to collective bargaining*," whereby, Mr. Dehner stated he felt it was clear under the law that it was subject to collective bargaining and adding the additional language could cause a problem.

Mr. Dupree referred to Section 16-70. Supplemental benefit component beginning at the bottom of page 12 and page 13; whereby, Mr. Dehner advised that the Division of Retirement recently took the position that we could meet the statutory requirement to provide a share plan; and if it was not to be funded they could refer to the fact that one could be done; but if it would be funded, the specific language was required.

Mr. Donlan stated that the excess reserve money was $334,809.05.

Mr. Dupree stated that the pension membership voted to split the state money with the city and to include all members still employed with the city and those currently in the DROP for years 2006, 2007, and 2008; whereby, Mr. Dehner advised that should be reflected in the draft ordinance.

Ms. McGuire noted that half of the money would go towards the unfunded liability.

Mr. Dehner asked Mr. Dupree if that consent was pursuant to a contractual agreement because the statute talked about the use of state money and mutual consent.

Ms. McGuire quoted, "*excess money available at the time of ratification*," which could be different than what was available today. She stated she would give Mr. Donlan the date of ratification and then he could tell us the amount of state money.

Mr. Dupree stated that they did not want an automatic share plan; whereby, Mr. Dehner advised there needed to be a separate document of mutual consent directed solely at the use of the excess state money. He stated that what was in the contract was okay, but there definitely needed to be a separate mutual consent document.

Ms. McGuire stated that the contract dealt with the excess state money available at the time, and they did not talk about anything regarding future money. She asked if there was something in the statute that if there was no specific provision agreed upon for future money, then there would be an automatic process; whereby, Mr. Dehner advised the money would go to default and be split 50/50.

Ms. McGuire asked at what point that had to be agreed upon to fall into default; whereby, Mr. Dehner stated that the date was when the new collective bargaining contract (CBA) was entered into.

Ms. McGuire stated that if the next CBA was not approved until two years from now, then it expired; whereby, Mr. Dehner advised that the statute said we had to comply on October 1, 2015, or upon entering into the next CBA.

Mr. Dupree asked what happened to the share money before it was distributed; whereby, Mr. Dehner advised that it went into the pension fund and was invested with the other plan assets.

Mr. Dupree asked if the members got their accounts after becoming vested; whereby, Mr. Dehner advised that most share provisions could be changed, but this was the most typical format for a share plan.

Mr. Dupree asked if it said when vested; whereby, Mr. Dehner advised it said "*as provided for in the plan*," but most plans required vesting.
Mr. Donlan asked why they chose 2006, 2007 and 2008; whereby, Mr. Dupree stated that those were years when they had excess state money.

Mr. Shaw stated he favored that no retirees receive the share plan as of the date they retired.

Ms. McGuire asked if the board was in a good legal position should someone wish to challenge it; whereby, Mr. Dehner stated that the board's legal responsibility was to administer the plan according to its terms.

Mr. Dehner advised that every individual person, retired or not, did not have a stake necessarily in the state money.

Ms. McGuire suggested that the language needed to be very clear, such as if they were terminated or retired on the date of distribution, they were not eligible.

Mr. Dehner advised that there was a provision of the plan that said they would not get the plan improvements, unless it was specifically provided otherwise.

Mr. Dehner stated that the ordinance language should provide that no one earned a share account until they were vested with ten years of service.

Mr. Dupree asked what happened to the money until they were vested; whereby, Mr. Dehner stated that it would be divided among the other shares. He stated the money stayed in the plan and the bookkeeping reflected whether they received shares or not after vesting.

Mr. Dehner read paragraph (d) Forfeitures on page 15 as follows: "*any member who has less than ten years of service credit and who is not otherwise eligible for payment of benefits after termination of employment with the city as provided in subsection (e) shall forfeit his individual member share account with a non-vested portion thereof.*"

Mr. Dupree clarified that a share account would be created for them, but there would not be a distribution until they were vested; whereby, Mr. Dehner read further: "…*Forfeited amounts shall be redistributed to the other individual member share accounts*…."

Mr. Dupree referred to page 14, paragraph (b.), "*On each valuation date, each current actively employed member of the plan not participating in the DROP*…"; whereby, Mr. Dehner advised that most plans did not permit DROP and share because the thought was that the member could accumulate a large lump sum of money which the member would be entitled to upon retirement that might not actually be there.

Ms. McGuire asked for clarification on page 14, paragraph (1)a, "…*Members retiring on or after October 1, 2014 and prior to September 30, 2015 shall receive an allocation*…"; whereby, Mr. Donlan stated that the money received by the plan in one year was money collected in the prior year and would include people that were employed in the prior year.

Mr. Dehner clarified that everyone employed when the ordinance was adopted would come under the provisions of the amended ordinance and everyone employed during 2006, 2007, 2008 would share in the state money that came in during that period.

Mr. Donlan asked if the 2014 excess state money would be included, and the board said it would not.

Mr. Dehner asked about the other excess state money, whereby the board stated it was to be determined at a later date.

Mr. Marteeny asked about default and what the city could do; whereby, Mr. Dehner stated that the city's share would go to reduce unfunded liabilities in the plan.

Mr. Donlan stated that there was a new frozen amount under the default, which was $365,000, so any money above that amount would be split between the share plan and city. He stated that if either side did not agree on the use of the excess state money, then it went into default.

Mr. Dupree referred to page 16, paragraph (f), "…*the plan's actuary on the next valuation date as provided for in subsection (c) above, following termination of employment. Payment of the calculated share account balance shall be payable as soon as administratively practicable…*"; whereby, Mr. Donlan stated this referred to the date that the member would receive payment from the share plan, which would be after September 30 of each year. He stated if they were not adding any money to the share plan and someone left during the middle of the year, it could be structured so that it would be paid in the last quarter.

Mr. Marteeny suggested that using the state money for benefit improvements rather than going to default would be better; whereby, Mr. Dehner stated he believed it would benefit them more by avoiding default.
Mr. Dehner stated that the only change to the draft ordinance was to specify the 2006, 2007, 2008 amount of money being added.

Mr. Marteeny stated he wanted to be sure that an automatic share plan was not included; whereby, Mr. Dehner advised that would be covered in the mutual consent agreement.

Mr. Dupree asked if a retiree could use part of their monthly benefit payment to add to their Health Savings Account (HSA); whereby, Ms. McGuire stated if they set up an HSA account with their bank, it could be done that way, as the city did not do that for retirees. She stated that it would not be pre-taxed, and any remaining balance would have to be returned to the retiree at the end of the year.

Ms. McGuire stated that July 28, 2015, was the date the last contract was approved and she noted that the existing contract said "…*excess state reserves available at the time of contract ratification."*

Mr. Donlan stated that they would be adding 2014 excess state money, as well.

Ms. McGuire read from the existing contract, paragraph 34.7, "*The Excess State Monies Reserve available at the time of contract ratification will be distributed as follows: A. One-half will be used to reduce unfunded liabilities of the Firefighters' Pension Fund and one-half will be used to create a share plan for existing Firefighters' Pension Fund plan members. The methodology for allocation of funds amongst members as part of the share plan will be based upon a majority vote by the Firefighters' Pension Fund members."*

Mr. Dehner advised that any of the share plan's specific provisions could be changed.

Mr. Dupree asked about the stop/start language; whereby, Mr. Dehner stated that was not necessary anymore.

Mr. Dupree asked about some other prior language; whereby, Ms. McGuire stated that it had been deleted as whatever money was available would be split and they would have future discussion about future monies.

Mr. Dehner stated he would make the changes on the 2006, 2007, 2008, and 2014 for the share plan, but they were not making any changes to the share plan language in the draft ordinance. Mr. Donlan stated that there would not be any future allocations, just the initial allocation.

Ms. McGuire asked the board if they preferred to have the details of the share plan in the mutual consent agreement.

Ms. McGuire asked if the share plan would be a separate account; whereby, Mr. Donlan stated that it would be similar to the DROP statement.

10. ATTORNEY COMMENTS

Mr. Dehner advised that there were less than 30 days left in the legislative session and to date the pension plans were unscathed. He stated there were two bills involving the firefighters, Senate Bill 456 and 1186.

Mr. Dehner stated that SB 456 amended Chapter 112 to add cancer as a presumptive in-line of duty basis for disability. He stated he would keep them posted on that bill.

Regarding SB 1186, Mr. Dehner stated that there had been an anomaly in the statutes with respect to confidentiality of information for firefighters and police officers names and addresses. He noted that for police officers it had always applied to active and former police officers, but not to former firefighters. He stated this bill would amend that section to add former fighters for protection and confidentiality. He stated he would keep them posted on this bill.

Mr. Dehner stated that the pension activity for the most part was directed at FRS.

Mr. Dehner reminded the trustees to file their Form 1 Financial Disclosure forms by July 1.

Mr. Dupree asked about an early penalty bill for those in the DROP at age 50; whereby, Mr. Dehner stated that the age was 50 and it had been that for a long time. He stated it was a result of the Pension Protection Act of 2006.

The Police Officers' Pension Board adjourned at 11:35 a.m.

15. OTHER BUSINESS

16. ADJOURNMENT

The Firefighters' Pension Board meeting was adjourned at 1:10 p.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