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

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

1. CALL TO ORDER

Secretary Sam Butler called the meeting to order at 8:34 a.m.

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

Police Officers' Pension Board member present was Shane Jarrell.

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

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

2. APPROVAL OF MINUTES OF FEBRUARY 12, 2016

The Police Officers' Pension Board did not have a quorum.

3. APPROVAL OF MINUTES OF May 13, 2016

Mr. Mike Furman moved, seconded by Mr. Dave Ponitz, to approve the minutes of the May 13, 2016, meeting. The motion passed unanimously.

The Police Officers' Pension Board did not have a quorum.

Mr. Tommy Bozeman moved, seconded by Mr. Dominic Morgese, to approve the minutes of the May 13, 2016, meeting. The motion passed unanimously.

4. APPROVAL OF MINUTES OF FIREFIGHTERS' PENSION BOARD SPECIAL MEETING ON JULY 8, 2016

Mr. Dominic Morgese moved, seconded by Mr. Tommy Bozeman, to approve the minutes of the special meeting on July 8, 2016. The motion passed unanimously.

5. PUBLIC COMMENTS

There were no public comments.

6. DISCUSSION OF ANNUAL CONFIRMATION OF BENEFITS LETTERS

Ms. Lois Towey, recording secretary, stated she had started preparing the letters and had requested an updated list of the retirees' names and addresses from Regions Bank. She stated she planned to send out the letters and forms on October 3, 2016.

Mr. Joe Dupree asked about the time limit to return the forms; whereby, Ms. Towey stated the letter requested a return of the form by November 7.

Mr. Dupree asked if the forms would be notarized; whereby, Ms. Towey stated that they would be and she encloses a note that instructed them to go to the Reception Desk on the second floor of City Hall and the form would be notarized free of charge.

Mr. Dupree asked if the letter just indicated that they were still living; whereby, Ms. Towey stated that there was a form the retiree had to fill out and have notarized which stated they were still eligible to receive the benefits.

Mr. Dave Ponitz asked about the time limit if a form was not received back and when the benefits ceased; whereby, Ms. Towey stated that she would contact the retiree by one or two follow-up letters. She stated that she usually received all of the forms.

Mr. James Shaw asked what would happen if someone was working out of the state, such as Alaska, and did not respond; whereby, Mr. Dehner of Christiansen & Dehner advised that their benefit would be suspended until they were heard from.

Mr. Dupree suggested notifying the retirees that this was an annual event so they would know to return their forms.

Ms. Towey stated that if the form was not received after a period of time, the letter stated that there would be hearing before the board required.

Mr. Dehner commented that every now and then a benefit had to be suspended and the retiree would turn up pretty quickly when they did not receive their monthly benefit.

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

Ms. Janna Hamilton stated that they really appreciated the boards' business and this quarter marked 15¼ years that they had been managing our fixed income. She stated that it had been a nice long tenure. She noted that in May 2016 Garcia Hamilton & Associates (GHA) had received the Institutional Investors Intermediate Fixed Income Manager of the Year Award. She stated they were very pleased as this was the third year in a row they had received this award.

Ms. Hamilton stated that GHA was a high-quality manager with all bonds rated "A" or better. She stated they tried to preserve the principal the best they could, and under current conditions providing the highest current income possible. She stated they tried to add value to the portfolio by looking at opportunities in the fixed income market in the sector rotation, by looking at opportunities by moving the sectors around, by looking at moving interest rates either going shorter or longer or staying neutral, and by possibly looking at the yield curve and making some bets there.

<u>Performance</u>
Ms. Hamilton reported for the quarter the return was 1.4% vs. the Barclays Capital Intermediate Index of 1.6%. She stated they underperformed slightly. She stated that Corporates were the strong mover in the quarter, particularly high-yield bonds, and because they did all "A" quality they were underweight in Corporate bonds at this time. She stated they had a very conservative stance in the marketplace. She stated that quarter-to-date they were even with the market, up about 26 bps. Since inception, she stated that their return was 5.9% vs. the benchmark at 4.5%, which was a very nice outperformance with this kind of quality rating and benchmark in the conservative realm. She stated that all time periods had pretty good returns.

<u>Market Commentary</u>
Ms. Hamilton stated that Treasuries rallied during the quarter on the heels of the United Kingdom having to vote to opt out of the European Union. She stated that was a surprise to everyone and they saw a major reaction with a rush to Treasuries. She noted that they had been long in their duration in the marketplace for the past 2¾ years betting that rates would continue to go down, which they did, which worked for them. She stated they had been market neutral but now had gone a little shorter than the index. She stated that they had seen the overreaction go back to short and believed the interest rates in the short-term would start to go up a little and in the

long-term rates would stay flat. She stated they did not believe rates would go up a lot and we would continue to see the yield curve flatten.

In the past three years, Ms. Hamilton stated that GHA had gone from a big overweight in Corporate bonds to a big underweight in Corporate bonds, but they were starting to add a little more into Corporate bonds. She stated they were going very slowly because they believed the U.S. economy would continue to maintain a very sluggish environment, and the world economy would also continue to be sluggish. She stated they believed that most of the Fed easing was behind them and they did not believe they would see that going forward. She stated they believed there would be slower growth, as productivity was continuing to slow. She stated they believed it would be a slower market abroad and in the U.S., but the U.S. was still a stronger market than the world markets. She stated they did not see any inflation in sight.

Fixed Income Market Factors
Ms. Hamilton stated their basic fixed income market factors were neutral to negative and they believed the ten-year Treasury was trading below their estimate of fair value. She stated they believed interest rates would stay flat and the shorter term bonds would be up slightly with longer term bonds staying flat for the next 12-18 months.

Portfolio Characteristics
Ms. Hamilton stated that at the end of the quarter, Treasuries were 57% of the benchmark with the portfolio at 24%. She noted they had an overweight in Agencies and Mortgages that the index did not have as they were seeing a little more yield there. She stated they looked everywhere to see where they could get a little more yield as additional return to the portfolio. She stated they were underweight in Corporates at 17% vs. the benchmark at 32%. She noted that a few years ago the portfolio would have held 55-57% in Corporates. She stated that GHA moved the portfolio around in order to achieve a better return.

Ms. Hamilton stated that the duration at the end of the quarter was slightly short at 3.8 vs. 4.0. She stated in the prior quarter the duration was about 4.3. She stated they also looked at the interest rate duration and moved that around as well, which also worked for them. She noted the duration at this time was about 3.4 which was due to the shorter paper in the portfolio.

Ms. Hamilton stated what they had done to add value over the years went back to 2006 when they were very underweight in Corporates by the end of 2007 and the beginning of 2008. She stated in 2008 they started adding Corporates after the Bear Stearns thing, then when the whole credit debacle came and was “too big to fail” and everything fell apart, that was when they decided it made no sense as there were a lot of good companies and with the pricing differentials they believed there were some very good opportunities. She stated they overweighted the portfolio in Corporates and held that position from 2008 until mid-2014. She stated during that time when they saw spreads narrow they traded into different Corporates and looked at opportunities there and added value. She stated that in 2014 they lightened up on Corporates and went heavier into Treasuries and went longer in duration, which was very different than most other fixed income managers who were going short in duration because they believed interest rates would go up. She stated they thought differently, which also helped the portfolio. She stated that they had started to inch up in Corporates, but probably would not go much further for a while because they did not see a good flush economy coming just yet and they expected a lot of bumps in the road.

<u>Unemployment Rate</u>
Ms. Hamilton stated there had been some improvement in the jobs numbers but they did not buy off on those numbers, as they did not count the non-participation rate. She stated that the participation rate was those who were looking for jobs, did not find a job, and gave up and quit looking. She stated those people were not being counted in the unemployment rate. She noted that there had been improvement in the unemployment rate, but it had not been significant.

Ms. Hamilton noted the top seven countries in the Euro area had higher unemployment rates, and interest rates abroad were even lower than the U.S. She stated there was not any incentive for interest rates to be aggressive with the world economy being this low and inflation not a problem. She stated they believed it would be slow growth, markets would be positive, but the projected rate on returns would not be in the double digits across the board in most of the asset classes. She stated it was not an enlightening outlook, but it was positive and slower growth. She noted that on a relative basis the returns had been very good.

Mr. Dupree asked about the fee calculation; whereby, Ms. Hamilton stated that the fees were gross of fees at 25 bps. She stated that their fees were very competitive and very good relative to other fixed income managers.

8. PRESENTATION OF DELAWARE INVESTMENTS (International Value)

Mr. Charlie Paviolitis stated that Delaware had managed the international portfolios for over ten years. He noted that he had reported to the board several years ago, but he would be our local representative, as he lived in St. Petersburg, Florida. He noted that his grandfather was a retired New York City police officer, both of his grandfather's brothers had been New York City firefighters, and he had two uncles who were Miramar firefighters. He noted that his grandfather was still living and had been collecting his pension for about 50 years. He stated he understood the benefits and strength of the pension fund.

Mr. Paviolitis stated that Mondrain was Delaware's subadvisor. He stated that executives had been there for over 25 years and the investment people in the firm had a long tenure, as well. He stated there was a tremendous amount of experience managing this portfolio in London. He stated they managed about $60 billion as well as some outside billing. He stated they used a value-oriented approach trying to find companies that were good on the dividend growth space that were getting good cash flows and were able to reward the shareholders by finding cheap companies and paying some dividends.

<u>Bull vs. Bear</u>
Mr. Paviolitis stated that during a bull quarter when the market was going very good, the portfolio tended to lag, which was somewhat by design because they were trying to beat the market when there were challenges in the bear market. He stated this lead to long-term overall outperformance. He stated that a lot of times it was not what they were making when the market was going up, but it was important how much they were actually losing when the market was having challenges, such as they had seen in the past couple of years in Europe. He stated the portfolio performance year-to-date was positive vs. EAFE which was negative at -4.42%. He stated that the portfolio continued to outperform from a long-term perspective by taking this investment approach.

<u>Framework for Decision Making</u>
Mr. Paviolitis stated that the true basis on how the portfolio was put together was 60% bottom up and picking the right stocks. He noted that international had a negative connotation because of Brexit, but some of the companies in the portfolio were companies you heard about every day, such as Nestle's and, Honda, so it was interesting when looking at performance that the United Kingdom was an overweight. He stated that Brexit was a massive announcement that happened in the quarter, but the U.K. was only down - 0.7% for the quarter. He stated Delaware did not expect them to vote the way they did, as they had expected it to be close, but because of the way they had chosen the portfolio, a lot of these stocks helped them. He stated the reason for that was because when their currency became devalued, it was a benefit for them to be doing much of their business outside of the U.K. He stated that just showed that sometimes this kind of news became an opportunity.

Mr. Paviolitis noted that Ms. Hamilton had mentioned single digit returns and he stated Delaware was in the same camp across the board, but stated the portfolio was attractive going forward with 4.3% dividend yield. He stated when we heard people talking about single digit going forward and heard about the challenges inside of fixed income, that would continue to make this portfolio very good for investment as it had a very good dividend yield and very good downside capture of the market so there was not that much risk to be able to get that relative to the market place.

Portfolio Turnover
Mr. Dave Ponitz asked about Delaware's portfolio turnover at 14.5%; whereby, Mr. Paviolitis stated that was the annual percentage.

Mr. Charles Mulfinger, Graystone Consulting, advised that at 14.5%, the portfolio would turn over every 10+ years.

Mr. Paviolitis stated that the turnover was about five stocks per year, as they bought very good, solid companies that they could sit through for a long term; and if everything went well, it would allow them to increase the dividends and cash flow. He stated Delaware had been massively underweight in Financials relative to the index for a very long time, which had been a very good play for the portfolio. He stated that their sector weighting on Financials currently was 14.0% vs. 22.5%, which was where they had seen challenges in low interest rates, etc., and this had been a very good contributor to the portfolio.

9. PRESENTATION OF RENAISSANCE INVESTMENT MANAGEMENT (International Growth)

Mr. Andy Temming, Renaissance Investment Management, stated they appreciated our business and had managed our portfolio since 2009. He stated Renaissance was headquartered in Cincinnati, Ohio, with $4.3 billion in assets. He noted that their Large Cap Growth was about 70% of the portfolio and one of their Large Cap Growth analysts had made a career change recently and left the company. He stated they were in the process of finding a new research analyst to support their large cap growth portfolio manager, Mr. Michael Schroer. He stated that our portfolio manager was Mr. Joe Bruening, who had been managing the product since 2000. He stated he had been with the firm since 2008, Mr. Mike Streitmarter was added in 2014 and dedicated strictly to the international product, and Mr. Eric Aber was their quantitative analyst.

Investment Process Overview
Mr. Temming stated they employed a two-step process first on the front end, a screening process where they used Mr. Aber's expertise in computer design of the models and quantitative screening to give them the right stocks to purchase. He stated they were a growth manager who looked for quality, good fundamental growth characteristics, and strong earnings from evaluations. He stated they currently had 54 stocks in the portfolio.

<u>Performance Summary</u>
Mr. Temming stated that the fiscal year-to-date return was 2.4% vs. the benchmark at 2.2%. For the quarter, he stated that the return was -3.2% vs. the benchmark at -0.6%. He stated their U.K. exposure was underweight which had a significant hit for some of the stocks in the portfolio. He stated they lost about 250 bps. in the second quarter which made the year-to-date return at -4.0% vs. -1.0%. In the third quarter, he stated they had seen a nice rally since the Brexit, with the portfolio up about 6.5% vs. the benchmark at 6.5% through yesterday. He stated the third quarter had been a lot stronger in the market, but they continued to trail the benchmark.

Mr. Temming stated that they had been underweight in oil/Energy shares and Materials, and they were pessimistic that the supply of oil was too high as OPEC continued to have fights with their members. He stated the Saudis say they were not going to cut oil production to bring the price up. He noted that oil was up 4.0% yesterday, so now the Saudis were thinking they might do it at the next OPEC meeting at the end of September. He stated that oil had been a nice strong rally since the bottom in February, but they had not participated.

Mr. Temming stated that their annualized return since inception was 9.8% vs. the benchmark at 7.6%, or up about 150 bps. relative per year.

Mr. Mike Furman asked if Renaissance had made any major changes or adjustments since Brexit; whereby, Mr. Temming stated they had pulled down a couple of stocks since Brexit, BT Group and IPP Group, which dropped significantly and then popped back. He stated they were too much in the U.K., especially BT Group. He stated that the competition was heating up on the wireless side, so they felt it was a good time to exit. He noted they had more of a 45% turnover in the portfolio, but looked for longer term trends and had added in a name in the Information Technology space and in Healthcare. In other words, they had pulled back in the U.K. and added to other parts. He stated as an active manager, they could pick out stocks that could be beneficial going forward.

<u>Portfolio Sector Attribution</u>
Mr. Temming stated they were overweight in Consumer Discretionary as they tried to stay close to the consumer and the consumer in the U.S. seemed to be doing okay, as well as other parts of the world, i.e. Chinese consumer relative to industrial. He stated they also benefited from weak oil prices. He noted they owned Carnival in the portfolio, which currently had issues with the Zika virus, but also had the benefit of low oil which was a large expense for their company. He stated the top sector was Financials, but they had been underweight in Financials for quite some time (18.0% average weight relative to the benchmark at about 26.0%). He noted they had made a recent sale of an Indonesian bank. He stated the only benefit

they had seen in the Financial space was better than expected credit. He noted that loans were not rising significantly and interest rates were at the top. He stated they did not see a catalyst going forward in the banking sector, unless the economies around the world significantly tipped forward.

Mr. Temming stated that they had made a recent addition to the Information Technology sector on the semi-conductor side. He noted they just bought stock in a German chip manufacturer that did 40% of their business on the auto side. He stated they had taken away Toyota in the portfolio, as Japan was a tough place to be and they felt it was better to move towards a supplier vs. a manufacturer.

<u>Portfolio Country Attribution</u>
On a region basis, Mr. Temming stated they had 30% weight in Emerging Markets, had overweighted the benchmark in this space, and had picked the right stocks. He stated their average Emerging Market stock was up 3.5% vs. the benchmark at 1.0%. He stated where they missed in the Emerging Markets side was in Brazil, as they did not like Brazil's political issues and economically they had struggled. He stated that expectations had recently flipped the other way, as Brazilian indices were up significantly and were helped by the rally in the Brazilian Real (R$) which was up about 25% for the year. He stated this was a detriment to the portfolio, as they did not own anything in Brazil. He stated they expected to continue to be underweight in Brazil going forward. He stated that Developed Markets were down -6.0% vs. -1.0%, so they did not pick the right stocks for the Developed Market space, due to the U.K. being down 16%.

Mr. Temming stated that Canada was also a detriment, and the reason was a global real estate company that underperformed in the quarter as well as CNI (a rail shipping company). He noted that as global growth was chopped off with Brexit, rail shipping stocks got hit, as well as the auto stocks around the globe, as they also owned an auto supplier in Canada.

Mr. Temming stated that year-to-date returns were pretty much the same as the second quarter. He stated that they recently added in the Healthcare space where they had sold down growth, and had found a mid-cap pharmaceutical company that had a couple of patent decisions coming forward in the next couple of quarters. He noted they also had made some acquisitions in the past year at cheaper prices that should fill out their patent expiration concerns, which Renaissance saw as a positive and added to the portfolio there. He stated this was a little closer to the benchmark weight as they moved into the end of 2016.

<u>Portfolio Characteristics</u>
Mr. Temming stated Renaissance was underweight the benchmark, which was unique for them as they tended to be right around the benchmark. He

stated the benchmark was about $40 billion and Renaissance was about $32 billion. He stated a lot of that was due to Roche, which was a $200 billion company. He stated on a P/E basis, Renaissance was 11.1X and the benchmark was 14.3X, as they were buying the cheaper stocks in the benchmark with better growth characteristics. He stated the historical EPS growth was up 19.4% vs. the benchmark at 7.7%. He stated that quality was important to them and they had three quality factors in the screening process, which was up about 8.0% on a return of asset basis vs. the benchmark at almost 5.0%. He stated there was an almost 18.0% on equity vs. the benchmark at 9.0%.

Mr. Temming stated that there was an overweight in Information Technology, Consumer Discretionary, Telecommunications Services and Industrials in the sector allocation and an underweight in all the other sectors. He stated that there was not anything new, other than a 0% weight in Energy. He noted they had added to Materials in the past two quarters, targeting chemical companies that seem to be benefiting from the weaker oil price across the globe.

Mr. Furman noted that the dividend yield was lower than the index; whereby, Mr. Temming stated that Energy, Financials, and Utilities would have a lower yield, and Healthcare would have a bigger yield on some of the global pharmaceuticals which they were not heavily in. He noted that 1.8% was the lowest he had seen it, as it was usually about 2.3%, but historically they were below the benchmark on the dividend yield. He stated they focused more on growth companies that would reinvest the dividends to get faster EPS growth. He stated that dividend came into play, but it was not detriment to them as they expected over time that they would have higher growth.

Mr. Temming stated that Mr. Paviolitis (Delaware) said on the downside they captured better, whereas Renaissance did better on the upside. He stated it was a struggle for them in the current environment.

<u>Current Outlook</u>
Mr. Temming stated that some people were calling for a recession by the end of the year, but they looked at the pre/post Brexit vote as a potential opportunity to find stocks that were getting beaten up. He stated their long-term focus was to find the right opportunities when they presented themselves.

Mr. Temming stated that the U.K. was only 4.0% of the global GDP. He stated the bigger concern was the European Union, as they were on equal footing as the U.S. economy. He noted if that slowed down significantly, we would see some major headache going forward, but again it would be a long-term process.

Mr. Temming noted that the Brazilian Real had strengthened, and it was their expectation that things would turn around there.

Mr. Temming noted that oil had been a thorn in their side. He stated there might be some push in supply, such as back in February with the disruptions in Nigeria and wildfires in Canada. He stated that elevated inventories could also prevent a further rise in crude oil prices.

Mr. Temming stated that it had been a tough year, but they expected that they would do well in the long-term.

Mr. Scott Owen noted that interest rates around the globe had turned negative about 30-40% with some sectors that relied on fixed income. He asked about the impact this played on their sector selection; whereby, Mr. Temming stated that the Financials needed interest rates, and Renaissance was underweight on the banking side and was staying away from banks, especially European banks. He stated they felt the credit problems were getting worse in Europe relative to the Southeast Asian banks they owned, where the credit problem was getting better. He stated on the insurance side, the companies made money underwriting and in investing, so they looked at valuation and the underwriting. He stated they owned some insurance just to have some Financials exposure relative to the benchmark.

10. INVESTMENT MONITOR REPORT (GRAYSTONE CONSULTING)

Mr. Charles Mulfinger, Graystone Consulting, stated that the quarter was difficult as a lot of things happened. He stated that there was still a lot of fear and worry in the market.

Economy

Mr. Scott Owens noted that there was prior discussion about the participation rate, which was everyone over the age of 16 that was capable of working divided by the number of people that were actually looking for a job, which equaled the participate rate. He stated that it was done by survey and included every person over 16 years old that was not in the military, not in a mental institution, or not in prison and worked at least one hour a week. People that were on vacation and maternity leave were included in those that were working. He stated it was just an indicator.

Mr. Owens stated that they expected more volatility and slow growth going forward. He stated the unemployment rate was about 4.9% and 4.7% last quarter. He noted the longer term unemployed were actually trending down and wages were starting to go up. He stated that more people were working so more money was going into the market and more money was being spent.

Mr. Owens stated that the GDP growth was about 1.6%, which suggested inflation was not an issue and there was slow economic growth. He stated the manufacturing and service indices were both above 50, which indicated the economy was expanding. He reiterated we continued to see slow growth and muted returns with a little more volatility.

Mr. Owens stated that everything was positive in the equity markets for the quarter with smaller companies outperforming larger companies and value outperforming growth. He stated the Russell 1000 was up 2.53%, mid-cap up 3.18% and small-cap up 3.79%. He stated that large cap growth was up 0.62% and large cap value was up 4.58%.

Mr. Owens stated that the interest on the 10-year Treasuries went down to about 1.3%, which was the lowest it had been in history. He stated in order to receive some income, people were investing in value type stocks where they could at least get about 4.0% in dividends, such as Utilities and Telecom. He stated that eight out of ten sectors in the S&P were positive with Energy, Telecom and Utilities being the most positive and Consumer Discretionary and Information Technology being negative at -0.90% and -2.80%.

Mr. Owens stated the international markets were down -1.46%, which with everything that had happened in Europe one would expect it to be much lower. He stated MSCI Europe was down for the quarter at -2.69% and -11.22% for the 12 months return. He reported that Emerging Markets was up 0.80% for the quarter but was still down at -11.72% for the 12 months.

For fixed income, Mr. Owens stated that interest rates went down but had since rebounded. He stated that when interest rates went down, the value of bonds went up, which was why the long bond (longer duration) was at 6.5%. He stated that Corporate bonds did a little better at 3.12% vs. Government at 2.04%, which was what we should expect. He stated a typical type environment was a little more risk for a little more return. He noted Ms. Hamilton said they had a shorter duration because as interest rates went up the value of bonds went down.

Mr. Mulfinger stated that we had been in a slow growth environment for seven years, but they did not think there would be a recession by the end of the year. He stated they believed the economy would improve a little bit in the second half of the year with an increase in consumer spending. He stated they were not in that negative camp, but he believed we were near the end of a positive economic cycle, as there would be a time that it would go negative, but they were not calling for it that soon. He stated that they believed over the next two years, there would a time when the market and economy would turn the other way. He noted that in seven years, this was the longest time that the economy and market had been up.

Mr. Mulfinger stated that the impact of Brexit short term was to create more fear and the areas of the market that did the best were companies that had big dividends. He noted that Delaware said they did not buy companies that had big dividends and they did better than their benchmark because of that. He stated that companies that had big dividends were typically in the Energy, Telecommunications, and Utilities space, the sectors that did the best during the quarter. He stated that companies that were looking for more growth were in the Consumer Discretionary and Technology areas, which did worse during the quarter. He stated that our managers and active managers across the country were trying to buy companies that were growing, not companies that had a big dividend yield. He stated that Delaware had a focus on companies with yield, but most managers had a focus on total return, growth and yield; therefore, during this quarter, most active managers did poorly relative to their benchmark.

Mr. Dave Ponitz noted that Polen did the same; whereby, Mr. Mulfinger stated that Polen came before the board 1½ years ago after very poor performance and showed the earnings of their companies and what they expected to happen, which they beat, but their prices went down. Polen stated that it did not make sense to them. Mr. Mulfinger stated that the quarter was another kind of those quarters where earnings were okay; but Polen's companies had earnings that were better than expected, and yet their prices went down. He stated with that kind of fundamental earnings the market was driven by dividend yield, which impacted Polen and other managers during the quarter. He noted that Polen had still outperformed over the whole time period and was still the number one large cap growth manager a year ago.

Mr. Mulfinger reported the General Employees' fund had a balance of $41,946,302 including a gain of $520,470. He stated it was not a big gain but a positive number. He stated the portfolio was underweight in Large Cap Value and overweight in Large Cap Growth and slightly underweight in Small/Mid Cap Value and Small/Mid Cap Growth, both Internationals underweighted, but overall 66% vs. 65%, which was slightly overweight in equity and stocks relative to the range. He stated that we did not need to rebalance. He stated that Fixed Income was slightly underweight at 33.88% vs. 35%, which was also within range and did not need rebalancing.

Mr. Joe Dupree asked about Cambiar and GW Capital's return; whereby, Mr. Mulfinger explained that GW held the capital during the quarter, but next quarter would show only Cambiar's return.

<u>HGK</u>
Mr. Mulfinger stated that HGK actually had a good quarter, even though it was a little below the benchmark at 4.38% vs. 4.58%. He stated that HGK focused on companies that had free cash flow, but not to the extent of

looking for dividend yield, so that was the reason their return was a little bit lower. He noted that Energy weighting helped them. He stated that the longer term performance was still below, but he was not recommending replacing them. He stated they were still on watch, but their return was above the majority of managers in that space.

<u>Sawgrass</u>
Mr. Mulfinger stated that Sawgrass was our defensive Large Cap Growth Manager and very conservative. He stated they bought companies that had higher dividend yields and were not trying to pay up for growth, which got rewarded during the quarter at 1.40% vs. the benchmark at 0.62%. He stated the one-year return was very strong, and the three-year and five-year returns were above the benchmark. He stated that since inception Sawgrass had a higher return with less risk and had added value.

<u>Polen Capital</u>
Mr. Mulfinger stated that Polen was a little below the benchmark, but the one-year return was still very strong, which included the quarter. He stated the three-year return was above and since inception above. He noted that when Polen was first hired they were down about 15% vs. the benchmark, and they had completely come back in all time periods. He stated that over 50% of their portfolio was in Technology, which was the worse sector in the quarter, and was the reason for their negative return, but he stated it helped long-term because we were getting more growth in the Technology area.

Mr. Ponitz noted that Renaissance had a large IT sector and seemed to be overweight vs. the index; whereby, Mr. Mulfinger stated that quite a few active managers were overweight there because they were looking at future growth and how much was paid for earnings. He stated that technology companies were areas where people might come back if we were to go into a recession. He stated that most active managers thought Tech companies were of value, because of the fear in the market. He stated that what ended up doing well were high dividends because they were getting paid like bonds.

<u>Cambiar Investors</u>
Mr. Mulfinger stated that we had only had Cambiar less than a month during the quarter, so there was no way to evaluate them.

<u>Apex Capital</u>
Mr. Mulfinger stated that Apex was heavier in Technology, and underweighted Materials, Telecommunications, and Consumer Staples, the areas that had higher dividends. He stated that Apex would be our most volatile manager over time. He stated that since inception they had underperformed at -1.73% vs. the benchmark at 0.93%. He stated that the majority of their underperformance came from this quarter.

Delaware

Mr. Mulfinger stated that it was nice to have our two best performing managers overtime here today, Delaware and Renaissance. He stated that Delaware outperformed for all time periods by a substantial amount. He stated they had overweighted Energy and underweighted Consumer Discretionary and Financials.

Renaissance

Mr. Mulfinger stated that it was good to have Mr. Temming here today since Renaissance had a big underperformance during the quarter. He stated their one-year, three-year, five-year and since 2009 returns were above the benchmark, and they had been our best relative outperformer. He noted that 9.50% vs. the benchmark at 6.93% per year was outstanding. He stated there was high return, less risk with added value.

Garcia Hamilton

Mr. Mulfinger stated Ms. Hamilton explained why Garcia Hamilton had underperformed for the quarter, the reason being that their bonds were a little shorter now, so when rates went down they did not go up as much, and they were a little higher quality but they moved out of Corporates. He stated that when Corporates did better, they were underweight, and that was the reason their return was a little lower. For the one-, three-, five-year and since inception, their returns were outstanding, as bond managers did not beat the benchmark by that amount per year. He stated that Garcia Hamilton had done very well for us.

Total Return

Mr. Mulfinger stated the portfolio was up 1.36% vs. the benchmark at 1.98%. He stated the total return since inception was up more than the benchmark. He stated there was lower risk, higher return, and positive alpha and positive sharp.

Since inception, Mr. Mulfinger reported that the return was 5.92% vs. the benchmark at 5.81%; standard deviation at 10.29% vs. 10.64%; beta vs. market at 0.95 vs. 1.00; up capture vs. market at 97.89% vs. 100.00%; down capture vs. market at 95.02% vs. 100.00%; alpha vs. market at 0.35% vs. 0.00%; sharp ratio at 0.44 vs. 0.41; R-squared vs. market at 97.40% vs. 100.00%.

Mr. Mulfinger stated that everything was fine, even though some of the managers did not perform well, but longer term everything was fine.

Investment Policy Checklist

Mr. Mulfinger stated that the “no’s” from HGK and Apex were discussed above.

Tactical Asset Allocation (Graystone's view)
Mr. Mulfinger stated this was their firm's view of the next 12 to 18 months. He stated they were overweight in stocks relative to bonds as nothing was cheap today and there was no real good value. He stated that stocks were trading at about 18 times earnings, which was not cheap. He stated that bonds were very inexpensive, because the foreign markets' low rates were helping to force our rates low. He stated they were overweight in the equity market because it was the best of what was available in the U.S. and developed countries. He stated they were overweight within bonds and liked Corporate bonds the best (U.S. investment grade). He stated they were also overweight in TIFs as they believed there would be some inflation. He stated the last labor report showed wages increasing for the first time in years, so we may see some inflation driven by wages.

Regarding alternative investments, Mr. Mulfinger stated that they were underweight in public real estates and neutral in private real estates. In commodities, he stated they were equal weight. He stated we did not hold these in the portfolios.

In summary, the quarter was below the benchmark, but longer term we had higher return and less risk.

Investment Management Services (IMS) - letter dated July 29, 2016
Mr. Mulfinger stated that this was a generic letter sent to every client that had a managed account. He stated that all of our investment managers were followed by Graystone's research, so the letter did not apply to them. He noted that Garcia Hamilton and Sawgrass had research done by Graystone, as well as Global Investment Management Analysis (GIMA).

11. DISCUSSION OF CHANGING RATE OF RETURN ASSUMPTION (GE & PO 6.75%, FF 7.0%)

Mr. Sam Butler stated that the board needed to decide if they wished to lower the assumption rate of return or keep it the same.

Mr. Mulfinger stated that they recommended a rate of assumption at 6.75%. He noted that an asset allocation study would show that the boards had less than a 50% probability of earning 6.75% over the next seven years and about a 50% probability of earning it over the next 20 years. He stated it would be better to have a higher probability than a coin toss.

Mr. Donlan stated that currently the General Employees and Police plans were at 6.75% and Fire was 7.0%.

Mr. Butler stated that in years past they had dropped the assumption by 0.25% and today's discussion concerned whether to drop it another 0.25% or not.

Mr. Mulfinger stated that our board was near the lowest in the state of Florida. He stated they supported lowering the rate to where we were currently. He stated we were not aggressive and they would be comfortable signing a letter to that effect. He stated it would increase our probability of achieving the rate of return.

Mr. Butler commented that the city would need to increase their contribution; whereby, Mr. Mulfinger stated that for the short term it would increase, but it would put more money into the fund, and then longer term would reduce the city's cost. He stated shorter term it had the negative impact of having to fund it more quickly.

Mr. Donlan stated that on the police side, it went up 3.4% of payroll last year when it went from 7.0% to 6.75%, which was about $90,000 per year for a $3 million payroll. He stated the general side went up 2.1% of payroll with a $7 million payroll, or $147,000 per year.

Mr. Furman asked about the Florida Retirement System; whereby, Mr. Donlan stated that FRS changed their assumption from 7.75% to 7.65%.

Mr. Donlan stated that the state prepared a report every year that listed the assumptions of all 489 plans in the state. He stated of the 489, there were seven below 5.0%, eight at 6.75% or 5.5% of the plans were 6.75% or less. He stated we were in the bottom 5.0% as far as the assumption.

Mr. Mike Furman moved, seconded by Mr. Dave Ponitz, to keep the rate of return assumption at 6.75% effective for the next valuation on October 1, 2016, for FY 2017-18. The motion passed unanimously.

Mr. Donlan recalled that the boards had considered the assumption rate at their August meeting for the past few years.

Mr. Dupree asked what happened if our return was 8.0%; whereby, Mr. Donlan stated that if the assumption was met, then there would be no change in the city's funding requirements; but if there was an actuarial loss, the city would have to increase their funding contribution. He stated the city's funding requirement went up immediately when the assumption was changed, but there was a better chance that each year it would come down some, rather than going up each year.

Mr. Dupree stated he was comfortable with keeping the assumption at 7.0% and did not want any negative reaction from the city by increasing their funding requirement.

Mr. Donlan recalled that he had attended a meeting in Holly Hill whereby the City Manager said the unfunded liability caused a lot of concern. He stated they looked at their experience and their 20-year investment return was 6.5% while their assumption had been 7.5%. He stated over those 20 years they were funding on 7.5% and only got 6.5%, which was the reason for the unfunded actuarial accrued liability (UAAL). He noted that because the investment return assumptions had not been met for a long period of time was the reason for the UAAL. He stated that was why most boards were trying to slow reducing the assumption. He stated that he believed at 7.0% the board had done their due diligence.

Mr. Dominic Morgese moved, seconded by Mr. Tommy Bozeman, to keep the rate of return assumption at 7.0% effective for the next valuation on October 1, 2016, for FY 2017-18. The motion passed unanimously.

Ms. Lois Towey, recording secretary, shared with the boards an excerpt of the City Commission Operating Budget Workshop on July 26: *"Ms. McGuire stated that there was good news about the pension, both in terms of the city's contribution and in terms of the unfunded liability. She noted that the city's contribution was going down. She stated that general employees and fire contributions were going down, but police was going up due to a lower assumed rate of return. She further explained that they used to assume 7.0% interest and had since lowered that to 6.75%. She explained that during the first year of that change, it would cause an increase in the city's contribution, but then it would smooth out. She noted that both the general employees and fire took those steps a few years prior."*

12. DISCUSSION OF FIREFIGHTERS' ORDINANCE AMDENDMENT REGARDING COMMISSION APPROVAL

Ms. Towey stated that Ms. McGuire had something to discuss with the board regarding the multiplier in the draft ordinance; whereby, Mr. Dupree stated that they were moving forward with the ordinance at this time.

Mr. Bozeman commented that the multiplier had been the same throughout this whole draft ordinance process.

Mr. Dupree stated that he believed the issue was that Ms. McGuire believed that the 3.37% multiplier had to be negotiated and he believed it did not have to be negotiated, as once the state money went above a certain amount all years of service were at 3.37%. He stated that Ms. McGuire agreed that it was in the union contract currently under negotiations and she believed that the final union contract should be ratified before it was reflected in the ordinance. He expressed his concern that this ordinance amendment with the share plan and other amendments would now have to wait another couple of years to be finalized. He stated that this had not been brought up in any of the prior meetings.

Mr. Dupree asked Mr. Dehner what had to be negotiated; whereby, Mr. Dehner stated that the board administered the plan, but it did not get involved in negotiations, except as a resource for calculation that Mr. Donlan would do or any legal input that was asked for, but the terms and conditions for employment were subject to collective bargaining.

Mr. Dupree stated that there were non-union members in the pension plan and the union was negotiating pension benefits for non-union members. He asked Mr. Dehner the legality of that; whereby, Mr. Dehner stated that was typical to have union and non-union members included in the contract.

Mr. Donlan commented that both sides could waive the right to bargain; whereby, Mr. Dehner stated that they could, but it was typical to have union and non-union members.

Mr. Bozeman asked if the board could approve the draft ordinance amendment in order to move forward; whereby, Mr. Dehner stated that they could as long as the union did not object to it.

Mr. Tommy Bozeman moved, seconded by Mr. Jim Shaw, to approve the final draft of the ordinance amendment as provided by Mr. Dehner and to move it forward to the City Commission for approval. The motion passed unanimously.

Ms. Towey stated that she believed it was tentatively on the City Commission agenda for one of the September meetings.

Mr. Donlan asked Mr. Dupree if the board wished to discuss the share plan allocation at this time; whereby, Mr. Dupree stated that he favored coming back to it.

13. DISCUSSION OF RFPs FOR PENSION BOARD ATTORNEY SERVICES AND ACTUARIAL SERVICES

Mr. Dupree stated that the pension membership was not happy with Foster & Foster and Mr. Dehner’s services. He stated that it had taken Mr. Dehner five or six revisions to finish the draft ordinance over the past year. He noted their language had not changed during that time. He stated there had also been a lot of errors with Foster & Foster's calculations too many times in the past.

Mr. Dehner stated that some of the problem was that he had gotten different information along the way. He stated this was the most that he had had ordinance revisions go back and forth in all the years he had been doing them.
Mr. Furman asked if the RFP had gone out; whereby, Ms. Towey stated that it had not, as this was just a draft for the boards to review.

Mr. Dupree stated that he had requested Ms. McGuire and Ms. Towey to prepare the RFPs for this meeting; whereby, Ms. Towey stated that the RFPs were posted to the city's website for the Trustees' review in the same place where they reviewed the investment manager reports prior to the meeting.

Mr. Donlan stated that Foster & Foster wanted to do whatever they could to keep their business. He admitted that there had been some mistakes in the benefit calculations in the past on the Fire side, but he did not believe there had been any in the General or Police plans. He stated that Fire always seemed to have some sort of issue. He noted that every calculation was reviewed again by another actuary and effective immediately he would do a third review for all calculations. He stated it was not their business practice at all and he sincerely apologized for Foster & Foster for prior miscalculations. He stated that they would not have any fee increases for the FY 2016-17 valuations for all three plans. He restated that he liked working with the boards and did not want to lose our business.

Ms. Towey commented that we had worked very hard on our process with Foster & Foster, city employees, and the trustees. She noted that Ms. Rhonda Ennis was an unusual situation, as part of it was Foster & Foster's, part was ours, and part was her fault.

Mr. Dupree stated that Ms. Ennist had received a BAC-DROP calculation, which she did not request.

Mr. Donlan noted that on Foster & Foster's side they had two full-time actuaries that did benefit calculations. He stated that one of the actuaries had been terminated, and currently they had three full-time staff performing benefit calculations. He agreed there was an issue that was not normal with Ms. Ennist.

Mr. Dupree noted an issue with the quarterly DROP interest, which Foster & Foster had coordinated with Mr. Mulfinger's staff.

Mr. Dupree stated that the city Finance Department made a lot of mistakes on the salary information whereby the sick leave was not included which added up to $40,000 three separate times. He stated that the firefighters had to catch the mistakes themselves. He stated that the firefighters were not happy with the mistakes going into the DROP.

Mr. Donlan stated that they would do everything in their power to correct any errors in the future. He noted Foster & Foster had 200 clients in Florida and he believed they charged a reasonable rate for their services.

Mr. Dehner stated that he had been working with the boards for over 20 years and among the three boards they had had just about everything come before the boards. He stated there had never been any prior problem at all.

Mr. Donlan suggested a one-year probation before considering terminating their contract.

Mr. Dupree stated he believed the membership basically wanted to put them on watch.

Mr. Dominic Morgese asked if the RFP had gone out; whereby, Ms. Towey replied that it had not. She stated the RFPs were on the city's website where the trustees reviewed the items for the meeting (agenda, minutes, investment manager reports). She stated that if Ms. McGuire was here today she would tell them that they had prepared the RFPs like a city RFP, which was not necessarily what the board would be sending out, and the boards needed to review the RFPs to see what they wanted to change. She stated that the RFPs could be brought back at the next meeting, if the boards had not reviewed them at this time.

Mr. Morgese stated he felt it was diligent to do the RFP process.

Ms. Towey commented that she had an excellent rapport with Mr. Dehner and his staff, Mr. Donlan and Foster & Foster staff and Mr. Mulfinger. She stated that they got right back to her if she had any questions, and she could always reach them. She noted she had called Mr. Donlan early in the morning before he came to work to request a calculation be expedited because the member was dying, and he made sure it was received the same day.

Mr. Morgese stated that he had no problems with either Mr. Dehner or Mr. Donlan's service, but he believed it was part of due diligence to go out for RFP.

Mr. Morgese asked if other pension boards did RFPs after ten years; whereby, Mr. Donlan stated that they were usually done only if the board was dissatisfied with the service.

Mr. Dehner stated that typically an RFP would be the last step in the process. He stated if there was a problem, the first step would be to discuss it and see if it could be resolved.

Mr. Ponitz stated the with typical city services, generally the request would come from the manager where he needed to reevaluate the service or vendor by cost, qualification, or market, and this could be the very similar situation. He stated it was work to go through the procurement process. He stated in his opinion the General Employees' Pension Board had not been impacted like Mr. Dupree was describing. He stated from an actuarial standpoint, he did not think there was much difference in the reports, no matter who prepared them.

Mr. Butler stated that the General Employees plan was more straightforward and did not include a BAC-DROP, PLOP, overtime, certificates, etc., which all had to be put into the Fire calculations.

Mr. Butler asked the board if there was any further discussion on this item, or did they want to table it until the next meeting.

Mr. Dupree stated he believed the membership favored shopping around, as they were very unhappy at this time. Regarding Foster & Foster, he stated the day-to-day studies seemed to be fine, but it was the calculations that seemed to be the big issue.

Mr. Tommy Bozeman asked if there was an expense to send out the RFPs; whereby, Ms. Towey suggested it depended on who prepared them, as Ms. McGuire was certain that the drafts were not what the boards wanted to send out, which she stated she did not believe the board had reviewed.

Mr. Dupree stated that he had not seen the RFPs on the city's website; whereby, Ms. Towey stated that they were posted with the investment manager reports. She stated that her email dated August 5 to the boards stated that the trustees could review the investment manager reports, Graystone's report, the annual budgets, and RFPs for actuarial services and pension plan attorney services on the city's website.

Mr. Furman suggested someone with expertise in pension RFPs should review the RFP as he was overwhelmed with the 40-page draft; whereby, Mr. Dupree stated that Ms. McGuire and Ms. Towey were the plan administrators, and if the boards hired a pension plan administrator, the city would have to fund it.

Mr. Donlan and Ms. Towey stated that it would be the boards that would have to fund a pension plan administrator, not the city.

Mr. Donlan suggested calling other cities and seeing what they were doing, rather than sending out a formal RFP at this time.

Ms. Towey stated that usually Mr. Dehner prepared RFPs for the boards, as that was part of his expertise as pension board attorney.

Mr. Morgese asked if other boards changed out their actuaries and board attorneys every ten years; whereby, Mr. Dehner stated it was not common for boards to change consultants. He stated that he had had long relationships with his clients. He stated a factor was institutional knowledge. He noted that there had been a wide variety of legal work done among the three boards over the years and this was the first situation which was like pulling teeth for everyone.

Mr. Dupree stated he did not believe it was right for the board to be charged a fee for all the corrections and phone calls throughout the process, because he insisted their language never changed; whereby, Mr. Dehner stated that his office had received some different versions of the paragraph. He stated it was a very unusual provision, as well.

Mr. Donlan stated that Mr. Dupree and he had discussed explaining the benefits to the membership, and he would be willing to do that for free if Mr. Dupree wanted him to. He stated the membership could ask questions and express their concerns.

Regarding the fee, Mr. Dehner stated that he would be happy to credit the fee, given all the issues with the draft ordinance.

Mr. Dupree stated that he was being the voice of the rest of the pension membership; whereby, Mr. Dehner stated that Mr. Dupree had a fiduciary responsibility to the plan that the membership did not have.

Mr. Dupree suggested tabling this discussion until the December meeting.

Mr. Dehner asked if the RFP discussion would include the other two boards; whereby, Mr. Butler stated that he did not have any issues and he was satisfied with both Mr. Dehner and Foster & Foster's services, but he would like to hear the discussion at the next meeting.

Mr. Ponitz stated that he had not heard any complaints about Mr. Dehner or Foster & Foster, but he asked the boards to minimize the cost to all the plans and still have a common entity to serve the needs for all the boards.

Mr. Charles Mulfinger stated that his firm had always had a great relationship with Foster & Foster and Mr. Dehner, and it helped them to have that continuity working with us and them. He noted that when they had any questions, they always got a quick answer.

Mr. Ponitz asked Mr. Mulfinger what his role was in regards to the actuarial services and attorney services; whereby, Mr. Mulfinger stated it was to work with them, not to review them. He stated that working with them was important to them. He stated that state requirements took interaction with both firms, who were both very responsive to them and they have never had an issue with either Mr. Dehner or Mr. Donlan.

14. APPROVAL OF BUDGET FY 2016-17 (PO & FF)

Mr. Dupree stated that he had not seen the budget before today; whereby, Ms. Towey stated that it was posted to the city's website with the investment manager reports.

Mr. Bozeman stated that the board would like to amend the proposed budget by reducing Actuarial Services from $40,000.00 to $30,000.00 for a total budget of 197,100.00.

Mr. Jim Shaw moved, seconded by Mr. Tommy Bozeman, to approve the FY 2016-17 Budget as amended. The motion passed unanimously.

The Police Board did not have a quorum.

15. ATTORNEY COMMENTS

Richard Conte Disability Hearing

Mr. Dehner stated that there was a pending disability claim for Mr. Richard Conte and he needed action by the board. He stated the date for Mr. Conte's initial hearing date was coming up this month, which was 90 days from when his office received all his documentation. He stated that under the rules, it could be extended an additional 90 days before convening the initial hearing, which he recommended because his office was waiting for two sets of medical records. He stated that once those records were in, then they would schedule the Independent Medical Examination (IME) and when that report was received back, that would be the time for the first initial hearing. He stated it may not take 90 days to receive the medical reports.

Mr. Bozeman asked about the initial date; whereby, Mr. Dehner stated it was August 25 and the extension would be to November 23. He stated that he had received the disability application in April and had sent out the interrogatories and medical releases, rules and ordinance provisions and had received those back on May 27, but they were still waiting for two sets of medical records.

Mr. Dupree stated that he had talked to Mr. Conte who advised he had not heard anything in a couple of weeks; whereby, Mr. Dehner stated they were still waiting for two sets of records from the doctors. He stated they had received everything from Mr. Conte. He stated that when the records were received, they would set up the IME. Once the report was received back from the IME, after all the records were received back, which the IME reviews as part of his examination, that would be the time to schedule the initial hearing.

Mr. Dupree asked why the board had to go through this process if the city agreed Mr. Conte was hurt on the job; whereby, Mr. Dehner stated that it was the board's responsibility to determine entitlement to disability pension benefits. He stated that only the board could adjudicate entitlement of payment for disability out of the pension fund.

Mr. Bozeman moved, seconded by Mr. Jim Shaw, to approve a 90-day extension of the initial hearing to November 23, 2016, for Mr. Richard Conte. The motion passed unanimously.

Regarding disability pension benefits, Mr. Dehner stated that according to the law, the first issue was whether or not the individual was totally and permanently disabled to the extent he can no longer render useful and efficient service as a firefighter. He stated that case law was if the city terminated the employee for medical reasons, then the board was estop from finding it was not a total disability, but there was still the permanency issue to be decided and if that was decided in the affirmative, then the next issue to determine was causation (in line of duty or not in line of duty). He stated that these issues needed to come before the board to be decided.

<u>Disability Retirees Affidavits</u>
Ms. Towey noted that she had sent out the affidavits to the disability retirees, which had mostly been received back with the doctor's statement. She asked who would review the forms; whereby, Mr. Dehner stated that the board would review the affidavits and physician statements. He stated that if it appeared that the retiree had recovered his health or a light duty position had become available, then the next step would be to send the individual to an IME to get that opinion.

Mr. Dupree stated hypothetically what would happen if the disability retiree was healed and could return to work; whereby, Mr. Dehner stated that the board could not mandate that they be given their job back, but the board could inform the city that the person's health has recovered and the board recommended that they bring them back to work. He stated that the personnel decision was obviously the city's and not the board's.

Ms. Towey asked Mr. Dehner if she needed to bring the affidavits to the next meeting; whereby, Mr. Dehner stated that the affidavits had a waiver of privacy rights because the only way the trustees could consider the medical issues was at a public meeting. He stated that HIPPA also had to be complied with, so they tried to keep the forms as general as possible.

<u>Michael Arcuri Disability Application</u>
Mr. Dehner stated that Mr. Arcuri had not submitted a physician's statement saying he was totally and permanently disabled with his application, so his office had requested it from him. He stated there was no extension required at this point. He stated that the burden of proof was on the claimant so we should not be spending pension money until at least one physician statement had the opinion that the person was totally and permanently disabled. He stated after that was received, they would send to the individual or his attorney the interrogatories asking basic questions about the basis for the claim, the medical providers, and a medical release to be signed. He stated that once those documents were received, that was when the clock started to run.

Mr. Ponitz asked if Mr. Dehner would make a recommendation to the board, whereby, Mr. Dehner stated his job was to assure that they got all the documentation and legal rights for the issues for their consideration.

Regarding the disability hearings, Mr. Dehner noted that the trustees would receive a packet of material and when it was over, the individual packets would be shredded, with one set to keep for pension records, which would be segregated from the business records. He stated the hearings would be at a special meeting with a separate agenda from the business agenda.

Mr. Donlan asked if the disability retirees would be discussed at a special meeting; whereby, Mr. Dehner stated they could be on the regular agenda.

Mr. Ponitz asked about the packet of material for the hearing; whereby, Mr. Dehner stated that the trustees would receive a separate packet of material, which would be very voluminous. He stated that each of the trustees would receive their own copy; because if there was only one copy and a trustee made a written note and another trustee saw it, it would be a violation of the Sunshine Law.

<u>Website Posting – 60T</u>
Mr. Dehner asked if 60T had been posted to the city's website; whereby, Ms. Towey stated that it had been posted.

Form 1 Filings

Mr. Dehner asked the trustees if they had filed their Form 1, as a fine would start September 1.

Ms. Towey noted that Mr. Royce James was stepping down from the Police Officers' Pension Board; whereby, Mr. Dehner advised he would need to file Form 1-2015 immediately, and Form 1F-2016 with 60 days of his step down date.

The General Employees' Pension Board adjourned at 10:50 a.m.

15. OTHER BUSINESS

100% PLOP Option

Mr. Dupree stated that he favored 100% PLOP option. He noted that Ms. McGuire had issues with this option because the retiree might come back and blame the city because they spent the entire sum in a short time. He stated he thought the board had requested a study to see what the cost would be to the plan for 50% 75% and 100%; whereby, Mr. Donlan stated that he would need to talk to the actuaries in his firm to make sure that 100% was still no impact to the plan and to see if they were comfortable with this option.

Mr. Jim Shaw asked if the 100% PLOP would be based on the mortality table; whereby, Mr. Donlan stated that it would be.

Mr. Dupree asked if the state allowed a 100% buy up; whereby, Mr. Donlan stated that the state had a defined benefit plan and a defined contribution plan, where people would do lump sums by transferring to the defined contribution plan and then retiring.

Mr. Dehner stated he did not believe they could retire and receive a 100% lump sum.

100% Survivor Death Benefit

Mr. Dupree asked about the status of 100% survivor death benefit for a vested member; whereby, Mr. Donlan stated that he believed he had already done this study for the board.

Mr. Dupree commented that the ordinance granted benefits to the survivor for ten years, but he wanted it to be for the survivor's lifetime; whereby, Mr. Donlan stated that for the lifetime rather than payable for only ten years would be 0.2% of payroll.

Mr. Dupree asked if the membership wished to fund this option, would that mean their contribution would increase from 8.4% to 8.6%; whereby, Mr. Donlan stated that was correct.

16. ADJOURNMENT

The meeting was adjourned at 11:22 a.m.

Respectfully submitted,

Lois Towey, Recording Secretary

Attest:

Kelly A. McGuire, Chairman
General Employees' Pension Plan

Ken Artin, Chairman
Police Officers' Pension Trust Fund

Joseph F. Dupree, Chairman
Firefighters' Pension Trust Fund