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

May 12, 2017	8:30 a.m.	Commission Conference Room

1. CALL TO ORDER

Chairman Kelly McGuire called the meeting to order at 8:32 a.m.

General Employees' Pension Board members present were Chairperson Kelly McGuire, Dave Ponitz, Mike Furman, and John Olivari.

Police Officers' Pension Board members present were Chairman Ken Artin, Secretary Shane Jarrell, Amanda Hayes, and Jim Doggett.

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

Also present were Mark Harrell of Apex Capital Management, Karl Engelmann of Cambiar Investors, Lee Dehner of Christiansen & Dehner, and Charles Mulfinger and Scott Owens of Graystone Consulting.

2. APPROVAL OF MINUTES OF FEBRUARY 10, 2017

Mr. Dave Ponitz moved, seconded by Mr. Mike Furman, to approve the minutes of the February 10, 2017, meeting. The motion passed unanimously.

Ms. Amanda Hayes moved, seconded by Mr. Jim Doggett, to approve the minutes of the February 10, 2017, meeting. The motion passed unanimously.

Mr. Dominic Morgese moved, seconded by Mr. Tommy Bozeman, to approve the minutes of the February 10, 2017, meeting. The motion passed unanimously.

3. PUBLIC COMMENTS

There were no public comments.

4. ELECTION OF FIFTH TRUSTEE

The board was notified that Dr. Harris did not wish to serve another term due to a conflict with his business hours; therefore, Mr. Ken Artin requested this item be tabled until the August meeting.

5. PRESENTATION BY APEX CAPITAL MANAGEMENT (Smid Cap Growth)

Mr. Mark Harrell of Apex Capital Management stated they ran a small mid cap growth portfolio with the boards. He stated that for the first quarter they were up 7.48% vs. the benchmark at 6.25%. He noted through the middle of this week they were now up 12.8% vs. the benchmark at 8.8%. He stated that the outperformance was driven by strong stock selection from a secular standpoint. He stated they invested in stable growth and emerging growth companies. He stated that stable growth companies had strong top-line revenue growth, strong bottom-line earning per share (EPS) growth, consistency of EPS growth, and were less volatile in difficult environments. He stated that emerging growth names were more aggressive, disruptive, were changing the way business was done in their industry or niche, with very strong revenue growth/sales growth, but may not have EPS growth and what they do was choppy because they were younger companies, spending more on sales, R&B, and were building their organization.

Mr. Harrell noted that alpha or growth oriented could be more volatile. He stated they could adjust the bounds between stable growth and emerging growth companies. On the average, he stated Apex was 70% stable growth/30% emerging growth, and the most conservative we would see was 80% stable growth/20% emerging growth, and the most aggressive would be 60% stable growth/40% emerging growth. He stated they never got carried away with the emerging growth component, but they did want it always in the portfolio. He stated they were currently 70% stable growth/30% emerging growth.

Mr. Harrell stated that they also wanted to invest in secular pockets of growth, which was what they attempted to do from a portfolio construction standpoint. He stated that year-to-date the outperformance came from cloud computing/big data/cyber security area, which was an area they had been invested in for about eight years. He noted that “cloud computing” was a buzz word today that was unheard of eight years ago. He stated that people wanted 24/7 access to their data from any device, any time, and from any place, whether mobile or fixed. He stated that big data had morphed into that secular trend because organizations had data all over the place that needed to be accessible. He stated access had to be secure, so cyber security had become a big part of that whole theme. He stated that performance was driven by Arista Networks, Fortinet, Splunk, and CSRA, who performed very well in the first quarter. He noted that Arista Networks took share from Cisco, hooking up large servers using cloud storage spaces and made switches that allowed networks to talk to each other very fast. He stated the team that started Arista Networks in 2000 came from Cisco, so they were taking share from Cisco, who had a revenue beat and earnings beat, and things were going exceedingly well. He stated that Fortinet was a cyber security firm and Splunk was both a cyber security and big data organization. He stated that Teradata was also a big data organization company. He stated that performance was strong there, as well as the e-commerce area with MercadoLibre, who was Latin America's e-bay, based in Argentina and had performed very well, but their performance was a little lumpy over the last couple of years because of the currency headwinds in the Latin American countries. He noted that those companies were very commodity oriented and in 2014-2015 when there was a big drop in oil prices, commodities were a headwind, but MercadoLibre underneath the surface continued to perform very well. He stated that now that Latin America's currency had stabilized, we were starting to see the strong performance that had been consistently delivered by MercadoLibre, again the Latin America e-bay.

Mr. Harrell stated that there was strong performance from the Healthcare area during the quarter, regarding personalized medicine, genomics, and cost containment. He stated that IDEXX Labs was a big performer for them in the first quarter, which was more focused on the veterinary area and poultry. He noted that DexCom was a diabetes focused company that made glucose monitoring devices that could be worn externally that could be hooked up to an Apple watch or your doctor's office. He stated it was a wearable device that monitored one's glucose, whereby the doctor or caretaker could be alerted to a drop in glucose and so forth.

Ms. Amanda Hayes asked if DexCom had more room to grow; whereby, Mr. Harrell stated that Apex thought DexCom had more room to grow because diabetes was the fastest growing disease worldwide. He stated that DexCom had some competition, as there were other firms trying to get into the glucose monitoring area, but they had just gotten approval from Medicare for that device, so they were optimistic. Unfortunately, he stated they would have to sell IDEXX because Apex had a market cap limit on the portfolio of $12 billion; therefore, they would begin to trim out of the stock because with its recent performance, they were above the $12 billion limit, so reluctantly they would have to let go of it.

From a sector standpoint, Mr. Harrell reported they had not made significant changes to the sector alignments vs. the benchmark. He stated they had lowered Financials slightly, as they believed the big run-up post election had run its course, and while there was still opportunity there, valuations had gotten stretched. He stated they were slightly underweight in Healthcare, but there were still question marks about a lot of the drug companies about drug pricing. He stated they liked the space but were slightly underweight in Healthcare at this time. He stated they were underweight in Industrials currently. He noted they had increased Industrials up to 17% but had sold a few of them after the euphoria after the election of infrastructure spending. He stated they felt a lot of these companies got a little bit ahead of themselves from a valuation standpoint. He stated there were still questions about when and if an infrastructure spending bill would happen, and if it did happen, if it would be as big as people assumed it would be. He stated they were still big believers in Technology, hence the first quarter's strong performance. He stated they still liked the space and were still heavily weighted there. He stated they were slightly overweight in Energy, but Energy vs. the benchmark was only 1.0%.

From an outlook standpoint, Mr. Harrell stated that Apex was cautiously optimistic, but they would not be surprised to see a pull back, kind of a pause, in a pretty fast growing market. He stated that first quarter earnings growth in the S&P was 15%, which was the highest it had been since 2007. He stated if analysts increased their expectations going forward, it would make the expectations harder to beat. He stated that valuations were not cheap; and in their space, the Russell 2500 growth, valuations were about average with certain areas overvalued and other areas undervalued. He stated there were still a lot of opportunities. He stated even though they were value conscious, they were focused on growth and addressed the markets. He stated they liked the space and felt there was a lot of opportunity both in the cyclical areas like Technology, Industrials, Financials and Consumer Discretionary.

Mr. Harrell stated that there was one area they made a mistake in last year which was having too much weight in Retail. He stated they liked e-commerce and the retail names they owned were somewhat eclectic and may have their own e-commerce site as well as stores. He stated the headwinds with the amazon effect were taking an impact on some of the brick and mortar retail department stores. He noted that Footlocker had done very well, even though it was mall based and mall traffic was down, but they had not suffered in the face of a tough retail space. Autoliv and Lithia Motors were two automotive companies, as autos appeared to be starting to slow down, and Apex may start to lighten up on this area.

Mr. Joe Dupree asked about the $12 billion mark; whereby, Mr. Harrell stated that the benchmark market cap was around $12 billion to $14 billion, and their mandate was to invest in small to mid-cap growth companies. He stated they would love to hold on to some of these companies, but at some point in time they would become a mid-cap manager, not a small to mid-cap manager, and then the boards would probably fire them because they were not a smid cap manager anymore.

6. PRESENTATION OF CAMBIAR INVESTORS (Smid Cap Value)

Mr. Karl Engelmann, Senior Vice President and Partner of Cambiar Investors, stated Cambiar was a new manager to the boards for the smid cap value portfolio. He stated that Cambiar was based in Denver, Colorado, founded in 1973 with $17 billion in assets under management of which they were running about $1.1 billion within this strategy. He stated that Cambiar was 100% employee owned, which he believed involved a very stable investment team. He stated they had an independent mindset which was a very concentrated, benchmark-agnostic portfolio. He stated they would not look anything like the index. He stated Cambiar had an analyst led investment team with contra-sector coverage providing each analyst a broad opportunity set to contribute to the portfolio. He stated if they did not find anything of value in Telecom or did not find anything of value in Media, they typically did not own it. He noted they had some underweights in certain sectors which gave them some autonomy and gave the analyst a target rich environment to find opportunities set to drive the growth within the portfolio. He stated their global investment framework provided the team with a heathy exchange of insights and events.

<u>Relative Value - Philosophy</u>
Regarding relative value, Mr. Engelmann stated that there were different subsets of value, such as traditional and deep discounts, and Cambiar was a relative value. He stated that at some point in time they would add some growth tendencies to their portfolio, but valuation was very, very key for them. He stated they were looking for attractive valuation, trying to distinguish between transitory vs. terminal issues, and trying to buy the tangible inflection point. He stated that sometime they made money and sometimes they did not, but they were trying to buy their net perceived valuation disconnect and watching them grow over time. He stated they employed a very big 50% upside target to their stocks in the portfolio. He stated that by employing a high grow rate, really stopped them from a trading mentality, as they wanted to see things roll up over a one to two year time horizon.

<u>Investment Process</u>
Mr. Engelmann stated they looked for a pattern of value creation, as durable franchise and pricing and cost discipline was very key for them. He stated they did not like companies that put on a lot of debt. He stated they liked free cash flow stories and felt it was a good way to find very good growth without taking on a lot of risk if they had that type of assets behind them to back them. He stated they were looking for very good capital discipline and prudent cash return and cash flow reinvestment strategies, and then they

would take the relative valuation support on a price/earnings, price/book, price/cash flow, and price/sales applying that to the right company. He stated we would not see what occurred in the late 1990's where there was a price for quick or a price for eyeball valuation in Technology, which were very big farces out there. He stated they were looking for a tangible inflection point/catalyst, as they were buying something that no one liked at this point in time. He stated they were very good businesses that might have tripped up. He stated they did this with the normalization of their business cycle over one to two years.

Portfolio Construction

Mr. Engelmann stated that regular pipeline meetings removed the initial weighting debate from the process and enabled the team to focus on company fundamentals. He stated they were looking for balance between risk control and concentration.

On the sell side, Mr. Engelmann stated that by being benchmark agnostic they were a little different than most managers, as well. On the upside, the thesis would be realized because the stock reached the price target of $12 billion. He stated if the stock exceeded their target, then it was trimmed. He stated that risk protection was what they were trying to instill in the portfolio. He noted that downside protection was a little different, as deteriorating or negative change in fundamentals resulted in selling the stock. He stated there was a mandatory review process for stocks with a 20% decline from the purchase or recent price level, whereby they would either hold it, sell it, or buy more. He noted that many value managers would buy more and more, but at Cambiar they only got one extra chance and would only go back to policy weight. He noted this was a risk measure that stopped them from the madness that could happen. He noted that Cambiar did this very, very well.

Mr. Englemann stated that the portfolios had done extremely well in the short time they had had them. He reported that they were up 4.1% vs. the Russell 2500 Value at 1.6% for the quarter. He noted that this was a very good start for the year. Since inception, he reported they were up 22.0% vs. the benchmark at 9.0%. He stated they were very comfortable with the way the markets were going at this point in time. He stated the key drivers for the performance were the eight out of nine sectors they had participated in, which was a very good ratio. He stated the performance was in Real Estate (positive 61 bps.), Technology (almost 1.0%), Financials (from stock selection 22.0%) and Materials, which they did not participate in (and had a drag of 22 bps.). He stated they were trying to accomplish this over the long term. He stated they did it through different entities such as Smid Value Industrials, Air Lease, Dun & Bradstreet, Stericycle, which was in hazardous waste management in Healthcare. He stated this had been a very good cycle for them and they liked what they saw within Stericycle, Robert Half

(Professional Staffing), Expeditors International (Global Logistics asset light company). He stated all these companies had done very well within their own right, so they liked Industrials and liked where they were going with them. He noted they had owned some of those stocks for quite some time.

Ms. Hayes asked if Stericycle was able to use any of the hazardous materials from the hospitals, such as blood; whereby, Mr. Engelmann stated that they were able to use portions of it, but a lot was destroyed.

On the Technology side, Mr. Englemann stated that Cambiar had done well in Technology, as one key driver was Synaptics, who provided sensors for smartphones. He stated it was becoming more and more prevalent in the smartphone world, as the addressable market was expanding as fingerprint technology was applied across a broader range of products. He stated that this smart chip and type of authorization through Synaptics, who was a leader in this market, would play out very, very well, along with Verifone Systems (payment terminals) and Amdocs Limited (telecom ERP software).

Ms. Hayes asked for a breakdown of the portfolio, which Mr. Engelmann stated he could send it to her.

7. INVESTMENT MONITOR REPORT (GRAYSTONE CONSULTING)

Mr. Charles Mulfinger, Graystone Consulting, stated that all three plans had positive returns and had beaten the benchmark for the quarter. He reported that the General Employees' Plan had a gain of $1.9 million. He noted that General and Police were within the policy guidelines and Fire was also but it looked like they were not because they had some money in cash, but when you added the cash to the bonds, the total amount was still within the fixed income guideline. He stated there was no need to rebalance for all three plans.

Mr. Joe Dupree asked if this was the first time that all three plans had a gain of over $1 million, and he asked if the plans would receive a "price break." Mr. Mulfinger stated that he would bring a breakdown of all the fees to the next meeting and the boards could review it to see if there was an opportunity to reduce any of the fees.

<u>Economy</u>
Mr. Scott Owens stated that the market had gone pretty much straight up since the election. He stated a lot of people attributed it to the "Trump-enomics," but while his mandates were pro-growth, the bottom pieces of the puzzles were in place prior to him coming into office. He stated he had reported about being in an earnings trough last year. He noted that earnings were in a trough in the past third quarter, and we saw that they beat their estimates, but there was a lower bar. He reported that earnings on an

average this year were up over 9.0% year-over-year and some other sectors up 15.0% to 20.0%, so earnings were starting to move up and had nothing to do with the trough. He stated that taking all that into account, plus going into a pro-growth type environment, was a recipe for a stronger market. He stated they expected earnings revisions to continue to move up to earnings expectations. He stated that they had talked about deflation and the threat of it, and now there was a global re-inflation as more of a theme.

Mr. Owens stated that unemployment was down to 4.4%, which was nearly full employment with wages starting to go up. He stated that we would expect in the coming years, if it stayed where it was, there would be wage inflation and possibly an inflationary crisis, which was actually positive.

Mr. Owens stated that both the PMI and MMI were above 50 again indicating that the economy was expanding, which they had said for 84 months in a row. He stated that this past quarter they were 53 and 57 respectively and were moving at an increasing rate, which was still slow growth but positive information.

Equity Markets

Across domestic equities, Mr. Owen noted that all the indices were positive, except for the Russell 2000 Value Index at -0.13%. He stated the large cap companies measured by the Russell 1000 Index were up 6.03% and the mid-sized companies (between $2 billion and $10 billion) were 5.15% and small cap companies were 2.47%. He stated that larger companies outperformed smaller companies, and growth outperformed 8.91% vs. value at 3.27%, which was a pretty significant difference between value and growth. He noted that he had reported at the past four meetings, the pendulum had swung back and forth with the styles and sectors, as there had not been a consistent winner quarter after quarter. He stated that just showed the importance of diversification.

Mr. Owens stated that eight out of ten sectors were positive, with Information Technology the most positive at 12.6%, and Health Care and Consumer Discretionary both at 8.40%. He stated that Telecom and Energy were the laggers at -4.0% and -6.70% respectively.

International Markets

Mr. Owens stated the international markets also did well, actually better than the domestic indices. He stated that the broad market, MSCI EAFE (developed markets) was up 7.25% and for the 12-months at 11.67%. He reported that Emerging Markets were up 11.49% for the quarter but for the 12-months up 17.65%.

Fixed Income

Mr. Owens reported that the quarter was up 0.82% and for the 12-months up 0.44%. He noted it was interesting that people thought you could not lose with government bonds, but the only loser for the 12-month period was Barclays Capital Government at -1.34%. He stated that there was no risk as related to default, but they were very pricey; so as rates went up, the value of bonds went down, and that was what we had now.

Mr. Mulfinger reported the General Employees' fund had a balance of $45,380,042, which was a gain of $1,868,776 after fees for the quarter. He stated it was a very strong quarter. He reported that both police and fire had the same kind of increase from a percentage standpoint. He stated the portfolio was overweight in domestic equities and slightly underweight in international equities, but overall 68.92%, but within the range which allowed the portfolio to go up to 70.0%. He stated that we did not need to rebalance. He stated he liked the fact that we were overweight in equities because stocks would do better than bonds going forward. He stated that bonds were underweight at 31.08% vs. the policy at 35.0%, with fire at 27.87%, but their cash brought them up to 30.13%; so fire was still in their range and did not need to rebalance.

HGK

Mr. Mulfinger stated that HGK, the large cap value manager, had overweighted Energy, which hurt them in the quarter. He noted that Mr. Owens reported that Energy had the lowest return for the quarter, and that was the reason HGK was up 2.77% vs. 3.37%. He noted that was also the reason the return was 22.25% vs. 19.22% for the one-year return because Energy had had a rebound, but it hurt the three-year and five-year returns because Energy had fallen back in 2014-2015. Since inception, he stated their return was 13.22% vs. 15.37%. He wanted to see some outperformance going forward.

Sawgrass

Mr. Mulfinger stated that Sawgrass was the most defensive manager, the most conservative, was not bound in economically sensitive areas, and had underweighted Technology. He stated that for the quarter they were up 6.88% vs. the benchmark at 8.91%, and was below the benchmark in all other time periods. He stated Sawgrass had taken a lot less volatility and a lot less risk, with positive alpha and had added value and adjusted for the more risk that had been taken. He stated that this was still fine.

Polen Capital

Mr. Mulfinger stated that Polen had a very strong quarter up 9.28% vs. the benchmark at 8.91%. He stated the one-year return was a little below, the three-year return was above at 14.66% vs. 11.28%, and the since inception was slightly below the benchmark at 13.41% vs. 13.60%. He noted that

Polen had a huge overweight in Technology this quarter, which helped them as well as good stock selection. He stated that over the entire time period, Polen had a little lower return, mixed risk, higher standard deviation (higher volatility below average), but lower beta (lower volatility to the market). He stated they had a positive alpha and added value when adjusted for risk.

Cambiar Investors
Mr. Mulfinger stated that Cambiar had a very strong quarter since they started with us. He stated there was an overweight in Technology and Consumer Discretionary with the quarter up 4.13% vs. the benchmark at 1.62%, and since inception up 22.71% vs. 17.98%. He stated we had had them a short time, but they have had a great start. He noted that Cambiar replaced GW Capital, who closed their firm.

Apex
Mr. Mulfinger stated that Apex had a very good quarter and he was glad to see that because since we had hired them in January 2015, they had been a little below the benchmark. He stated they were overweight in Technology and underweight in Consumer Staples and Real Estate, as well as good stock selection, which helped their performance. He stated the quarter was strong, but the longer term was a little below, and he wanted to see some additional pick up going forward.

Delaware
Mr. Mulfinger stated that Delaware was the international manager and had a very strong quarter. He stated the one-year return was a little below but the three-year, five-year and since inception were all above the benchmark. He stated that we had higher return, less risk, and added value. He noted they were overweight in Technology, Consumer Staples and Health Care and underweight in Consumer Discretionary and Real Estate, which helped their return. He stated they were more defensive and focused on companies that had higher dividends. He stated they were a value manager in the international space, and so far they had done well for us.

Renaissance
Mr. Mulfinger stated that Renaissance's performance was even better at 9.97% vs. 7.86%. He stated the one-year was a little below, but the three-year, five-year and since inception were all above. He noted the since inception return at 10.26% vs. 8.01% was a very strong return. He stated they had higher return and mixed risk, but had added value when adjusted for the risk they had taken. He stated they had positive alpha and positive sharpe. He stated that in this quarter, they had underweighted Energy and overweighted Health Care and Technology, which helped their return.

Garcia Hamilton
Mr. Mulfinger stated the duration on Garcia Hamilton was a little less; therefore, the return was a little less. He noted that interest rates went down during the quarter, but since then they were right back up to where they were at the end of the quarter as of yesterday at about 2.4% on the ten-year Treasury. He stated the quarter was a little below but the other time periods were above--the one-year, the three-year, the five-year and since inception--by a substantial amount. He stated that it was unusual for a bond manager to outperform by that amount. He stated they had higher return, mixed risk, had added a lot of value, and had positive alpha and positive sharpe.

Total Return
Mr. Mulfinger stated that the portfolio was up 4.28% vs. the benchmark at 4.14%. He stated it was a great quarter. He stated the one-year was a little below at 10.86% vs. 11.25%, three-year a little below, five-year a little above and since inception above, with less risk and positive alpha and positive sharpe on the overall portfolio.

Since inception, Mr. Mulfinger reported that the return was 6.23% vs. the benchmark at 6.11%; standard deviation at 10.07% vs. 10.42%; beta vs. market at 0.95 vs. 1.00; up capture vs. market at 98.14% vs. 100.00%; down capture vs. market at 95.02% vs. 100.00%; alpha vs. market at 0.38% vs. 0.00%; sharpe ratio at 0.48 vs. 0.46; R-squared vs. market at 97.40% vs. 100.00%. He stated that if the R-squared was better than 80, it was a good policy.

Investment Policy Checklist
Mr. Mulfinger stated that the equities and fixed income portfolios had met the policy guidelines criteria and were all “yes.” He stated the objectives had a “no” for HGK mainly because of their overweight in Energy; Sawgrass was a “no” on an absolute return but above as far as their rank vs. the universe; Polen was “no” for the same reason as Sawgrass; Cambiar was “yes”; Apex was “no” but the quarter was better and we had only had them for a relatively short time; Delaware, Renaissance and Garcia Hamilton were all “yes.” He noted that bonds had hurt the portfolios the last couple of quarters, but there was not anything we could do about it because we were stuck in stocks and bonds and could not diversify any further at this time.

Tactical Asset Allocation (Graystone’s view looking forward)
Mr. Mulfinger stated they felt stocks would do better than bonds, but within stocks they were still overweight in the U.S. markets, because they believed corporate earnings would continue to show improvement. He stated this quarter the actual numbers were up 15% to 16% earnings growth versus the previous quarter and that was the reason they were overweight in the U.S. market. In developed countries, he stated they were equal weight because

there was still uncertainty out there with elections and they just did not know what might happen. He stated they liked Europe and Japan, but there was still uncertainty with the Italian election next year.

Mr. Mulfinger stated that emerging markets were dirt cheap at 12 times earnings. He noted that Mr. Jeff Gundlach announced recently that it was time to buy emerging markets and short the U.S. market because emerging markets were trading dirt cheap relative to the U.S. market.

Mr. Mulfinger noted that they were underweight with both U.S. Corporate Bonds and International Corporate Bonds and recommended shorter duration as they believed interest rates would eventually move up and then bonds would not perform well.

Mr. Mulfinger stated they were underweight in TIFs because they had some inflation protection and overweight in high yield. He stated they were underweight with REITs because real estate had gotten expensive. He stated that they were overweight in Master Limited Partnerships/Energy because they had been hit pretty hard so they believed there was value there. He stated that in Hedged Strategies they had an equal weight using them as a hedge to defend because the market had been up for eight years in a row and eventually it would fall.

In summary, Mr. Mulfinger stated it was a good quarter with the portfolios up over 4.0%, which beat the benchmark for the quarter and longer term had beat the benchmark with less risk.

8. DISCUSSION OF DRAFT ORDINANCE AMENDMENTS

Mr. Lee Dehner, Christiansen & Dehner, advised that the primary changes were on disability payments and were in accordance with the discussion at the last meeting, which essentially provided that if one was eligible for early retirement, then you could be considered for disability; and if not and you could prove entitlement for disability, the disability benefit could be retroactive. He stated that these ordinances were in draft form for discussion. He stated that the firefighters were the most active in the changes.

Ms. McGuire asked if these changes were on all three ordinances; whereby, Mr. Dehner stated that they were.

Mr. Ken Artin asked about the notice provision that offered any member that was terminated to file for a disability; whereby, Mr. Dehner stated that he had received notes from Mr. Artin with respect to the current provision that vested or non-vested terminated employees were not eligible for a disability benefit, except if the individual was terminated by the city for medical reasons, whereby they had 30 days to file a disability claim. He stated that the discussion at the last meeting suggested allowing 30 days after termination for someone to file an application which would end up being one of the other roads. He suggested considering for someone that was not terminated whether we would measure while they were still employed or receiving an early retirement benefit. He stated that most typical was that one had to be an active plan member to file a disability application for consideration, but legally it did not have to be that way, but it could be.

Ms. McGuire asked if the current ordinance specified that; whereby, Mr. Dehner stated that the current ordinance specified that you had to be a member in order to file for disability benefits.

Ms. McGuire clarified that they were proposing to modify the ordinance to indicate that one had to file within 30 days of termination; whereby, Mr. Dehner stated that was correct and was in the draft ordinance amendments. He stated the current exception was if you were terminated by the city for medical reasons, then you had 30 days to file. He stated this proposed amendment would give anyone 30 days to file.

Mr. Mike Furman asked if this proposed amendment was in line with other city's plans; whereby, Mr. Dehner stated that this proposal was more out of line, but it was not illegal, but it would be a minority.

Ms. McGuire asked what we would be doing that was inconsistent with other pension plans; whereby, Mr. Dehner stated that currently the ordinance was consistent and most plans provided that you had to have an active employment status, or within 30 days of termination by the city for medical reasons.

Ms. McGuire stated that the city did not always terminate people for medical reasons or when their FLMA leave ran out, as the person could voluntarily decide to terminate because they could not continue working. She noted that they may not be in a position of making that decision within 30.

Mr. Artin commented that he would think the person would know that he had reason for a disability before he terminated and would have to file before he was terminated by the city; whereby, Ms. McGuire stated that if the person voluntarily terminated himself and did not file for disability benefits prior to that time, under the current ordinance they were not eligible to file.

Mr. Dehner advised they had to file prior to that time and maintain an active employment status until the board went through the adjudication process.

<u>Draft Ordinance Discussion</u>

Mr. Tommy Bozeman referred to the underlined section of Section 2 (a), "*A disability application must be filed within thirty (30) days of termination or prior thereto.*" and *"Not withstanding the previous sentence, if a member is terminated by the city for medical reasons, the terminated person may apply for a disability benefit if the application is filed with the board within thirty (30) days from the date of termination*" of the same paragraph; whereby, Mr. Dehner stated that if the board went with the 30 days irrespective of the reason for termination, then he would take out the "*terminated by the city for medical reasons*" provision. Mr. Bozeman stated that he favored this change.

Ms. McGuire asked for clarification if it was in-line of duty or not; whereby, Mr. Dehner stated that it would not matter if it was in-line of duty and the person could file for disability benefits within 30 days of termination.

Mr. Artin suggested that if the person was terminated for medical reasons that it would be for in-line of duty; whereby, Mr. Dehner advised that it could be for in-line or not in-line of duty.

Mr. Artin stated that the person would qualify for disability benefits if they were terminated for an in-line of duty injury; whereby, Mr. Dehner advised it would be for medical reasons; and currently if the city terminated an individual for medical reasons, then they had 30 days to file a disability application and may end up not in-line or in-line of duty.

Mr. Dave Ponitz clarified that it did not matter if the injury was in-line or not in-line of duty in order to qualify for a disability; whereby, Mr. Dehner advised that was correct.

Mr. Dave Ponitz moved, seconded by Mr. Mike Furman, to approve a change to Section 3(a) of the draft ordinance to remove the following sentence: "*Not withstanding the previous sentence, if a member is terminated by the city for medical reasons, the terminated person may apply for a disability benefit if the application is filed with the board within thirty (30) days from the date of termination.*" The motion passed unanimously.

Ms. Amanda Hayes moved, seconded by Mr. Ken Artin, to approve a change to Section 2(a) of the draft ordinance to remove the following sentence: "*Not withstanding the previous sentence, if a member is terminated by the city for medical reasons, the terminated person may apply for a disability benefit if the application is filed with the board within thirty (30) days from the date of termination.*" The motion passed unanimously.

Mr. Tommy Bozeman moved, seconded by Mr. Mike Scudiero, to approve a change to Section 2(a) of the draft ordinance to remove the following sentence: "*Not withstanding the previous sentence, if a member is terminated by the city for medical reasons, the terminated person may apply for a disability benefit if the application is filed with the board within thirty (30) days from the date of termination.*" The motion passed unanimously.

Ms. McGuire stated that the purpose of this was to allow the person to file for disability benefits within 30 days after termination for whatever reason.

Mr. Bozeman stated in his case he was approaching using up his FLMA (Family and Medical Leave Act of 1993) and possibly facing termination and was uncertain that he would be able to come back to work and had not initiated any paperwork at that point. He stated he was concerned that he might not be eligible to file for disability benefits in time.

Mr. Dominic Morgese asked about the cost to the plan regarding this change; whereby, Mr. Dehner stated that once the final ordinance amendment was finished, it would be sent to Mr. Donlan for an actuarial impact statement, which would determine the cost.

Mr. Dehner advised that the actuary typically assumed a certain number of disabilities per year; and if we did not have them, it was an actuarial gain, but if we had more than was assumed, it was an actuarial loss.

Mr. Bozeman referred to Section 2(f), "*Disability payment. The monthly benefit to which a member is entitled in the event of the member's disability retirement shall be payable on the first day of the first month after the board of trustees determines such entitlement. However, the monthly retirement income shall be payable <u>retroactively to</u> ~~as of~~ the date ~~the board determined such entitlement~~ <u>of the last payment from the city</u>, ~~and any portion due for a partial month shall be paid together with the first payment~~….*" He stated he felt the language was confusing, as he was interpreting "the last payment" to mean "the last paycheck" from the city. He stated he favored the first "last payment" to be changed to "the day of termination." He asked Mr. Dehner if there was a reason it was worded "last payment" rather than "the day of termination"; whereby, Mr. Dehner advised the reason was that the person could still have an employment status of leave without pay and subsequent termination, and it would go to termination as opposed to when the person received their last paycheck. He stated that it could be stated either way.

Mr. Bozeman clarified that the new language was saying that the person could be paid prior to before he was terminated; whereby, Mr. Dehner advised that was the proposed language.

Ms. McGuire stated her concern that receiving a disability benefit payment back to the date when the person was still employed by the city was problematic for her, because if the person was still employed by the city, even if he had run out of leave time, he was still on the city's payroll and receiving benefits from the city. She stated that either the person was retired or still working, but it should not be both.

Mr. Bozeman stated he favored removing "the last payment from the city" and inserting "termination" so it read, *"…However, the monthly retirement income shall be payable retroactively to the date of ~~the last payment from the city~~ termination.*"

Mr. Dupree commented that it took over a year for Mr. Conte to receive disability benefits.

Mr. Bozeman asked if he had to make a motion for the above change; whereby, Mr. Dehner advised that he would make the changes and bring them back to the boards for review, which would be the time to make a motion for adoption of the ordinance amendment.

Mr. Artin stated that the Police Officers' board favored the same change to Section 2(f).

Ms. McGuire stated that the General Employees' board also favored the same change to Section 3(d).

Mr. Bozeman referred to Section 3(f), *"(c)…following termination of employment or death.*" He suggested adding "or death" to the end of that sentence, and also to the next sentence after the word termination, "*Payment of the calculated share…end of the last quarter following termination* ***or death****…*"

Ms. Towey noted that there was an attachment to the DROP application that designated a beneficiary.

Mr. Bozeman noted on page 4 of the draft ordinance that Edward Kelley was listed as Mayor, noting that he was no longer Mayor; whereby, Mr. Dehner advised that his office would update the draft ordinance with all the changes before submitting the final ordinance amendment.

Mr. Dupree asked about Section 16-70 (2) on page three of the draft ordinance where it said, "*The net earnings or losses allocated to the individual member share accounts shall be the same percentage which is earned or lost by the total plan investments*…" He asked if it would be handled similar to the

DROP at no less than zero per quarter; whereby, Ms. McGuire stated that it could be, but it would have to be negotiated with the union.

Mr. Dehner advised that he had amended the police plan to incorporate the retirement provision, pre and post the date of the collective bargaining agreement (CBA), as requested, and it would be a separate ordinance.

Mr. Dupree noted that negotiations were finished; whereby, Ms. McGuire stated there was a provision in the CBA that said the union reps could request a change to the pension plan outside of bargaining, which would eventually go before the City Commission for approval.

Ms. McGuire asked about the second paragraph on page three of the General Employees' draft ordinance where it said "*Leave conversions of unused accrued paid time off shall not be permitted…"*; whereby, Mr. Dehner advised this was one of the new Internal Revenue Code (IRC) required changes.

Ms. McGuire referred to Section Two (a) *Normal retirement age and date*; whereby, Mr. Dehner advised that was an IRC requirement.

Mr. Dave Ponitz referred to Section Two (g) and a typographical error where "waely" should be "early"; whereby, Mr. Dehner advised that was an IRC requirement.

Mr. Ponitz asked about the 70½ age requirement; whereby, Mr. Dehner advised that the person had to start taking distributions by age 70½, as the Internal Revenue wanted to be able to tax it by then.

Ms. McGuire asked if she was still working here at age 70½, if she would be forced to retire; whereby, Mr. Dehner stated that the person was not forced to retire, but they had to start taking distributions.

Ms. McGuire stated that the person could not receive distributions if they were still working here; whereby, Mr. Dehner advised that was the requirement. He stated that it said "shall be distributed" and not that the person had to be terminated.

Mr. Ponitz suggested that there must be a clause somewhere that says you can or cannot continue to work for the city and receive a pension benefit. He suggested that provision would have to be changed.

Mr. Dehner stated that this provision said when the person had to start taking a distribution, and did not say he had to terminate.

Ms. McGuire asked Mr. Dehner to define distribution; whereby, Mr. Dehner stated a distribution would be receiving a check from the pension system.

Ms. McGuire clarified that an individual over 70½ years old current working for the city was not receiving a distribution of his pension because he still worked here. She asked if we were not complying with the IRC; whereby, Mr. Dehner stated that he should be receiving a distribution no later than 70½.

Ms. McGuire stated that the pension ordinance currently stated that no one could receive a distribution while they were still employed, so she asked if that would force someone to retire or enter the DROP.

Mr. Dehner advised that he would research the provision for a determination and report back to the board.

Ms. McGuire asked if a spouse pre-deceased the retiree, if the retiree's benefit popped up to 100%; whereby, Mr. Dehner advised only if the ordinance provided for that, but currently under the joint and survivor options when the survivor predeceased the plan member, the plan member could designate another joint pensioner.

Ms. McGuire clarified that the plan member could designate another joint pensioner one time only; whereby, Mr. Dehner advised they could name another joint pensioner which would have to be recalculated because of the age of the new joint pensioner.

Ms. Hayes asked about naming a child as beneficiary; whereby, Mr. Dehner stated that could be done but only on an actuarial equivalent basis. He stated that if it was a minor, the benefit could go to a trust or guardianship.

Mr. Jim Doggett asked if his wife predeceased him within two years, if there was a provision; whereby, Mr. Dehner stated that there was a provision known as a "popup" provision, which would need to be in the ordinance. He noted that this provision was only in a minority of plans, but it could be done.

Mr. Bozeman noted that currently the joint pensioner could be changed one time; whereby, Mr. Dehner stated that was correct but you could not change your option once you had received a benefit payment on the original option chosen.

Ms. Towey commented that the joint pensioner and beneficiary where two different things; whereby, Mr. Dehner advised that the beneficiary was the person named to receive a death benefit or life and ten years certain, and the joint pensioner was the person chosen on the joint and survivor option.

Ms. McGuire clarified that if she chose the joint and survivor option with 50% to her husband upon her death, then he would be the joint pensioner; whereby, Mr. Dehner stated that was correct.

Ms. McGuire asked what her options would be if her husband (joint pensioner) predeceased her; whereby, Mr. Dehner advised she could name another joint pensioner on an actuarial equivalent basis.

Ms. McGuire stated then if she remarried someone 20 years younger than herself, her benefit would be recalculated because of her joint pensioner's age and most likely the benefit would be reduced even more; whereby, Mr. Dehner stated that was correct.

Ms. McGuire clarified that by naming a child as the joint pensioner was not prohibited by the ordinance but would result in a significant reduction in the benefit; whereby, Mr. Dehner stated that was correct.

Ms. McGuire asked how the joint pensioner was different from the beneficiary; whereby, Mr. Dehner stated that both would receive the benefit payments, but the designation was called joint pensioner or beneficiary depending on the option chosen.

Ms. Hayes asked about a popup provision if the spouse died within the first ten years of the benefit and if they would be able to elect back to 100%; whereby, Mr. Dehner stated that the popup provision was not currently in the plan and would have to be an amendment to the plan.

Ms. McGuire clarified that the only option currently was to choose another joint pensioner; whereby, Mr. Dehner stated that a minority of plans had a popup provision that allowed another joint pensioner to be appointed.

Ms. Towey asked if the benefit payment stayed at the same rate, even if a new joint pensioner was not appointed; whereby, Mr. Dehner stated that was correct.

Mr. Artin clarified that the popup provision had to be bargained with the union.

Mr. Dave Ponitz asked about Section Five (f); whereby, Mr. Dehner advised this paragraph was an IRC requirement.

Mr. Ponitz asked about Section 16-21.8 (a) "*Total return of assets*"; whereby, Mr. Dehner advised this paragraph was also an IRC requirement.

Regarding the DROP on page seven, Mr. Ponitz referred to Section 16-21.8 (2)(b)(1), noting that the General Employees' DROP was closed in 2012 to new members. He stated that there was language in the draft ordinance about 6.5% interest rate. He noted that all those DROP accounts were closed because the DROP term was only for 36 months, which would have sunset in 2015. He suggested that the language should be eliminated from the draft ordinance.

Ms. McGuire noted that both the police and fire unions had completed negotiations and signed a new contract. She stated her concern that the Commission would question why there was another ordinance amendment for police, as one was recently approved.

Mr. Dehner stated that he would provide some examples of a “popup” provision to the boards.

9. ATTORNEY COMMENTS

Mr. Dehner noted that the legislative session was supposed to have adjourned last Friday, but it did not do so because the budget had not been completed, which was done on Monday. He stated it was his understanding that the governor was not happy with some of it, but the session either adjourned yesterday or today and no bills affecting the pension plans had been adopted. He stated there was one bill that had been adopted which was unlikely to affect the pension plans, but Senate Bill 80 provided if a civil suit for public records was improperly filed, the attorneys would not be entitled to receive the cost of attorney’s fees.

Mr. Dehner noted the Division of Retirement conference was scheduled for May 31 through June 2 in Tallahassee.

Mr. Dehner reminded the trustees to file their Form 1 in a timely manner. He stated the new trustees should have filed Form 1 within 30 days of their appointment to the board and would not have to file again in July.

Mr. Doggett stated that he had served since last fall and had filed the Form 1 at that time. He asked if he had to file another Form 1 at this time; whereby, Mr. Dehner advised he should file Form 1-2016 at this time and when he stepped down at the end of his term in September 30, he should file Form 1F within 60 days of stepping down.

The Police Officers’ Pension Board adjourned at 10:20 a.m.

The General Employees’ Pension Board adjourned at 10:20 a.m.

10. DISCUSSION OF FPPTA CONFERENCE ATTENDANCE (FF)

Mr. Mike Scudiero stated that his work schedule had changed, so he would not be able to attend the FPPTA conference, and he asked Ms. Towey to cancel his registration.

Mr. Scudiero asked about the certified program (CPPT); whereby, Mr. Morgese stated that it was a good program. Mr. Ponitz stated that if he challenged himself with the trustee program, he would learn a lot.

Ms. Towey noted that it was a three-year program.

Mr. Scudiero asked about the overall benefit to the board; whereby, Mr. Ponitz stated the program defined your responsibilities to those the trustees were representing. He stated he wished he had completed the program before becoming a trustee.

Mr. Bozeman and Mr. Morgese stated they had attended the Division of Retirement conference, which was very good, as well.

Mr. Bozeman stated that he had asked questions at this conference and received answers directly from the director.

Ms. Towey commented that some trustees could not get away to go to the conferences, so Mr. Dehner offered a class every couple of years that met the minimum education requirement. She stated that one of Mr. Mulfinger's associates joined Mr. Dehner in presenting the program.

Mr. Dehner stated that the class was designed to meet the minimum statutory requirements for trustees that could not make one of the statewide conferences.

11. DISCUSION OF PRE-RETIREMENT DEATH BENEFIT STUDY (FF)

<u>General Employees</u>
Mr. Ponitz recalled prior discussion by the board regarding the death benefit to beneficiaries (Section 16.7 Pre-retirement death). He noted that the ordinance stated the person was vested (at five years), but the beneficiary would not receive a benefit unless the person had ten years or more of credited service.

Ms. McGuire stated that this would have to go through bargaining with the union, as the general employees did not have a provision in their contract that allowed pension improvement recommendations outside of the bargaining session. She noted that the general employees were currently in the bargaining session.

Mr. Ponitz noted that Mr. Donlan had prepared a study resulting in a small cost to the plan, and he believed the cost would be even less now because no new members had entered the plan. Mr. Dehner advised that it was not unusual to have one number for vesting purposes and another number of years for pre-retirement death or not in-line of duty disability.

<u>Firefighters Pre-Retirement Death Benefit</u>
Mr. Joe Dupree stated that currently if a member died in-line or not in-line of duty, the beneficiary only received the member's benefit for ten years or a total of 120 payments. He stated that there were people that had more than 20 years who qualified for full retirement, and if they died today, their beneficiary would only receive benefit payments for ten years; but if they were a joint pensioner, it would be for their lifetime.

Mr. Dupree stated that according to a study by Foster & Foster done in 2015, the cost associated with the benefit improvement would be an increase of 0.2% to the city's contribution. He noted that the firefighters' contribution was 8.4% and a benefit increase would be 8.6%. He stated that Mr. Donlan recommended a new study be done.

Mr. Dupree asked if this benefit improvement would need to be negotiated; whereby, Ms. McGuire advised that their union representation had to take it to the Human Resources Director and tell her they were making this request for a pension improvement based upon the provision in the CBA that allowed them to do that outside of bargaining. She stated this would get it to the Commission, but staff did not have to recommend it. She suggested that the study would need to be changed because it showed the city assuming the benefit improvement cost.

Ms. McGuire clarified that if a vested person died that their beneficiary would receive the ten years certain benefit immediately and would not have to wait until the member was eligible for early/normal retirement benefits.

Mr. Dehner advised that in his experience most of the studies he had seen where the members were funding the benefit improvement, the cost would be slightly more expensive as opposed to the city's cost because of the prospect of the members' contribution being withdrawn.

Mr. Tommy Bozeman moved, seconded by Mr. Mike Scudiero, to request Foster & Foster to perform an updated study of the pre-retirement death benefit whereby the <u>membership</u> would fund the benefit improvement. The motion passed unanimously.

Ms. McGuire noted that typically when there was a change to the pension plan, a vote of the pension members was required.

12. OTHER BUSINESS

13. ADJOURNMENT

The meeting was adjourned at 10:35 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