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

February 10, 2017	**8:30 a.m.**	**Commission Conference Room**

1. CALL TO ORDER

Chairman Kelly McGuire called the meeting to order at 8:35 a.m.

General Employees' Pension Board members present were Chairperson Kelly McGuire, Secretary Sam Butler, Dave Ponitz, and John Olivari, who was recently appointed by the City Commission to serve as a Trustee of the General Employees' Pension Board.

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, Tommy Bozeman, Jim Shaw and Mike Scudiero. Mr. Scudiero was recently appointed to serve on the board by the City Commission.

Also present were Matt Witschel of HGK Asset Management, John Gunther of Polen Capital, Greg Gosch and Anthony Brooks of Sawgrass Asset 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 DECEMBER 16, 2016

Mr. Sam Butler moved, seconded by Mr. Dave Ponitz, to approve the minutes of the December 16, 2016, meeting. The motion passed unanimously.

Ms. Amanda Hayes moved, seconded by Mr. Jim Doggett, to approve the minutes of the December 16, 2016, meeting. The motion passed unanimously.

Mr. Tommy Bozeman moved, seconded by Mr. Jim Shaw, to approve the minutes of the December 16, 2016, meeting. The motion passed unanimously.

3. APPROVAL OF MINUTES OF INITIAL DISABILTY HEARING OF RICHARD CONTE ON DECEMBER 16, 2016

Mr. Tommy Bozeman moved, seconded by Mr. Jim Shaw, to approve the minutes of the Initial Disability Hearing of Richard Conte on December 16, 2016, meeting. The motion passed unanimously.

4. PUBLIC COMMENTS

There were no public comments.

5. ELECTION OF FIFTH TRUSTEE

Ms. Amanda Hayes stated she favored tabling this item until Dr. Harris could be contacted.

Mr. Lee Dehner advised that Dr. Harris could serve under the hold-over provision until the May meeting.

Ms. Towey noted that at the last meeting, the election of Mr. Shane Jarrell as trustee was not certified; whereby, Mr. Dehner advised that the board should certify the election at this time.

Ms. Amanda Hayes moved, seconded by Mr. Jim Doggett, to certify the election of Mr. Shane Jarrell to serve a two-year term to September 30, 2018. The motion passed unanimously.

6. PRESENTATION BY HGK ASSET MANAGEMENT (Large Cap Value)

Mr. Matt Witschel, HGK Asset Management, stated that 2016 was a very good year for their strategy for the portion of the pension plans that HGK managed. He noted that 2015 was a challenging year but thanks to the boards' patience and confidence, 2016 was a much better year.

Mr. Witschel reported in aggregate HGK managed about $25 million across the three plans. He stated that the General Employees' plan was approximately $10.5 million at the end of the year with a return of 8.6% or 200 bps. better than their benchmark, which was the Russell 1000 Value Index. He stated HGK was ahead of the benchmark by about 400 bps. at the end of the year.

Mr. Witschel noted that HGK was hired in 2009 at the bottom of the market and the absolute returns had been very strong with the exception of 2015. He noted that 2009 through 2016 was a very challenging time for active managers, especially in the large cap space, as more than half of the active managers during that time period underperformed the Russell 1000 Value Index. He stated HGK believed as interest rates started to rise and investors were forced to be more selective about stock selection, it should create a better environment for active management and for their process in particular.

Mr. Witschel reported that 0.36% of the outperformance came from the sector weighting, whereas, 1.97% came from stock selection whereby they outperformed by 234 bps. He stated this was pretty typical of HGK, as outperformance/underperformance was mostly due to stock selection as opposed to sector weights. He stated the investment process they used was very bottom up oriented, as opposed to top down, and making sector bets on those they believed would do well or not do well. Year to date, he reported they had outperformed by 4.61%.

Mr. Witschel reported that HGK was overweight in Consumer Discretionary, underweight to Consumer Staples, slightly overweight to Health Care, overweight in Information Technology, but in general their portfolio's average P/E ratio in the stocks they owned were cheaper than the benchmark and in aggregate they owned stocks that had a higher return on equity (ROE).

Mr. Witschel stated there were a lot of Financials in the top ten holdings, as Financials were the largest component of their benchmark and they owned a good portion of Financial stocks.

Mr. Scott Owens noted that HGK had been underweight in Financials; whereby, Mr. Witschel stated that they were underweight relative to the benchmark, at about 24% with the benchmark at 26%. He stated their investment team had a guideline of sector exposure of using +50%/-50% of what the sector rating was to the benchmark, because they did not want to take unintended sector risks by being too overweight or underweight.

Mr. Witschel stated that 2016 proved to be an exception in the sense there were unexpected outcomes, like Brexit and the U.S. Presidential election, which both had surprise outcomes. He noted the market did very well, with the S&P 500 up 10% and their index up 21%. He stated he believed there was a lot of optimism regarding some of the policies that had been proposed, i.e., lowering taxes, infrastructure spending, repatriating money from overseas, reduced regulations, and the stock market had done pretty well since the election. He stated HGK believed there would be short-term volatility based on announcements and certain decisions; but for them the short-term dislocations created opportunity, which was part of their process to look for dislocations between what the market was assigning to a stock and what they believed was true in terms of value. He stated they believed interest rates would continue to rise; but very gradually, as they believed the

Fed would raise rates a couple of times this year, but globally the U.S. interest rates for the ten-year Treasury still looked very attractive as compared to similar securities in Germany or Japan, or other developed nations. He stated the big bond buyers and insurance companies in the pension plans will probably perceive our Treasuries as attractive and the bond pressure should keep rates relatively low.

Mr. Witschel stated that some of the stocks that were contributors to the portfolio last year were Prime Materials up 75%, Bank of America up 58% and Nucor Corp. up 52%. He noted they also owned Cummins, St. Jude's Medical, and International Paper during the course of the year and had sold them at the end of 2016. He stated they had some stocks that lagged, many of them in the Health Care area, such as McKesson, CVS, NCA Holdings, but BioTech and Health Care were the worst performing sectors in the market last year. He noted that they owned Apple now, as it had gotten down to a level that made sense to own it.

Mr. Ken Artin asked about Micron Technology, whereby, Mr. Witschel stated it was a semi-conductor manufacturer for cell phones. He noted that Micron was one of their underperforming stocks in the portfolio a year ago, but they had confidence in it and held it. He stated that sometimes happened with their process, as sometimes they were early getting in/getting out (selling a name before it peaked), which was just a byproduct of how they did things.

Mr. Dave Ponitz asked about HGK's turnover rate; whereby, Mr. Witschel stated that it averaged between 30% to 40%.

Ms. Amanda Hayes asked if they would be holding CenturyLink; whereby, Mr. Witschel stated that they would be holding it.

7. PRESENTATION OF POLEN CAPITAL (Large Cap Growth)

Mr. John Gunther, Senior Relationship Manager and Partner with Polen Capital, stated their mission was to preserve and grow client assets to protect their present and enable their future. He stated Polen put a lot of time in the wording of their mission statement, purposely placing the word preserve before growth, and protect before enable. He stated that the overall market had been conducive for market appreciation, and they had kept up by compounding about 12% per year for the past four and one-half years. He stated they understood that investing had two sides to it, not just participating in the up markets, but also playing good defense, if and when the market ever did correct. Historically, he stated Polen had always done well in down markets and was pretty confident if they encountered a more difficult environment, they would play that role for the pension plan.

Mr. Gunther stated that Polen Capital managed about $11 billion in client assets, including about $4 billion in institutional assets. He stated in the last 12 months they had started working with other public police, fire and general employees' retirement systems, especially in Florida.

Mr. Gunther stated that there had been no key personnel departures, but instead they had added key employees over the past 12 months in the areas of Finance, Marketing and regarding the portfolio, two new investment team members. He stated that the team was still in place and they added more depth essential resources, as they had hired Lauren Harmon and Bryan Power. He noted they were a growth manager but had a strong emphasis on not paying too much for that growth. He noted that Lauren Harmon came out of Columbia Business School and was one of the elite value investor graduates, which was a very small program for only the elite at Columbia Business School. He noted that Bryan Power came from the University of Chicago, which had one of the best business schools in America. He stated they were fortunate to have both Lauren and Bryan join Polen.

Mr. Gunther stated that the way Polen approached investing made them unique in the large cap space and had led to an impressive 25+ year track record. He stated it started with their concentrated portfolio. He stated that there had been a lot of talk about active vs. passive management, and he believed in down markets if you looked like the benchmark, you would go down lock step with the benchmark; but if you did not look like the benchmark, you should be able to deviate when you needed it the most. He stated Polen had always run a concentrated portfolio of about 20 names which they held for the long term. On the average, he stated they held positions for about five years. In 27 years, he noted that they had owned about 110 names. He stated they thought and acted like they were buying the entire business and that was why their turnover was very low and a very high hurdle just to get into the portfolio. He stated they did not make market predictions or try to make sector bets, so last year was a year they saw a lot of rotation, a lot of movement, a lot of anticipation of what President Trump may implement. He stated they stayed away from that and instead looked at the economy through the eyes of their businesses and therefore were within certain sectors and usually void of certain sectors.

Mr. Gunther noted that all of the plans and Polen's employees were invested in the same stocks. He stated that the net debt to capital ratio showed that the company had more cash equivalents on hand to pay off their debt which resulted in a negative number, which was a good thing. He stated that the total Polen portfolio had a negative debt position, which was important because companies that could finance themselves did very well. He stated that if rates started to increase, which many people were anticipating, by not having debt on your books or you could easily pay it off, would not hurt your bottom line. He stated that was the quality they always talked about, it was the quality that held up well in a down market. He stated they hoped they did not have to encounter a down market, but it was very cyclical, so one day they may have to.

Mr. Gunther stated that they were expecting earnings per share growth of 16.4% approximately going forward, which was in line with their 25+ year track record of gaining about a mid-teens earnings per share growth. He stated that last year they drew earnings per share across the portfolio by 17% in a year where the general market hardly grew at all and was barely coming out of an earnings recession.

Mr. Gunther stated that Polen followed the earnings per share growth of each company over a full cycle. He stated it was their job to make sure they did not pay too much for that share price, because if they did the earnings to share growth may still grow and they could actually see the stock price come down. He stated last year they were very pleased with the fundamentals within the portfolio, even though the stock prices did not really represent that.

Mr. Gunther stated that since inception, the average return was between 11% and 12% per year for four and one-half years, which was just a couple of basis points behind the benchmark return. He stated over 27 years their historical upside capture in an up market had been about 95%, which was in line with their long-term average. He stated their three-year number was still very strong, so it was the one-year number that he would address. He reported that last calendar year they were only up 1.5%, which trailed their benchmark at 7.0%. He stated that the source of this disparity was a big rebound in more cyclical stocks, mainly Energy stocks and oil companies and a big rotation into areas they considered too cyclical for their style, mainly Industrials and Financials stocks. He stated that investors were anticipating that the Trump administration would start to benefit those areas. He stated by not owning those areas, it became a head wind for them. All in all, he stated that being up 1.5% the silver lining was that earnings per share growth continued to grow, but the stocks did not really move much. He stated they believed going forward they had a good chance to reaccelerate and put up their historical average in the mid-teens growth.

Mr. Gunther stated that the result of the political season affected drug pricing, health care companies, biotech companies, and what they saw was that names that were not really innovators came under fire. He stated that Polen was adamant that if they invested in Health Care, particularly Biotech, they must invest in an innovator, someone that was not replicating another drug. He stated in the case of their two biotech names that had not done so well last year, Regeneron (treats early stages of blindness), was a real innovator, real value add drug, drug price was not too high, but unfortunately the stock being part of the index got dragged down with it. He stated Polen added to it and took advantage of the weakness. He noted the Wall Street Journal came out with very positive articles on Regeneron after they had purchased more of their stock. He stated the same was with Celgene, who had a blockbuster called Revlimid (treats multiple myeloma). He noted the drug price was not too high and no one could compete with it. He stated that both Regeneron and Celgene had a robust pipeline, so they were not dependent on just one company or one drug, and both had real growth, as they had an ongoing demand for their product. He stated if you owned companies for a long term, you would hit pockets where they fell a little out of favor, and Health Care was their biggest detractor for a stock specific standpoint.

Mr. Gunther noted the silver lining of all this, especially the Trump administration, was that it had benefited some of their names in the portfolio, such as ADP which was their biggest winner last year and they had since added to it. He noted that ADP processed payroll and had an enormous amount of cash that they sat on, so any increase in interest rates would have a positive impact on them. He stated ADP was already compounding earning per share growth in the high teens, so any type of tailwind behind ADP would be phenomenal. He noted that ADP paid one of the highest corporate tax rates in America, so any reduction in that corporate tax rate would be another tailwind for ADP.

Mr. Dave Ponitz noted that Polen was pretty much weighted in six sectors with Information Technology being about half of the portfolio; whereby Mr. Gunther stated that was correct.

Mr. Gunther stated that they categorized the names in different buckets of safety→balance→growth, which went from being very defensive to offensive. He stated that Oracle was very defensive company with a lot of recurring revenue and a reacceleration of growth as they acclimated to the cloud. He stated that they found some of the best businesses in the world with large competitive advantages in traditional technology, such as Alphabet (the parent company of Google), which was their largest position at 10% of their portfolio and they believed right now that the combination of growth and valuation in the market place was very attractive. He noted he had seen prominent value managers looking at Alphabet, which was usually thought of as a growth stock. He stated that Facebook was another name that was a tremendous Technology company. He stated that the common theme with Google and Facebook was mobile, where all the advertising dollars were going and both pretty much dominated the entire space. He stated that Gartner was another Technology name they owned, who had very low overhead and high profit margins, providing cutting edge research to the IT department of Fortune 500 companies. He stated it was a fantastic growth story. He noted that Align Technology was not the traditional Tech company; instead they designed human technology, such as Invisalign clear braces, which was a tremendous new generation disrupting the traditional braces market. He stated Polen believed that the Tech names they owned were very good, even if they were not very cyclical, but they had tremendous balance sheets and felt these names were well positioned to compound and protect capital.

Mr. Ken Artin asked if Capital One was a Tech company or bank; whereby, Mr. Gunther stated that since Capital One's assets were usually liabilities as they were lending out money, and he would keep it in the Financial space; whereas, Visa and MasterCard did not lend money and were simply processors of money. He noted in America we were trying to use less cash, but overseas 85% of the world still used cash or wrote checks, which they believed would eventually be a big tailwind for Visa and MasterCard.

Mr. Gunther stated that Polen Capital was confident they would bounce back. He stated that the boards had had confidence in them and trusted them, and they had come roaring back as the top manager of the year. He stated right now they were undergoing a brief period of underperformance, but again they were confident the earnings to share growth and price they were paying for these stocks right now would come roaring back eventually. In the short run, a famous industrialist Benjamin Graham said the market was more of a voting machine and that was why stocks moved up and down in the short run; but over the long run, it was more of a weighing machine, meaning it followed intrinsic value growth and earnings per share growth of portfolio companies.

Mr. Gunther noted that during the tech bubble followed by the great recession, Polen Capital doubled the return of the Russell 1000 Growth Index. He stated that by not losing as much in a down market lead to excess returns over time. He commented that Polen had had a significant contribution to the overall funding status of the overall plans of their clients since 2000. He stated that everything they had been doing for the past 25 years was still in place, and they were very confident they would continue to put up great long-term results.

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

Mr. Greg Gosch, Client Services Manager of Sawgrass Asset Management, stated they were our other large cap growth manager. He noted that Mr. Anthony Brooks was also present.

Mr. Gosch stated that the returns of Polen Capital and Sawgrass were almost identical as of December 31, 2016, but the way they got there was very different. He noted that when Polen had a nice outperforming versus the index quarter, Sawgrass may be lagging a bit and vice versa. He stated there was a smoother return overall but with the same result. He did not believe this would happen every three years or in every period, but he stated it had worked out very well so far.

Mr. Gosch stated that Sawgrass was in Jacksonville Beach, Florida, and had 82 public clients in the state of Florida and almost 200 institutional clients. He stated that 99% of what they managed was institutional large cap growth, small cap growth and fixed income. He stated Sawgrass was 100% employee owned with an emphasis on their clients, as they had no outside influences on how they ran investments. He stated that Sawgrass was in 24 states and Canada. He noted the team had been working together for quite some time. He stated their philosophy was to have continuity and consistency both in their processes and people. He noted they would be 20 years old as a firm in January 2018 and had not lost anyone from their equity team in the past 19+ years. He stated that was very important for the continuity of their process and was attributed to the people behind that process.

Mr. Anthony Brooks stated he would talk about a quick market review, how it affected their portfolio, and their outlook and performance. He stated that in 2016 the keywords that summarized what happened in the market were surprise and resilience. He stated the market was started with a big sharp decline at the end of the year with some China worries, but in about three months the market bounced back. He stated then there was the Brexit vote where there was a sharp selloff but within three weeks the market came back. He stated then there was one of the most bizarre presidential campaigns in some time where the market went down and was back up within three hours. He stated that underlying the surprise and resilience was a lot of volatility.

Mr. Brooks stated that it was interesting to note that Sawgrass outperformed three of the four quarters last year, but the third quarter took away most of the gains from the first two quarters; and even though they outperformed in the fourth quarter, it was not enough to bring the return back for them. He stated their outperformance was primarily due to a couple of good stock selections in Finance (CBOE and Berkshire Hathaway) and Health Care (United Health and Celgene). He stated they also avoided some of the largest decliners, which were Amazon and Facebook. He stated these stocks did very well in 2015 and started off 2016 pretty well, but a lot of the stocks turned over and some of those that suffered such as Financials and cyclicals sectors did pretty good.

Mr. Brooks stated Sawgrass also had an underweight in biotech stocks, which suffered during the quarter and benefited the portfolio. He stated they were pleased to outperform in areas such as banks and not having some of the more volatile exposure, which normally would have hurt their return, but it actually helped them.

Mr. Brooks reported that in the one-year, three-year and since inception time periods the return was below the benchmark, but he believed it was most important that they stick to their investment methodology, which was a risk conscious approach to manage the portfolios. He stated the risk conscious approach was to participate on the upside and protect on the downside. He stated that it was important to protect on the downside so there were less losses to recover from. He stated over a full market cycle there would be return of value to the plan. He stated that since 2009 there had only been a bull market, so they had not experienced a full market cycle. He noted the risk conscious approach had not had the opportunity to offer that outperformance, but he did believe other parts of the market would show up.

Mr. Brooks stated that Sawgrass's returns were above median in the 48th percentile of large cap growth managers. He stated the Sharpe ratio was the amount of returns relative to the risk they took on, and Alpha was the extra return of a product due to non-market factors. He stated the Sharpe was in the top 5th and the Alpha was in the 7th percentile, which was better than over 95% of growth managers, with lower volatility. He stated the Standard Deviation was better than 98% of all the managers, which meant they had less losses to recover from, and the proof was in the down market capture of 83.01%. Even though Sawgrass did not have outperformance since inception, he stated the portfolio was doing what it was designed to do. He stated one of the reasons we hired them was for that risk conscious approach. He stated he felt good about their opportunities going forward.

Mr. Brooks stated that United Health Group did well even though the Health Care sector did not do that great during the quarter; however, United Health came out with some earnings and guidance, actually raised their guidance, which was a big surprise in the market. He stated that Celgene was a very good diversified biotech firm that had very strong drugs, such as Revlimid, as well as autoimmune drugs. He stated CBOE was another stock that did well for them. He stated Microsoft had a large weighting and Disney was steady, but both had good returns. He stated that CVS and McKesson were down for the quarter double digits. He stated they no longer owned CVS, McKesson, Kroeger, Stericycle, and Express Scripts, as they had done well for the past two or three years, but in a very short time span had torpedoed down. He noted they had had more torpedoes than normal, which affected their portfolio negatively for the year, specifically in the third and fourth quarters. He stated they liked the way their portfolio was positioned with lots of stock that were consistent growers with respect to their earnings and favorable valuations. He stated all their stocks had a lower volatility profile.

Mr. Brooks stated that valuations were at historic highs because the Fed had been pumping unprecedented amounts of footage into the market by keeping rates flat for the better part of eight years. He stated that when rates were low, stocks were attractive. He stated that people had been buying stocks, not because of fundamental reasons but because prices have been inflated as people were not paying attention to the fundamentals. He stated that there was some certainty about what may happen going forward, and he stated he believed there would be a more fundamentally driven market, which was the type of market they could outperform in.

Mr. Brooks noted that cash levels were at historic lows. He also noted that the probability of a decline in the market was greater than the probability of another seven-year run at 16.5% return. He stated Sawgrass liked where their portfolio was positioned, which could add some good returns to the plans.

9. 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.

Mr. Mulfinger noted that there were a couple of new board members and stated that Graystone Consulting was on their side of the table, as they were the consultant for the plans. He stated Graystone did not manage the money or buy individual stocks and bonds like the money managers they just heard present. He stated Graystone was here to monitor how the investment managers did. He stated they helped formulate the investment policy which was the framework of how the plans would be run. He stated he recommended they read the investment policy to get an idea of the plan asset allocations, etc. He stated that the asset allocation was the biggest decision they all made together. He stated he had brought historical studies on return and risk and how assets move apart and together and by doing so determined how many were mid-size/small/international/fixed income companies. He noted that the plans were limited by city ordinance as to what could be invested in, so the plans were more traditional being in only stock, bonds and cash. He stated the boards tried to go into private real estate investing (alternate asset class), but the City Commission was not agreeable to do so. He stated we had to live within the City Commission’s guidelines, and that was what we had been doing.

Mr. Mulfinger stated that he looked at every investment manager’s performance every quarter, not just their return, but the return and risk. He stated he asked these questions:

- Did you get what you expected?
- Did you understand what you should expect?
- Were they delivering what you hoped for?

Mr. Mulfinger stated that typically the investment managers had taken less risk, which was the way our portfolio had been from the beginning. He stated that the equity managers were a little more defensive and the returns over time had been a little less volatile.

Mr. Jim Shaw asked about the differences between Polen Capital and Sawgrass; whereby, Mr. Mulfinger stated that Polen and Sawgrass were the two large cap growth managers, and he would be discussing the differences between them.

Economy

Mr. Scott Owens noted that the economy continued to grind upward very slowly. He stated that they had seen slow growth for several years now and expected it going forward. He stated the GDP for the quarter was 1.9% and for the year just under 2.0%, and they expected it to be about 2.0% for 2017. He stated that most of the indicators were suggesting that, as well.

Mr. Owens stated that the manufacturing index and service index were both above 50 indicating slow growth, but had been higher on a relative basis. He stated that the manufacturing index was 54 and service index at 57, whereas recent quarters they were 52 and 53.

Mr. Owens stated that the unemployment rate was under 5.0%, which was good news, and wages continued to move up. He stated the increase was lower than what they had seen in the past at about 2.5%, but moving in the right direction.

Mr. Owens reported that inflation remained in check and hopefully it would continue on this path of slow growth without a lot of volatility. He noted that the market was very strange, as we were at historical lows in volatility on average, but there were fits of volatility like the first quarter with Brexit and the election. He stated the volatility of volatility was very strange right now, but the market was going great.

Equity Markets

In the fourth quarter, he stated that most domestic equities did okay with mid cap at 3.21% and large cap 3.83% as measured by the Russell 1000, and small cap at 8.83%. He noted that last quarter growth outperformed value, which the quarter before that value outperformed growth.

Mr. Owens noted the pendulum swung back and forth with the styles and sectors. In the last two quarters, he noted that Information Technology was the best performer in one quarter and then in the next quarter was the very worst. He stated that eight out of the ten sectors outperformed with Financials at 21.10%, Energy at 7.3%, Industrials at 7.20%, which were very cyclical in nature and very economically sensitive. He stated if the expectation was an upswing, those sectors would do better on a relative basis.

International Markets

Mr. Owens stated the MSCI EAFE (developed markets) was down -0.71%, but still positive for the 12-months at 1.0%. He reported that Emerging Markets were down -4.8% for the quarter but for the 12-months up 11.60%.

Fixed Income

Mr. Owens reported that interest rates went up for the past two quarters. He stated that when interest rates went up, the value of bonds went down. He reported that the Barclays Aggregate (broad market index) was down at -2.98%, and they expected more of the same. He noted that there was a lot of conjecture that the Fed would be raising rates two or three times this year. He noted that a rising rate environment would hurt the fixed income performance.

Mr. Mulfinger noted that Mr. Owens said we were in a slow growth environment, and it looked like that slow growth environment had been extended some with the policies of the new president-elect, as he had promised new jobs and growth by infrastructure spending, making the military stronger, cutting taxes, and repatriating dollars, which should help the economy. He stated that eventually the government would have to pay off all those things, which was currently the biggest fear. He stated that this was a worry that they would hear more about over time.

Mr. Mulfinger reported the General Employees' fund had a balance of $43,772,777 including a gain of $730,959. He stated the portfolio was overweight in Large Cap Value and Large Cap Growth and slightly overweight in Small/Mid Cap Value and Small/Mid Cap Growth, both Internationals slightly underweighted, but overall 67.86% and the investment policy range was 70.0%. He stated he liked being overweight in equity relative to fixed income. He stated that an underweight in bonds weighting at 32.0% vs. investment policy 35.0% had benefited the portfolio.

HGK

Mr. Mulfinger stated that HGK, the large cap value manager, was more economically sensitive and over the long-term their returns had been poor, below the benchmark, so it was important to see their shorter-term outperformance at 8.66% vs. the benchmark at 6.68% and the one-year at

21.24% vs. 17.34%. He stated that the three-year, five-year and since inception returns were below the benchmark. He stated HGK had been on sort of a watch, but not a formal watch because the people and process had not changed, just the performance had been below and was creating some concern. He noted that HGK brought their managers here two different times. He stated they had been overweight in Energy when Energy hurt the portfolio, but now Energy had benefited the portfolio, as more economically sensitive areas helped. He stated that now there was an outperformance, which he hoped would continue.

Mr. Mulfinger noted that HGK was underweight in Real Estate and Consumer Staples which also helped the portfolio.

<u>Sawgrass</u>
Mr. Mulfinger stated that Sawgrass was up 1.51% vs. the benchmark at 1.01%. He stated that Polen was -0.63% vs. 1.01. He noted that where one was positive, the other was negative. For the one-year, Sawgrass was 6.42% vs. Polen at 1.76%. For the three-year, Sawgrass was 7.48% vs. Polen at 11.56%, and since inception Sawgrass was 6.39% vs. Polen at 12.02%. He stated that they both had almost the exact same returns annualized, but how they got there was different.

Mr. Mulfinger stated that Sawgrass's return since inception was below the benchmark at 12.17% vs. 12.31%. He stated that Sawgrass was supposed to be more defensive and was not expected to be as volatile as the other large cap growth manager. He stated they did not buy the same stock such as Facebook, Amazon, and Google, and were not paying a high price for earnings, and we should not expect them to hit the market strong when it was going up; but we should expect them to protect more when the market was going down. He noted that we have had more return, lower risk, positive alpha and positive sharpe. He stated that meant when we adjusted to the lower risk, they had added return above what was expected.

Mr. Mulfinger stated that as long as Sawgrass was doing what we hired them to do, even though the return was a little below the benchmark, if it was explainable and understandable, it was okay. He stated they were underweight in Real Estate in this quarter which helped them and overweight in Financials, Telecom, and Industrials, which helped them. He stated they had good stock selection in Tech, Health Care and Consumer Discretionary.

<u>Polen Capital</u>
Mr. Mulfinger stated that Polen was the number one large cap growth manager in the country in 2015, but previous to that they had gone down dramatically relative to their benchmark. He stated there was a 14% difference or 1,400 bps., which was huge. He stated that the boards had a

lot of discussion regarding Polen's performance, but the boards decided to give them a chance. He noted that Polen came in and made a presentation where they showed that the companies they owned in their portfolio were continuing to have good earnings growth, but they were not getting rewarded in the market, but the earnings were going up. He stated it seemed it would make sense that eventually the stock prices would catch up with the earnings growth, and that was exactly what they showed today by showing the growth rate in earnings and revenue on the companies they owned were much higher than what the growth rate was on the companies that were out in the marketplace, yet in the last year their stock prices had not been rewarded by it. He stated we had the experience where this happened, and then they became the number one growth manager in a year. He stated that he hoped this would be the same kind of experience going forward, because their companies were in the same kind of position.

Mr. Mulfinger stated Polen's returns were 12.02% vs. 12.31%, a little below the benchmark, but over the whole time period there was still mixed risk. He stated Polen still had a positive alpha which adjusted for the risk taken.

<u>Cambiar Investors</u>
Mr. Mulfinger stated that we had only had Cambiar for a short period of time, as GW Capital had closed their business. He stated that Cambiar was up 10.82% vs. the benchmark at 9.34% for the quarter, which was very strong and since June 30, 2016, the return was 17.85% vs. the benchmark at 16.09%. He stated the reason they outperformed was because they had more in Real Estate, Utilities, Consumer Staples, and higher Financials. He stated over the short period of time, Cambiar had had higher return, less risk, and they had added value.

<u>Apex</u>
Mr. Mulfinger stated that for the quarter, one-year, and since inception Apex's returns were below the benchmark, but we had not had them very long. He noted that he had called Apex and asked them how they were doing in the new year and Apex said they were beating the benchmark by 150 bps. or right at 5.0% since January, but the longer term had been below the benchmark. He stated we were looking for outperformance. He noted that Apex's longer term returns prior to us hiring them had been strong.

<u>Delaware</u>
Mr. Mulfinger stated that Delaware was the international manager and had a big negative return at -2.21% vs. the benchmark at -0.71%, but all other time periods were above the benchmark. He stated that we had higher return, less risk, and added value.

Mr. Mulfinger stated that Delaware reported that they owned companies that paid higher dividends, so we would find that when the market rewarded high growth, they would probably not do as well, but they would protect us more when the market went down. He stated that was what happened, as we had had a higher return over time with less risk and positive alpha and positive sharpe, which was fine.

Renaissance

Mr. Mulfinger stated that Renaissance was a company that managed international growth. He stated that the quarter was very difficult within the international growth space and the one-year had the biggest difference. He stated that the three-year return was less negative, and the five-year and since inception returns were better than the benchmark. He stated that 2.0% per year going back to the bottom of the market was a lot of extra value that Renaissance had added. He stated over the whole time period they had had higher return, less risk and added value. He stated the quarter was difficult because, just like Delaware, even though they were growth, they were more defensive within growth, so they underweighted Energy and Financials, which were two of the sectors at the top and overweighted Consumer Staples and Utilities and that was what hurt them; but over the longer term they had added value.

Garcia Hamilton

Mr. Mulfinger stated that Garcia Hamilton was amazing and he stated he did not know how they continued to outperform. He noted that in prior quarters their bonds were longer, but they had shortened them and added more Corporates, which benefited the portfolio, which was less negative than the benchmark and more positive for the one-year, three-year, five-year and since inception time periods. He stated that for bonds to outperform 1.5% per year was unheard of. He stated that Garcia Hamilton had done great. He stated we had a higher return, less risk and added value.

Total Return

Mr. Mulfinger stated the portfolio was up 1.81% vs. the benchmark at 1.52%. He stated the one-year and three-year returns were a little below the benchmark. He stated the five-year time period was very difficult for active managers to outperform in five years because low quality did better off the bottom, but our portfolios outperformed the benchmark at 9.67% vs. 9.32%; and since 2001, we had had a higher return with less risk. He stated we had outperformed with positive alpha, and positive sharpe for the overall portfolio.

Mr. Mulfinger noted that this was a lot of information to go over rather quickly, but his name and phone number were on the front of the meeting report and he encouraged the trustees to call him with any questions.

Since inception, Mr. Mulfinger reported that the return was 6.05% vs. the benchmark at 5.94%; standard deviation at 10.13% vs. 10.48%; beta vs. market at 0.95 vs. 1.00; up capture vs. market at 98.02% vs. 100.00%; down capture vs. market at 95.02% vs. 100.00%; alpha vs. market at 0.36% vs. 0.00%; sharpe ratio at 0.46 vs. 0.44; 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.

<u>Investment Policy Checklist</u>
Mr. Mulfinger stated that there was a “no” from HGK, but the current quarter and for the year they had outperformed; and Apex was still a no, but not a concern because we had only had them a short time.

<u>Tactical Asset Allocation (Graystone’s view looking forward)</u>
Mr. Mulfinger stated they felt stocks would do better than bonds, but within stocks they were still overweight in the U.S. markets, even though it was getting pricey because they believed there was future growth. He stated the earnings numbers that came out in the fourth quarter were better than expected because they reduced the expectation before the report, and they were better than the previous quarter and the previous year, which he stated was the key. He stated that as long as earnings continued to grow, that should keep the market up--not President Trump, but earnings behind the overall market. He stated right now 75% of the companies were beating their estimates and were beating the previous year, and that was the reason the overall market was rallying. He stated if we should read that earnings were not doing that, then that was when we needed to be careful and worry about when there would be a pullback.

Mr. Mulfinger stated that they did believe President Trump’s polices could be pro-growth, so they were overweight in international, equal weight in developed countries and were overweight in emerging markets because they had gotten cheap relative to our markets. He noted they were trading 12-13 times earnings and we were trading 18-19 times earnings.

In bonds, Mr. Mulfinger stated they were underweight in U.S. Investment Grade and International with an overweight in TIFs (securities where interest rate changes with the change in rates) and high yield. In REITS, he stated they were underweight, as these were public REITS and not private REITs, which was what he had originally recommended, and still recommended. He stated they were overweight in Master Limited Partnerships and equal weight in Hedge Funds.

In summary, Mr. Mulfinger stated it was a good quarter with positive returns that beat the benchmark, and long term there was higher return and less risk.

Mr. Dupree asked if Mr. Mulfinger paid much attention to the presidential executive orders; whereby, Mr. Mulfinger stated that it was hard to know what they would be, but they knew they would be pro-growth. He stated President Trump built his campaign on pro-growth and creating new jobs. He stated that the Energy sector was one of the areas he talked about having more deregulation and that was one of the reasons Master Limited/ Partnership was overweight because that was a weight in the Energy sector and their belief was that prices would stay somewhere between $40-$50 per barrel.

Mr. Dupree suggested that the affordable health care reform could hurt our portfolios; whereby, Mr. Mulfinger stated the field was very broad--biotech, pharmaceuticals, hospital industry, etc.—a very large sector of the overall economy, and right now there was a lot of uncertainty. He stated when there was uncertainty, prices normally declined until it was cleared up, but normally it rallied, and that was the reason we were seeing a weakness in that area.

10. CONFIRMATION OF RECEIPT OF BENEFITS FORMS NOT RECEIVED

Ms. Towey stated that the annual Confirmation of Receipt of Benefits form had been sent to Mr. John Passalacqua three times, including by certified mail, which had been returned to us.

Ms. Kelly McGuire stated that we had been unable to confirm where he is or if he was still living.

Mr. Ken Artin asked where his monthly benefits were going; whereby, Ms. McGuire stated that his monthly benefits were deposited directly to his checking account. She stated direct deposit was one of the reasons it was important we received the form back, because a retiree could pass away and we would continue to make direct deposits.

One of the trustees stated he believed he moved to California or Nevada and he was extremely hard to find.

Ms. McGuire asked if the pension boards had the right to suspend the benefit until they could confirm that the retiree was still living; whereby, Mr. Dehner stated that was correct. He stated that his monthly benefit would be suspended until he provided the notarized form, but he would not lose any of his benefits.

Ms. Amanda Hayes moved, seconded by Mr. Jim Doggett, to suspend the monthly pension benefit of Mr. John Passalacqua until he notified

the board and returned the Confirmation of Receipt of Benefits form. The motion passed unanimously.

Mr. Ken Artin asked if the certified letter came back “address unknown”; whereby, Ms. Towey replied the post office was unable to forward/deliver it.

Mr. Dehner advised that he had never seen a situation where payment was suspended and we did not hear from the retiree rather quickly.

11. REVIEW OF TERESA MCCUTCHEN’S DISABILITY AFFIDAVIT

Mr. Lee Dehner stated that the trustees had received Ms. Teresa McCutchen’s resubmitted affidavit with the physician statement; whereby, Mr. Ken Artin stated that he believed the new affidavit addressed all the issues requested at the last meeting.

Mr. Artin asked Mr. Dehner if the board needed to pass a motion approving the affidavit; whereby, Mr. Dehner stated that the record only needed to reflect that the affidavit was received and in order.

Mr. Artin thanked Ms. McCutchen for resubmitting the affidavit and stated it was in proper form and the board had accepted it.

Ms. Teresa McCutchen asked Mr. Artin how many trustees were on the board; whereby, Mr. Artin stated that the board consisted of five trustees and four were present today.

Ms. McCutchen stated that at the last meeting it was stated that it appeared that she had changed the affidavit; whereby, Mr. Artin stated that he had made comments to the affidavit and doctor’s report, which was why he believed the board had rejected it at the last meeting.

Ms. McCutchen asked about the new affidavit; whereby, Mr. Artin stated that there were no alterations to the doctor’s report.

Ms. McCutchen stated it bothered her that Mr. Artin stated that he thought her handwriting looked like the handwriting on the doctor’s report; whereby, she stated for the record that her handwriting was not on the doctor’s report.

Mr. Artin stated that there were multiple reasons why the board was not comfortable with accepting the affidavit, such as the doctor’s report was not current, but she had corrected everything requested by the board.

Ms. McCutchen asked if Mr. Artin understood why the affidavit was dated as it was; whereby, Mr. Artin stated that he did not but that the board did not really need to know.

Ms. McCutchen noted that the top of the report said “State of Florida” and she commented that she had worked for the State of Florida for 20 years, and she did not like being accused of something she did not do.

Mr. Artin stated that there were no accusations, but the board did not find the affidavit in proper form at the last meeting, but she had resubmitted it with the proper forms and it had been accepted.

Ms. McCutchen asked if the form would be used for anything beside the pension board; whereby, Mr. Artin stated that the affidavit was required to verify her current disability.

Ms. Kelly McGuire stated that anything submitted to the pension boards was public record, which was clarified at the last meeting, as well; whereby, Mr. Dehner advised that was correct.

Ms. McGuire stated that there was no intent of the board to use the affidavit for any other reason, but someone could make a public records request for the information.

Ms. McCutchen stated she did not have anything further to say at this time.

Mr. Tommy Bozeman stated that the prior form appeared to be altered, but maybe not by Ms. McCutchen; whereby, Mr. Artin stated the prior form was not in proper order.

Ms. Towey suggested that Ms. McCutchen show the board a letter in her possession; whereby, Ms. McCutchen stated that the board did not have all the facts at the last meeting and maybe they should have contacted the doctor.

Mr. Dehner advised that the agenda item was to review the submission, which had been done, so they were finished with this item.

12. DISCUSSION OF PROPOSED ORDINANCE AMENDMENT

Mr. Dehner stated that the proposed ordinance amendment would primarily update the ordinance for Internal Revenue compliance amendments and compliance with Senate Bill 172. He stated that there were four requirements under SB172: 1) to adopt a budget for the next fiscal year; 2) to approve expenses for the prior fiscal year; 3) to reach a mutual consent on the use of excess state money; and 4) to incorporate a share plan into the ordinance, which would only be utilized if they could not reach mutual consent in which case they would go into the default provision. He stated he had believed there was no reason to go to the primary expense to put the share plan in if they would maybe never use it and it would never be funded, which would only be if there was a default.

Mr. Dehner stated that the statute required the language and the Division of Retirement mitigated the problem to some extent by saying what had been done here of adopting a share plan; but when and if funding ever occurred, then it would be negotiated to add in administrative language specific to it.

Mr. Dehner noted that the other item was on the first page of the proposed amendment and had to do with the definition of the actuarial equivalent. He noted that for many years the assumed rate of return did not change, but now there was a pattern of decreasing the assumed rate of return so the change was to take out the number and provide specifically that it would be what was approved with the last valuation report. He stated that as the assumed rate of return was decreased, a new ordinance amendment would not be required.

Ms. McGuire asked if there was language that had to do with going to the default method or any excess money. She stated the reason she asked was because the police recently ratified their union contract which provided for a split of any excess dollars between the unfunded liability and a share plan. She asked if this would be included in the ordinance amendment.

Mr. Dehner stated that it could be included because it was pursuant to the statute.

Mr. Patrick Donlan, Foster & Foster, stated that currently there was not any excess state money reserved; whereby, Ms. McGuire stated that the union contract had the provision in case it occurred and was a default.

Mr. Donlan asked if she was talking about the 2013 amount or the current frozen amount of $544,533, as they were maintaining the status quo as far as the frozen amount. He stated anything that would be coming in over that amount would be a long time from now.

Mr. Dave Ponitz asked if there would be an ordinance amendment for the general and fire plans; whereby, Mr. Dehner stated that he had prepared ordinance amendments for all three plans.

Mr. Dupree commented that any excess money in the future would need to be negotiated.

Mr. Bozeman stated that it would not default to the statutory mandate unless there was not a mutual agreement in place; whereby, Mr. Dehner stated that was correct.

Mr. Artin asked if the board needed to take action on this item; whereby, Mr. Dehner advised they should have a motion from the board to recommend adoption of the ordinance amendment by the City Commission, which was essentially for IRS compliance.

Ms. Amanda Hayes moved, seconded by Mr. Jim Doggett, to approve the proposed ordinance amendment for IRS compliance and to approve recommending it to the City Commission for adoption. The motion passed unanimously.

Mr. Dehner confirmed that this was in the union contract and recommended that a separate document, a mutual consent agreement, only dealing with the state money, which would reflect what had been agreed to and the reason was because the mutual consent would not expire, unless a new mutual consent agreement was entered into, unlike the union contract which would expire. He stated that an expiration date could be put in the mutual consent agreement, but most did not and remained in effect until a new mutual consent was done.

Mr. Dehner asked Ms. McGuire to send him a copy of the union contract, once approved, and he would take the language from it to prepare the mutual consent agreement.

13. DISCUSSION OF DISABIILTY PENSION ADMINISTRATION PROCEDURES

Ms. McGuire noted that two disability pensions were approved by the boards recently and she asked where it said the date could not be retroactive to the date of application; whereby, Mr. Dehner advised it was governed by the ordinance provision. He stated the majority of disability provisions in the state provided for an effective date when the board determined entitlement; however, that could be changed by ordinance amendment.

Mr. Dupree stated he favored a retro date back to the date of the application.

Mr. Bozeman stated that it was discussed at the last meeting that the best option would be to make the disability effective back to the date of termination from the city; whereby, Mr. Dehner stated that could be done by an ordinance amendment.

Mr. Dupree asked if there was some way that a vested member could receive some type of stipend until his disability was approved; whereby, Mr. Donlan commented that the member could be eligible for early retirement benefits, but Mr. Dehner confirmed that then the member could not apply for a disability benefit.

Mr. Ponitz asked if there was an ordinance provision; whereby, Mr. Dehner stated that there could be some sort of a stipulation where they could start to draw benefits until they were approved for disability benefits.

Mr. Ponitz commented that it was very complicated to anticipate every situation.

There were several minutes of discussion back and forth regarding early retirement, disability benefits, and a retro date.

Mr. Dehner stated that the ordinance could not be drafted for every individual circumstance; but in disability cases, oftentimes the delays were most always on the part of the individual or the individual's physicians' medical records and not on the side of the board or his office because his office expedited these things. He reiterated that usually it was the Claimant who did not provide the paperwork or the doctors' records.

14. DISCUSSION OF MANDATORY PRE-RETIREMENT COUNSELING

Ms. McGuire asked if there was a way to require the employees to receive some sort of counseling or require them to have a meeting before they made a decision; whereby, Mr. Dehner stated that they could not be required to attend counseling, but it could be offered to them.

Mr. Butler and Mr. Ponitz stated that their concern was that people did not know what their options were and the Human Resources Department did not know what to tell them, so they believed that some sort of counseling would be beneficial.

Mr. Bozeman suggested that the firefighters and police officers should do this within their own entities.

15. DISCUSSION OF ORDINANCE AMENDMENT TO CHANGE DISABILITY PENSION EFFECTIVE DATE

Mr. Sam Butler stated that he favored the employees collecting early retirement benefits until his disability benefit was approved and then it would switch to disability; and if it was denied, the person would still be receiving early retirement benefits; but Mr. Bozeman commented that would not cover those not eligible for early retirement.

Ms. McGuire stated that it was not up to the pension boards to solve all their problems.

From a financial standpoint, Mr. Tommy Bozeman asked Ms. McGuire what she thought would be the best solution for those who were not vested; whereby, Ms. McGuire stated she did not believe it was the board's responsibility.

Mr. Dehner stated that if the injury was in-line of duty, then most of them were drawing worker's comp.

Ms. McGuire reiterated that it was not the pension board's responsibility to resolve someone's financial issues while they were going through the disability process. She stated she believed Mr. Butler's suggestion was a reasonable solution.

Mr. Ponitz asked about the disability coverage; whereby, Mr. Dehner advised that if it was in-line of duty, the benefit started from day one.

Mr. Ponitz asked Mr. Dehner if he had any major concerns before the board made a recommendation for an ordinance amendment; whereby, Mr. Dehner stated that it could be done legally, but they would be changing the status of their retirement.

Mr. Patrick Donlan noted that the early retirement and disability retirement request had to be filed on the same day.

Mr. Butler stated a situation where the person was in poor health and applied for early retirement and disability retirement benefits concurrently.

Mr. Dehner stated that there could be a situation where the person filed for the early and disability benefits concurrently and it turned out they were not disabled or had recovered their health and then wanted to come back to work. He noted that this could create a problem.

Mr. Sam Butler moved, seconded by Ms. Kelly McGuire to approve amending the ordinance to reflect that an individual could apply concurrently for disability retirement and early retirement, if eligible, within 30 days of termination, with the early retirement converting to disability retirement, if approved by the board, effective upon the date of conversion <u>at the beginning of the next month following the board's approval</u>. The motion passed unanimously.

Mr. Ponitz stated his concern that someone might want to return to work; whereby, Ms. McGuire stated that they would have to reapply and be rehired and their benefit payments would cease at that time, if they were rehired.

Mr. Bozeman suggested that the benefit should begin at the first of the month, rather than a partial month.

Mr. Butler desired to amend his motion to reflect that the benefit would start at the beginning of the month following approval by the board.

Mr. Dehner commented that Ormond Beach had very unique ordinances.

Mr. Ken Artin suggested holding a workshop of the boards to discuss these issues.

Mr. Ponitz asked if this ordinance amendment would be retroactive; whereby, Ms. McGuire stated that it would not be as this was just a request for Mr. Dehner to bring an ordinance amendment to the board for consideration.

Ms. McGuire asked if the ordinance amendment would apply to those whose disability retirement had already been approved; whereby, Mr. Dehner stated that it could not as it had to be prospective.

Mr. Tommy Bozeman moved, seconded by Mr. Jim Shaw, to approve amending the ordinance to reflect that an individual could apply concurrently for disability retirement and early retirement, if eligible, within 30 days of termination, with the early retirement converting to disability retirement, if approved by the board, effective upon the date of conversion at the beginning of the next month following the board's approval; in addition, for an individual who was not eligible for early retirement, then their disability retirement benefit, if approved, should be retroactive to the date of termination. The motion passed unanimously.

Mr. Dehner clarified that the individual had to have an active employment status (even if was leave without pay) because you had to be a member of the plan for the board to award a disability benefit; whereby, Ms. McGuire suggested having further discussion.

Mr. Artin suggested Mr. Dehner include different scenarios (what if's) in the draft ordinance; whereby, Mr. Dehner stated that he would prepare a draft.

Mr. Dehner stated he favored a workshop to review the initial draft of these ordinances.

Mr. Bozeman and Mr. Ponitz stated they favored staying longer at a quarterly meeting rather than coming back another day.

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

Mr. Dupree stated that he favored tabling this item until the next meeting.

17. ATTORNEY COMMENTS

Mr. Dehner noted that the legislative session would convene on March 7 and run for 60 days adjourning in May. He stated the legislators were having committee meetings and pre-filing bills. He stated he would keep the boards posted, but he believed pension plans would be unscathed this year. He noted that the bills passed in the past couple of years had increased expenses and funding requirements.

Mr. Dehner stated that the current pre-filed bill for fire would amend Chapter 112 to add as a presumptive in-line of duty illness of certain cancers. He stated this was House Bill 143 and Senate Bill 158. He stated he would follow these bills to see what happened.

Mr. Dehner stated there was another bill he believed was good for firefighters that did not get out of committee last year which would correct an anomaly that existed between confidentiality of information applicable to police officers and firefighters. He noted that for police officers the confidentiality of information in the statute applied to active and former police officers, but for the firefighters it did not include former firefighters. He stated we may see this bill come back this year.

Mr. Dehner stated that there was a Senate Bill 306, which had been pre-filed, and was mostly scrivener changes pertaining to what trustees had to do to abstain from a vote. He stated that currently the trustees had to vote yay or nay with the exception if the issue they were voting on could inure to their own personal gain or loss.

Mr. Bozeman asked if the trustee had to fill out some sort of form or paperwork in order to abstain; whereby, Mr. Dehner advised that the trustee had to state the reason on the record and file a memorandum within 15 days.

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 and would not have to file again in July.

The Police Officers' Pension Board adjourned at 11:05 a.m.

The General Employees' Pension Board adjourned at 11:10 a.m.

18. OTHER BUSINESS

Pension Paperwork
Mr. Joe Dupree stated his concern that there was a lot of paperwork to be filled out at the time someone applied for pension benefits; whereby, Mr. Dehner stated that the forms were required.

Ms. McGuire suggested the forms needed to be reviewed and modernized.

Death Benefit for Spouse
Ms. McGuire addressed Mr. Donlan stating that recently an individual was working at the time of his death, and she asked if his spouse would receive the same options as he would have in terms of leaving a portion to a beneficiary; whereby, Mr. Donlan stated the ordinance was very specific: "*The spouse beneficiary may not elect an optional form of benefit; however, the board may elect to make a lump sum payment….*"

Ms. McGuire stated that she was assuming the spouse would receive the benefit for her lifetime.

Mr. Ponitz asked if the spouse could select a lifetime benefit; whereby, Mr. Donlan stated that she would receive a lifetime benefit and could not choose anything else.

Mr. Dehner noted that police and fire were required by a statutory amendment to allow at least a life annuity option, where the normal form was life and ten years certain or a joint and survivor option, but there was not one for general employees.

Firefighters' Increase in Contribution Rate
Mr. Dupree asked if increasing the firefighters' contribution from 8.4% to 8.6% to pay for the spouse death benefit was brought up in negotiations; whereby, Ms. McGuire stated that it was not brought up.

Amanda King - IME Report
Mr. Dupree asked if Mr. Paul Kelley was taking care of having an IME done on Amanda King; whereby, Mr. Dehner advised that Mr. Kelley had

requested Ms. King's file, which he had sent to him. He stated he had also received a notice of appearance from Mr. Kelley notifying them that Mr. Kelley was representing her. He stated they could now set up the IME.

Mr. Jim Shaw asked about the cost of the IME; whereby, Mr. Dehner advised that it was in the $2,000 to $5,000 range.

<u>Share Plan</u>
Mr. Dupree asked about the firefighters' share plan; whereby, Mr. Donlan stated that Foster & Foster would set up the accounts.

Mr. Dupree asked if Mr. Mike Marstaller, Ms. Rhonda Ennist and Mr. Rick Conte had received their share plan distribution; whereby, Ms. McGuire advised they had not.

Ms. McGuire asked if the fire board needed to select a financial provider to administer the share plan for them; whereby, Mr. Donlan advised the funds remained in the plan, similar to the DROP.

Ms. McGuire asked about the interest; whereby, Mr. Donlan advised that he had calculated the share plan balance as of September 30, 2016.

Ms. McGuire stated that she would work with Mr. Donlan on the interest of the share phan, which was consistent with the DROP, and then they could discuss it at the next meeting.

Mr. Donlan noted that the interest of the share plan went to the last fiscal year and the member did not receive a partial payment during the year.

Ms. McGuire suggested the ordinance may need to be amended to include this language.

Mr. Tommy Bozeman moved, seconded by Mr. Mike Scudiero, to approve an ordinance amendment pertaining to the distribution to share plan members upon termination whereby they would receive their share plan money plus interest through the last quarter prior to termination as soon as practicably possible. The motion passed unanimously.

Mr. Donlan stated that the ordinance said "*if a member or DROP participant terminates employment for any reason, the member's share account shall be valued by the plan's actuary on the next valuation date*…." He noted that the member would get the full year's earnings at September 30.

Ms. McGuire stated she hoped the ordinance did not require the member to wait months before receiving the share plan money plus interest; whereby, Mr. Donlan stated the ordinance said, "*the balance shall be payable as soon as administratively practicable following the valuation date, but not later than 150 days following the valuation, you shall be paid in one lump sum….*" He stated it mandated they had to wait.

Ms. McGuire stated she felt this would be very problematic because when someone retired their expectation was to take their share plan money with them; whereby, Mr. Donlan noted that some of the plans paid 75% of the prior balance upon termination which would account for any negative earnings.

Mr. Dehner clarified that they wanted the interest provision the same as the DROP and he would remove the valuation date language and make it effective as soon as practicable.

Ms. McGuire stated that she would follow up with Mr. Marstaller, Ms. Ennist and Mr. Conte on their share plan distribution.

Workshop

Mr. Dupree asked about a workshop date; whereby, Ms. McGuire stated that she did not favor having a workshop as she felt the board meeting was the place to discuss these items, even if the meeting lasted longer.

Teresa McCutchen

Mr. Dupree stated he did not understand Ms. McCutchen's actions today; whereby, Ms. McGuire stated that Ms. McCutchen's concern was that it was implied that she had done something dishonest and potentially criminal in a public meeting.

19. ADJOURNMENT

The meeting was adjourned at 11:27 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