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

August 11, 2017 **8:30 a.m.** **Commission Conference Room**

---

1. CALL TO ORDER

Chairman Kelly McGuire called the meeting to order at 8:31 a.m.

General Employees' Pension Board members present were Chairperson Kelly McGuire, Secretary Sam Butler, Michael Furman, and John Olivari.

No members were present from the Police Officers' Pension Board.

Firefighters' Pension Board members present were Secretary Dominic Morgese, Tommy Bozeman, James Shaw, and Mike Scudiero.

Also present were Janna Hamilton of Garcia Hamilton and Associates, Charlie Paviolitis of MacQuarie Management, Mike Streitmarter of Renaissance Investment Management, Scott Christiansen of Christiansen & Dehner, and Charles Mulfinger of Graystone Consulting.

2. APPROVAL OF MINUTES OF MAY 12, 2017

Mr. John Olivari moved, seconded by Mr. Michael Furman, to approve the minutes of the May 12, 2017, meeting. The motion passed unanimously.

Mr. James Shaw moved, seconded by Mr. Mike Scudiero, to approve the minutes of the May 12, 2017, meeting. The motion passed unanimously.

3. PUBLIC COMMENTS

There were no public comments.

4. ELECTIONS

Ms. Kelly McGuire stated that the general employees would need to hold an election, as Mr. Dave Ponitz and Mr. Sam Butler's terms would expire on September 30, 2017. She noted that Mr. Butler would be retiring in about a year and a half, and thus would not be able to fulfill another two year term. She explained that she would issue a notice to the General Employees'

Pension plan members to receive nominations. She noted that she expected that Mr. Ponitz would still be interested in serving.

Ms. McGuire noted that Mr. Joe Dupree's term would expire on September 30, 2017, as well.

Mr. Scott Christiansen, Attorney with Christiansen and Dehner, clarified that the firefighters would be voting to fill the trustee position, and that they would not be voting for the chairman of the board.

Ms. McGuire noted that the fifth trustee spot on the Police Officers' Pension Board was currently vacant, and that Mr. Jim Doggett's term would expire on September 30, 2017.

5. DISCUSSION OF ANNUAL CONFIRMATION OF BENEFIT LETTERS

Ms. McGuire explained that the city sent letters to pension recipients of the three plans, in addition to Regions performing monthly searches for deceased members, in order to verify that recipients were still alive and qualified to receive funds. She further explained that the recipients would be asked to have their letter notarized and returned to the city. She noted that that process would continue.

6. PRESENTATION BY GARCIA HAMILTON AND ASSOCIATES (Growth Fixed Income)

Ms. Janna Hamilton, Garcia Hamilton and Associates ("Garcia Hamilton") thanked the boards for letting Garcia Hamilton manage their fixed income assets. She stated that Garcia Hamilton was based out of Houston, Texas, and had managed the city's fixed income assets since 2001. She noted that Garcia Hamilton was mostly a fixed income firm. She stated that last year they had decided to get out of the equity business. She stated that Garcia Hamilton had about $9 million under assets. She explained that Garcia Hamilton had given its clients a year to get out of the equity side. She noted that by the end of the year, or sooner, Garcia Hamilton would be strictly a fixed income firm. She stated that over 63 percent of their business was in public funds, and noted that they had a large Florida representation among their clients. She stated that Garcia Hamilton managed high quality fixed income, with everything in the portfolio being rated "A" or better.

Ms. Hamilton referenced the portfolio's performance for the quarter, noting that it matched the index and was up 90 basis points. She noted that it was a very conservative portfolio and that they were managing money in the intermediate style. She stated that the first quarter of the fiscal year, which was the last quarter of the calendar year, was pretty negative for fixed income, which made the fixed income numbers year to date pretty dismal. She noted that they were only up ten basis points, but that that was still ahead of the benchmark. She stated that year to date they were up 30 basis points, as opposed to the benchmark of down 20 basis points. She displayed reports with this information. She explained that the numbers were not huge because interest rates had been low for a very long time. She stated that Garcia Hamilton actively managed the portfolio, looking for opportunities to add value to it. She noted that even though it did not look like there had a huge return on a relative basis, it was pretty good.

Ms. Hamilton stated that they continued to see increased rates in the market, with the rate increases coming on the short end. She explained that she expected to continue seeing a flattening in the yield curve. She noted that they expected interest rates to continue to move up in the short end, even though the Federal Reserve ("Fed") did not raise rates at their most recent meeting. She stated that there had been nice movement in the marketplace, noting that she would not be surprised to see a correction occur there. She explained that there had been a better equity return over the last 12 months than anyone expected. She noted that some economic indicators did look good, and explained that because of that she would expect to see rates increase on the short end. She stated that most of the investments were in the short end and the longer end of the portfolio, noting that it was a barbell. She explained that more corporate stocks were in the short end while more treasuries were in the long end. She noted that the pension funds had an intermediate portfolio. She stated that that mitigated risk.

Ms. Hamilton stated that over time Garcia Hamilton looked at opportunities and actively managed portfolios. She noted that in the 2007 and 2008 crisis, where credit started to fall apart, the portfolios were underweighted in corporate units. She stated that at that time, many ran away from credit and into treasuries, which she thought was a big overreaction. She noted that she started overweighting in corporate. She stated that during that time, they did move around in corporates, moving sectors and adding value in the portfolio. She explained that when the spreads got too tight and it appeared to not be worth the risk, they overweighed in treasuries. She noted that a lot of value was added there.

Ms. Hamilton displayed a report showing how the portfolio looked at the end of the quarter. She noted that it showed Bloomberg Barclays Intermediate Government Credit versus the portfolio. She stated that the portfolio was presently overweighed in agencies and underweighted in corporate. She noted that there were no triple Bs in corporate, noting the high quality. She stated that the duration was short, which had been very unusual for them. She reiterated that she believed that interest rates would spike up a little bit on the long end.

Mr. Dominic Morgese asked what it meant when Ms. Hamilton referred to agencies; whereas, she explained that agencies were fully backed by the government.

Mr. Morgese referenced Fannie Mae; whereas, Ms. Hamilton noted that they also had very seasoned mortgage pools.

Ms. Hamilton stated that Garcia Hamilton was very careful and reviewed each mortgage they had in the portfolio. She explained that they looked at the duration in the yield when putting the portfolio together. She noted that sometimes they would overweight mortgages if they saw opportunities. She stated that an aggregate portfolio would be more overweighted in mortgages than an intermediate one. She stated that the corporate areas were more overweighted on the aggregate portfolios. She noted that usually they would be almost identical, but sometimes the percentages on the intermediate and aggregate had to be tweaked to have the exact durations they wanted. She stated that each day every portfolio was looked at and the performance was reviewed. She noted that it was a team effort to manage the portfolios.

Mr. Michael Furman, General Employees' Pension Board, noted that rates had not moved that much. He asked what Garcia Hamilton anticipated with rates in the ten-year.

Ms. Hamilton stated that they did not see the ten-year moving up that much, and instead saw the shorter moving up. She noted that they saw the yield curve flat. She explained that they believed the longer rate would move up temporarily and then move back down. She stated that they thought there would be three to four more rate increases over the next year and a half in short rates. She noted that a year out, market futures only had one increase priced in. She stated that she believed that was wrong. She noted that she believed that long rates would spike up another half percent over the next six months to a year before backing off. She stated that the economy was presently doing well as a result of President Trump's promises. She noted that it was proving difficult to get some of those things done however, and that that would eventually make the market pull off and correct itself. She stated that they continued to expect to see a yield curve flattening, and noted that they still expected the Fed to move up on interest rates as that would be healthier for the whole market. She noted that they felt that had been far too accommodating for too long.

7. PRESENTATION OF MACQUARIE MANAGEMENT (International Value)

Mr. Charlie Paviolitis, MacQuarie Management ("MacQuarie"), thanked the board for allowing MacQuarie to manage their portfolios. He noted that MacQuarie bought Delaware Capital Management ("Delaware") in 2010. He explained that starting on April 1, 2017; the rebranding to MacQuarie had been implemented. He noted that MacQuarie was a global company which was based out of Australia. He stated that the first money which was managed by Delaware was that of the DuPont family. He explained that the DuPont's directive had been to not lose their money first, and try to make money after that. He noted that that had been their mantra going forward. He stated that the sub-advisor for managing international American Depositary Receipts (ADR) was Mondrian, and that they had been doing so for the better part of a decade. He briefly reviewed the experience of the executive committee at Mondrian.

Mr. Paviolitis stated that they focused on cash flows and dividends. He noted that they discounted those cash flows and dividends back to determine if a stock was cheap or not. He stated that if they thought it was cheap, they would look at it to determine whether or not it should be in the portfolio. He noted that doing that could limit the volatility and offer great downside protection, which was what their primary focus was. He stated that that defensive mechanism had worked for them through time. He explained that they did not do well in a bull market. He explained that that was partially because they purchased good solid companies which they expected to have good cash flow going forward, and thus would not appreciate as much when things turned around. He noted that in the bear market quarters, they would outperform by a significant margin. He stated that that led to the old adage that the best way to make money was to not lose money in the first place. He explained that they lost less money when there was a problem, which was why they saw such great outperformance over the long term.

Mr. Paviolitis stated that the one-year results had a good amount of underperformance. He noted that even despite that, the results for three, five, and ten years showed an outperformance. He stated that he would highlight a few stocks which led to attribution problems in the second quarter. He referenced the stocks of Ahold in the Netherlands and Tesco in the United Kingdom. He explained that both of those were grocery stores. He noted that one of the biggest mergers that had happened recently was Amazon purchasing Whole Foods. He stated that it would be interesting to see what would happen with grocery stores going forward. He noted that that purchase had triggered significant underperformance with grocery stocks. He explained that MacQuarie continued to like those stocks, explaining that Tesco, the United Kingdom grocer, had six other facets of their business which were still profitable. He noted that they did not believe that the Amazon merger would be that big of a concern for Tesco, explaining that they believed that it had been sold off by too many.

Mr. Paviolitis noted that not many people had anticipated Donald Trump being elected President. He stated that the market had responded to this.

He referenced the international markets, and noted occurrences such as Brexit, and elections in places like France and the Netherlands. He noted that they had worked to be in a much better defensive position ahead of those events, in case they went in certain directions, to ensure that the portfolios were not punished.

Mr. Paviolitis referenced the materials he had provided. He stated that information technology, financials, and materials were much more growth oriented areas of the market. He noted that some of the overweights for the portfolios were in utilities, healthcare, and other segments which would be more defensive in nature. He stated that the portfolio had done what they anticipated it to do. He noted that the one hiccup was in materials, where they were massive underweight on the index. He stated that there had been a big jump in that area based on the expectation that China would grow again. He noted that as a value manager, they would stay somewhat away from that in the meantime. He stated that they had increased a bit of the financial weighting, and would continue to focus on trying to find good value in the marketplace. He noted that the most important factor when looking for that value was risk adjustment.

8. PRESENTATION OF RENAISSANCE INVESTMENT MANAGEMENT (International Growth)

Mr. Mike Streitmarter, Renaissance Investment Management ("Renaissance"), thanked the pension boards for their confidence in allowing Renaissance to manage their funds. He noted that he started with Renaissance in 2008 and received his Chartered Financial Analyst (CFA) certification in 2013. He stated that Renaissance was located in the greater Cincinnati, Ohio, area and had about $5 billion in assets under management. He noted that $1.8 billion of that was in international strategies. He went over some of the hirings at the firm, noting that no changes had been made to the international investment team. He stated that Renaissance was looking for companies which had good long term growth prospects and were trading at reasonable valuations. He noted that they had a two-step investment process. He explained that the first step was using a 12 factor model which scored and ranked the stocks, and the second process was a fundamental one which looked at the top 20 percent in the rankings and ultimately decided what went into the portfolios.

Mr. Streitmarter stated that all three of the pension plans' portfolios were in compliance with their investment statements. He stated that the all-time performance was positive. He noted that their return had been 10.5 percent annualized, noting that they were very proud of that. He stated that that beat the benchmark by about 1.5 percent annualized. He referenced the one-year performance. He stated that in the second half of 2016, they saw value stocks rally. He noted that that reversed in the first half of 2017, as growth stocks beat value stocks. He stated that consumer discretionary was their top performing sector relative to the benchmark. He noted one of the stocks in that sector was China Logic Group, which was a Chinese hotel operator. He explained that they had been able to capitalize on the rising income of Chinese citizens and increased travel demands. He noted that financials was the biggest detractor to relative performance. He stated that there was bad stock selection there and also explained that they had underweighted to the benchmark. He noted that they were looking to increase their financial exposure, as they believed that interest rates would be rising over the medium term. He stated that one of the stocks they purchased recently to take advantage of that trend was KB Financial Group, which was a Korean bank. He noted that they had a large low-cost deposit book, and could reprice their loan book faster than their deposit book, which should result in expanding interest margins.

Mr. Streitmarter stated that they were also helped by the fact that they overweighted the information technology sector. He noted that it had been the top performing sector in the benchmark, but that there had been poor stock selection in that category. He noted that one stock in that sector was down over the past year. He stated that Whipro, which was an Indian business process outsourcing firm, was hurt by the perception that President Trump would make large cuts to the H1V1 visa program. He noted that to date the cuts had not been as severe as once thought, and that the stock had actually rallied earlier in the year. He stated that there had been very good stock selection in the developed market category. He noted that Colliers Group, a Canadian based commercial real estate firm, had done well by coupling their organic growth with bolt-on acquisitions. He stated that there had been negative stock selection in the area of emerging markets, particularly in South Korea.

Mr. Streitmarter referenced characteristics. He noted the trailing price to earnings ratio. He stated that they were essentially paying $14.70 for every dollar in earnings, versus the benchmark, which was paying $18.00 for every dollar. He noted that they were receiving better value than the benchmark. He stated that the return on assets and return on equity were also higher than the benchmark, indicating a high value portfolio. He noted that this went back to the quantitative process he mentioned earlier. He referenced the current sector allocation. He noted that industrial was presently both the largest weight and the largest overweight. He stated that the trend of factory automation was increasing in both developed and emerging markets. He referenced oil prices and noted that there were positives and negatives to them presently. He explained that the problem with oil was that whenever the cost rose, there would be a quick increase in production.

Mr. Streitmarter stated that they were currently overweighed towards emerging markets. He explained that this was mainly because their growth rates were higher than developed markets. He noted that their 2017 GDP growth was expected to be about 4.5 percent, while developed markets were at two percent. He further noted that emerging markets traded at cheaper valuations than developed markets. He stated that North America was their largest overweight, and noted that the overweight was mainly in the Mexican banking center. He noted that the last few years had seen severe depreciation in the Mexican peso. He explained that in order to combat this depreciation, the central bank of Mexico had to raise interest rates. He noted that the biggest beneficiaries of this were the Mexican banks. He stated that Western Europe was the largest weight in the portfolio. He explained that they were positive on the outlook there, noting that they believed that Europe was in the beginnings of an economic recovery.

Mr. Morgese asked what Europe entailed, and whether Mr. Streitmarter was referring to areas where the euro was the currency, or the continent itself.

Mr. Streitmarter stated that he was referring to the Eurozone, which was essentially all of Europe, including the United Kingdom presently. He stated that the economic picture in Europe was looking better, but noted that there were still some political risks. He stated that they had receded some since the beginning of the year with the anti-European Union parties not doing well in the elections in France and the Netherlands. He noted that there would still be elections in Germany later in the year, and elections in Italy in 2018.

Mr. Streitmarter displayed a chart showing the performance of the U.S. dollar. He noted that the dollar started to depreciate some at the beginning of 2016, but that Brexit and President Trump's election caused the dollar to rally. He stated that since President Trump's election, the dollar had fallen some as he had backed off some of his harshest trade rhetoric.

9. INVESTMENT MONITOR REPORT (GRAYSTONE CONSULTING)

Mr. Charles Mulfinger, Graystone Consulting, stated that all three pension plans' returns were about equal to their benchmarks. He noted that that was positive.

Economic outlook

He stated that the economy was continuing to be in a state of slow growth. He stated that there had been an increase in consumer spending, noting that consumers were the majority of the United States economy. He stated that the manufacturing and service sectors came out above 50 again, with the service sector being around 58. He explained that that meant it was strong and expanding. He stated that the last jobs report had 209,000 new jobs, which was very strong. He noted that there was also mobility being seen and slight increases in wages. He noted that inflation was still tame. He stated that relatively low inflation with a decent growing economy was good for financial assets.

Mr. Mulfinger noted that the market had hit all-time highs recently, and explained that that was due to corporate earnings. He further explained that often corporations beat their estimates because they lowered their estimates. He noted that in the first quarter of this year, corporations were beating their actual numbers from previous years. He stated that there were double-digit increases in earnings for the first and second quarters of the year. He noted that they expected those earnings to continue to be strong for the next couple quarters. He stated that they were eight and a half years into an upward moving economy and market, noting that there would need to be a correction eventually. He stated that earnings were presently supporting prices.

Mr. John Olivari asked what was fueling the growth in earnings.

Mr. Mulfinger stated that the earnings in the previous four to five years were due to cutting staff and expenses. He noted that this quarter revenue was up over five percent. He stated that any incremental increase in revenue was now going directly to the bottom line because corporations already were running trim. He noted that there was also some financial maneuvering applied to earnings, but noted that they were seeing revenue increases.

Mr. Olivari asked if national sales were increasing; whereby, Mr. Mulfinger replied that they were.

Mr. Morgese stated that he thought that as the revenues grew, and fixed costs were pretty much the same, that Facebook, Netflix, and Google would not have their variable costs increase. He noted that those companies would not need to sell things each time their revenue was raised. He referenced manufacturing.

Mr. Mulfinger stated that the manufacturing index was up in newly released numbers. He noted that it was expanding off of a smaller base. He stated that the S&P and Dow Jones indices were up three to four percent, which was fine. He noted that larger companies were doing better than midsize companies, which were doing better than smaller companies. He noted that growth outperformed value in all capitalizations for the quarter. He stated that the sectors that did the best were everything except for energy and telecommunications. He stated that developing and emerging markets were up over U.S. markets. He noted that because the economy was improving, corporate bonds were doing the best in the bond category. He stated that those had some credit risk associated with them, but explained that the yield on corporate bonds was narrowed compared to treasuries. He noted that they had a little bit of appreciation.

<u>Portfolio reviews</u>
Mr. Mulfinger stated that the General Employees' portfolio did fine. He noted the weightings for it, and stated that the portfolio was benefitting from being overweighted in equity. He stated that the fund did not need to rebalance.

Mr. Mulfinger stated that the Firefighters' portfolio was over the maximum range of 70 percent in equity. He noted that they needed to make a motion to reduce the equity back to the range. He explained that his recommendation would be to reduce to the range and not the target, because at the target they would have to take it all the way back to 65 percent and put the money in bonds, noting that he believed that stocks would continue to outperform bonds. He stated that he recommended going to the range, which was 70, as the portfolio was outside of the policy currently.

Mr. Morgese questioned if the policy should be complied with automatically; whereby, Mr. Mulfinger explained that if they complied with the policy automatically they would go all the way back to the target at 65 percent. He noted that this gave them the ability to make a choice.

Mr. Scott Christiansen, Attorney, Christiansen & Dehner, noted that they might have to do the same thing the next quarter if the equities continued to increase, noting that that was a good thing.

Mr. Morgese moved, seconded by Mr. James Shaw, to reduce the equity back to the range for equity.

The motion passed unanimously.

Mr. Mulfinger noted that the Police Officers' portfolio was not out of policy.

<u>HGK</u>
Mr. Mulfinger showed the returns from each of the managers. He noted that HGK Asset Management ("HGK") was a manager which focused on cash flow. He stated that one of the reasons that HGK had underperformed previously was their overweight to energy. He stated that the reason their return was a bit below the benchmark this quarter was that overweight to energy and their stock selection. He noted that their return was above the benchmark for the year. He stated that the long term was still low,

reiterating that that was a result of the overweight to energy. He stated that HGK still needed to show some outperformance going forward, noting that their returns were not what they would like to see in the longer term. He noted that they had started to do that until the energy selections had hurt them in the last quarter. He stated that he was not overly excited about the returns.

Mr. Furman asked if HGK would be bullish on energy forever and if they had been overweighted to energy long term; whereby, Mr. Mulfinger stated that they had not, but had been overweighted in that area for about five years.

Mr. Mike Scudiero asked Mr. Mulfinger if HGK or Cambiar Investors ("Cambiar") surprised him in that they were so strong for the year, but so weak for the last quarter.

Cambiar

Mr. Mulfinger noted that Cambiar had actually beaten the benchmark. He explained that HGK was the large cap value manager; while Sawgrass Asset Management ("Sawgrass") and Polen Capital Management ("Polen") were the large cap growth managers. He noted that Cambiar was the small mid-cap value. He noted that Cambiar was doing great.

Mr. Scudiero stated that it looked like HGK and Cambiar did exceedingly well in the last year, but not in the last quarter. He noted that they were the weakest ones there.

Mr. Mulfinger explained not to look at it as how they did against the market as a whole, but how they did against their appropriate benchmarks. He noted that HGK did underperform in the quarter and outperform for the year. He explained that the bigger concern with HGK was the longer term. He reiterated that the reason they had really underperformed was the overweight in energy.

Sawgrass

Mr. Mulfinger stated that Sawgrass was very defensive. He noted that they were aware of that when they hired them. He explained that they were hired to compliment Polen, which was very concentrated, had a lower amount of stocks, and was very heavily weighted in some areas. He noted that Sawgrass was not going to capture the biggest part of an up move, but also would not go down as much in a down move.

Mr. Scudiero stated that they were like MacQuarie in that respect.

Mr. Mulfinger agreed. He noted that Polen was more concentrated and looking for big returns. He stated that Sawgrass was a manager concerned with growth at a reasonable price. He noted that Sawgrass was consistently below, but had such low risk that they had a positive alpha, meaning that they had a higher return that what would be expected based on their risk. He stated that that was actually fine. He noted that Sawgrass's returns were explainable and actually better than to be expected with the low risks they were taking.

<u>Polen</u>
He stated that Polen was somewhat higher risk, though they may disagree, and noted that they were above for the quarter, the year, and in the long term.

<u>Apex / Fiera</u>
Mr. Mulfinger stated that Apex Capital ("Apex") had returns close to the benchmark. He noted that this quarter was a little below, as was the year. He explained that since they hired them, they had been a little below benchmark. He stated that the funds had not used them very long, noting that they replaced a manager that had had some very bad historic short term performance. He stated that Apex had recently been purchased by Fiera Capital ("Fiera"). He noted that due to that change, his firm lowered their rating and would watch them closely.

<u>MacQuarie</u>
Mr. Mulfinger stated that MacQuarie's quarter was below, the one year was below by a lot, but noted that the long term had beaten the benchmark.

<u>Renaissance</u>
Mr. Mulfinger referenced Renaissance, and noted that they had beaten the benchmark all time periods.

<u>Garcia Hamilton</u>
Mr. Mulfinger noted that this was one of the few quarters that Garcia Hamilton had been a bit below in the last quarter.

<u>Porfolios</u>
Mr. Mulfinger stated that overall the portfolios were up a little over 2.51 percent for the quarter, as opposed to the index of 2.5 percent. He noted that they were not up because all of the managers outperformed, but because they had more money in stocks, which helped overall returns be higher than the benchmark.

Mr. Christiansen asked if Mr. Mulfinger had any idea about the fiscal year numbers; whereas, Mr. Mulfinger stated that they were probably over nine.

Mr. Christiansen asked if there was a seven percent assumption; whereas, Ms. McGuire replied that the General Employees' assumption was 6.5 and that the Firefighters' was probably seven. Mr. Mulfinger noted that he had the General Employees' down at 6.75.

Mr. Mulfinger stated that the alpha was positive, and more value was added than expected based on the risk being taken. He noted that on a risk adjusted basis, there had been more return and they had been more efficient. He stated that being overweighted in stocks was the right place to be. He stated that it had been a good quarter, and that they should be over their actuarial assumption for the year.

10. STATUS OF SUMMARY PLAN DESCRIPTIONS

Ms. McGuire stated that she did not know the last time the plan descriptions had been updated; whereby, Mr. Christiansen replied that it was done in 2014. He noted that it was on his list of things to do. He explained that he filling in for Mr. Lee Dehner at the meeting, and noted that Mr. Dehner was still in bed and trying to get up his strength to have surgery on his heart. He noted that he and Mr. Dehner had split their 160 clients, but he was presently now handling them.

Mr. Christiansen stated that there were proposed ordinances also on the agenda, and noted that his thought was that there would need to be changes made to the summary plan descriptions based on those. He noted that there was an issue with the police description, as a new tier provided for that stated that the retirement age was the earlier of attainment of age 52 and 25 years of credited service, or the attainment of age 60, regardless of years of service. He noted that the language was not acceptable. He explained that that statement was fine, but that it also needed to add "age 55 with ten years of service." He further explained that the reason for that was that under Florida Statutes Chapter 185, the minimum benefits requirements had to be met in order for state funds to be issued. He noted that the minimum benefit for normal retirement in Chapter 185 was age 52 with 25 years of service, or age 55 with ten years of service. He noted that just mentioning age 60, regardless of years of service, would not allow a person 55 years old with ten years the option to retire.

Ms. McGuire asked if they should eliminate the age 60 language; whereas, Mr. Christiansen stated that they could just add the "age 55 with ten years of service" to what existed.

Ms. McGuire clarified that the minimum had to be applicable to all within the group. She noted that there must have been an error when that was changed.

11. DISCUSSION OF REVISED PROPOSED ORDINANCE AMENDMENTS

Mr. Christiansen noted that the proposed ordinance changes were thoroughly discussed at the previous meeting, and that these draft ordinances had incorporated the changes discussed at that meeting.

Mr. Scudiero moved, seconded by Mr. Shaw, for approval of the proposed ordinance drafted by Christiansen & Dehner for the Firefighters' Pension Board.

The motion passed unanimously.

Mr. Christiansen stated that he had included a letter explaining the ordinances. He noted that the General Employees' ordinance was a little longer than the Firefighters' as it included some Internal Revenue Code changes that had not yet been made. He stated that he believed that they had discussed everything at the last meeting thoroughly regarding the changes.

Ms. McGuire stated that at the last meeting there was something that was not addressed. She noted that there had been a discussion about an existing minimum distribution requirement at age 70 and a half. She explained that she had asked Mr. Dehner whether that meant that someone who was 70 and a half would have to start taking their pension benefits, and if so, if that person would be essentially forced to retire because they could not work while receiving said benefits. She noted that Mr. Dehner had not provided an answer.

Mr. Christiansen stated that he believed that the answer was that if the person was still working, then they did not have to take the distribution.

Mr. Morgese stated that he thought the required minimum distribution (RMD) was for defined contribution plans; whereby, Mr. Christiansen stated that there was one in this plan as well. He noted that for government it provided that a person had to take the contribution at 70 and a half, unless they continued to work.

Mr. Olivari referenced the pop-up option and asked whether that was included in the ordinance.

Mr. Christiansen stated that it was not included. He explained that it had to do with the joint and survivor benefit. He noted that one of the options in the plan was to elect a joint and survivor benefit. He explained that that provided a benefit for the pensioner's life and then could provide 100, 75, 66 and 2/3rds, or 50 percent of their benefit for the life of someone else. He noted that that made the benefit basically for the lives of two people. He explained that under the current scenario, if your joint pensioner dies, your benefit would not change. He further explained that this meant that the pensioner would have paid for the right to have that joint pensioner receive the benefit, even if they died before they began to receive it. He noted that the pop-up would provide that if the designated joint pensioner died before you, your benefit could be adjusted upward. He stated that there was a cost associated with that, so the benefit would be less if the pop-up had been selected. He stated that there was no cost to institute the pop-up provision, and that the actuary would issue a letter indicating that, explaining that it was actuarially equivalent.

Mr. Morgese confirmed that that option was not presently in place; whereby, Mr. Christiansen confirmed that it was not, but noted that it had been asked about.

Mr. Morgese stated that an example would be paying to have a spouse as a second annuitant and then that spouse being killed in an accident.

Mr. Christiansen stated that it was an option that could be done, but noted that he understood that it would have to be negotiated.

Ms. McGuire explained that typically any changes to the pension plans had to be negotiated with the unions.

Mr. Furman stated that he assumed, like anything else, that it would be the responsibility of the pensioner to know it existed and to notify the board to get the pop-up.

Mr. Christiansen stated that it behooved the person receiving the benefit to provide notification.

Mr. Furman asked what would happen if the pensioner did not notify the board for several years about the death.

Mr. Christiansen stated that they would have to make an application for the change. He noted that the pensioner would have to opt into this when they retired.

Ms. McGuire noted that sometimes pensioners forgot their elections after they had been retired for a while.

Mr. Christiansen stated that he had never had such a situation occur. He noted that the worst case scenario would be that potentially the pensioner would be owed some money after a delayed notification. He stated that he did not definitively know the answer at that time. He further noted that this would only be applicable to those who retired after this was put into the plan.

Mr. Olivari moved, seconded by Mr. Furman, for approval of the proposed ordinance drafted by Christiansen & Dehner for the General Employees' Pension Board.

The motion passed unanimously.

12. APPROVAL OF BUDGET FY 2017-18 (PO & FF)

Mr. Christiansen noted that budgets had to be put forth by the Police Officers' and Firefighters' funds for approval.

Ms. McGuire asked if the budgets needed to be provided to the state; whereby, Mr. Christiansen stated that they needed to be provided to the city and the plan members. He noted that the state could request it when doing annual accounting if they so desired.

Ms. McGuire stated that she believed it was posted to the website.

Mr. Christiansen noted that it just had to be made available somewhere. He explained that all of the monies being paid to the investment managers did not need to be on the budget, as it was just supposed to be an accounting of administrative expenses. He noted that he would recommend striking that whole list from the budget. He stated that the annual accounting, which would be brought back later in the year, also did not need to include those expenses.

Mr. Scudiero moved, seconded by Mr. Morgese, for approval of the proposed Firefighters' Pension Board budget, with the recommended changes suggested by Mr. Christiansen to remove the investment manager payments.

The motion passed by voice vote.

Mr. Tommy Bozeman, Firefighters' Pension Board, clarified that this was just for reporting purposes and not actual expenses.

Mr. Christiansen explained that this was just an estimate for expected expenses. He noted that if the amounts then went over, then a revised budget would have to be prepared.

Mr. Christiansen noted that he would also suggest revising the Police Officers' Pension Board budget with the same changes. He stated that the Police Officers' Pension Board needed to meet quarterly, and explained that they could not double up in a quarter, but had to meet once per quarter.

Ms. McGuire noted that she did not think that that had been occurring.

13. ATTORNEY COMMENTS

State checks
Mr. Christiansen noted that state funding should be received shortly for the fire and police plans.

Amanda King
Mr. Christiansen stated that there was a disability matter for Ms. Amanda King that his office was working on. He noted that there was another set of records that they needed to collect from a doctor. He stated that they would then be scheduling an independent medical evaluation (IME).

Ms. McGuire noted that Ms. King was already receiving a disability benefit.

Mr. Christiansen asked if the IME was being done as an update then.

Mr. Bozeman explained that he recalled receiving a letter from her doctor updating her status, but there was supposed to have been an IME, which he did not recall receiving the results from.

Mr. Christiansen stated that if they were doing an updated IME they would normally collect records to send to the doctor that would be doing the IME. He noted that he was filling in for Mr. Dehner. He stated that his office was doing that.

Legislative changes
Mr. Christiansen stated that no pension changes were made in recent legislation that would cause changes to the plan. He noted that there were a few bills of interest that were applicable. He stated that one was Senate Bill 80, which was a public records bill. He noted that all of the boards' records were public records and could be requested. He stated that if someone made a request for records, the requirement was that they be provided within a reasonable amount of time. He noted that if the records were not provided, the individual requesting them would have the right to file a lawsuit to obtain them. He further noted that if they filed a lawsuit, they had the right to be awarded their attorney's fees. He noted that the judge in those cases had no discretion about granting attorney's fees. He stated that the legislature recognized that some law firms used this to their advantage. He stated that Senate Bill 80 provided the judge more discretion regarding

attorney's fees, but also provided another safeguard in that the name of the record management's liaison officer needed to be posted for the public.

Mr. Christiansen discussed posting the record management liaison officer's name, with all three boards, on a bulletin board inside City Hall. He explained that the new requirement was that no one could file suit until they had made a request of the record management liaison officer. He noted that they had to make that request five days prior to filing suit.

Ms. McGuire stated that five days was not a reasonable time frame.

Mr. Christiansen stated that they were stating that it had to be at least five days from the request to file the lawsuit, but not that that was necessarily the time frame for a request to be provided.

Ms. McGuire noted that there was some information that no one had access to besides her, using the example of the payments being made to the pension members. She stated that if she was on vacation, they might not be able to get that information in five days. She noted that she was not providing access to multiple people to access that information.

Mr. Morgese noted that some groups knew the software that certain organizations had and what reports to request from them.

Mr. Christiansen stated that he did not know that the new methodology was bullet-proof, but noted that he believed it was better than it was before.

Mr. Christiansen and Ms. McGuire discussed the designated record management liaison officer for the pension boards; whereby, Mr. Christiansen noted that it was listed as Mr. Scott McKee, City Clerk, in the pension ordinances.

Mr. Christiansen stated that House Bill 455 provided for an additional real estate tax exemption for a police officer or firefighter who was disabled as a result of an in the line of duty injury. He noted that it was not as simple as it sounded. He stated that for the pension boards' standards, someone was disabled because they were unable to provide useful and efficient service as a police officer or firefighter. He explained that in order to get the real estate tax exemption, someone had to show that they were unable to perform any type of gainful employment – which was the social security standard.

14. OTHER BUSINESS

Ms. McGuire stated that there had been an issue with a retiree recently that she had spoken to Mr. Christiansen about. She stated that if an individual passed away, without receiving a single payment from the city, and had no beneficiary or joint annuitant, they would not receive anything. She noted that they had officially retired, and thus given up their contributions in lieu of a monthly payment. She stated that if the monthly payments that were paid out ended up being less than their contributions; that would just be an unfortunate reality.

Mr. Christiansen confirmed that was correct.

Ms. McGuire explained that there had been a situation where a retiree died the day he retired. She stated that his beneficiary had died shortly thereafter as well. She noted that she had wanted to clarify that they had handled it correctly. She noted that one payment had been owed to the daughter, but that that had been it.

Mr. Christiansen noted that that was very special circumstances. He stated that if the pensioner had selected a life only benefit, and died two weeks later, then the benefits were stopped and no one received anything. He noted that this person had a beneficiary. He stated that the beneficiary had a right to the benefits to the rest of her life.

Ms. McGuire noted that the beneficiary had selected a ten-year benefit, but explained that the beneficiary does not get to make that selection.

Mr. Christiansen stated that the pensioner had the normal benefit because he did not select an option.

Ms. McGuire stated that she was under the impression originally that the retiree received a least a return on their contributions, but noted that that was incorrect.

Mr. Christiansen noted that one they began to draw the benefits, their right to the benefits are in effect in lieu of the contribution.

15. ADJOURNMENT

The Firefighters' Pension Board adjourned at 10:23 a.m.

The General Employees' Pension Board adjourned at 10:23 a.m.

Respectfully submitted,

Colby Cilento, Recording Secretary

Attest:

____

Kelly A. McGuire, Chairman
General Employees' Pension Plan

____

Ken Artin, Chairman
Police Officers' Pension Trust Fund

____

Chairman
Firefighters' Pension Trust Fund