August, 2013

POLICE AND FIREFIGHTERS' PENSION BOARD

REGULAR BOARD MEETING

WEDNESDAY, AUGUST 14, 2013, 12:30 P.M.

Present
Michael Dew, Chair
Ken Rudominer, Vice Chair
Scott Bayne, Trustee
Jeff Cameron, Trustee
Dennis Hole, Trustee
Jim Naugle, Trustee
Lynn Wenguer, Administrator
Steve Cypen, Cypen & Cypen, Board Attorney

Absent
Richard Fortunato, Secretary

Also Present
Amanda Cintron, Assistant Administrator
Laurie DeZayas, Pension Secretary
Kevin Schmid, CapTrust
Linda Logan-Short, Controller
Lisa Edmondson, Recording Secretary, Prototype, Inc.

Harry Wood, Retirees' Association
Jack Cann, Retirees' Association
Brian Meo, Retirees' Association
Keith Kotrady, Retirees' Association
Al Scotti, Retirees' Association
Brian Kaplan, Retirees' Association
Paul DeBold, Retirees' Association
Walt Courtney, Retirees' Association
Bruce MacNeil, Retirees' Association
Anne Lindie-MacNeil, Retirees' Association
Kim DeCristofalo, Retirees' Association
Sandra Downs-Keesling, Retirees' Association
Linda Soloman-Duffey, Retirees' Association
Fred Nesbitt, Director of Media Relations
Communication to City Commission
None.

Pursuant to authority of Ordinance C-00-34, Article II, this regular meeting of the Police & Firefighters' Pension Board convened at 12:30 P.M., Wednesday, August 14, 2013, in the Pension Board Conference Room, 888 S. Andrews Avenue, Suite 202, Ft. Lauderdale, Florida 33316.

Items were discussed out of order.

PLEDGE OF ALLEGIANCE / MOMENT OF SILENCE
Chair Dew called the meeting to order at 12:31 p.m. and roll was called. All present recited the Pledge of Allegiance and observed a moment of silence.

MINUTES: Regular Meeting: June 12, 2013

Mr. Hole stated he had said that Mr. Bayne attended the Division of Retirement. Chair Dew said he had requested of the City Manager any future changes be authored by the Board to the City to ensure clarity.

Motion made by Mr. Hole, seconded by Mr. Naugle, to waive the reading of the minutes. In a voice vote, motion passed 6-0.

Regular Meeting: July 10, 2013
Mr. Hole noted that Fred Nesbitt was not a representative of the Retiree's Assoc.

Motion made by Mr. Hole, seconded by Mr. Naugle, to waive the reading of the minutes. In a voice vote, motion passed 6-0.

NEW HIRES:
New Hires were recognized.

BENEFITS:

POLICE DEPT:	New Retiree: (Term of DROP)	Edward Jackson
	Lump Sum Refund:	Richard A. Acosta
	Change in Beneficiary:	John M. Lefferts
FIRE DEPT:	Vesting:	Jeffrey A. Pezone
	Change in Annuitant Percentage:	Renard Jacobs

Regarding the IRS 401A limits, Ms. Wenguer explained that Mr. Lefferts had changed his beneficiary and Mr. Jacobs had kept the beneficiary, but at a 66 2/3% J&S benefit. She stated the actuarial tables had been changed since these two members elected their benefits, so she had used the older tables to ensure the members received the correct benefit. Ms. Wenguer stated there was one more member who had until the end of the month to get back to her.

Motion made by Mr. Bayne, seconded by Mr. Rudominer, to approve payment of the Police and Fire benefits. In a voice vote, motion passed 6-0.

BILLS:

Lee Munder	$58,467.78
Agincourt	$55,106.47
Northern Trust	$45,460.09
Boyd Watterson	$39,528.00
Sawgrass	$31,308.00
Systematic	$23,854.44
InTech	$23,568.94
RhumbLine	$16,721.00
Minuteman Press	$1,195.00
Holland & Knight	$350.00
Klausner, Kaufman	$279.50
Foster & Foster	$170.00
Eagle Asset Mgmt.	

Regarding the Eagle bill, Ms. Wenguer explained that the remaining credit due the plan on 6/30 was $12,315, plus an additional amount for interest. Mr. Rudominer noted that the market value of the Northern Trust funds were different from what CapTrust reported and the date was 3/31. Ms. Wenguer agreed to check on this. Ms. Wenguer confirmed for Chair Dew that the payment was for the 2012 annual newsletter on page 67.

Motion made by Mr. Rudominer, seconded by Mr. Naugle, to approve payment of the bills as documented. In a voice vote, motion passed 6-0.

INPUT FROM ACTIVE & RETIRED POLICE OFFICERS & FIREFIGHTERS:

Walt Courtney said they were anxiously awaiting Mr. Klausner's report. Ms. Wenguer informed Mr. Courtney that Mr. Klausner had not completed his report, but he had informed her it would be ready for their next meeting. Chair Dew had discussed the timeliness of the report with Mr. Klausner and Mr. Klausner had explained to him that he was involved in the Detroit bankruptcy and this had delayed the report.

Chair Dew had also discussed with Mr. Klausner the "everybody but me" group of approximately 80 retirees who had not received the 3 3/8. Mr. Klausner felt there may be an error and that he needed to conduct some due diligence. Chair Dew said Mr. Klausner indicated he would charge his hourly rate for this. Chair Dew suggested a cap of $5,000 but Mr. Klausner did not believe that total would come anywhere near that.

Ms. Wenguer explained that persons retiring prior to 1994 had been eligible for a 3 3/8 benefit. There was a group of people who had been vested for more than ten years but had not received this benefit. Anyone who retired as of 2000 had also received the benefit. There was that small window of people who had retired after 1994 and prior to 2000 who had not received the benefit. Chair Dew stated there were approximately 40 police and 40 fire fighters who had not received the benefit. Mr. Cypen said his opinion was if these people were not eligible at the time, they were not entitled to the benefit. Chair Dew stated Mr. Klausner felt if retirees were vested, they were entitled to a portion of the benefit.

Chair Dew explained that this group of 80 retirees was getting together because Mr. Cypen had made an offhand comment to one of the members that the Board could have granted this benefit. Mr. Cypen denied having made that statement. Chair Dew recalled that John Abrams asked Mr. Cypen if the Board could approve this and Mr. Cypen had replied, "Sure they could, but I would advise them not to." The retirees had taken this to mean that the Board could have done something that they may or may not have actually been able to do.

Mr. Hole wished to see more of an opinion from Mr. Cypen; Mr. Cypen stated his opinion was included in the judgment in the case involving the City. After this ruling, some wanted to expand the group and he had opined they were not able to be included because the court had ruled they needed to be eligible at retirement. Mr. Bayne requested something in writing pursuant to this. Chair Dew returned to the fact that Mr. Klausner had a different opinion and Chair Dew wished to avoid a lawsuit.

Mr. Bayne asked if they would seek a third opinion if Mr. Klausner's opinion differed from Mr. Cypen's. Chair Dew said they needed to see what Mr. Klausner's opinion was first. Ms. Wenguer pointed out that there had been a lot of pension litigation and as things had evolved, there had been rulings regarding whether or not this applied. Mr. Hole wished to see Mr. Cypen and Mr. Klausner discuss this. Mr. Cypen stated he had spoken with Mr. Klausner but he wanted Mr. Klausner to speak for himself.

Mr. Courtney wanted the Board to approve getting Mr. Klausner's opinion, remarking that, "Through the years there's been a lot of opinions that have been rendered and some of them are not right, and I would like to have it clarified."

Motion made by Mr. Bayne, seconded by Mr. Hole for Mr. Klausner to perform a thorough, methodical diligence on the group of retirees that had not received the 3 3/8 to see if they were eligible for it, with a cap of $5,000 for the cost of Mr. Klausner's services. In a roll call vote, motion passed 4-2 with Mr. Hole and Mr. Naugle opposed.

CAPTRUST:

Quarterly Investment Review Steve Schott, Kevin Schmid

Mr. Schmid referred to the Capital Market Review for the second quarter, and noted that it had been less positive than the first quarter. There had been some upward movement in interest rates in the second quarter which translated into negative returns in bond indices. Intermediate bonds were down 1.7% and longer-term bonds were down 2.3%. The 10-year treasury rate had increased approximately 75 basis points. He felt this was this was the first step in a long upward climb in interest rates.

Mr. Schmid stated both Agincourt and Boyd Watterson did not anticipate any dramatic interest rate increases in the near term. Boyd Watterson been more aggressive in terms of their industry positioning because they believe there had been initial overreaction in May and June. Mr. Schmid said interest rates would continue to move up but he anticipated it would be the middle of 2015 before the Federal Reserve would take action to raise short-term interest rates from zero to their long-term target of approximately 4%. He stated the general consensus was that the

Federal Reserve would begin tapering bond purchases sometime before the end of the year and it was believed that this was already priced into the treasury yields.

Mr. Schmid believed that if Mr. Bernanke's replacement came from the existing Federal Reserve Board, he or she would probably extend his policies; if his replacement came from outside the Board, something might change. Mr. Schmid reported he would be in constant communication with Agincourt and Boyd Watterson regarding the bond market and how they could position the portfolio effectively. He was comfortable with the current positioning but this could change.

Regarding equities, Mr. Schmid said the S&P 500 had been up 2.9% for the quarter. July had been a very strong month but August had been somewhat flat. For the first half of the year the S&P 500 was up 13.8% and year to date it was up 20%. Valuations in the domestic equity market were at a point where they were fairly to slightly over-valued. Mr. Schmid pointed out that the market would not necessarily stop at the fair value so there was room for expansion.

Regarding international equities, Mr. Schmid reported it had been a difficult quarter for emerging markets, which were down over 9% compared to developed markets which were down 1%. In July and early August there had been a rebound in developed markets with a lot of volatility in Japan. In Europe, there were signs that things were improving slightly. Emerging markets had rebounded approximately 3% this quarter but were still in negative territory for the year. Some of this was driven by currency concerns and slowing growth in China.
Mr. Cypen remarked that stating Eagle's investment fees were zero was distorted because they were being paid a fee. Mr. Schmid admitted this was true; the fee had been paid up front by the error that Eagle had made. He agreed to adjust this figure. Chair Dew said they were about to implement their formula process that would help guide their decision-making regarding hiring new managers and possible reallocation.

Mr. Naugle suggested adding a column to indicate the investment fee percentages for comparison and Mr. Schmid agreed.

Mr. Hole referred to the three and five-year returns for large caps and asked why they did not index. Mr. Schmid said this was the direction in which they were moving, and admitted it had been a difficult period for active managers to add value given the tremendous strength of the equity markets in general. He explained that indexes tended to do better when the market was increasing strongly, when the stock selection was less important than broad market exposure. Mr. Schmid said there were certain periods when indexing in fixed income made sense but he did not believe this was one of those periods.

Chair Dew pointed out a continued trend of not meeting the benchmark or adding to it and felt they should consider a change. Mr. Schmid stated if one looked at index funds across the board on a net of fees basis, one was guaranteed to find a negative number every quarter. Index funds had no opportunity to outperform.

Mr. Schmid explained that the market tended to go in cycles: growth versus value; large-cap versus small-cap; domestic versus international; index versus active. Indexing was now at a cyclical peak because of favorable conditions for the past five years and it had been very difficult for active managers to outperform that. Mr. Schmid said in large-cap, indexing made the most sense and they had been increasing their index exposure in that area. He said he would be perfectly fine in the future if they went to entirely indexed in large-cap.

Mr. Schmid said it was possible that active managers would never be able to outperform due to dramatic changes in the market, such as the proliferation of ETF's or program trading. Mr. Hole pointed out that if one considered and averaged out the cyclical windows, it smoothed out over a longer period. In the meantime they had paid large fees for the additional "supposed value" and he questioned whether they are actually receiving that additional value for active management.

Mr. Schmid explained that they liked to split between active and indexing because the core of indexing brought the costs down and reduced volatility but they still believe that active management had the ability to outperform over the long term. The trade-off for this was higher fees and short to medium-term windows of underperformance.

Chair Dew asked Mr. Schmid to bring the Board a recommendation next month regarding InTech and PIMCO, and how to distribute those monies to enhance performance and reduce costs.

Mr. Schmid said they were still considering infrastructure and real estate as alternative asset classes to PIMCO. He suggested bringing infrastructure managers to the Board's September meeting to continue their educational process. Chair Dew wanted to wait on this while the Board determined what to do regarding InTech and PIMCO.

Mr. Hole pointed out there was a big difference between paying 6 and 38 basis points. He favored moving to all indexed large caps.

Mr. Rudominer wanted to concentrate on the portion of their portfolio that was in the red, such as PIMCO, which was 10% of the portfolio and had suffered significant losses. He felt they should focus on asset allocation.

Chair Dew agreed that for some managers, there was a net added value. He wanted Mr. Schmid's opinion on what to do about InTech and PIMCO.

Mr. Rudominer asked how they would convert all large caps to index and Mr. Schmid said they would probably go pure S&P 500. There were other available vehicles but if the goal was protection from volatility, it would be best to consolidate into S&P 500.

Mr. Cypen asked about the growth/value tilt in the S&P 500 and Mr. Schmid said, “I don't think there's any dramatic tilt one way or the other.” He explained that the difference between S&P 500 and the Russell 1000 style indices was that Russell tended to have slightly more mid-cap exposure but they were still driven by the larger caps. Mr. Schmid said S&P 500 indices tended to split the capitalization 50-50 between growth and value with no overlap but Russell indices had a cross-section of securities that fell under both growth and value.

Mr. Rudominer referred to the Total Fund Composite, which indicated they had made 19 base points this quarter and asked why. Mr. Schmid explained that their large-cap composite was up 29, and the S&P was up 292. There was some relative underperformance in small caps from Eagle and Lee Munder, which were 70 or 80 basis points behind their respective benchmarks. In international, Lazard had done very well, but Thornburgh was 50 basis points off the benchmark. In fixed income there was slight negative relative performance from Agincourt and Boyd Watterson. Real estate was in line. EnTrust performed better than their composite. Mr. Schmid said the scorecard help to estimate some of the magnitude of the impact on total plan, based on relative performance and size of the allocation. He stated there had been modest improvement in emerging market debt and equity so far this quarter but nowhere near the rebound they have seen in United States equities.

Mr. Cypen pointed out that the S&P 500 was a large-cap index based on average capitalization but based upon the means, there were small caps included in the index. Mr. Schmid explained that in the S&P 500 the average market cap was $106 billion. The median market cap was still $15 billion so this was well into large-cap territory, which was $10 billion and above. The top 10 names in the S&P 500 made up approximately 25% of the index.

Mr. Hole asked if they would consider non-weighted indexes. Mr. Schmid said they could look at this. He stated that equal weighted S&P indexes, mid-cap names were put on equal standing with large caps.

Chair Dew asked Mr. Schmid to make a recommendation regarding utilizing InTech and PIMCO as a funding source for reallocating to performance funds or index funds.

Mr. Cameron pointed out that over the last three or four years, there had been many positive quarters; if they had been in all indexed large-cap funds and they experienced negative quarters for the next three or four years, there would be no chance to make money. He said it was more important to have managers during the down times, when he hoped they could make money. Chair Dew said this was the reason they had bonds; they were a safety net.

Mr. Schmid said in September they would revisit the active versus indexed presentation and compare a portfolio invested in all indexed large cap and the current hybrid. Chair Dew said he also wanted Mr. Schmid's recommendation in September.

Mr. Rudominer asked if they were due for rebalancing. Mr. Schmid stated there was no glaring cash need right now, but they would need cash in a month, and he was inclined to take some from equities now. He agreed they could take some funds from PIMCO as well. Mr. Bayne questioned the timing, considering their losses. Chair Dew wondered if they would ever recover their losses from PIMCO and perhaps they should just cut their losses. Mr. Schmid reminded the Board that in 2012 PIMCO had been the biggest contributor in the black but this year had been a struggle because of how they were positioned. He did not believe losses in PIMCO in the last quarter were permanent. Mr. Schmid agreed to reducing the overall concentration in PIMCO, but said his bigger concern was their over-weights in the equity market. He wanted to continue to book the gains if possible and not subject the portfolio to reversal like they had seen in May and June.

Mr. Schmid explained that regarding fixed income, it was a frustrating time to be invested in bonds based on the fact that at a certain point they would have negative total returns like they had seen this quarter. He felt the magnitude of the negative returns was manageable compared to the opportunity for the negative returns that could come from equity reversal. With the current valuations, he could not see a compelling case to reduce bonds and lean more toward equities and increased risk. Mr. Schmid said they would continue to seek opportunities within fixed income to reduce risk there and focus the rebalancing on using the proceeds to raise cash for payment needs as opposed to putting the proceeds into the bond market. He felt bonds still had a role in the portfolio. He said if they invested less in bonds that would mean transitioning out of a fairly quantifiable interest rate risk into something he felt was a higher and less predictable risk. He was going to continue to seek opportunities to de-risk the fixed income portfolio.

Mr. Rudominer asked about ways to offset the risk. Mr. Schmid said there were things they were considering, but they did not have a high comfort level as yet. He did not want to move from an understandable, known risk to a new risk that might have unintended consequences.

Regarding Sawgrass, Mr. Schmid explained their bond portfolios used more and more floating rate securities, things with low interest rate risk that could benefit from a rising interest rate environment. He said the market for floating rate debt was still generally shallow. Mr. Schmid said so far nothing met their criteria to reduce interest rate risk and reduce overall risk to the portfolio.

COMMUNICATION DIRECTOR'S REPORT:
Chair Dew was concerned about the content of a newsletter from Commissioner Trantalis to his constituents in which he had made incorrect comments regarding the pension plan. Chair Dew wished to send a letter to Commissioner Trantalis regarding the misinformation and another letter to the homeowners associations to whom the newsletter had been mailed indicating that the information provided in the newsletter had been incorrect, specifically that police officers did not make $100,000 per year and their pensions did not cost the City $40,000 per year per officer. Chair Dew wanted correct information to be distributed. He stated the average cost was 20.4% of total payroll.

The Board had consensus for Chair Dew to disseminate the letters.

Chair Dew informed the Board that Mr. Nesbitt had worked with a Jacksonville Florida Times Union reporter regarding an article on the true costs of pensions. The resulting article was included in the Board's package.

ADMINISTRATOR'S REPORT:
GERS Prior Service: Update
Ms. Wenguer stated they had sorted the members into different categories and determined where the members' contributions were, whether they had stayed in GERS or been refunded. They had determined there were six categories, and the Board attorneys had prepared an opinion for each category.

Ms. Wenguer explained that the first category were people who had GERS service and received credit. Most of these people transferred to P&F prior to 2005. The second category was people who had contributed but had not been given credit for the time, based on what was discussed in 2005. The third category was people who had GERS service, but the contributions were never transferred over because they were prior to 2000, per an agreement made prior to the beginning of the plan. The fourth category was people who had GERS service and had been given the opportunity to transfer service credit or to take their money back and had elected to take their money back, after signing a release. The fifth category were people who had elected to keep the money in the pension and get credit for the time, but at some point after 2007 they had been told that they would not get credit and they had then decided to take the refund.

Ms. Wenguer said Mr. Cypen's opinion for the fifth category was, "The individual should be given an opportunity to repay his employee contributions with interest at the plan's assumed rate of return to the plan. Our recommendation is the individual be allowed up to 90 days prior to retirement to repay the amount due."

Ms. Wenguer continued that the sixth category was people who had been in GERS and received a contribution at the time of transfer because they had been told there was no other option. There were also people who had never been in GERS because it had been closed after 2007; they could not receive service credit for time because they had never been in GERS. Ms. Wenguer confirmed all of the affected retirees had been identified.

Mr. Cypen stated it was up to the Board to determine what was fair. Mr. Bayne wondered if 90 days was sufficient time to make the calculations and add it in. Ms. Wenguer stated they knew what the contributions should have been. Ms. Cintron stated the interest would be a flat 7.5% based on the rate of return.

Ms. Wenguer informed Mr. Hole that the changes on page 74 were consistent; Milliman would change the software to include the calculations. The fee would be $11,000 for the GERS.

Mr. Cypen advised the Board to examine the items carefully to be sure they were reasonable; the Board could change them if they wished. Chair Dew was satisfied. Ms. Wenguer estimated the longest term was nine years, but she added that people were not required to buy all of it back.

Chair Dew stated they still wanted the funds back from General Employees, and Ms. Wenguer stated General Employees had "really, not good record-keeping at all, so they haven't been very helpful in finding contributions from prior time." Ms. Wenguer said they generally had copies of refund checks but transfers were much more difficult to trace.

Kim DeCristofalo said she did not understand the buyback and asked if records had not been kept. Ms. Wenguer said there was no problem for people who had never received a refund.

Mr. Naugle suggested holding a workshop to explain how this would work. Ms. Wenguer planned to send memos to the affected parties and she would answer questions individually.

Motion made by Mr. Bayne, seconded by Mr. Naugle, to accept the memorandum with two additions: 1) It is not mandatory to purchase all time; it may be purchased all or in part and 2) That in individual cases of hardship, the administrator could present these to the Board for relief. In a voice vote, motion passed unanimously.

COLA Review: Discussion
Ms. Wenguer apologized to retirees who had not received the newsletter. She noted they had not received very many back and none had been returned as undeliverable.

Chair Dew reported the Retirees' Association had made a public records request for contact information on the retirees from the Board and he thought they were entitled to it, since the information would not be made public. Mr. Cypen and Ms. Wenguer said the retirees were not entitled to it according to Florida Statues.

IRS 415 limits: Update
Mr. Cypen reported they had retained Mr. Friedman at Holland and Knight, their tax expert, to respond to the IRS 415 limits issue. He said the IRS had recently "done a 180 and now it's in flux as to how it's going to work." The answer would therefore be delayed.

Milliman Software Changes: Estimate
Ms. Wenguer stated one item included in the quote was to include the GERS as part of the computation in the software. The second issue was for the change of the plan year. She had been surprised about the cost to change the plan year and explained that now that the system was in use was difficult to change. The cost would be $23,000 to change the plan year and $11,000 for GERS service. Chair Dew thought that one of the selling points of the software was that they would be able to make certain adjustments on their own but Ms. Wenguer explained that these were programming changes that only Milliman could do.

Ms. Wenguer stated Assistant City Attorney Dunckel had said that when reading the plan year end for the DROP, it stated the plan year was defined as 1/1-12/31. He asked if the Board wanted to change that, and Ms. Wenguer had assumed that the Board wanted to change everything to a 9/30 year end. She advised it would be too confusing to have two different year ends.

Mr. Bayne asked how changing year end would affect members who had left their money in the plan after separation. Ms. Wenguer said the plan specified that the retirees would get whatever the plan year return was. She remarked that this would only affect three people.

Mr. Hole asked about the SHARE money and Ms. Wenguer replied that this was done on a quarterly basis and this would not have a big effect on it.

Ms. Wenguer reported Mr. Dunckel had recommended not changing the plan year for DROP earnings.

Chair Dew suggested keeping the current plan year for the DROP. Ms. Wenguer agreed to maintain it until the amendment happened in a few months.

Funding Policy: Discussion
Mr. Hole said this was a written policy describing the reasons and considerations for their investment decisions. He stated the GFOA recommended having a policy. It would require input from Mr. Cypen and Mr. Schmid. Mr. Rudominer felt the distinction was that “an investment policy is: we're trying to make 7 ½ %; funding policy is: we want to be 90% funded.” Mr. Hole said the funding policy also includes how they arrived at the 7 1/2%.

Mr. Schmid agreed there was a difference between investment policy and funding policy. He said the Board's input on funding policy had been primarily actuarial in nature. Mr. Schmid said they needed to provide some input regarding returns and return assumptions. He thought the policy was mostly geared toward how they chose the actuarial rate of return; their general goals in terms of funding the plan; how they calculated liabilities and how they were contributing. Since it was primarily actuarial, it was mostly outside the Board's purview. Mr. Hole agreed that the policy would describe why they made certain choices and how their choices would help the plan. It would also discuss the discount rate, how things were reviewed; cost methods and how they arrived at market value. Mr. Hole had seen a number of funding policies and noted that they were very similar. He stated the input from the actuary consisted of items that were included in his report.

Mr. Cypen stated he knew of no other plans in Florida that had a funding policy and it was not required by the State.

Chair Dew liked the idea, but wanted to ensure that there would be no conflict with their policy when they wanted to take an action. Mr. Hole stated he saw this as something that was defendable. Chair Dew worried about limiting the capabilities of their performance manager.

Mr. Hole explained that this would include what happened when they reached 100% funding or were overfunded. Most of the policy would be generated by the cost method.

Mr. Hole recalled that he had distributed this to Board members a few months ago for their input. They needed to decide whether or not to adopt it, and to give it to the actuary and Mr. Cypen for their input.

Chair Dew recommended sending this to the actuary and asking him if there would be a cost. Mr. Rudominer suggested asking the actuary's opinion on funding policies in general first. Chair Dew suggested Mr. Hole call the actuary to discuss it and Mr. Hole agreed.

PENDING ITEMS:
New Business: Employee handbook
Ms. Cintron had distributed copies of the employee handbook and said they had made no changes yet. Chair Dew said he had noticed some items that caused him concern but he wanted input from Human Resources. Specifically, the handbook lacked corrective measures regarding performance, and an appeal process for evaluations. Chair Dew felt the Chair should be involved in corrective measures to avoid bias. He acknowledged that Human Resources was already extremely overworked and that the handbook had originally been distributed to Board

members in March. There had been a significant delay, but he guaranteed that it would be done within the next couple of months.

Old Business: Schedule A - No discussion.

Northern Trust Presentation:
Mr. Hole recalled they had requested a presentation from Northern Trust. Ms. Wenguer explained that she had not heard from the person who had taken over their account as she was on personal leave.

GTS:
Ms. Wenguer had spoken with Steve Malinowski, who had asked to postpone attending their meeting until September.

Other Items:
February Investment Workshop:
Chair Dew asked if they would hold the workshop in February and Ms. Wenguer confirmed they would. Ms. Wenguer did not want to change the timing and stated the investment managers liked the timing because it was very convenient for them.

Retirement Seminar:
Ms. Wenguer announced the seminar would be held on September 26 and 27. Chair Dew asked Board members to put in an appearance and be introduced to members.

FOR YOUR INFORMATION:
BNY Convergx: Recapture Summary / June, 2013
Knight: Recapture Summary / June, 2013

There being no further business to come before the Board at this time, the meeting was adjourned at 2:45 p.m.

[Minutes prepared by J. Opperlee, Prototype, Inc.]

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