Fort Myers General Employees Pension Board

Quarterly Board Meeting Minutes
March 15, 2011
Fourth Floor Conference Room
2200 Second Street
Fort Myers, Florida

PRESENT: Cecile Mazzio, Chairperson; Leif Lustig, Vice-Chairperson; Donna Lovejoy, Secretary; Barbara Carlson, Board Member; Richard Griep, Board Member; Thomas O'Malley, Board Member; Eloise Pennington, Board Member; Debra Emerson, Pension Manager. Guests: Tim Nash, Bogdahn Consulting; Mike Seagle; Aurelio Gongora; Jodi Pendergrass

ABSENT: None

The Fort Myers General Employees Pension Board Meeting was called to order at 9:00 O'clock A.M.

Item I – Approval of Minutes

Ms. Carlson stated that "Carlson" should be changed to "Lovejoy" on page 8, paragraph 4 of the February 16, 2011 meeting minutes.

Mr. Griep motioned to approve the February 16, 2011 meeting minutes as amended, seconded by Mr. Lustig, and unanimously approved by the Board.

Item II – Investment Report ~ Tim Nash

Mr. Nash reviewed the Bogdahn Group Quarterly Review Report for the third quarter ending December 31, 2010, which was provided to Board members.

Major Market Index Performance – Page Three. International stocks were up 6.7% for the quarter with emerging markets up 7.4%. The S&P 500 was up 10.8% for the quarter. Russell MidCap and Russell 2000 were up 13.1% and 16.3% respectively. The Barclays US Aggregate for the quarter was down 1.3%. Bonds were up approximately .5% in January.

Domestic Equity Style Index Performance – Page Four. The fourth quarter favored growth-style equity investments over value. Its style-based performance was driven by the growth index's larger allocations to the strong performing industrial and consumer discretionary sectors.

GICS Sector Performance & Quarter-End Sector Weight – Page Five. Provides the index weights for difference sectors of the Russell 1000, which represents large cap stocks and the Russell 2000, which represents small and mid cap. Energy was at 11.7% of the Russell 1000 and basic material 4.2%; these were two of the best performers. Energy stocks were up 21.9% for the quarter and 21.4% for the year. The materials sector was up 19.2% for the quarter and 24.3% for the year. Large cap stock performance was positive across the various global industry classification standard sectors for the quarter. Small cap stock performance was strong during the fourth quarter. Mr. Lustig questioned what is covered under consumer discretionary. Mr. Nash stated it includes companies such as Best Buy. This sector has started to improve.

Top 10 Index Weights & 4th Qtr Performance for Russell 1000/2000 – Page Six. The far left column provides information for the large cap Russell 1000 and the right provides information for the small and mid cap Russell 2000. The top 10 weighted stocks in the Russell 1000 include: Exxon Mobil, Apple, Microsoft, IBM, Proctor and Gamble, General Electric, Johnson & Johnson, Chevron Corporation, AT&T, and Jpmorgan Chase & Co. Three out of the top ten worst performers were in the healthcare sector.

U.S. Dollar International Index Attribution & Country Detail – Page Eight. The blue section shows the EAFE index, which includes developed countries and the red section shows the ACWI x US, which includes developing countries. Japan is almost one quarter of the EAFE index. Its stock market was down approximately 15% over the last couple of days. Although tragic, the investment managers are considering possible positive outcomes. Rebuilding will take place in the town affected by the tsunami, which was primarily agricultural. Mr. O'Malley questioned the energy gains in the report. Mr. Nash stated that oil has declined. Mr. O'Malley stated that energy stocks are at the top and questioned if this would be affected next quarter. Mr. Nash stated the journals indicate that many of the hedge funds are buying Japanese stock.

Domestic Credit Sector & Broad Market Maturity Performance – Page Nine.
Highest quality bonds are AAA and no one wanted them during the quarter. AAA's were down 2.4%. Junk bonds, <BBB, were up 3.1% for the quarter and one of the best performing asset classes at 15.2% for the year. It has been this way for the last two years with the exception of June 2010.

Historical Annualized Performance Over Various Investor Holding Periods – Page Eleven. Each square that runs along the diagonal represents one year of performance for each calendar year from 1926 to 2010. The color shows the frequency of occurrence that is present during the timeframe. The table at the bottom is the S&P 500 range of returns. The red color represents any period of time where the S&P 500 was down negative 5.0% or more; the return would have to be 0% to -5.0%. The shaded green represents all of the times that the S&P 500 was 0% to 5%, 5% to 8%, 8% to 12%, and the darkest green greater than 12%.

Most of the time, even in considering the individual calendar years, there is not a lot of red or pink indicating that the stock market is positive during those times. It is greater than 8.0% a lot of the time. This primarily focuses on pension plans, which have an infinite timeframe. The boxes indicate that there are no losses in a rolling 20 year time period as long as the money can be invested long enough. Most fall under the darker shades of green, which indicates 8% to 12% and greater than 12%. Returns of 8% to 12% were achieved 50.75% of the time and greater than 12% was achieved 34.58% of the time. The periods of time after the red tend to be the darkest green, over 12%. If this trend continues, the returns should be strong, over 12%, moving forward.

Total Fund Composite – Page Thirteen. The total fund portfolio as of December 31, 2010 was $66,579,360, an increase from $63,028,987 in September 30, 2010. At the close of the quarter, Domestic Equity was at a 44.4% allocation, International Equity 12.6%, Domestic Fixed Income 34.6%, Real Estate 3.7%, and Cash Equivalent 4.7%.

Comparative Performance Trailing Returns – Page Nineteen/Twenty/Twenty-One. The total fund composite (gross) was 6.22% with the total fund policy at 6.86%. The total fund median for all public plans was 6.20%. Domestic Equity, which is the combination of the two value and growth funds, was 11.68%. This is slightly better than the Russell 3000, which was 11.59%. The value fund performed well. Manning & Napier was at 12.57% versus its 10.92% index. Moody Aldrich also performed very well at 13.75% versus the 10.92% index.

Atalanta Sosnoff earned 9.98% versus the 11.83% index for the quarter; the firm has been struggling. Healthcare has been a less favorable sector and Atalanta holds healthcare stock. Lateef was at 10.4% versus its 11.83% index. Polaris performed very well at 9.69% versus the 6.65% EAFE index, which places it in the top 7th percentile. The one-year returns were favorable for Fort Myers' portfolio at 18.64% versus the 8.21% index.

Every equity fund in Fort Myers' portfolio achieved double digits returns for the year. The value funds were at 17.72%, growth 16.76%, and international 18.64%. Bonds were down for the quarter at -0.54% versus the -0.59% index. Fort Myers has a core bond portfolio and treasury inflation protection security, which was slightly negative at -0.04% for the quarter. Morgan Stanley Real Estate had a nice rate of return for the quarter at 4.79%. Bogdahn's expectation is to collect the coupon out of real estate at a 6% to 8% target however Morgan Stanley was up 15.15% for the year. It has been one of the stronger performers.

Ms. Mazzio questioned if Atalanta Sosnoff will change its strategy as a result of the decline in healthcare industry returns. Mr. Nash stated that Atalanta Sosnoff believes all stocks in the healthcare industry are down because of a fear about a paramount of resistance. Ms. Mazzio questioned if Atalanta Sosnoff managers will sell if they realize that the expected returns may be unachievable because the healthcare industry has been unfavorable for such a long period of time. Mr. Nash agreed.

Compliance Checklist as of 12/31/2010 – Page Forty-Three. It is noted under the Total Fund Compliance section that the Total Plan return has not met its goal of being equal to or exceeding the 8.5% actuarial earnings assumption over the trailing three and five year periods. No plan has done so in the public sample.

Total domestic equity returns have not ranked within the top 40^{th} percentile of its peer group over the trailing three and five year period. As reported, Bogdahn made changes however the three and five year numbers still reflect the performance of CMA and the other changed managers. It is hopeful that the new managers will continue to perform well and subsequently the rankings will improve.

Mr. Nash stated that he has no recommendations for change. Next quarter he will bring an updated Investment Policy Statement to ensure that the benchmarks are accurate and addendums included for the Board's review. The foreign securities definition is being changed to reflect the State of Florida's definition, which states that foreign securities are those not organized under the laws of the United States or territory of the United States or District of Columbia. This is relevant because some of the names in the domestic indices such as the Russell 1000 and S&P 500 hold companies that have not been organized under the laws of the United States such as Carnival Cruise Line. Even though it operates in the United States it is registered elsewhere. The managers are going under the assumption that these types of stocks can be considered domestic because they are in the index.

Mr. Christiansen stated that the definition is based on 175/185 Plans. The most liberal language is included in Fort Myers' plan placing no limitation on foreign. Mr. Nash stated that the new language would allow each domestic manager 10% in foreign should one of the names be bought that are technically in this category.

Mr. Nash reviewed the *Asset Allocation and Performance as of February 28, 2011*, which was provided to Board members.

The market has been strong from December 2010 to the end of February 2011. Fort Myers earned another 3.2% quarter-to-date and the total plan return net of fees from October 2010 to February 2011 was $9.49%. It has decreased slightly and is now approximately 9%. Hopefully the favorable returns will continue so that this can be added to the smoothing average in the actuarial report.

Item III – Attorney Report ~ Scott Christiansen

Trustee Terms

Mr. Christiansen stated that according to his notes, the terms of Ms. Lovejoy and Ms. Carlson are concluding in the near future. Ms. Emerson stated that this was taken care of at the previous meeting. Mr. Christiansen questioned whether Ms. Carlson is union appointed; Ms. Emerson agreed. Mr. Christiansen questioned whether Ms. Carlson was officially re-appointed for three years because there was no reference in the minutes; Board members agreed. Mr. Christiansen stated that the reappointment must be recorded in the minutes.

Mr. Christiansen stated that he also has Ms. Lovejoy’s term concluding as of April 30, 2011; she occupies an elected position. Ms. Lovejoy stated she believes she has one more year. Ms. Emerson stated that she will confirm. Mr. Lustig stated his documentation indicates that Ms. Lovejoy’s term concludes November 16, 2011. Mr. Christiansen responded that he has April 30, 2011 as the end of her term. Ms. Lovejoy stated that the November 16, 2011 date is when she took office therefore she must have taken over another trustee’s term. Mr. Christiansen stated that members who begin in the middle of the term will finish it out and then must be re-elected for a full term. Ms. Lovejoy stated that she was elected by the members. Mr. Christiansen confirmed that the terms conclude at different times of the year including: April 30th, March 3rd, and June 20th.

Mr. Griep questioned if the term dates are in the Ordinance. Ms. Emerson responded that they are not however she will verify the dates. Mr. Christiansen stated that all of the terms are for three years with the exception of Mr. O’Malley’s because the Employees’ Association President occupies the pension board seat for as long as he or she is the union president. Ms. Emerson agreed stating that Mr. O’Malley’s position is the only one that is not subject to a three year term. Mr. Christiansen requested a copy of the December 15, 2010 meeting minutes. He thanked Ms. Emerson for sending the meeting agendas and requested that the meeting minutes be sent as well.

Expected Rate of Return Declaration Letter

Mr. Christiansen questioned if Ms. Emerson sent the expected rate of return declaration letter to the State of Florida; Ms. Emerson confirmed.

Records Management Liaison

Mr. Christiansen questioned if all trustees received the Records Management Liaison letter; Ms. Emerson confirmed. He questioned if Fort Myers is still using Marie Adams; Ms. Emerson agreed. Mr. Christiansen stated that nothing further must be done if Ms. Emerson has confirmed that the State already has Ms. Adams as the Records Management Liaison.

Investment Return Assumption

Mr. Christiansen stated that in December, the Board discussed revisiting the possibility of changing the investment return assumption another tenth for the next valuation. Fort Myers reduced it from 8.5% to 8.4% and discussed slowly reducing it a tenth of a percent per year. Ms. Emerson stated that Fort Myers decided to wait. Mr. Griep stated that the Board discussed making the change in June. Mr. Christiansen stated that the next valuation will be September 30th therefore if a reduction is desired Fort Myers should do so before Foster & Foster begins to work on the valuation.

Ms. Mazzio questioned why the Board would change the assumption when it is doing well above that rate. Ms. Lovejoy stated that the question was whether Fort Myers was being slightly too aggressive because it had not reached its assumption for a couple of years. As a result, the decision was made to reduce the assumption in increments to eventually bring it down to 8.0%. Ms. Mazzio questioned whether the Board should make the change. Ms. Carlson stated that it raises the City's contribution and this is not what the Board wants to do right now. Ms. Mazzio and Mr. Lustig agreed.

Ms. Mazzio questioned Mr. Nash's opinion about reducing the assumption. Mr. Nash referred to page twenty-two of the *Investment Performance Review* report stating that the returns gross and net of fees are listed per fiscal year. Last year in 2010 Fort Myers earned 9.18%. Two of the four years in the smoothing average are causing problems. First, Fort Myers was at 25 basis points, which is good in relative terms but very unfavorable compared to 8.5%. The second occurred in 2008 where the return was negative 15.70% when the assumption was 8.5%. The returns prior to that were 15.43%, 8.75%, 13.09%, and 11.89%. Ms. Mazzio stated Mr. Nash has indicated that based on historical data, the trend is for the returns to increase. Ms. Lovejoy stated that the 20 year average supports keeping the assumption. Mr. Nash stated the equity model implies that investors should be able get between an 8.0% to 8.5% return.

Ms. Lovejoy stated that next year the 15.43% will be eliminated from the four year smoothing average, which currently is nearly offsetting the negative 15%. As a result, the average will be negative. No matter how well the return, Fort Myers will still not meet the assumption as the past three year returns used to calculate the average will be negative 15.7%, .25% and 9.18%.

Mr. Christiansen questioned if Fort Myers received a letter from the State of Florida because the police did indicating that the state money will not be provided because the 8.5% return assumption was not met. The State is considering the returns over a short period of time and the pension plan is designed for the long term. The Police Plan is considering a reduction in its assumption to avoid losing the State money. Ms. Emerson stated that she spoke with Mr. Donlan about the issue and he is not concerned. Foster & Foster is going to send a letter. This same letter was sent to approximately 40 other clients and Mr. Donlan responded to the

State that they will maintain their salary and rate of return assumptions and if required to change, they would sue. All agencies then received acceptance letters.

Mr. Christiansen stated that hopefully Fort Myers does not have to go through this; it was an involved process. An administrative hearing would have to be requested and presented in Tallahassee. The State rescinded as a result of a decision made by Charles Slavin who was in charge during that time however he has since retired. The State does not have as much influence with the General Plan as it does with Police and Fire because they receive the state funds.

Ms. Lovejoy stated that if Fort Myers decides to make a change, the assumption should only be reduced to 8.375%. This would show an effort to reduce, however it would involve minimal impact. Mr. Lustig stated that there is not enough evidence to reduce it; Ms. Mazzio agreed. Mr. Nash stated that the return was 9.18% for calendar year 2009/2010, which exceeds the 8.75% assumption. The State of Florida Division of Retirement Services runs their annual report showing all of the pension plans with their corresponding assumptions. Approximately 65% of the pension plans had an 8% assumption. Less than 15% had over 8.25% or greater and a few had lower. Fort Myers may want to consider being slightly more conservative.

Mr. O'Malley questioned whether lowering the assumption will potentially cause layoffs. Ms. Lovejoy stated that it should not affect this. Ms. Carlson stated that the assumption should remain at 8.4%. Mr. Christiansen stated that a timely decision should be made by June if there is any thought about making a change. Ms. Mazzio stated that the assumption was 8.5% for a long time even during some very difficult times. Ms. Emerson stated that it was 8.0% for a long time until the multiplier was changed in 2001.

Mr. Christiansen stated that the increase was used to pay for additional benefits. During that time the returns were favorable therefore the Board decided to use the assumption increase to pay for the benefits. Four years prior to 2008, Fort Myers' returns were way above the assumption. The actuaries at the State of Florida know that the assumption should be based on a long period of time, not looking back over the last 6, 7, 8 years. The average may not meet the assumption however six out of the eight were realized. One extremely unfavorable year resulted in the low average. Ms. Mazzio stated that all investors had an unfavorable year.

Ms. Lovejoy questioned if the four year smoothing is required. Mr. Christiansen stated that it is not. Another method uses the market return however the actuary likely has no plans that use this method. Virtually all of the pension plans that he represents use four or five year smoothing. The problem is that the actuarial value must be within 20% of the market value and if more than 20% is earned, this is the most that can be used in the smoothing calculation.

Legislative Sessions

Mr. Christiansen stated that the Legislative Sessions started Tuesday, March 8, 2011. House Bill 303 was filed, which potentially terminated all DROP Plans, reduced all multipliers to 1.6%, and limited all city required contributions to 15%. The bill did not pass. Since then, Senate Bill 1128 was filed. Another bill, 1130 is for the Florida Retirement System. One of the proposals in this bill is to close the benefits portion in the Florida Retirement System and all new employees would go into an optional defined contribution plan. All of these bills are in committee.

Mr. Christiansen stated every bill that gets pre-filed is assigned to a committee, which can propose amendments to the bill. Some may not go through when finished with the committee. Those that do can be passed by the House, Senate, and Governor to become a law. To his knowledge there is no companion to 1128 in the House.

Mr. Christiansen confirmed that Bill 1128 impacts 175 and 185 pension plans--Police, Fire and General Employees. It proposes to close all defined benefit plans as of July 1, 2011 or pending union agreement. It would be effective for the first agreement negotiated on or after July 1, 2011. Newly hired employees would not be allowed to participate in the defined benefit plan; another program would be provided. In addition, it proposes that the average final compensation definition has to include at least a five year average. Ms. Emerson stated that Fort Myers uses a five year average.

Mr. Christiansen stated that the definition of compensation in 175 and 185 pension plans is proposed as base salary. This did not apply to General Employees. Ms. Emerson confirmed that the General Plan compensation includes all W-2 earnings. Mr. Christiansen stated that the proposed bill will not affect the General Plan based on what was filed. Several different amendments have been proposed, one of which is to eliminate closing the plan. He will continue to monitor the progress. Trustees can monitor on the legislative website, if desired.

Mr. O'Malley questioned if Florida has vesting laws and how employees who are vested and/or close to retirement may be affected. Mr. Christiansen stated that this bill does not take away any benefits for those currently in the pension plan. No new members will enter the pension plan. The State cannot take away what members have already earned however they can reduce what is accrued moving forward. Vesting status will not affect future adjustments.

Item IV – Discuss Airtime Purchase Other than Lump Sum Payment

Mr. Christiansen stated that he drafted the buyback after separation of employment ordinance and forwarded it to the city manager who has decided to delay in presenting to City Council. Mr. Christiansen stated that the trustees do not have any responsibility for benefit changes to the pension plan with the exception of those required by law. This proposal is not required by any law. Once it is sent to the City as a recommendation from this Board and the City chooses not to bring it forward or negotiate, the General Board can do nothing about it. The Board is also not violating any fiduciary responsibility either. The primary responsibility of the trustees is to administer the pension plan that the City adopts.

Currently Fort Myers' pension plan has the "easy payment plan" or option to pay over time through payroll deduction for military and government service buyback. This payment plan is not offered for airtime purchases however he can include the language, if desired. It would be the same as with the others, paid over 60 months. The easy payment plan will not work for a member who purchases after retirement.

Ms. Pennington stated she was disappointed that Fort Myers could not move forward with the ordinance because there was no cost to the City. She questioned if there is any way to move forward. Mr. Christiansen stated that the Board has no authority particularly if the changes are not required by law. Even though there is no cost, it is a benefit for employees. The City has the option to negotiate the benefit. Ms. Lovejoy stated that it would make more sense for the union to negotiate it. If the Board has no ability to bring it forward, that would be the next alternative.

Ms. Carlson questioned if the Union has the authority or right to change something in the pension. Mr. Christiansen stated that the union can negotiate the benefit. In the past, the city and union agreed to changes without collective bargaining. In recent times, cities are opting to negotiate changes to the pension plan. If this is the position that the City is taking, the Board can send the recommendations to both the city manager and the union and Mr. O'Malley can present the issue in negotiations. Mr. O'Malley stated that the negotiations meeting is on March 23, 2011.

Ms. Carlson motioned to direct Scott Christiansen to include the easy payment plan in the airtime provision and resend to the city manager, seconded by Ms. Pennington, and unanimously approved by the Board.

Item V – Additional Business

Retroactive Adjustments to Pension Plans

Mr. Lustig stated he is aware that Mr. Christiansen has indicated that pension plans cannot be adjusted retroactively. He questioned however what it would take for a state or federal agency to do this. Mr. Christiansen stated that Florida case law establishes this. Specifically, it states that once members reach normal retirement age, their benefits cannot change. Mr. Lustig stated that it occurs all of the time in the private sector. Mr. Christiansen stated that the 175/185 Pension Plans include language against making changes retroactively that reduce benefits however 175/185 could get amended.

Mr. Christiansen stated that private sector companies have gone out of business with their pension plans becoming obsolete. However there is an insurance provision in the federal law designed to protect employees if a company goes out of business. The current case law does not allow for making changes for existing retirees. He has not seen anything that proposes this as well. Florida is not close to bankruptcy therefore he does not believe this will occur. Mr. Griep questioned if the current case law would protect a person who reached Rule of 80. Mr. Christiansen agreed stating that only members moving forward would be affected if the multiplier is reduced. Ms. Mazzio stated that the State was contemplating a multiplier reduction to 1.6%. She questioned if this would be applicable to Florida Retirement System members only. Mr. Christiansen stated that House Bill 303 proposed the reduction for all Florida pension plans however it was withdrawn.

Mr. Griep questioned if the bill proposal for 175/185 Pension Plans still exists that will use the insurance premium taxes to pay toward the unfunded liability. Mr. Christiansen stated that this is included in Bill 1128 however it does not affect the General Plan. Mr. Griep questioned if it refers the additional money police and fire receive every year. Ms. Emerson agreed. Mr. Christiansen stated that police and fire would no longer receive the money if the bill passes. The amount is not that significant.

Airtime Purchase Eligibility

Ms. Lovejoy stated that currently airtime exists for employees. She questioned when an employee is considered officially terminated. Ms. Emerson confirmed that employees have until the conclusion of their pay period to purchase airtime because they are still on the books. Mr. Christiansen stated that an individual must be an employee to purchase airtime. Ms. Mazzio confirmed that pension plan members have 30 days to purchase. Mr. Christiansen responded, thirty days after termination and then they have 60 days from receipt of the actual study indicating the amount required.

Ms. Mazzio stated that the response will be minimal because people will not have jobs. Ms. Lovejoy stated some will come up with the money to collect the pension immediately. Ms. Mazzio stated that not all will be able to do this. Mr. Griep agreed stating he sees no value in it if it becomes a negotiating item. Ms. Mazzio stated that the Board is giving members the option to decide. Ms. Mazzio stated that the ordinance will be rewritten. Mr. Christiansen stated that he will add the easy payment plan. Mr. Lustig confirmed that the easy payment plan will be added to the current airtime ordinance, not the proposed.

Airtime Purchase Eligibility

Ms. Pennington questioned if the City Council workshop has occurred for the pension plan review. Ms. Emerson stated that it has not. Ms. Lovejoy stated that the pension review is scheduled to occur at the next meeting. Mr. Christiansen stated cities are waiting to see what happens because the State of Florida is mandating what the cities must do. Ms. Emerson stated that it will not involve an immediate reduction in the cost of the pension. Mr. Christiansen agreed stating ultimately it will be over time; it will cost more in the short term.

Morgan Stanley

Ms. Emerson stated that Morgan Stanley attended the last pension board meeting because the firm has been requested to review the City's three pension plans. Board members questioned who made the request. Ms. Emerson confirmed that City Council made the request however it was more through the Mayor because the public records requests have gone through his office.

Mr. Nash stated that Morgan Stanley did an analysis of the Fort Myers Fire Pension Plan. It did a reasonable job in collecting information however the information presented was incorrect. It was implied that the pension plan fees were substantially more than the actual fees. The wrong columns were added from the Bogdahn report; substantial errors were included about two of the funds. Bogdahn drafted a nine page response to the Board of Trustees and reported it with Morgan Stanley present. Obtaining accurate information is extremely important. Morgan Stanley's findings were overstated by approximately $125,000 to $130,000. Ms. Emerson stated that Morgan Stanley should have the correct data for the General Plan because it has always done public records requests for all of the investment information.

Ms. Emerson confirmed that Morgan Stanley is providing the analysis as a free service. Mr. Christiansen stated that the firm is in competition with Bogdahn. Mr. Nash stated that the firm is being sued for its brokerage consulting model where fees were not appropriately disclosed. Mr. Lustig stated that it all goes back to the City Council not knowing what is going on and it is the pension board's responsibility to provide the information. Mr. Christiansen stated that Mr. Nash can attend the meeting when Morgan Stanley presents its findings. Ms. Mazzio stated that Bogdahn should attend. Mr. Nash acknowledged that he would like to attend to respond because there were glaring errors. He believes Fort Myers has a good transparent program that is easy to follow; Mr. Lustig agreed. Ms. Mazzio requested that Ms. Emerson inform the Board about the meeting date; Ms. Emerson agreed. Mr. Lustig stated that the General Board should get a copy of the report when it is completed. Ms. Emerson stated that it is public record therefore the Board should be able to obtain it.

Mr. Christiansen stated that Morgan Stanley is not confirming whether the actuary is performing his job correctly. Options are being provided to the City. Foster &

Foster does this for cities that it does not represent. Ms. Mazzio stated that the City does not tell the General Board who it can hire. Ms. Lovejoy stated that the City is searching for options to reduce costs so that it can present the findings to the City Council and City Manager. This would provide the City Manager with the tools to negotiate with the Union.

Ms. Mazzio stated that years ago while Mayor Humphrey was in office, the City attempted to get the pension board to change its actuary, attorney and investment manager however the Board did not change. The change from UBS was because of the wrap program. Ms. Emerson stated that the wrap program worked in the beginning because Fort Myers' portfolio previously had mutual funds and it needed to diversify. This was the best form at that time. Mr. Christiansen stated that the City is not considering a change in the administration, it is discussing changing the pension plan.

Mr. Griep questioned if there is a possibility of having two pension plans. Mr. Christiansen stated that he has no firms with two plans. Typically, the unions negotiate changes to the pension plan and all employees are affected including the non-union employees who get the benefit of the changes. It would work the same way if the benefits are reduced. Separate plans could be a possibility however a potential issue could arise if it is based solely on union/non-union membership. Ms. Emerson confirmed that the positions are designated union or non-union based on their job description. Mr. Christiansen stated that the City of Fort Myers currently has three different plans based on the jobs performed. The Florida Retirement System has different benefits for senior management, judges, and teachers. This is all based on different types of job classification. If Fort Myers did this, he prefers to separate it by job classification perspective rather than union/non-union.

Exempt Employee Input

Ms. Carlson questioned if non-exempt members could be included by voting for that portion of the ratification as a separate issue for feedback and merge the vote. She has been to ratification meetings where members are required to vote for all or none. They should be able to vote for each item individually. Ms. Pennington stated that this is in the bi-laws. Ms. Carlson stated that there should be no reason why an exempt employee could not vote. A list of the exempt employees could be kept just as it is done for union members. A ballot could be used solely for exempt employees on the items that affect them such as pension.

Mr. O'Malley stated when the contract is ratified, it is the whole document. Ms. Emerson clarified that Ms. Carlson is speaking about both groups of employees having input through a vote. The consensus would determine the outcome. Ms. Lovejoy stated that the exempt employees have no rights because they are not organized. There would be no benefit other than letting the union know the exempt employees' wishes. Ms. Emerson stated that the union may take the exempt employees into consideration. Ms. Carlson stated this would provide all with a voice. Mr. Lustig agreed stating that the bi-laws should be amended to allow for all to vote on the items affecting them. Mr. O'Malley stated that this would include everything. Whether or not employees are in the union, they will receive a pay increase if the union members do. Ms. Carlson stated the City Manager has indicated that exempt employees can benefit with the union however they must also take the penalties endured as well; it is across the board.

Mr. Griep stated that exempt employees must accept that they are not organized. Mr. Lustig stated that the option would be for exempt employees to have a voice allowing them to vote through the union. Ms. Lovejoy stated that exempt employees are impacted by all union votes. This would provide a voice for the type of benefits received. What might be good for some may not be good for others. Mr. Griep stated that employees can pay dues to belong to the union. Mr. Lustig disagreed stating that traditionally, exempt employees were not allowed to attend the meetings. Ms. Mazzio stated that hopefully the union negotiates what is good for all. Mr. O'Malley agreed stating he will negotiate for the betterment of the whole.

There being no other business to discuss, the meeting adjourned at 11:06 O'clock A.M.