



SUMMARY TO THE BOARD OF TRUSTEES & FIAC SPECIAL MEETING

Friday, January 17, 2020

9:00 A.M.

City of Jacksonville Police and Fire Pension Fund
1 West Adams Street Suite 100, Jacksonville, FL 32202
Richard "Dick" Cohee Board Room

The next regular Board of Trustees meeting will be held February 21, 2020 at 9:00 A.M.

The next regular FIAC meeting will be held February 13, 2020 at 3:30 P.M.

Board of Trustees

Assistant Chief Chris Brown, Chair
Cpt. Michael Lynch
Nawal McDaniel
Richard Patsy

Financial Investment and Advisory Committee

Eric "Brian" Smith Jr., Chair
Craig Lewis Sr., Secretary
Rob Kowkabany
Rodney Van Pelt

Guests

Randy Wyse, JFRD, President IAFF Local 122

Notice

Meeting Agendas and Summaries are available on our website at jaxpfpf.coj.net. For additional meeting documents, please contact Maria Young, Custodian of Public Records for the City of Jacksonville Police and Fire Pension Fund at 904-255-7373 or MariaY@coj.net to file a public records request.

Pursuant to the American with Disabilities Act, accommodations for persons with disabilities are available upon request. Please allow 1-2 business days notification to process; last minute requests will be accepted, but may not be possible to fulfill. Please contact Disabled Services Division at: V(904) 630-4940, TTY-(904) 630-4933, or email your request to KLMcDan@coj.net. If any person decides to appeal any decision made with respect to any matter considered at this public meeting such person will need a record of proceedings, and for such purpose such person may need to ensure that a verbatim record of the proceedings is made at their own expense and that such record includes the testimony and evidence on which the appeal is based. The public meeting may be continued to a date, time, and place to be specified on the record at the meeting. Additional items may be added / changed prior to meeting.

SUMMARY

- I. BOARD OF TRUSTEES CALL TO ORDER
9:02 A.M.

Staff

Timothy H. Johnson, Executive Director – Plan Administrator
Steve Lundy, Deputy Director
Kevin Grant, Finance Manager
Randall Barnes, Fund Treasurer
Jordan Cipriani, RVK, Investment Consultant
Jim Voytko, RVK, Investment Consultant
Lawsikia Hodges, Office of General Counsel
Pete Strong, GRS, Fund Actuary
Bob Sugarman, Fund Counsel (via Webex)

Excused

Willard Payne, Secretary
Aaron Bowman, City Council Liaison

City of Jacksonville Police and Fire Pension Fund
Summary to the Board of Trustees Meeting and FIAC Special Meeting of
Friday, January 17, 2020
9:00 A.M.

II. FIAC CALL TO ORDER

9:02 A.M.

III. Invocation

None

IV. Moment of Silence

Charles N. Baxter, Retired Fire Captain
George W. Freeland IV, Retired Firefighter Engineer
Thomas S. Reinhard, Retired Police Officer
Gary D. Smith, Retired Police Sergeant
David L. Starling, Retired Police Officer

V. Public Speaking

None

VI. Board of Trustees Election of Officers

a. Chair

Richard Patsy made a motion to nominate Chris Brown as Board of Trustees Chair for 2020. Seconded by Nawal McDaniel. The vote passed unanimously.

b. Secretary

Richard Patsy made a motion to nominate Nawal McDaniel as Board of Trustees Secretary for 2020. Seconded by Michael Lynch. The vote passed unanimously.

VII. FIAC Election of Officers

a. Chair

Rodney Van Pelt made a motion to nominate Brian Smith as FIAC Chair for 2020. Seconded by Rob Kowkabany. The vote passed unanimously.

a. Secretary

Rob Kowkabany made a motion to nominate Rodney Van Pelt as FIAC Secretary for 2020. Seconded Craig Lewis. The vote passed unanimously.

VIII. FIAC Meeting Summary

a. December 13, 2019 Meeting Summary

Rodney Van Pelt made a motion to approve the FIAC Meeting Summary. Seconded Rob Kowkabany. The vote passed unanimously.

City of Jacksonville Police and Fire Pension Fund
 Summary to the Board of Trustees Meeting and FIAC Special Meeting of
 Friday, January 17, 2020
 9:00 A.M.

IX. Consent Agenda Items 2020-01-(01-12)CA

Nawal McDaniel made a motion to approve the Consent Agenda. Seconded by Richard Patsy. The vote passed unanimously.

2020-01-01CA Meeting Summaries to be Approved

1. Summary to the Regular Board of Trustees Meeting of Friday, December 20, 2019

2020-01-02CA Disbursements

The listed expenditures in DISBURSEMENTS A & B have been reviewed and deemed payable. The Police and Fire Pension Fund Finance Manager certifies that they are proper and in compliance with the appropriated budget. Transaction lists attached.

DISBURSEMENTS A

12-01-2019 thru 12-31-2019

(None)

DISBURSEMENTS B

12-01-2019 thru 12-31-2019

- | | | |
|-----------------------------------|----|-----------|
| 1. Accounts Payable Distributions | \$ | 29,451.50 |
| 2. Accounts Receivables | \$ | 27,175.74 |

2020-01-03CA Pension Distributions

All calculation and dollar amounts have been reviewed and calculated in accordance with accepted procedures.

December 13, 2019

- | | | |
|-----------------------|-----------|----------------------|
| 1. Regular Gross | \$ | 8,448,568.69 |
| 2. Regular Lumpsum | \$ | 28,694.18 |
| 3. Regular Rollover | \$ | 0.00 |
| 4. Regular DROP Gross | \$ | 1,271,407.40 |
| 5. DROP Lumpsum | \$ | 77,722.54 |
| 6. DROP Rollover | \$ | 244,610.37 |
| Total | \$ | 10,071,003.18 |

December 27, 2019

- | | | |
|-----------------------|----|--------------|
| 1. Regular Gross | \$ | 6,092,571.59 |
| 2. Regular Lumpsum | \$ | 0.00 |
| 3. Regular Rollover | \$ | 0.00 |
| 4. Regular DROP Gross | \$ | 1,271,017.81 |
| 5. DROP Lumpsum | \$ | 0.00 |
| 6. DROP Rollover | \$ | 0.00 |

City of Jacksonville Police and Fire Pension Fund
Summary to the Board of Trustees Meeting and FIAC Special Meeting of
Friday, January 17, 2020
9:00 A.M.

Total \$ 7,363,589.40

The following Consent Agenda items 2020-01-(04-07CA) were verified with supporting documentation and approved at the Advisory Committee meeting held on January 8, 2020. Vote was unanimous. Meeting Summary attached.

[2020-01-04CA](#)

Application for Membership (*see 101.102(e)(1)(A)*)

[2020-01-05CA](#)

Application for Survivor Benefits

[2020-01-06CA](#)

Application for Child's Benefit

[2020-01-07CA](#)

Application for Time Service Connections

The following Consent Agenda items 2020-01-(08-11CA) were verified with supporting documentation and received as information at the Advisory Committee meeting held on January 8, 2020. Meeting Summary attached.

[2020-01-08CA](#)

Refund of Pension Contributions

[2020-01-09CA](#)

DROP Participant Termination of Employment

[2020-01-10CA](#)

DROP Distributions

[2020-01-11CA](#)

DROP Distributions for Survivors

[2020-01-12CA](#)

Educational Opportunities

1. Bi-Monthly Ethics Training for Boards & Commissions – COJ – ***Tentative Dates***
February 6, 2020 – 12PM – 1PM – Lynwood Roberts Room, City Hall, First Floor
April 2, 2020 – 12PM – 1PM – Lynwood Roberts Room, City Hall, First Floor
June 4, 2020 – 12PM – 1PM – Lynwood Roberts Room, City Hall, First Floor
October 1, 2020 – 12PM – 1PM – Lynwood Roberts Room, City Hall, First Floor

City of Jacksonville Police and Fire Pension Fund
Summary to the Board of Trustees Meeting and FIAC Special Meeting of
Friday, January 17, 2020
9:00 A.M.

December 3, 2020 – 12PM – 1PM – Lynwood Roberts Room, City Hall, First Floor

(RSVP with Kirby Oberdorfer at koberdorfer@coj.net or 904-630-4747)

X. Executive Director's Report

Timothy Johnson

Timothy Johnson updated the Board of Trustees and FIAC on his Executive Director's Report. The Advisory Committee held a hearing for JSO Officer Jason Weathington who applied for a disability pension. The committee recommends the Board of Trustees reject his application. The next step is to schedule a hearing with the Board of Trustees. We anticipate to hold the hearing on February 21 – we are scheduling with Mr. Weathington's counsel.

Timothy Johnson said he met with Trustee Michael Lynch and Lawsikia Hodges to discuss items on the 2020 Performance Plan, and carryovers from previous years. Expected accomplishment dates have been set.

Timothy Johnson said the external audit performed by CRI is still underway, and is finishing up. It is expected to be complete in February. A joint Board-FIAC meeting should be considered to hear the audit at the same time.

Timothy Johnson said that Erwin Lax is still interested in serving on the FIAC, if he is nominated. If approved by the FIAC and Board, legislation would be prepared for City Council to approve.

Steve Lundy updated the Board of Trustees on the Share Plan (handout). The Share Plan process has been completed for Fiscal Year 2019 and was finished earlier this week. The unions did not allocate any Chapter Funds to the Share Plan for FY2019, so the only change to the Share Plan is reflected in interest and the 'termination distribution'. Share Plan balances of members who terminate prior to Share Plan distribution eligibility are redistributed among everyone else in the Share Plan. Interest for 2019 was 3%, equal to the rate of return of the Fund. The maximum possible Share Plan balance is now \$5,738.10, and this is the balance of members who were employed on or before October 1, 2014.

XI. Counsel Reports

Lawsikia Hodges & Bob Sugarman

Lawsikia Hodges said she would work with Timothy Johnson to file the Terry Woods resolution. If approved by City Council in ministerial fashion, it would be done by the end of February.

Lawsikia Hodges said OGC did a great job representing the Advisory Committee on the Weathington disability hearing. The Advisory Committee recommends denial. The next hearing would go to the Board of Trustees in February if everyone's schedule works.

Bob Sugarman encouraged all the Trustees to be present at the February meeting for the hearing. The full Board of Trustees should be offered to the member to consider the Advisory Committee's recommendation.

City of Jacksonville Police and Fire Pension Fund
Summary to the Board of Trustees Meeting and FIAC Special Meeting of
Friday, January 17, 2020
9:00 A.M.

Michael Lynch said that considering the 6-week legislative process with City Council, Terry Wood will not be confirmed before the February 21 Board meeting. This means a postponement until March.

Lawsikia Hodges said we could ask for a one-cycle emergency.

Michael Lynch said the Board of Trustees voted to appoint Terry Wood in December, and the ball was in OGC's court to write legislation. He asked how long it will take to get done.

Lawsikia Hodges said the process is that Timothy Johnson writes a letter to the Council President, then, the Council-assigned attorney drafts the legislation.

Chris Brown said the Board of Trustees voted on this in December and asked what steps have been taken to approve Terry Wood.

Timothy Johnson apologized and said no steps have been taken, and that he did not know the full procedure.

Chris Brown said there has been some confusion on the process, and asked counsel to ensure that the Executive Director is briefed on the legislative process.

Michael Lynch said that if the full Board of Trustees is not present, then this presents an opportunity for a tie vote.

Bob Sugarman agreed and said that the potential for a tie risks having to hold a hearing all over again, and costs a lot of time invested by lawyers.

Chris Brown said he does not want to risk that happening. He said he recommends moving the hearing to March. He asked the Executive Director and OGC to make sure all steps are taken to have the Fifth Member, Terry Wood, in place as Trustee before the hearing.

Lawsikia Hodges said that because this is just 'ministerial approval', she does not expect any angst from City Council over filing this as an emergency.

Chris Brown asked that we file this as an emergency.

Brian Smith asked if the approval process of a new FIAC member is the same. The FIAC plans to nominate someone for the vacancy in today's 'New Business'. He asked if the FIAC could piggyback on the Fifth Member approval.

Lawsikia Hodges said the FIAC process is a nomination by City Council, and would not recommend an emergency cycle.

XII. Actuary Reports

a. Actuarial Valuation Report as of October 1, 2019 – Draft

Pete Strong presented his Draft Actuarial Valuation Report as of October 1, 2019 of the PFPF as attached. He covered the following topics and made the following points:

- The contribution is up by \$8 million for this year; Covered Payroll is higher; three large salary increases are behind us; retirements were lower than expected.
- Normal cost is expected to drop off in a few years

City of Jacksonville Police and Fire Pension Fund
Summary to the Board of Trustees Meeting and FIAC Special Meeting of
Friday, January 17, 2020
9:00 A.M.

- The only revision in benefits was due to the DOJ settlement: the total impact on liability is about \$2.7 million.
- There were no revisions to assumptions, however an experience study is recommended.
- There was a net experience loss of \$34 million, a majority of which was due to the surtax allocation shift. The GEPP lowered their assumed rate of return, which increased its unfunded liability, which increased its share of the surtax proceeds, and decreased that of the PFPF's.
- There was an experience loss on the demographic side: people outlived the mortality assumption, and salary increases were greater than expected. Overall, this increased the City Contribution by \$2.3-2.4 million.

Michael Lynch asked if members who defer retirement would increase normal cost.

Pete Strong said that as long as pay increases don't increase at the rate they have recently, from 3-4% per year, then fewer retirements than expected means members will be retired for a shorter time than expected, which would actually be a gain to the plan.

Pete Strong described the analysis of the employer contribution, and the amortization payment on the unfunded liability. The funded ratio is expected to remain flat until the receipt of surtax proceeds begins.

Pete Strong discussed market value experience. Market value smoothing has helped to mitigate volatility.

Randall Barnes said the same technique is used for the GEPP. In good years, you don't take full credit for the market gains. This smooths things out.

Pete Strong described the pension liability surtax and its growth rate assumptions.

Richard Patsy asked about the surtax growth rate, versus actual experience, and its effect.

Pete Strong said the higher growth than expected was good, but the reallocation between the City's three plans was net-negative for the PFPF.

Jim Voytko said that an Asset-Liability study would be appropriate at some point in the future, given the unusual contribution policy, and the surtax's variable quality.

Randall Barnes said that the assumed surtax growth rate is 4.25%, and set annually by City Council following a review. It is not set in stone forever.

Michael Lynch asked about the reasonableness of the City Council's assumption, and if there was a way for the actuary to challenge it if there was a disagreement.

Randall Barnes said not to his knowledge, but everyone has to act with reasonableness. To the extent that the surtax does not perform, the City has to contribute more – and this applies to the GEPP and COPP as well as the PFPF. Whatever administration is in place has an interest to be honest and reasonable.

Pete Strong discussed the original forecast on page 9, and the total present value of the surtax.

Rodney Van Pelt asked if the unfunded changes as the surtax allocation is manipulated between the two plans.

Randall Barnes said the big change is in the different investment return assumptions across the City's plans. Now that the PFPF and the GEPP and COPP are on the same footing, if the investment return is lowered in concert, the allocation would remain level. The benefit is more cash will be put into the PFPF now.

City of Jacksonville Police and Fire Pension Fund
Summary to the Board of Trustees Meeting and FIAC Special Meeting of
Friday, January 17, 2020
9:00 A.M.

Pete Strong said the chart on page 54 was added at the request of City Council, and will be included going forward. This is the deterministic projections assuming all assumptions are met.

Michael Lynch suggested paying off the Better Jacksonville Plan to start the surtax proceeds earlier.

Randall Barnes & Michael Lynch discussed the suggestion of paying off this debt.

Randall Barnes said that looking at the current surtax growth, we feel we may be able to finish the Better Jacksonville Plan a few years early anyway.

Pete Strong discussed the new program he has been developing called GRS Foresight. This can be set up to model the surtax and different scenarios. The expected fee is around \$10-20k.

Chris Brown asked for more specifics to be provided over the next month, and to be considered at the next Board of Trustees meeting.

Pete Strong said he would agree for the cost to not exceed \$15k.

Chris Brown asked Pete Strong to commit that to writing, and the Board will consider it next month.

Pete Strong said the investment return assumption would be discussed in an experience study. He said he would like to request an experience study be performed before the next October 1 valuation.

Chris Brown asked to put that on a future agenda.

Rodney Van Pelt said he thought the experience study was included in the last contract with GRS.

Pete Strong said it was on the contract, but 'expected' to be completed. It is on the contract as a recommendation.

Brian Smith asked for a motion to approve the actuarial valuation.

Rodney Van Pelt made a motion to recommend approval of the actuarial valuation to the Board of Trustees. Seconded by Rob Kowkabany. The vote passed unanimously.

Chris Brown asked for a motion to approve the actuarial valuation.

Richard Patsy made a motion to approve the actuarial valuation. Seconded by Nawal McDaniel. Discussion:

Michael Lynch made the argument for scheduling conversation on lowering the investment return assumption of the plan. He said he wants to set a mechanism so that the rate starts to reduce – maybe by 1/8th percent a year.

The Board of Trustees discussed this, but did not schedule any discussion on lowering the investment return assumption.

Bob Sugarman agreed that this is an important discussion to have at some future meeting, and in advance of the next actuarial valuation's approval. Written recommendations from our actuary, and investment consultant should be received and considered before lowering the assumed rate.

AYES: BROWN, McDANIEL, PATSY

NAYS: LYNCH

City of Jacksonville Police and Fire Pension Fund
Summary to the Board of Trustees Meeting and FIAC Special Meeting of
Friday, January 17, 2020
9:00 A.M.

The vote passed 3-1.

XIII. Investment Consultant Reports

- b. Proposed Rebalance – Annual Advance Payroll Contribution*
- c. 2020 Work Plan and Transition Timeline*

Jordan Cipriani discussed the '2020 Work Plan and Transition Timeline' with the Board of Trustees and FIAC. She covered the following topics were discussed:

- Historical investment performance data has been received as of yesterday, and RVK is working to get authorized with the fund's money managers.
- December's performance has returned 2.73% according to the custodial data.
- The goal is to have final December and January numbers in February.
- Setting expectations with the Board and FIAC – custodial data is not always finalized in time for the monthly FIAC meetings due to it being scheduled early in the month.
- Data is received through the custodian.
- Custodian data is sent to the RVK performance platform.
- If a manager hasn't reported, then the manager would be contacted directly.
- The custodian data is the book of record for the fund.
- Asset Allocation Study & Asset Class Structure and Benchmarking Review – these are useful pieces to have, especially concerning the assumed rate of return. The studies will not tell you what the assumed rate should be. It is a contribution-setting tool. The goal of the assumed rate is to have the actuary express the appropriate path for contributions.

Rodney Van Pelt said that the FIAC wants to do what the Board of Trustees needs. He said he thinks this should be resolved by June or July for the next actuarial valuation. He said he wants to have a commitment to having the assumed rate in the work plan prior to July.

Pete Strong said if it was done in July, we would not have the data through June 30, 2020.

Jordan Cipriani continued discussion of the 2020 Work Plan and Transition Timeline with the Board of Trustees and FIAC. She said the Investment Manager Review & Fee Analysis can become actionable, if a lower fee is available based on asset size, or manager relationship etc...

Jordan Cipriani discussed the 'Proposed Rebalance – Annual Advance Payroll Contribution' with the FIAC and Board of Trustees. The purpose of the memo is to discuss the plan for the allocation of the \$120 million the PFPF received at the end of 2019 from the City of Jacksonville as part of the annual advance payroll contribution. The following points were made and discussed:

- Regarding the allocation, RVK didn't want to depart from the fund's strategic asset allocation.
- RVK does not want to change the capitalization, active – passive mix, or U.S. – International mix.
- The detailed outline begins on page 4 of the memo.
- The proposed allocation is diversified, and split across U.S. and emerging market equities, fixed income, and cash.

City of Jacksonville Police and Fire Pension Fund
Summary to the Board of Trustees Meeting and FIAC Special Meeting of
Friday, January 17, 2020
9:00 A.M.

- Style neutrality is maintained.
- Overweight and underweight managers were discussed.

Richard Patsy asked about the Eaton Vance fund.

Kevin Grant said it is just a residual overnight cash account vehicle at Northern Trust.

Brian Smith asked for a motion to approve RVK's allocation recommendation.

Rob Kowkabany made a motion to recommend approval of the Proposed Rebalance of the Annual Advance Payroll Contribution. Seconded by Rodney Van Pelt. The vote passed unanimously.

Chris Brown asked for a motion to accept the FIAC's recommendation.

Michael Lynch made a motion to accept the FIAC's recommendation to approve the Proposed Rebalance of the Annual Advance Payroll Contribution, and changing the 'Eaton Vance' account to 'Northern Trust Overnight Vehicle'. Seconded by Richard Patsy. The vote passed unanimously.

XIV. Council Liaison Update
None.

XV. Old Business

XVI. Recognition of Trustee Willard Payne Jr. & FIAC Member Craig Lewis Sr.

Chris Brown recognized Willard Payne for his service on the Board of Trustees since 2016. Unfortunately, he is not present at today's meeting. Mr. Payne will step down from the Board at the end of his term.

Brian Smith recognized Craig Lewis, who has served on the FIAC since its inception. He is a valuable member with a wealth of knowledge. He will be stepping down at the end of his term as well.

Craig Lewis thanked Brian Smith for the kind words. He said it has been a privilege to serve on the FIAC, with the Board, and JSO and JFRD. He said he is available to be a resource in the future if ever needed.

Chris Brown thanked Craig Lewis for his service.

Timothy Johnson presented Craig Lewis with an award thanking him for his service on the FIAC.

XVII. New Business

Brian Smith said Erwin Lax attended a recent FIAC meeting, and has lots of experience. Mr. Lax is interested in serving on the FIAC. He said he would accept a motion to nominate him to the FIAC.

City of Jacksonville Police and Fire Pension Fund
Summary to the Board of Trustees Meeting and FIAC Special Meeting of
Friday, January 17, 2020
9:00 A.M.

Rodney Van Pelt made a motion to nominate Erwin Lax to the FIAC. Seconded by Craig Lewis. The vote passed unanimously.

Richard Patsy made a motion to accept the FIAC's recommendation to nominate Erwin Lax to the FIAC. Seconded by Nawal McDaniel. The vote passed unanimously.

Bob Sugarman said that the task of lowering the assumed rate of return should be discussed by the FIAC and Board of Trustees together. If discussed separately, the task could take three to five months.

Chris Brown said it is efficient for the FIAC and Board of Trustees to meet together like today's meeting.

Brian Smith said typically we work through Timothy Johnson to develop a Work Plan for the FIAC. This seems important to the Board of Trustees. He said he assumed it would worked into the Board's Work Plan.

Chris Brown said Brian Smith could add this task to the FIAC's normal business. The FIAC would need to start this process soon. He said the FIAC could make it their next order of business.

Brian Smith said he is onboard for another joint FIAC-Board of Trustees meeting whenever necessary.

XVIII. FIAC Adjournment

10:44 A.M.

XIX. Board of Trustees Adjournment

10:44 A.M.

Summary Approved:

Nawal McDaniel, Secretary
Board of Trustees

Rodney Van Pelt, Secretary
Financial Investment and Advisory Committee

Summary Prepared By:

Steve Lundy, Deputy Director
City of Jacksonville Police and Fire Pension Fund

Posted: 12/27/2019

To be Approved (FIAC): 02/14/2020

To be Approved (Board of Trustees): 02/21/2020