



## SUMMARY TO THE REGULAR BOARD OF TRUSTEES MEETING

Friday, January 20, 2023

9:03 A.M. – 10:08 A.M.

City of Jacksonville Police and Fire Pension Fund  
1 West Adams Street Suite 100, Jacksonville, FL 32202

The next regular Board of Trustees meeting will be held Friday, February 17, 2023 at 9:00 A.M.

### Board of Trustees

Chief Chris Brown, Chair  
Cpt. Michael Lynch  
Terry Wood

### Excused

Nawal McDaniel, Secretary  
Mia Jones

### Fund Staff

Timothy H. Johnson, Executive Director – Plan Administrator  
Steve Lundy, Deputy Director  
Kevin Grant, Finance Manager

### Guests

Paul Barrett, Fund Treasurer  
\*Jordan Cipriani, RVK, Investment Consultant  
Lawsikia Hodges, Office of General Counsel  
\*Spencer Hunter, RVK, Investment Consultant  
Pete Strong, GRS, Fund Actuary  
\*Bob Sugarman, Fund Counsel  
\*Jim Voytko, RVK, Investment Consultant  
Randy White, City Council Liaison  
  
\*Gar Chung, FIN NEWS  
\*Kevin Balaod, with.Intelligence  
\*Brennan Merrell, Treasury

\*Asterisk denotes virtual meeting attendance via the ZOOM application.

### Notice

Meeting Agendas and Summaries are available on our website at [jaxpfpf.coj.net](http://jaxpfpf.coj.net). For additional meeting documents, please contact Steve Lundy, Custodian of Public Records for the City of Jacksonville Police and Fire Pension Fund at 904-255-7373 or [SLundy@coj.net](mailto:SLundy@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. 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.

City of Jacksonville Police and Fire Pension Fund  
Summary to the Regular Board of Trustees Meeting of  
Friday, January 20, 2023  
9:03 A.M. – 10:08 A.M.

Summary

I. Pledge of Allegiance

II. Invocation

Timothy Johnson gave the invocation.

III. Moment of Silence

Mary Bogers, Retired Police Officer  
James E. "Jimmy" Judge, Active Assistant Chief  
Donald Love, Retired Police Officer  
Willie Stephens Jr., Retired Firefighter

IV. Public Speaking

None.

V. Consent Agenda Items 2023-01-(01-10)CA – *Action requested*

*Michael Lynch moved to approve the consent agenda, seconded by Terry Wood. The vote passed unanimously.*

*2023-01-01CA Meeting Summaries to be Approved*

1. Summary to the Board of Trustees Meeting of December 22, 2022

*2023-01-02CA 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**

12-01-2022 thru 12-31-2022

1. SouthState Operational Transfer	\$	175,000.00
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City of Jacksonville Police and Fire Pension Fund  
 Summary to the Regular Board of Trustees Meeting of  
 Friday, January 20, 2023  
 9:03 A.M. – 10:08 A.M.

**Total**                    \$            **175,000.00**

**DISBURSEMENTS B**

12-01-2022 thru 12-31-2022

- |    |                                |    |            |
|----|--------------------------------|----|------------|
| 1. | Accounts Payable Distributions | \$ | 43,804.61  |
| 2. | Accounts Receivables           | \$ | 217,926.29 |

*2023-01-03CA Pension Distributions*

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

**December 9, 2022**

- |              |                    |    |                         |
|--------------|--------------------|----|-------------------------|
| 1.           | Regular Gross      | \$ | 10,069,581.00           |
| 2.           | Regular Lump sum   | \$ | 0.00                    |
| 3.           | Regular Rollover   | \$ | 0.00                    |
| 4.           | Regular DROP Gross | \$ | 1,459,566.06            |
| 5.           | DROP Lump sum      | \$ | 0.00                    |
| 6.           | DROP Rollover      | \$ | 0.00                    |
| <b>Total</b> |                    |    | <b>\$ 11,529,147.06</b> |

**December 23, 2022**

- |              |                    |    |                        |
|--------------|--------------------|----|------------------------|
| 1.           | Regular Gross      | \$ | 7,035,505.78           |
| 2.           | Regular Lump sum   | \$ | 0.00                   |
| 3.           | Regular Rollover   | \$ | 0.00                   |
| 4.           | Regular DROP Gross | \$ | 1,458,484.55           |
| 5.           | DROP Lump sum      | \$ | 0.00                   |
| 6.           | DROP Rollover      | \$ | 0.00                   |
| <b>Total</b> |                    |    | <b>\$ 8,493,990.33</b> |

The following Consent Agenda items 2023-01-(04-06CA) were verified with supporting documentation and approved at the Advisory Committee meeting held on January 10, 2023. Vote was unanimous. Meeting Summary attached.

*2023-01-04CA*

Application for Survivor Benefits

*2023-01-05CA*

Application for Time Service Connections

*2023-01-06CA*

Rescission of DROP Participation

City of Jacksonville Police and Fire Pension Fund  
Summary to the Regular Board of Trustees Meeting of  
Friday, January 20, 2023  
9:03 A.M. – 10:08 A.M.

The following Consent Agenda items 2023-01-(07-10CA) were verified with supporting documentation and received as information at the Advisory Committee meeting held on January 10, 2023. Vote was unanimous. Meeting Summary attached.

[2023-01-07CA](#)

Share Plan Distributions

[2023-01-08CA](#)

DROP Participant Termination of Employment

[2023-01-09CA](#)

DROP Distributions

[2023-01-10CA](#)

DROP Distributions for Survivors

City of Jacksonville Police and Fire Pension Fund  
Summary to the Regular Board of Trustees Meeting of  
Friday, January 20, 2023  
9:03 A.M. – 10:08 A.M.

Michael Lynch moved to defer items VI and VII-b to February, seconded by Terry Wood. The vote passed unanimously.

VI. Officer Elections – action requested

- a. Board Chair
- b. Board Secretary

Deferred.

VII. Executive Director's Report

- a. New PFPF Pay Plan – action requested

Deferred.

- b. 2023 Work Plan

Timothy Johnson discussed the 2023 Work Plan with the Board of Trustees, which embeds goals for 2023 into key dates and deliverables. The Work Plan categorizes responsibilities by either PFPF Staff, Professional Service Providers, FIAC, or Board of Trustees.

Timothy Johnson briefly covered selected goals from the Work Plan, including the Board Rules review, the hiring of a new Building Maintenance Manager, and the forfeiture hearing.

- c. Reappointment of Kendall Park to FIAC – action requested

Terry Wood moved to approve reappointment of Kendall Park and to take the resolution to City Council, seconded by Michael Lynch. The vote passed unanimously.

VIII. Investment Consultant Reports

- a. Monthly Investment Performance Analysis – December 31, 2022

Jordan Cipriani covered the General Market Commentary on page 2:

City of Jacksonville Police and Fire Pension Fund  
Summary to the Regular Board of Trustees Meeting of  
Friday, January 20, 2023  
9:03 A.M. – 10:08 A.M.

- US equity markets declined in December, with most US equity indices posting mid-single digit losses during the month. Developed international equity markets finished the month relatively flat, although emerging markets lagged developed international markets and finished slightly negative.
- Equity markets pulled back primarily due to recession fears and declining economic forecasts, with most experts predicting muted GDP growth in Q4 2022 extending into 2023. Persistent high inflation and geopolitical tension also contributed to the poor equity performance in December.
- At the December 2022 meeting, the Federal Reserve raised interest rates 50 basis point rate to combat the heightened inflation, although the magnitude of this increase was less than the prior four consecutive increases of 75 basis points. The Fed signaled that they expect to keep rates high through 2023 with additional rate hikes, and interest rate reductions are not expected to occur until 2024.
- Equity markets posted mixed returns in December as the S&P 500 (Cap Wtd) Index returned -5.76% and the MSCI EAFE (Net) Index returned 0.08%. Emerging markets returned -1.41%, as measured by the MSCI EM (Net) Index.
- The Bloomberg US Aggregate Bond Index returned -0.45% in December, underperforming the -0.24% return by the Bloomberg US Treasury Intermediate Term Index. International fixed income markets returned 0.25%, as measured by the FTSE Non-US World Gov't Bond Index.
- Public real estate returned -5.14% in December and 3.68% over the trailing five-year period, as measured by the FTSE NAREIT Eq REITs Index (TR).
- The Cambridge US Private Equity Index returned 8.53% for the trailing one-year period and 17.99% for the trailing five-year period ending June 2022.
- Absolute return strategies returned 0.93% for the month and -4.65% over the trailing one-year period, as measured by the HFRI FOF Comp Index.
- Crude oil's price fell by 0.36% during the month but has increased by 6.71% YoY.

Jordan Cipriani said that on a month-to-date basis through January 13, the Fund is up 4%, and up over 10% on a Fiscal Year-to-Date basis.

Jordan Cipriani also covered the Asset Allocation on page 3, and Fund Performance Net of Fees on page 5. She said the events of the last 6-12 months are testimony to the wisdom of diversification.

IX. Actuary Report

*a. Draft Fiscal Year 2022 Actuarial Valuation Report – action requested*

Pete Strong presented his Draft October 1, 2022 Actuarial Valuation Report. He covered highlights of the report to the Board of Trustees:

- The City contribution requirement increased by about \$14.2 million, from \$157.0 million payable December 1, 2022 to \$171.2 million payable December 1, 2023. Investment and demographic experience losses caused a \$10.6 million increase (mostly from higher salary increases than expected, more retirements than expected, and a 4.8% recognized return on the smoothed actuarial value of assets versus a 6.625% expected return). A Board-approved reduction in the investment return assumption from 6.625% to 6.50% caused a \$4.95 million increase.

City of Jacksonville Police and Fire Pension Fund  
Summary to the Regular Board of Trustees Meeting of  
Friday, January 20, 2023  
9:03 A.M. – 10:08 A.M.

- The actual surtax proceeds increased 9.27% from FY 2021 to FY 2022 and the PFPF's allocation of the surtax increased from 58.3% to 58.9%. Before any changes, this would have caused the City contribution to decrease by \$5.1 million. The Board implemented a 5-year smoothing method this year for recognizing differences between the actual surtax growth rate (+9.27% this year) and the expected surtax growth rate (+4.25%). The use of this smoothing method increased the City contribution by \$3.4 million, making the combined impact of the actual surtax growth and implementing the surtax smoothing method a City contribution decrease of \$1.7 million.
- The present value of the surtax proceeds increased from \$1.13 billion as of October 1, 2021 to \$1.26 billion as of October 1, 2022 (\$1.28 billion before reflecting the assumption change and the new surtax smoothing method). Projections show the surtax will provide about 46% of future pension fund contributions through 2060 (with 54% coming from the City). On a present value basis (today's dollars), this split is 33% surtax / 67% City contributions.
- If the Pension Liability Surtax did not exist, the required City contribution payable December 1, 2023 would be \$259.8 million (versus the actual required amount of \$171.2 million). This is up from \$236.7 million last year.
- At October 1, 2022, the actuarial accrued liability was \$4.92 billion, the market value of assets was \$1.97 billion, and the actuarial value of assets was \$2.26 billion (vs. \$4.57 B, \$2.46 B, and \$2.20 B, respectively, last year).
- The funded ratio (based on the actuarial value of assets) is 46.0% as of October 1, 2022 (46.7% before reflecting the assumption change), which is a decrease from 48.1% as of October 1, 2021. The funded ratio based on the market value of assets is 40.1% as of October 1, 2022 (a decrease from 53.8% as of October 1, 2021).
- The net unfunded actuarial liability (net of the actuarial value of assets and the present value of the future pension liability surtax) is \$1.40 billion as of October 1, 2022, an increase from \$1.25 billion as of October 1, 2021.
- The Fund's investments earned -16.78% (net of investment expenses) during the year ended 9/30/2022. The average net return in the Fund over the past 5 and 10 years has been +4.3% and +6.5%, respectively.

Chris Brown asked if the 6.5% return assumption is reasonable in the context of the Plan being closed.

Pete Strong noted that the 6.5% return assumption is reasonable for the time being because there is still a 20-30 year horizon with a lot of inflows from the surtax. There is still time to take risk.

Pete Strong covered the salary increases which were higher than expected. He explained that the 11.7% average increase was due to a 4.5% across the board raise, plus a \$2,500 pensionable lump sum payment.

Michael Lynch expressed his concern with this high number influencing the long-term liability of the plan, given the fact that the \$2,500 lump sum payment would only affect the pensions of members who retire within two years of receiving it.

Pete Strong said he does not think an assumption change would be necessary. He said he would include a footnote in the final valuation report explaining that the \$2,500 lump sum payment would only apply to a specific part of the membership.

Pete Strong covered pages 1-3 of his Comparison of 40-Year Projections (as of 10-1-2022 vs 10-1-2021).

Terry Wood asked about page 4, and if the Court Fines issue has been resolved.

City of Jacksonville Police and Fire Pension Fund  
Summary to the Regular Board of Trustees Meeting of  
Friday, January 20, 2023  
9:03 A.M. – 10:08 A.M.

Pete Strong said that the Court Fines can be removed from page 3, as they were previously used to offset the City Contribution. It was left on that page from previous years. It is now shown as line F on page 40 as an addition to inflows.

Terry Wood commented that the original Better Jacksonville Plan was forecast to be fully paid by 2016-2018, but now will take until 2023.

Pete Strong asked if the Better Jacksonville Plan was paid off early, if the surtax would be paid to the PFPF sooner.

Paul Barrett said the City is looking at that now – if the BJP plan were to be paid off early. He said he expects to move forward in the next few weeks to months on legislation to possibly end the project early.

Pete Strong said early inflows of the surtax would have a large effect.

**Terry Wood moved to approve the actuarial valuation report with the revisions discussed in the meeting, seconded by Michael Lynch. The vote passed unanimously.**

X. Counsel Report

Bob Sugarman said that he hopes to deliver the opinion on the Vercruysse issue today, and will have a conference call with Timothy Johnson and OGC to go over the finalized report. He said more details are to come.

XI. Old Business

*a. Cy Pres Motion In re CVB – action requested*

**Michael Lynch moved to withdraw the motion made in November to donate the money to the FOP and the JAFF, seconded by Terry Wood. The vote passed unanimously.**

**Michael Lynch moved to donate the money to whichever of the two attorney-recommended charities received less income last year, based on the recommendation of outside counsel, seconded by Terry Wood. The vote passed unanimously.**

*b. Finance, Building, Procurement Policy & Procedures – action requested*

Kevin Grant overviewed the modifications to procedures due to changing local banks from CenterState to SouthState, and the administrative accounting system from FAMIS to OneCloud. Also, Northern Trust approved new electronic procedures.

Michael Lynch asked if his questions were addressed in the final procedures – typos, adding ‘ride share’, and the ‘prudent person’ addition.

Kevin Grant said yes, he made those changes.



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Timothy Johnson added that this is a report that the Board of Trustees would have seen previously – the Council Auditor returns to see if the Board of Trustees instituted its recommended changes.

Michael Lynch moved to approve the Finance, Building, and Procurement Policy and Procedures, with the changes shown, as presented by the Finance Manager, seconded by Terry Wood. The vote passed unanimously.

XII. Council Liaison Report

Randy White said he has nothing to report.

XIII. New Business

None.

XIV. Upcoming Meetings

*a. Board of Trustees – Friday, February 17, 2023, 2022 at 9:00AM*

XV. Adjournment

10:08 A.M.

Nawal McDaniel, Board Secretary

**Summary Prepared By:**

Steve Lundy, Deputy Director

City of Jacksonville Police and Fire Pension Fund

**Posted:** 01/24/2023

**To be Approved:** 02/17/2023