



SUMMARY TO THE REGULAR BOARD OF TRUSTEES MEETING

Friday February 22, 2019

9:00 A.M. – 10:03 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 March 22, 2019 at 9:00 A.M.

Board of Trustees

Lt. Chris Brown, Chair
Willard Payne, Secretary
Cpt. Michael Lynch, Trustee
Richard Patsy, Trustee
Nawal McDaniel, Trustee

Guests

Mark Muchowicz, JSO
Randy Wyse, JFRD, President, IAFF Local 122

Staff

Timothy H. Johnson, Executive Director – Plan Administrator
Steve Lundy, Assistant Plan Administrator
Kevin Grant, Finance Manager
Greg Anderson, City Council Liaison
Randall Barnes, Fund Treasurer
Alex Ford, Wilshire Associates – via Webex
Pedro Herrera, Fund Counsel
Lawsikia Hodges, Office of General Counsel
Robert Lemmon, Independent Auditor
David Lindberg, Wilshire Associates – via Webex

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.

Agenda

I. Pledge of Allegiance

City of Jacksonville Police and Fire Pension Fund
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II. Moment of Silence
None.

III. Public Speaking
None.

IV. Consent Agenda Items 2019-02-(01-13)CA

Motion to approve consent agenda items 2019-02-(02-13): PATSY; Second: PAYNE; PASSED UNANIMOUSLY.

Timothy Johnson requested the Board approve Consent Agenda Items 2019-02-(02-13)CA and to defer Consent Agenda Item 2019-02-01CA to next month's agenda.

2019-02-01CA - Meeting Summaries Approved – (Deferred to March)

1. Summary to the Regular Board of Trustees Meeting of Friday, January 18, 2019

2019-02-02CA 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

01-01-2019 thru 01-31-2019

| | | |
|--------------------------------|-----------|---------------------|
| 1. Acadian Asset Management | \$ | 555,733.00 |
| 2. Comercia Bank | \$ | 167,184.74 |
| 3. The Northern Trust Company | \$ | 10,991.84 |
| 4. Sawgrass Asset Management | \$ | 58,904.81 |
| 5. Loomis, Sayles & Company | \$ | 125,304.76 |
| 6. Eagle Capital Management | \$ | 363,328.29 |
| 7. Thompson, Siegel & Walmsley | \$ | 38,030.33 |
| 8. Acadian Asset Management | \$ | 164,118.00 |
| 9. Tortoise Capital Advisors | \$ | 67,010.88 |
| Total | \$ | 1,550,606.65 |

DISBURSEMENTS B

01-01-2019 thru 01-31-2019

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| | | |
|-----------------------------------|----|-----------|
| 1. Accounts Payable Distributions | \$ | 77,062.48 |
| 2. Accounts Receivables | \$ | 48,076.25 |

2019-02-03CA Pension Distributions

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

January 11, 2019

| | | |
|-----------------------|-----------|---------------------|
| 1. Regular Gross | \$ | 5,899,005.26 |
| 2. Regular Lumpsum | \$ | 0.00 |
| 3. Regular Rollover | \$ | 0.00 |
| 4. Regular DROP Gross | \$ | 1,194,288.98 |
| 5. DROP Lumpsum | \$ | 105,574.34 |
| 6. DROP Rollover | \$ | 0.00 |
| Total | \$ | 7,198,868.58 |

January 25, 2019

| | | |
|-----------------------|-----------|---------------------|
| 1. Regular Gross | \$ | 5,900,357.21 |
| 2. Regular Lumpsum | \$ | 0.00 |
| 3. Regular Rollover | \$ | 0.00 |
| 4. Regular DROP Gross | \$ | 1,195,309.94 |
| 5. DROP Lumpsum | \$ | 39,000.00 |
| 6. DROP Rollover | \$ | 8,147.51 |
| Total | \$ | 7,142,814.66 |

The following Consent Agenda items 2019-02-(04-07CA) were verified with supporting documentation and approved at the Advisory Committee meeting held on February 13, 2019. Vote was unanimous. Meeting Summary attached.

2019-02-04CA

Application for Time Service Retirement

2019-02-05CA

Application for Vested Retirement

2019-02-06CA

Application for Survivor Benefits

2019-02-07CA

Application for Time Service Connections

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The following Consent Agenda items 2019-02-(08-12CA) were verified with supporting documentation and received as information at the Advisory Committee meeting held on February 13, 2019. Meeting Summary attached.

[2019-02-08CA](#)

Correction of Beaches Time Service Connections

[2019-02-09CA](#)

Refund of Contributions

[2019-02-010CA](#)

Share Plan Distributions

[2019-02-11CA](#)

DROP Participant Termination of Employment

[2019-02-12CA](#)

DROP Distributions

[2019-02-13CA](#)

Educational Opportunities

1. Bi-Monthly Ethics Training for Boards & Commissions – COJ

February 28, 2019 – 12PM – 1PM – Lynwood Roberts Room, City Hall, First Floor

April 25, 2019 – 12PM – 1PM – Lynwood Roberts Room, City Hall, First Floor

June 27, 2019 – 12PM – 1PM – Lynwood Roberts Room, City Hall, First Floor

August 22, 2019 – 12PM – 1PM – Lynwood Roberts Room, City Hall, First Floor

October 24, 2019 – 12PM – 1PM – Lynwood Roberts Room, City Hall, First Floor

December 5, 2019 – 12PM – 1PM – Lynwood Roberts Room, City Hall, First Floor

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

2. Chief Officers Summit – NCPERS

June 13 – 14, 2019, Chicago Illinois

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V. Executive Director's Report

Timothy Johnson

Timothy Johnson discussed his Executive Director's Report as attached. The PFPF considered taking lead plaintiff status in the Goldman Sachs securities litigation case, but since another pension fund experienced a greater loss than the PFPF, the PFPF will not take lead plaintiff status.

Timothy Johnson provided an update on the JFRD Out-Of-Class Pay issue as attached. No action is necessary at this point, and the Board will be kept informed of any developments.

Michael Lynch asked if the money not collected is owed to the Pension Fund from the City.

Timothy Johnson said the estimate at this point is around \$368,000 of contributions not collected from members.

Michael Lynch asked if the PFPF has received money from the City.

Timothy Johnson answered no.

Michael Lynch said the City did not collect the employees' contributions on Out-Of-Class-Pay, and this is their issue. On the other hand, there is \$368,000, and possibly interest for almost two years, which has not been paid to this Fund. This should be the priority on this issue – to get us our \$400,000.

Timothy Johnson said that is where we come from, and what we are working on with the City – how the money is going to be collected, and how the benefits will be adjusted. As this is worked out, we will bring it back to the Board. There are three parts – there are people getting a benefit that has to be corrected, contributions have to be collected, and data for people who have yet to retire must be corrected.

Timothy Johnson said all seven members' Beaches Time Service Connections appeals were received. The Advisory Committee will schedule a date to hear the appeals.

Timothy Johnson said last month, the Board authorized PFPF staff to value the reserve money that is due to the union based on January 31. We were to give 90% of that money to the union at that time, then 'true-up' the other 10%, plus interest, once we had final, total fund returns for the month of January. We weren't able to get that complete because there was some back and forth in the language to the agreement, so we are still holding the money now. During that time, those monies have accrued additional interest. We are now 22 days into the month. This recommendation is that the Board rescind its direction from last month and consider this recommendation to replace it.

Timothy Johnson discussed this recommendation with the Board, and showed the "Transfer of Funds Interest Recommendation" (HANDOUT). The unions are due the balances in the reserve account including interest. Past practice has been that interest is defined as total fund interest – whatever the fund accrues in interest that is what the reserve account will earn. Based on that understanding, between the Board and the unions, the recommendation is that we value their money as follows (as shown on the handout):

1. Transfer the January 31, 2019 Reserve Account Balance of \$52,672,196.00 to the unions on February 28, 2019 (see attached 'Reserve Balances as of January 31 and February 20, 2019' by fund actuary, Pete Strong).
2. The unions are entitled to interest earned on the \$52,672,196.00 from February 1–28, 2019.

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3. The PFPF Investment Consultant will calculate February's interest.
4. Interest will be calculated as \$52,672,196.00 multiplied by the total fund composite return for February 2019, net of fees.
5. If interest for the month of February is determined to be positive, the PFPF will transfer February's interest on the \$52,672,196.00 to the unions.
6. If interest for the month of February is determined to be negative, the unions will transfer February's interest on the \$52,672,196.00 to the PFPF.
7. The payment of interest to or from the unions will occur on or about March 29, 2019.

Michael Lynch asked if the unions are okay with this.

Randy Wyse said, "Yes!"

Timothy Johnson said the second part of the recommendation is that there is still money remaining with the Fund, and there are chapter funds we will be given in the future that we must administer on behalf of the unions. In order to avoid the issue of how to value these funds going forward, and the fact that we anticipate we will not be holding these monies long before we are given direction from the unions, our recommendation is that these funds be placed in the Fund's short-term investment fund with Northern Trust. For the number of days we hold the money, the money will accrue the daily rate.

Chris Brown asked if a motion would be needed.

Timothy Johnson said for the first recommendation, if accepted, it would be integrated into the agreement with the unions, and on February 28th, we will transfer the money. The second recommendation would apply to the money remaining in the account, and any new money that comes in the future.

Lawsikia Hodges said that when Timothy Johnson says 'agreement', he is referring to the 'Transfer Directive Letter' that OGC is working on with the unions' lawyers so that everyone is in agreement.

Lawsikia Hodges said she will take this, and revise that letter, and then the unions will send that to Timothy Johnson, and that will trigger him disbursing the funds in accordance with the letter.

Richard Patsy asked how many additional funds will remain in the reserve.

Timothy Johnson said the only monies left are the share plan distributions, totaling about \$3.2 million. In the future, we will receive between \$10-13 million annually from the State.

Greg Anderson asked for clarification regarding the interest rate paid on the Northern Trust short-term investment fund.

Kevin Grant said the interest rate fluctuates based on each money manager's cash account and is an average.

Timothy Johnson said that Northern Trust provides a printout with daily interest rates. This printout was used to calculate a previous recommendation to the unions. This was around 0.007%.

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Greg Anderson asked why the chapter funds come to the City, then to the PFPF, then to the unions.

Michael Lynch said state statutes 175-185 dictate that the funds go to the municipality, then to the pension board. The Collective Bargaining Agreement between the City and the Unions is what dictates that the unions now administer the funds.

Lawsikia Hodges said that Bob Sugarman had suggested that there might be an alternative way to process this so that the money does not have to come through the fund. The City would receive the money then directly cut the check to the unions.

Chris Brown asked if this is something the Board would need to direct Bob Sugarman to delve into.

Lawsikia Hodges said yes, and we would assume we would look into that and propose that because we would have the new set of chapter monies coming in during August – September. We will have something to you by then.

Chris Brown remarked, “anything that is more efficient”

Lawsikia Hodges requested the Board rescind the motions from last month before voting on the new ones.

Michael Lynch made a motion to rescind the prior actions related to the transfer of the funds pursuant to chapter 121. Seconded by Richard Patsy. The vote passed unanimously.

Michael Lynch made a motion to transfer the funds in accordance with this agreement and the agreement with the unions as outlined in the ‘Transfer of Funds Interest Recommendation’. Seconded by Nawal McDaniel. The vote passed unanimously.

Timothy Johnson discussed the ‘Supplemental Share Plan Uniform Rules and Procedures’ (HANDOUT). The law gives the Board of Trustees authority to develop Share Plan rules. These procedures describe two types of corrections – prospective corrections and retrospective corrections.

Timothy Johnson reviewed the Share Plan issues in the 2016 and 2017 distributions. Affected members’ ledgers will be corrected – totaling around \$80,000 – and all members will receive around \$25-26 dollars extra in the next distribution. Retired members who received a Share Plan refund will also be due a \$25-26 check. This is a retrospective correction because it involves an error two years ago. Errors which occur in between distributions will be treated prospectively.

Chris Brown opened the floor to public comment before the procedures went to a vote. There was no public comment requested.

Nawal McDaniel made a motion to accept the Supplemental Share Plan Uniform Rules and Procedures. Seconded by Richard Patsy. The vote passed unanimously.

Timothy Johnson informed the Board of Trustees that the FIAC is currently reviewing two candidates to fill the vacant seat on the committee. Once they choose a candidate, the Board will vote to authorize the Executive Director to work with City Council throughout the approval process.

Timothy Johnson informed the Board of Trustees of the Annual Members’ Meeting. This meeting is scheduled as a regular Board of Trustees meeting in which all members are invited to attend. The fund auditor, actuary, investment consultant, and attorneys will briefly present highlights of the audit, actuarial report, and fund performance. The

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meeting will conclude with a question and answer period, followed by refreshments. This will be a great outreach opportunity.

Kevin Grant discussed the January Budget to Actual spreadsheet (HANDOUT). He said he added the 'Final Budget Revisions' column to show what was approved in the actual budget process and approved by City Council.

Greg Anderson asked if the 'Actual' column represents the year-to-date value as of the end of January.

Kevin Grant said yes.

Timothy Johnson said the period in the column would be included going forward.

VI. Counsel Reports

Lawsikia Hodges & Pedro Herrera

1. Litigation Summary Update

Lawsikia Hodges discussed the Litigation Summary Update as attached. Curtis Lee requested to meet with OGC and Timothy Johnson to discuss Lawsikia Hodges discussed the Litigation Summary Update as attached. Curtis Lee requested to meet with OGC and Timothy Johnson to discuss his case. This may be a good sign that he has initiated this. We may be able to move to a resolution.s his case. This may be a good sign that he has initiated this. We may be able to move to a resolution.

2. Reemployed Pensioners Update

Lawsikia Hodges said Bob Sugarman's office sent OGC his final opinion from the IRS perspective yesterday. She said she has to compile that with OGC's independent contractor analysis. We hope to have that ready to present to the Advisory Committee in mid-March.

Chris Brown asked when the Board would theoretically make a decision after the Advisory Committee has heard any appeals, if there are any.

Lawsikia Hodges indicated that these issues would be resolved through the corrections policy already in place, which includes appeals to the Advisory Committee. The Advisory Committee would make a recommendation to the Board which would then issue final action.

Lawsikia Hodges said the Board would be kept apprised of all developments along the way.

Lawsikia Hodges said that OGC is tweaking the Securities Litigation policy, and will bring it back to the Board in April.

VII. Investment Consultant Reports

David Lindberg & Alex Ford

1. Market Environment & Performance Update – January Flash Report

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David Lindberg presented his Market Environment & Performance Update – January Flash Report as attached. He made the following highlights:

- The ‘Yearend Environment’ shows how much we’ve recovered since September 2018 (page 4).
- The ‘Monthly Performance Summary’ shows January posted a solid 6.13% return for the total fund composite (page 6)
- Fiscal Year to Date returns for US Equity stand at about -6.11% (page 2)
- MLPs posted a huge recovery in January of over 14.5% (page 6)
- The fourth quarter of 2018 was ugly, but there has been a lot of recovery since then.
- Everything which wasn’t working last quarter is working now.
- Fiscal Year to Date performance is now at -3.5%

David Lindberg invited everyone to Wilshire’s 37th Annual Client Conference – Sunday, March 24th through Tuesday, March 26th in Napa, California.

Michael Lynch asked if the fund is still on track to allocate the City’s payroll advancement.

David Lindberg said the allocations have been modified a bit based on the union transfer. \$77 million is remaining. \$52 million will be transferred to the unions. Roughly \$20 million is to be moved in March. We are still following the pattern, but the numbers have changed.

Michael Lynch said the fund was supposed to make three equal payments. He asked if the fund made the second.

Kevin Grant said the second tranche was not made – in contemplation of the union transfer.

Timothy Johnson asked David Lindberg to comment on the performance report, its style, and any differences between it and Summit’s flash reports.

David Lindberg said the report is now based on Wilshire’s platform. Relative to Summit’s flash reports, Wilshire’s report shows all the same information in a different format. The big difference will be the quarterly executive summaries. This will be available in April, and will detail several unique ways Wilshire evaluates manager performance.

David Lindberg clarified that the second quarter report will be the first on Wilshire’s platform, and May will be the first executive summary.

VIII. Independent Auditor Report

Robert Lemmon

1. Fiscal Year 2018 Independent Audit – Handout

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Robert Lemmon, Audit Partner with Carr, Riggs & Ingram, presented his Fiscal Year 2018 Independent Audit as attached to the Board book. He thanked Tim Johnson, Kevin Grant, and the PFPF staff for a job well done. He covered the following topics and made the following highlights:

This is an Independent Auditor's Report, which is 'unmodified', which is the highest level of assurance an auditor can give. This is a very clean audit, with clean results.

Management Discussion and Analysis – this is where management highlights specific items of the report.

Financial Statements – The Statement of Fiduciary Net Position shows assets and liabilities – mostly investments and cash.

Statement of Changes in Fiduciary Net Position – big income items are shown such as contributions and investment income, and expenses such as benefit payments.

All disclosures were reviewed, and all complied with GAAP accounting rules and all regulatory requirements.

Fair Value Disclosures – Accounting rules require the disclosure of ratings of assets from a level 1 – level 3 scale, measuring the certainty of the assets' valuations. Third-party asset valuation specialists have independently verified the appropriateness of the values and methods used.

Net Pension Liability, note 9. This is the City's liability – it does not appear on the Fund's balance sheet, but must be disclosed.

Required Supplementary Information – this is related to the New Pension Liability.

There were no control deficiencies to report.

There were no disagreements with management, no inappropriate policies in use, and there were no errors noted needing to be corrected to arrive at the numbers presented. All numbers were clean when received.

Chris Brown said this is a very good report.

Timothy Johnson complimented Kevin Grant and Robert Lemmon for finishing the audit in February. Last year, the audit was not ready until May. Kevin Grant began his testing early last summer to get a head start.

Timothy Johnson asked Robert Lemmon to speak on the testing methods used.

Robert Lemmon said the audit team works with the independent valuation team, along with the custodian to confirm asset values, what is physically held, and benefit payments. We check all payments, calculations, paperwork, and processes for accurateness. All tests passed.

Robert Lemmon said there is also a high-level review of benefit payments, and actual cash movement with the City.

Richard Patsy asked about fixed income exposure shown on page 22. Not all assets in Fixed Income are listed.

The Board of Trustees and Robert Lemmon discussed Fair Value on page 22.

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Robert Lemmon answered Richard Patsy’s question, noting that not all investments are required to be reported at fair value. This would account for the difference Richard Patsy noticed.

Greg Anderson noted on page 25 that there were more contributions than required for the year.

Robert Lemmon confirmed.

Chris Brown thanked Robert Lemmon and the entire PFPF team for a complete, good report and a good job.

IX. Council Liaison Update

Greg Anderson said that Timothy Johnson has visited with all City Council members over the past month to review the Actuarial Valuation Report. He made the official presentation to the Finance Committee on February 20th, which completes the requirement. He answered a number of questions to everyone’s satisfaction.

Willard Payne said everyone is happy that Nawal McDaniel is back after recently giving birth.

X. Old Business

None.

XI. NEW BUSINESS

None.

XII. Upcoming Meetings

1. Board of Trustees

Friday, March 22, 2019 at 9:00AM

XIII. Adjournment

Chris Brown adjourned the meeting at approximately 10:03AM.

Summary Approved:

Willard Payne, Secretary
Board of Trustees

Summary Prepared By:

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Steve Lundy, Assistant Plan Administrator
City of Jacksonville Police and Fire Pension Fund

Posted: 02/27/2019

To be Approved: 03/22/2019