



SUMMARY TO THE REGULAR BOARD OF TRUSTEES MEETING

Friday, April 17, 2020
9:02 A.M. – 11:05 A.M.

City of Jacksonville Police and Fire Pension Fund
1 West Adams Street Suite 100, Jacksonville, FL 32202
WEBEX ROOM 5

The next regular Board of Trustees meeting will be held May 22, 2020 at 9:00 A.M.

Board of Trustees

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

City Representatives Invited

Aaron Bowman, City Council Liaison

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
Kevin Schmidt
Jim Voytko
Lawsikia Hodges, Office of General Counsel
Bob Sugarman, Fund Counsel

Guests

Renzer Bell

Notice

WebEx login/access

Dial: (904) 255-8996

WebEx Meeting Number (access code): **733 373 125**

WebEx Password: **24680**

NOTE: For more details on how to attend this meeting via phone or computer, please see separate Board of Trustees Meeting Notice posted on our website at jaxpfpf.coj.net.

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.

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Summary

I. Invocation

Timothy Johnson gave the invocation for the meeting.

II. Moment of Silence

James Harley Johnson, Retired Police Officer

William Logan, Retired Police Sergeant

Thomas H. Lueders, Retired Fire Captain

Donald K. Machurick, Retired Firefighter Engineer

Joe D. Smith, Retired Fire Lieutenant

James M. Trejbal, Retired Police Officer

III. Public Speaking

Steve Lundy read Mr. Renzer Bell's email with his public comment. He asked three questions of the Board of Trustees:

1. Is Jacksonville Police & Fire Pension Fund's asset allocation constructed with the anticipated result of having the INTERNATIONAL EQUITY PORTFOLIO be a hedge to the United States Equity Portfolio, and with some view to negative correlation of returns?
2. Did the global capital market reality of approximately \$17 trillion dollars of sovereign debt trading at negative yields prior to the global equity market sell-off play a role the global equity market sell-off?
3. Was COVID-19 the sole cause of the global equity market sell-off, or was COVID-19 the catalyst, or trigger that ignited combustible matter that was present all along?

The Investment Consultant, RVK, will address these questions and the PFPF Staff will get back to Mr. Bell with the RVK's responses.

IV. Consent Agenda Items 2020-04-(01-19)CA

Michael Lynch made a motion to accept the consent agenda. Seconded by Nawal McDaniel. The vote passed unanimously.

2020-04-01CA Meeting Summaries to be Approved

1. Summary to the Board of Trustees Meeting of Friday, February 21, 2020
2. Summary to the Board of Trustees Manager Update of Tuesday, March 3, 2020
3. Summary to the Board of Trustees Special Meeting of April 10, 2020

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2020-04-02CA 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

02-01-2020 thru 03-31-2020

1. Acadian Asset Management	\$	174,827.00
2. Pinnacle Associates, LTD	\$	116,788.69
3. J.P. Morgan Investment Mgmt	\$	386,517.65
Total	\$	678,133.34

DISBURSEMENTS B

02-01-2020 thru 03-31-2020

1. Accounts Payable Distributions	\$	79,007.22
2. Accounts Receivables	\$	172,546.33

2020-04-03CA Pension Distributions

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

February 7, 2020

1. Regular Gross	\$	6,377,886.23
2. Regular Lumpsum	\$	0.00
3. Regular Rollover	\$	0.00
4. Regular DROP Gross	\$	1,296,891.06
5. DROP Lumpsum	\$	369,656.70
6. DROP Rollover	\$	0.00
Total	\$	8,044,433.99

February 21, 2020

1. Regular Gross	\$	6,321,667.60
2. Regular Lumpsum	\$	10,107.09
3. Regular Rollover	\$	20,237.92
4. Regular DROP Gross	\$	1,296,550.16
5. DROP Lumpsum	\$	279,422.62
6. DROP Rollover	\$	0.00
Total	\$	7,927,985.39

March 6, 2020

7. Regular Gross	\$	6,322,972.07
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8. Regular Lumpsum	\$	0.00
9. Regular Rollover	\$	0.00
10. Regular DROP Gross	\$	1,296,818.11
11. DROP Lumpsum	\$	80,316.27
12. DROP Rollover	\$	0.00
Total	\$	7,700,106.45

March 20, 2020

7. Regular Gross	\$	6,329,699.53
8. Regular Lumpsum	\$	14,659.56
9. Regular Rollover	\$	0.00
10. Regular DROP Gross	\$	1,296,439.26
11. DROP Lumpsum	\$	6,896.21
12. DROP Rollover	\$	0.00
Total	\$	7,647,694.56

The following Consent Agenda items 2020-04-(04-06CA) were verified with supporting documentation and approved at the Advisory Committee meeting held on March 11, 2020. Vote was unanimous. Meeting Summary attached.

[2020-04-04CA](#)

Application for Survivor Benefits

[2020-04-05CA](#)

Application for DROP

[2020-04-06CA](#)

Application for Time Service Connections

The following Consent Agenda items 2020-04-(07-11CA) were verified with supporting documentation and received as information at the Advisory Committee meeting held on March 11, 2020. Meeting Summary attached.

[2020-04-07CA](#)

Refund of Pension Contributions

[2020-04-08CA](#)

Share Plan Distributions

[2020-04-09CA](#)

DROP Participant Termination of Employment

[2020-04-10CA](#)

DROP Distributions

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[2020-04-11CA](#)

DROP Distributions for Survivors

The following Consent Agenda items 2020-04-(12-13CA) were verified with supporting documentation and approved at the Advisory Committee meeting held on April 8, 2020. Vote was unanimous. Meeting Summary attached.

[2020-04-12CA](#)

Application for Survivor Benefits

[2020-04-13CA](#)

Application for Time Service Connections

The following Consent Agenda items 2020-04-(14-18CA) were verified with supporting documentation and received as information at the Advisory Committee meeting held on April 8, 2020. Meeting Summary attached.

[2020-04-14CA](#)

Refund of Pension Contributions

[2020-04-15CA](#)

Share Plan Distributions

[2020-04-16CA](#)

DROP Participant Termination of Employment

[2020-04-17CA](#)

DROP Distributions

[2020-04-18CA](#)

DROP Distributions for Survivors

[2020-04-19CA](#)

Educational Opportunities

1. Bi-Monthly Ethics Training for Boards & Commissions – COJ – ***Tentative Dates***
June 4, 2020 – 12PM – 1PM – Lynwood Roberts Room, City Hall, First Floor
October 1, 2020 – 12PM – 1PM – Lynwood Roberts Room, City Hall, First Floor
December 3, 2020 – 12PM – 1PM – Lynwood Roberts Room, City Hall, First Floor

(RSVP with Andrea Myers at ahmyers@coj.net or 904-630-4747)

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V. Executive Director's Report

Timothy Johnson

Chris Brown said there are four items, which Timothy Johnson will discuss today, which will be possibly voted on.

Timothy Johnson discussed the items in his Executive Director's Report. He said that the PFPF is committed to processing payroll for the retirees during the COVID-19 pandemic.

VI. New Business

a. Children's Benefit Recommendation

Timothy Johnson discussed the Childrens' Benefit. A special Childrens' Benefit Subcommittee was formed to review the ordinance and make a recommendation regarding a reinterpretation of the ordinance code. The ordinance code says children of deceased members who have no surviving spouses should receive the greater of \$200 per month, or the proportionate share of the survivor's benefit. The PFPF has historically interpreted this differently, and paid all children \$200 per month. The subcommittee made a two-traunch recommendation: first, to correct the benefits being paid to current children, and secondly, to retroactively correct underpayments. Today's recommendation is the first traunch, to correct the benefits currently being paid.

Steve Lundy discussed the attached chart, which outlines each adjustment to be made to each child affected by this reinterpretation.

Terry Wood made a motion to accept the recommendation of the Childrens' Benefit Subcommittee and make prospective adjustments to the children currently being paid. Seconded by Michael Lynch. The vote passed unanimously.

b. Michael Rounsville – Forfeiture of Pension – Advisory Committee Recommendation to begin forfeiture proceedings.

Timothy Johnson discussed the second action item, the forfeiture of Michael Rounsville's pension. The recommendation today would be to initiate forfeiture proceedings. This member has gone through due process in the court system, and we have received a memo from Bob Sugarman and OGC recommending pension forfeiture. The Advisory Committee recommends forfeiture proceedings to be initiated.

Bob Sugarman said that State Law and City Code requires us to consider forfeiture of committed specified offenses. We will inform Michael Rounsville that we intend to forfeit his pension – everything, aside from his own contributions, minus interest. This proceeding will be much like a disability hearing, only more formal. The Advisory Committee will hold the first hearing, then the Board of Trustees will hold a second. You will vote to forfeit, or not. The next step would be for Rounsville to appeal to court.

Bob Sugarman said that we can hold the forfeiture hearing via Webex, only while the state emergency is in place.

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Michael Lynch made a motion to initiate forfeiture proceedings against Michael Rounsville. Seconded by Terry Wood. The vote passed unanimously.

c. Frank Holtsman – Beaches Time Service Connection – Advisory Committee Recommendation to accept original rate and cost of Time Service Connection as paid in full.

Timothy Johnson discussed the next action item, which is the Frank Holtsman Time Service Connection (TSC). Holtsman was affected by the Beaches Time Service Connections issue, but was set aside because he was a retired member, unlike the other affected active member. The recommendation would be to treat his TSC application the same as the others, and to accept the original rate and cost as 'paid in full'.

Nawal McDaniel made a motion to treat Frank Holtsman's Time Service Connection application the same as the other members' applications – to accept the original rate and cost as 'paid in full'. Seconded by Michael Lynch. The vote passed unanimously.

d. Personnel Committee Recommendation

Timothy Johnson discussed the next action item, relating to a Personnel Committee recommendation. The Personnel Committee recently met to discuss the mid-year reviews, and an underpayment of leave to PFPF Staff, Maria Young and Kevin Grant. They did not accrue leave at the correct rate upon joining the PFPF team – they were treated as 'new employees' to the City, even though they worked for the City prior to joining the PFPF. Maria Young worked for the City for 10 years before joining the PFPF, and after 10 years of service, your leave accrues at a higher rate. Also, the same situation applied to Kevin Grant. Employee Services makes these corrections prospectively only, so the recommendation is to credit Kevin Grant and Maria Young retroactively for leave and service raise they should have earned.

Michael Lynch made a motion to accept the Personnel Committee's recommendation to credit Maria Young and Kevin Grant their total underpaid leave and service raise. Seconded by Nawal McDaniel. The vote passed unanimously.

Timothy Johnson said he would like to look at reducing the discount rate. The current rate is 7%. The Board formed a subcommittee to review this, however this coincided with the GEPP lowering its discount rate, and the COVID-19 pandemic. He said he recommends, along with the Investment Consultant, that due to the dramatic changes in the economy and capital markets, rather than engaging that subcommittee, the Board should go ahead and follow the action of the GEPP and lower the PFPF's discount rate for the October 1, 2020 actuarial valuation. This would include a new assumption, lowering the discount rate by 10 basis points to 6.90%, and to incorporate the new mortality tables. The new contribution would be felt in 2021. The subcommittee would then be assigned to consider further reductions, if necessary.

Michael Lynch asked Randall Barnes if the GEPP is considering further rate reductions in the fall, and if the mortality tables are mandated by the GASB.

Randall Barnes said that he cannot answer if the GEPP anticipates further reductions. He said he thinks the mortality tables are set by the state. The requirement is to implement the tables next year, however the GEPP received them early, so the GEPP implemented them this year. The PFPF will be required to implement the tables next year.

Michael Lynch asked Richard Patsy if he is OK with a discount rate of 6.9%. He said he feels that this is high.

Richard Patsy said he is in favor of 6.9%. This moves us in the right direction.

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Richard Patsy made a motion to lower the PFPF's discount rate to 6.90%, and to adopt the new mortality tables. Seconded by Terry Wood. Discussion:

Timothy Johnson said that the Investment Consultant concurs, and can speak for themselves. Fund Actuary, Pete Strong is not on the call today, but he agrees with lowering the rate, however we do not have that statement on the record.

Bob Sugarman asked if Pete Strong concurs with adopting the new mortality tables.

Timothy Johnson said that, to Randall Barnes' statement, we do not have a choice.

Jim Voytko said that setting a discount rate is not part of the Investment Consultant's scope; however, RVK's view is that this lower rate of return is consistent with the market, and RVK's view of future returns.

Randall Barnes said that actuaries do have some leeway to tailor mortality tables within a range to adjust to meet the demographics of fund participants.

Bob Sugarman said that is correct, and that he has seen that with other clients.

Timothy Johnson said that RVK is also the Investment Consultant for GEPP, and they weighed in on this same action last fall.

Terry Wood agreed, and said that he was on the GEPP Board in the fall.

Lawsikia Hodges said there are various references in the ordinance code and City Charter that governs the 7% language, and allows the rate to be modified by the actuary, City, and Board.

The vote passed unanimously.

VII. Counsel Reports

Lawsikia Hodges & Bob Sugarman

VIII. Investment Consultant Reports

a. Monthly Investment Performance Analysis – March 31, 2020

Kevin Schmidt covered the Monthly Investment Performance Analysis, noting particularly that as of March 31, all asset classes were within target ranges – with the exception of Fixed Income. April Month-to-Date, Fixed Income has returned to target range.

Kevin Schmidt covered performance on page 5. This has been a challenging period. For the month of March, the Fund returned -10.71%. Year-to-Date performance was -15.65%. On a positive note, the Fund outperformed the index, which is reflective of active management performance – broadly speaking, they performed well above their benchmarks. April Month-to-Date performance is up 4.3%. Large cap growth continued to lead other styles, with correlations high across asset classes and sectors. Fixed Income and MLPs were the most tumultuous asset classes.

b. COVID-19 & Economic Implication Presentation

Jordan Cipriani said RVK has prepared the COVID-19 Economic Implication Presentation to show the macro factors of the virus' impact.

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Jim Voytko showed the path of the virus so far on page 2 across the world stock market. Markets try to price where things will end up. This holds true in every market crisis.

Jim Voytko showed that this decline is not as great as in other market crises on page 3.

Jim Voytko said that is shocking that the market could rally with bad economic news, pointing to page 5. Economists have a wide range of forecasts of economic contraction due to the virus – this makes it difficult for investors to predict.

Jim Voytko said the news out of the oil markets is not good. Oil prices have been collapsing from a ‘double-whammy’ – from high supply and decreased demand.

c. Investment Manager Cash / Liquidity Allowance Review

Jordan Cipriani covered the Liquidity Review, noting that the PFPF is unique in that at the total fund level, liquidity needs are muted, because benefits are paid by the sponsor, not out of the fund on a regular basis. In today’s situation, this is very helpful.

- Total Fund: The need for periodic liquidity to be raised is quite low (unusually so compared to most public pension plans) and should remain so barring significant change in circumstances.
- Asset Class Liquidity Review: The Fund does not have exposure to illiquid, closed end, draw down type vehicles, there is no need to ensure liquidity for capital calls. Should there be a need to raise liquidity to take advantage of market dislocation or rebalancing opportunities, we would not anticipate that this would be difficult.
- Manager Liquidity Review: Most of the Fund’s managers have a maximum cash limit of either 5% or 10%, with the vast majority of managers staying fully invested, with cash holdings remaining below 5% as of month end. Note the Fund also had approximately \$8 million in the cash account as of month end. Tortoise Capital asked for a waiver of their maximum 5% cash position in the Fund’s portfolio, to increase the allowance to a hard limit of 10%, through 6/15/2020.

d. Private Real Estate Update

Kevin Schmidt directed attention to the attached memo, ‘Private Real Estate Update’. He said that in connection with real estate, the effects of the COVID-19 crisis won’t be known for some time, over quarters perhaps, because of a lag. There is a lack of price discovery, and it is very tough to mark the assets if no transactions are taking place. It will take some time for property values to be defined. Some impacts will hit harder than others – discretionary retail, malls, and leisure properties will be hit hardest. Senior and student housing will also be hit. On the flip side, medical offices, multifamily homes, industrial, and self storage will perform. The Fund’s real estate managers, Principal, and JP Morgan have exposure to all classes.

IX. Council Liaison Update

Aaron Bowman

Aaron Bowman said that the City Council voted 19-0 on the reemployed pensioners ordinance, which allows retired police officers and firefighters to go back to work during the COVID-19 crisis without jeopardizing their pension.

Aaron Bowman said budgeting will be difficult over the next few years, and to expect some slowdowns.

Chris Brown said there is one last item to cover – the virtual meeting policy which was written by OGC.

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Lawsikia Hodges said that this is a standard policy which would cover the Board, FIAC, and Advisory Committee. Most of the independent authorities are adopting this, so there is consistency. Anytime anything like the current state of emergency happens again, this policy would kick in.

Terry Wood asked for clarification on the county language in the policy.

Lawsikia Hodges said the City Council has authority to act as the County, but this policy comes from the Board of Trustees of the PFPF, and only governs what the PFPF does in its meetings.

Chris Brown asked for a motion to adopt.

Nawal McDaniel made a motion to adopt the virtual meeting policy.

There was no second, and the motion failed.

Michael Lynch said he is OK with reviewing the policy and taking it up again at the next meeting.

Chris Brown asked Lawsikia Hodges to email the policy to the Trustees before the next meeting, and there would be more educated discussion then.

Timothy Johnson said the PFPF staff will get back to Mr. Bell who asked questions during public comment.

X. Old Business

XI. Adjournment

11:05 A.M.

Summary Approved:

Nawal McDaniel, Board of Trustees Secretary

Summary Prepared By:

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

Posted: 04/28/2020

To be Approved: 05/22/2020