



SUMMARY TO THE REGULAR BOARD OF TRUSTEES MEETING

Friday, May 25, 2018

9:04 A.M. – 11:09 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 June 15, 2018 at 9:00 A.M.

Board of Trustees

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

Guests

Randall Barnes, COJ
Tom Stadelmaier, COJ
Randy Wyse, President, IAFF Local 122
Mark Muchowicz, JSO

Excused

Joey Greive, Fund Treasurer
Bob Sugarman, Fund Counsel

Notice

Any person requiring a special accommodation to participate in the meeting because of disability shall contact Steve Lundy, Assistant Plan Administrator at (904) 255-7373, at least five business days in advance of the meeting to make appropriate arrangements. 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

Staff

Timothy H. Johnson, Executive Director- Plan Administrator
Steve Lundy, Assistant Plan Administrator
Greg Anderson, City Council Liaison
Kevin B. Grant, Finance Manager
Dan Holmes, Summit Strategies
Pedro Herrera, Fund Counsel
Lawsikia Hodges, Office of General Counsel
Rob Lemmon, Carr, Riggs & Ingram
Pete Strong, Fund Actuary – via Webex
Alecia DeCuollo, Summit Strategies- via Webex
Joshua McKinley, Summit Strategies- via Webex

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II. Moment of Silence

Macklin R. Clifton, Retired Police Sergeant
Raymond C. Dick, Retired Police Officer
Laurence E. Pelletier Jr., Retired Police Detective
Lance C. Whitaker, Active Police Officer
Gideon J. Wilcox, Retired Police Officer

III. Public Speaking

None.

IV. Consent Agenda Items 2018-05-(01-11)CA

Motion to approve: PATSY; Second: PAYNE; APPROVED UNANIMOUSLY.

2018-05-01CA - Meeting Summaries to be Approved

1. Actuary Update – April 17, 2018
2. Summary to the Regular Board of Trustees Meeting of Friday, April 20, 2018

2018-05-02CA 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

4-01-2018 thru 4-30-2018

1. Pinnacle Associates LTD	\$	85,425.00
2. Sawgrass Asset Management	\$	103,189.11
3. Commercia Bank	\$	148,438.46
4. Summit Strategies	\$	61,466.00
5. Acadian Asset Management LLC	\$	524,620.00
6. The Northern Trust Company	\$	24,744.81
7. Tortoise Capital Advisors	\$	93,004.91
8. Loomis, Sayles & Company LP	\$	186,606.48
9. J.P. Morgan	\$	1,054,136.14
10. Eagle Capital Management	\$	435,839.47
11. Thompson, Siegel & Walmsley LLC	\$	37,723.57
12. Harvest Fund Advisors	\$	100,270.83

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[2018-05-05CA](#)

Application for Survivor Benefits

[2018-05-06CA](#)

Application for Vested Retirement

[2018-05-07CA](#)

Application for Time Service Connections

The following Consent Agenda items 2018-05-(08-11CA) were verified with supporting documentation and received as information at the Advisory Committee meeting held on May 9, 2018. Meeting Summary attached.

[2018-05-08CA](#)

Refund of Pension Contributions

[2018-05-10CA](#)

Drop Participation Termination of Employment

[2018-05-11CA](#)

Drop Distribution

V. Executive Director's Report

Timothy H. Johnson

Timothy Johnson briefly summarized his report, noting that retiree payroll is higher this Fiscal Year to Date when compared to this time last Fiscal Year.

Timothy Johnson informed the Board of Trustees that the PFPF's Records Specialist, Jessica Fields, has left to work for the City as Budget Analyst. She did a great job at the PFPF, and she will be missed. The PFPF Staff will research writing a new job description to fill her vacant position.

1. Investment Continuing Education

Steve Lundy

Timothy Johnson said that all individuals involved in making investment decisions at the PFPF (Board of Trustees, FIAC, Kevin Grant, Timothy Johnson) are required by Florida Statute to receive 8 hours of continuing education on the topic of investments every year. This continuing education requirement will be tracked in the monthly dashboards. Events like the actuarial report presentation, Asset-Liability Study, money manager presentations, Trustees' School training (Tallahassee) and the FPPTA Conference (Orlando) would count towards this requirement.

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2. Fiscal Year 2019 budget

Motion to approve: PAYNE; Second: PATSY; APPROVED UNANIMOUSLY.

Timothy Johnson requested approval of the Fiscal Year 2019 (10-01-2018 – 09/30/2019) PFPF Budget. The City requested the PFPF Budget early this year, and that is why it is on today's agenda and not on June's. FY2019's budget is slightly higher than FY2018's budget due to growth in asset value. As assets grow, investment fees grow as well.

Richard Patsy asked for clarification of the \$250,000 decrease in Professional Services expense.

Kevin Grant said that two items in the Professional Services expenditure category have been moved to the Investment Expense category, in order to be track the operations of investment cost.

Timothy Johnson said that this starts the beginning of the budget process. This proposed budget will go through City review, and Council review. Timothy Johnson will present this budget to Council himself as he did last year.

3. Procurement Authority Chart

Deferred.

Timothy Johnson discussed the Procurement Authority Chart. He researched procurement rules for the PFPF used in the past. There has been an informal process followed in the past. He researched the COJ's purchasing policy with the COJ Chief Purchasing Officer, Greg Pease. He described the thresholds and types of purchases as detailed in the chart.

Lawsikia Hodges said she would like more of a written policy or procedure as opposed to a chart alone. This procurement chart / policy must comply with certain State Statutes. The policy must be thorough. She wants to build in flexibility to be able to use the COJ's procurement procedures when it is convenient to the Board of Trustees.

Chris Brown said many of these processes must be standardized somewhere already. He said if there is no rush to approve this policy, the Board could wait until a whole policy is prepared.

Timothy Johnson said the PFPF has operated under this Procurement Authority Chart anyways. The PFPF will mimic how the City does things related to RFPs.

Chris Brown said this is fairly simple – there will be a stipulation included that the thresholds are shown, but all statutory requirements will be adhered to.

Richard Patsy asked Lawsikia Hodges to clarify if she envisions the new policy to differ not only in form but also in content.

Lawsikia Hodges said the PFPF doesn't have to reinvent the wheel – there is no set of uniform procurement rules across the City's Independent Authorities, except for the Statutory Requirements. There is a lot a variance between the different authorities.

4. Beaches Time Service Connections Options

Steve Lundy

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Timothy Johnson discussed the Beaches Time Service Connections (TSCs) issue – members were incorrectly charged 8% instead of 20% for their TSCs. Steve Lundy put together this chart after OGC, Timothy Johnson, and Chris Brown met to discuss previous OGC legal opinions, and possible remedies to the issue.

Steve Lundy explained the chart to the Board of Trustees. The chart shows each member who was incorrectly charged 8% instead of 20% for their TSCs. It also shows three possible options for members to remedy their specific cases:

1. Nullify their TSC and receive a refund of the amount contributed to date.
2. Receive credit for amount contributed to date.
3. Pay remaining balance in full.

Steve Lundy also said that depending on the option, members' pension dates, pension bases, and/or DROP balances may be recalculated.

Chris Brown asked about the member who passed away. He asked if the member's estate would get a refund of the amount contributed to his TSC.

Timothy Johnson said he would come back next month with a legal review. He said he would also bring back the Benefit Correction – Appeal Policy draft next month.

Chris Brown said the lawyers need to look into the apparent conflict with State Law when a PFPF member dies before hitting 20 years of service and does not receive a refund.

Michael Lynch said that case applies to terminated vested members.

Pedro Herrera said he has spoken to Lawsikia Hodges on the matter, and will include answers in their opinion, and possibly a resolution.

Timothy Johnson said that Kevin Grant, PFPF Finance Manager, has passed his probationary 6-month employment period. It is customary to give a salary increase upon completion of this period. The old PFPF Salary and Employment Policy provided for a 5% increase in salary after probation. The new policy provides for raises at the Board's discretion.

Timothy Johnson recommended that the Board increase Kevin Grant's salary by 3.5% as of his 6-month employment anniversary.

Chris Brown asked if Kevin Grant is entitled to the collectively bargained COJ raises.

Timothy Johnson said that he is not entitled to the collectively bargained COJ raises. In October, the COJ raises will be applied to the PFPF employees who are entitled. To the employees who are not entitled, the Board will consider the increase at their discretion.

Michael Lynch asked if there was a reason why the 5% raise is not automatic anymore.

Steve Lundy said that the raise is not automatic under the PFPF Salary and Employment Policy, which was revised in 2016 by the Board of Trustees.

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Willard Payne asked if the Board could approve a 5% raise.

Timothy Johnson said yes.

Motion to approve a 5% salary increase for Kevin Grant effective at completion of his 6-month probationary period: PAYNE; Second: LYNCH; APPROVED UNANIMOUSLY.

Timothy Johnson said he would like Pedro Herrera to clarify a question which was asked by Richard Patsy at last month's Board of Trustees meeting: If an affected member does not make an election in response to the DROP & COLA Benefits Opinion, what plan does that member default to?

Pedro Herrera apologized for any confusion. The theory of the DROP & COLA Benefits Opinion is to allow affected members to 'opt-out' of the plan under 2015-304-E. Members' accrued benefits cannot be reduced. If a member does not make an election, they remain under the 2015-304-E Plan. Members must make an election if they wish to 'opt-out' of the 2015-304-E Plan and 'opt-in' to the 2017-259 Plan. Barring any such formal 'opting-out', a member will stay in the 2015-304-E Plan.

Chris Brown asked what the deadline was for the election.

Timothy Johnson said the PFPF Staff has created an election period, and elections open on May 30th. Eight educational sessions have been scheduled.

Steve Lundy said the soft deadline is on June 29th (30 days from May 30th).

Chris Brown asked for the election form and synopsis after the election period opens.

Richard Patsy asked how many members were affected by this opinion.

Timothy Johnson said about 300.

VI. Counsel Reports

Lawsikia Hodges & Bob Sugarman

Lawsikia Hodges updated the Board of Trustees on the legal settlement between the City and some African American firefighters. All parties involved agreed to the settlement. There will be a series of upcoming hearings to ensure the settlement is reasonable and fair under federal law. This will be a long process. OGC litigators Rita Mairs and John Phillips are leading the case, and anticipate the proceedings will not finalize until the end of the year at the earliest. The Board of Trustees may be involved because the settlement may entitle members of the Fund to retro pay. Rita Mairs intends to meet with each Trustee individually to answer any questions.

Chris Brown asked if the City would have to pay a contribution to cover additional liability should the firefighters choose retro pay, which would affect their pension.

Michael Lynch said that the settlement amount is allocated to that payment as well.

Randy Wyse said that the plaintiffs would have to make their contribution and the City's contribution out of the money they receive in the settlement.

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Lawsikia Hodges said that she would be happy to share with the Board the documents related to the City's response to the unions regarding the chapter funds, and why the City was not required to go to arbitration.

Pedro Herrera reminded the Board of Trustees about the annual required financial disclosures which are due July 1. He said that the form requires mandatory continuing ethics training which does not apply to the Board.

VII. Investment Consultant Reports

Dan Holmes

1. Asset – Liability Study

Deferred.

Dan Holmes outlined the Asset – Liability Study as attached. It has been presented and recommended by the FIAC for Board approval and adoption. Their recommendation is included.

Dan Holmes discussed the following topics as attached in the Asset – Liability Study:

- Executive Summary
- Stochastic Modeling
- Private Investments in the Asset Allocation: Adopt a strategic target, use a best-ideas approach to implementation.
- Setting the 'Big Picture'
- Understanding the Pension Liability Surtax
- Plan Summary

Chris Brown asked what the current funded rate is without counting the surtax.

Dan Holmes answered 47.6%.

Michael Lynch asked if the \$10.9 million figure is the chapter monies from the State.

Pete Strong said that figure was the contribution in Fiscal Year 2017, and is an illustration.

Dan Holmes said the page was showing the total sources of contributions at that specific point in time.

Greg Anderson asked if the \$30 million increase was on a net basis.

Dan Holmes answered yes. This year experienced an increase. Decreases will start next year and continue onward due to benefit payments rising and contributions falling.

Dan Holmes continued to discuss the following topics in Asset – Liability Study as attached:

- Additional Assumptions and Considerations (page 7)
- Benefit Payments (page 8)
- Evolution of Contributions (page 9); the Plan is expected to reach fully-funded status in 2047.

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Greg Anderson asked for confirmation that the Fund would hit fully-funded status in 2047.

Dan Holmes said the Plan would become fully-funded assuming all actuarial assumptions realize, including a 7% annual rate of return and a surtax growth rate of 4.25%.

Pete Strong added that in 2047 the City contribution would go down because the plan will reach fully-funded status.

Dan Holmes discussed effects on liquidity due to cash flow on page 10.

Michael Lynch said that liquidity concerns will put more pressure on the Plan to achieve the annual 7% rate of return.

Pete Strong said that the City pays the PFPF's benefit payments throughout the year then is reimbursed at year end. He asked if that would help liquidity issues if that practice continues.

Dan Holmes said for the purpose of the Asset – Liability Study that practice was kept neutral.

Dan Holmes continued to discuss the following topics in Asset – Liability Study as attached:

- Assets, Present Value of Surtax Proceeds, Liabilities and Funded Status (page 11)
- Sensitivity Analysis (page 12)
- Capital Market Assumptions (page 13)
- Asset Class Restrictions (page 14)
- Asset Allocation Mixes (page 15)
- Market Value Projections (page 16)
- Portfolio Liquidity In a Perfect Storm (page 22)
- Recommendations (page 23); if the Board chooses the recommended 10% target to Private Investments, it would take 5 or more years to reach the target.

Greg Anderson asked if Private Investments means Private Equity.

Dan Holmes said it is a bucket including Private Equity, Private Natural Resources, and Private Real Estate.

Richard Patsy asked if all of these numbers are net of fees.

Dan Holmes answered yes.

Dan Holmes and Richard Patsy discussed the asset allocation mixes on page 15.

Richard Patsy asked why Private Equity dropped lower less than ACWI on page 22.

Dan Holmes said database marks for a 1-year shock period were reflected through differences in valuations in the Private Equity universe.

Dan Holmes concluded his presentation by discussing the Target Asset Allocation Recommendation by the FIAC.

Chris Brown said that Board should take the next month to review the Asset – Liability Study before approving it.

Greg Anderson asked how long it would take to achieve the new target asset allocation mix.

Dan Holmes said the target would be achieved over the next couple of months for the publically traded asset classes. Private Investments would take longer – new managers must be interviewed by the Board.

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Chris Brown asked Dan Holmes to briefly summarize and condense the Flash Report and the Economic & Capital Market Update.

Dan Holmes said on a Fiscal Year to Date basis, the plan is up 3.8% net of fees, above the policy index, and the plan is on track to earn the actuarially assumed rate of return.

2. Investment Performance Review – March 31, 2018

To be received as information.

3. Flash Report – April 30, 2018

To be received as information.

4. Economic & Capital Market Update – April 30, 2018

To be received as information.

VIII. Council Liaison Update

Greg Anderson

Greg Anderson informed the Board of Trustees that the City Council elected Aaron Bowman as the new Council President, and Scott Wilson as Vice President. Mr. Anderson is excited about the future of the City Council leadership, and thinks it will be a good year.

IX. Old Business

X. New Business

1. External Audit- Handout

Rob Lemmon

Rob Lemmon presented the External Audit as attached. He highlighted the following topics:

- With the highest level of assurance – based on testing – all numbers are materially accurate.
- Summary of Significant Accounting Policies (page 13); nothing is groundbreaking.
- Deposits and Investments (Note 6, page 18); Snapshot of the Fund’s types of investments.
- Fair Value Measurements (page 22); New accounting rule – GASB 72. Lists any investments in fair value to book value. These numbers are not fixed, solid numbers, as there is some uncertainty. All numbers have been tested and are materially accurate.
- Net Pension Liability (Note 9, page 23)

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☐ Schedule of Findings (page 31); one key test is to check data sent to actuary. The original data file omitted certain salary elements. This error occurred due to a change in data codes this Fiscal Year. This is the only audit finding. This finding had a material impact.

Michael Lynch asked for clarification on the inaccurate data sent to the actuary.

Rob Lemmon said it was due to the pay codes for members. The report sent to the actuary did not capture everything.

Timothy Johnson asked if the updated actuarial report would have an impact on the state report.

Pete Strong said it would not have an impact.

Pedro Herrera asked that if the Board has no further questions, will there be a revision to the audit supplementing management's response.

Rob Lemmon answered yes.

Timothy Johnson said he would have management's response ready for the Board's June meeting.

Pedro Herrera asked if the City would need this audit for the CAFR.

Rob Lemmon answered no. the City uses a different measurement table.

2. Revised Actuarial Valuation as of October 1, 2017

Pete Strong

Pete Strong said that his office was informed of the auditor's findings about 2-3 weeks ago. His understanding was that there were changes to definitions or names of coded fields representing incentive pensionable pay – resulting in this fiscal year's report not capturing the new changes. This error only affects this year's data. The actuary has reviewed the new, correct data file and total salaries increased the total liabilities by \$43 million, which is an increase to total liability of 1.2%. Some assets were also not included in the January report, which helped to offset this. However, the ADEC has now increased by \$4.7 million.

Chris Brown thanked Pete Strong for his updated Actuarial Valuation. He asked if it needs a Board action.

Timothy Johnson answered yes. He recommended that the Board defer approval until June.

Steve Lundy, Assistant Plan Administrator
Posted 06/01/2018

Willard Payne, Secretary

To be approved at the Board Meeting on June 15, 2018.