



SUMMARY TO THE REGULAR BOARD OF TRUSTEES MEETING

Friday, September 23, 2022

9:00 A.M. – 10:59 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, October 21, 2022 at 9:00 A.M.

Board of Trustees

Assistant Chief Chris Brown, Chair
Nawal McDaniel, Secretary
Mia Jones
Cpt. Michael Lynch
Terry Wood

Fund Staff

Timothy H. Johnson, Executive Director – Plan Administrator
Steve Lundy, Deputy Director
Kevin Grant, Finance Manager
Cathryn Lively, Pension Administrative Specialist
Lynn West, Pension Benefits Specialist

Guests

Paul Barrett, Fund Treasurer
Jordan Cipriani, RVK, Investment Consultant
Lawsikia Hodges, Office of General Counsel
Kevin Schmidt, RVK, Investment Consultant
*Pete Strong, GRS, Fund Actuary
*Bob Sugarman, Fund Counsel
Randy White, City Council Liaison

Ben Carlin, With.Intelligence*
Liridon Gila
*Brennan Merrell, COJ, Treasury
Randy Reaves, JSO, President, FOP 5-30
*"1"

*Asterisk denotes virtual meeting attendance via the ZOOM application.

Notice

Meeting Agendas and Summaries are available on our website at 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 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.

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Agenda

- I. Pledge of Allegiance

- II. Invocation

Timothy Johnson gave the invocation.

- III. Moment of Silence

Arthur S. Copeland, Retired Police Officer
William J. Johnson, Retired Police Sergeant
Thomas J. McGivney, Retired Police Captain
Michael Michener, Retired Police Officer

- IV. Public Speaking

- V. Consent Agenda Items 2022-09-(01-12)CA – *Action requested*

2022-09-01CA Meeting Summaries to be Approved

- 1. Summary to the Board of Trustees Meeting of August 19, 2022
- 2. Summary to the Board of Trustees Special Meeting of August 31, 2022

2022-09-02CA 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

08-01-2022 thru 08-31-2022

1. Acadian Asset Management	\$	247,891.00
2. Eagle Capital Management	\$	423,385.98
3. J.P. Morgan	\$	489,861.54
4. Pinnacle Associates	\$	113,493.00
Total	\$	1,274,631.52

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DISBURSEMENTS B

08-01-2022 thru 08-31-2022

1. Accounts Payable Distributions	\$	20,023.38
2. Accounts Receivables	\$	62,635.14

2022-09-03CA Pension Distributions

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

August 5, 2022

1. Regular Gross	\$	7,008,616.55
2. Regular Lumpsum	\$	0.00
3. Regular Rollover	\$	0.00
4. Regular DROP Gross	\$	1,442,811.80
5. DROP Lumpsum	\$	0.00
6. DROP Rollover	\$	0.00
Total	\$	8,5451,428.35

August 19, 2022

1. Regular Gross	\$	7,006,606.35
2. Regular Lumpsum	\$	0.00
3. Regular Rollover	\$	0.00
4. Regular DROP Gross	\$	1,443,572.90
5. DROP Lumpsum	\$	0.00
6. DROP Rollover	\$	0.00
Total	\$	8,450,179.25

The following Consent Agenda items 2022-09-(04-08CA) were verified with supporting documentation and approved at the Advisory Committee meeting held on September 13, 2022. Vote was unanimous. Meeting Agenda attached.

2022-09-04CA

Application for Membership per 121.102(e)(1)(A)

2022-09-05CA

Application for Vested Retirement

2022-09-06CA

Application for Time Service Connections

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[2022-09-07CA](#)

Application for Survivor Benefits

[2022-09-08CA](#)

Application for DROP

The following Consent Agenda items 2022-09-(09-12CA) were verified with supporting documentation and received as information at the Advisory Committee meeting held on September 13, 2022. Vote was unanimous. Meeting Agenda attached.

[2022-09-09CA](#)

Refund of Pension Contributions

[2022-09-10CA](#)

Share Plan Distributions

[2022-09-11CA](#)

DROP Participant Termination of Employment

[2022-09-12CA](#)

DROP Distributions

Michael Lynch asked to pull item 2022-09-08CA out of the Consent Agenda for individual approval.

Michael Lynch moved to approve the Consent Agenda items less 2022-09-08CA, seconded by Mia Jones. The vote passed unanimously.

Michael Lynch said he was made aware yesterday that the \$2,500 collectively bargained payment to JSO and JFRD employees was not processed in time for the first October payroll, and therefore would not be included in the average salary calculation for the October 2022 DROP Enrollees' pension. Some of these members made their decision to enroll in the DROP based on this \$2,500 payment being included. He said he has had conversations with some of these members, and they said it was a big deal. He said he wants to give these members an option to withdraw their application.

Michael Lynch moved to accept all applications for the October DROP (2022-09-08CA), and to give all October DROP Applicants until the end of business on September 30, 2022 to withdraw their applications, seconded by Nawal McDaniel. The vote passed unanimously.

VI. Executive Director's Report

Timothy Johnson said he had no update besides the Personnel Committee recommendation.

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VII. Personnel Committee Recommendation – *action requested*

Timothy Johnson briefed the Trustees on the recommendation of the Personnel Committee, which met at 8:00 A.M. prior to today's Board of Trustees Meeting. At that meeting, he and the Personnel Committee reviewed PFPF Staff performance for Fiscal Year 2022, and discussed ways to help mitigate the effects of the last year's unprecedented inflation (8.66%) on the staff. He briefly highlighted the administrative goals for the fiscal year, noting that the goals, although assigned to individuals, are a collaborative effort. The Personnel Committee ultimately recommends that the Board of Trustees approve the 'Recommended Raises', plus an additional 1%, and give each PFPF Staff a \$3,500 lump sum payment minus the 1% increase, to help mitigate inflation.

The Personnel Committee's Recommended Raises were as follows:

- Building Services Manager: 3.00%
- Pension Benefits Manager: 3.75%
- Finance and Benefits Specialist: 4.00%
- Pension Benefits Specialist: 3.50%
- Finance Manager: 3.25%
- Pension Administrative Specialist: 3.50%
- Deputy Director: 3.75%

The Board of Trustees discussed the Personnel Committee Recommendation, and ways to help mitigate the effects of inflation on the PFPF Staff. Ultimately, the Board of Trustees resolved to modify the Personnel Committee's recommendation and apply salary increases as follows:

Chris Brown moved to accept the Personnel Committee's Recommended Raises (above), plus an additional 7% Cost of Living raise on the first \$50,000 of salary, seconded by Terry Wood. The vote passed unanimously.

VIII. Investment Consultant Reports

a. Monthly Investment Performance Analysis – August 31, 2022

Kevin Schmidt covered the General Market Commentary on page 2 of the Monthly Investment Performance Analysis:

- Global equity markets pulled back in August, with most major indices finishing in negative territory. Domestic and international indices posted low to mid-single digit losses, with the exception being emerging markets which posted a slight gain for the month. Persistent heightened inflation, along with recession fears, continue to weigh on investment results.
- In August, Federal Reserve chair Jerome Powell reaffirmed that monetary policy would remain tight in an attempt to combat the soaring inflation, and that the Fed's focus is to return the long-run inflation target of 2%. As of the end of July, inflation recorded an 8.5% gain year-over-year, slightly down from the 9.1% figure as of the end of June.

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- Despite the poor economic conditions, the nation's job market remains very strong, with the national unemployment rate being 3.7% as of the end of August, and jobs continuing to be added throughout the United States each month.
- Equity markets posted negative returns in August as the S&P 500 (Cap Wtd) Index returned -4.08% and the MSCI EAFE (Net) Index returned -4.75%. Emerging markets returned 0.42% as measured by the MSCI EM (Net) Index.
- The Bloomberg US Aggregate Bond Index returned -2.83% in August, underperforming the -2.01% return by the Bloomberg US Treasury Intermediate Term Index. International fixed income markets returned -5.78%, as measured by the FTSE Non-US World Gov't Bond Index.
- Public real estate, as measured by the FTSE NAREIT Eq REITs Index (TR), returned -5.97% in August and 5.63% over the trailing five-year period.
- The Cambridge US Private Equity Index returned 27.60% for the trailing one-year period and 19.71% for the trailing five-year period ending March 2022.
- Absolute return strategies, as measured by the HFRI FOF Comp Index, returned 0.88% for the month and -4.50% over the trailing one-year period.
- Crude oil's price fell by 9.20% during the month, but has increased by 30.73% YoY.

Kevin Schmidt covered the Total Fund Asset Allocation by Asset Class, Asset Allocation vs. Target, and Schedule of Investable Assets on page 3.

Jordan Cipriani said that the \$100 million commitment to Ares has been fully called through the end of August. This is in line with Ares' timeline to put all capital to work within 12-18 months.

Kevin Schmidt covered the Asset Allocation & Performance (Net of Fees) on pages 5-7. The fund is heavy in equities, which has helped in the past, but is hurting now. This volatile period in the market cycle makes it hard to judge manager performance.

Chris Brown asked about investing in passive strategies.

Kevin Schmidt discussed how outperformance through using a passive investment strategy would be difficult in down markets.

Jordan Cipriani covered the Private Market Performance Evaluation Education. She began on page 2, discussing the difference between two performance measures, the Time Weighted Return (TWR) and Internal Rate of Return (IRR):

- TWR is used for liquid investments because the fund managers do not control cash flowing into or out of their funds.
- TWR is the return produced over time by a fund independent of contributions or withdrawals.
- TWR eliminates the impact of the timing of fund cash flows and isolates the portion of a portfolio's return that is attributable solely to the manager's actions.
- IRR is used for private fund managers because they typically exercise control over the amount and timing of fund cash flows.
- IRR is the discount rate that equates the cost of an investment with the cash generated by that investment.
- IRR accounts for the timing and magnitude of fund cash flows.

Jordan Cipriani covered the TWR and IRR Methodology Differences on page 3:

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- TWR calculations weight each period equally, while IRR calculations give more weight to periods where more capital is invested.
 - In a TWR calculation, any negative performance will weigh heavily on returns over the entire period.
 - In an IRR calculation, negative returns will have a small impact on performance if a small portion of capital is invested during the period of negative returns.
- TWR calculations include each valuation period while IRR calculations ignore intra-period valuations.
 - This causes investments with volatile valuations (i.e. a private investment early on in a fund's life) to have more negative performance when evaluated using a TWR.
- Due to the differences above, TWR and IRR can show dramatically different results for the same investment.

Kevin Schmidt gave an example of IRR versus TWR in managing a fund's performance on page 4:

- Because of the irregular cash flow nature of most private market investments, RVK recommends focusing on IRR as the most accurate measure of performance for asset classes like non core real estate, private credit, and private equity.
- The table above highlights a broad range of differences between the two methods of performance measurement.
- As funds mature, the two methods become increasingly similar. However even mature funds can have TWR performance numbers that do not accurately represent value created by the fund.

Jordan Cipriani covered the "J Curve Effect" on page 5:

- The term J Curve refers to the shape of a private market fund's performance during it's lifespan.
- Private market funds often experience negative IRRs during the beginning of the fund's life.
 - Primarily caused by early management fees and time required to invest capital.
- IRR recovers as investments appreciate.

Jordan Cipriani covered the Fund Lifecycle and Cash Flows on page 6:

- Traditional closed-end private credit and non-core real estate funds typically have a seven to ten-year term and often have a provision that allows funds to request a one or two-year extension.
- These funds often utilize a three to five-year investment period where the fund actively seeks out and invests in new opportunities.
- Most of the capital will be drawn and most of the management fees and expenses will also be paid during the investment period.

Jordan Cipriani covered the PFPF Performance as of August 31, 2022 on page 7.

IX. Actuary's Report

a. Actuarial Assumed Rate of Return Discussion

Pete Strong discussed variables which influence the City Contribution payment to the Fund. The first is the market return. The Fund is estimated to close Fiscal Year 2022 at around -13%. Since Fiscal Year 2021 was a great year at over

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20%, there will be a cushion of gains smoothed into the next year, offsetting a lot of this year's negative experience. It will still result in an actuarial loss, since the assumed rate of return is 6.625%. this will cause an increase in the City Contribution by around \$1.5 million.

Pete Strong said that changing the return assumption would also change the contribution. If the assumed rate of return is lowered to 6.5% from 6.625%, the city contribution would increase by about \$4 million.

Pete Strong said that the surtax growth rate is trending over 13%, which will reduce the City Contribution by over \$9 million.

Pete Strong said that given that the City will get a \$9 million break from the positive surtax experience, he recommends lowering the assumed rate of return. The positive surtax experience (\$9 million) would more than offset the negative investment experience (\$1.5 million) and the negative effect of lowering the assumed rate of return to 6.5% (\$4 million).

Pete Strong said that he is recommending the long-term assumed rate be lowered to 6.25%, but the logical next step would be to 6.5%.

Mia Jones moved to lower the assumed rate of return for the fund to 6.5%, seconded by Terry Wood. Discussion:

Michael Lynch mentioned that the fund smooths its asset returns, and asked about smoothing the surtax growth rate. He said he wants to be more conservative, and would hate to get to 2030, and have half the money expected once the surtax receipts begin. He said smoothing the surtax growth rate would hedge that bet.

Terry Wood said that Kevin Schmidt mentioned a recession may be in the near future. He asked how much new money in real estate taxes the City anticipates this year.

Paul Barrett said that the City has budgeted for about \$700-800 million in real estate taxes, which is the City's biggest source of revenue. There are a lot of unknowns, however, like inflation and the recent slowing of the housing market, and rising interest rates. Just because an amount is budgeted, does not mean the City will receive that amount. He said the City would have a better idea in November.

The Board of Trustees discussed smoothing the surtax growth rate further, and asked Pete Strong to look into this.

Pete Strong said discussions with the City and OGC would be needed to determine the legality of smoothing the surtax growth rate as well.

The vote passed unanimously.

X. Counsel Report

a. *Proposed Amendments to the Jacksonville Police and Fire Pension Fund Board of Trustees Operating Rules and Regulations – action requested*

Lawsikia Hodges presented her amendment to Rules 1.9 (Attendance at Board Meetings) and 11.7 (Appearances and Presentations before the Board; Public Comment) of the Board of Trustees Operating Rules and Regulations. The proposed amendment to Rule 1.9 adds:

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“After a physical quorum of the members is established at a Board meeting, any members not physically present may attend by telephonic or other electronic virtual means provided the reason for the member’s absence is deemed an extraordinary circumstance by the Board members constituting the physical quorum. Members attending telephonically pursuant to this section may fully participate and vote during such meetings.

(b) Board Employees, Attorneys and Other Professional Staff. Board employees, attorneys, and other professional staff may attend Board meetings by telephone or other electronic virtual means if approved in advance by the Executive Director-Plan Administrator.

(c) Defined Term. “Board meetings” as used in this Section 1.9 shall include all meetings of the Board and Board committee and subcommittee meetings.”

The proposed amendment to Rule 11 adds:

“Additionally, in keeping with Section 286.0114, Florida Statutes, the Board adopts the following procedure regarding public comments during Board meetings (as defined in Section 1.9 herein):

(i) Right of Public to Comment. The Board shall comply with law regarding receiving public comment. Individuals desiring to speak shall state his or her name, or indicate such on a designated form if available, and state or indicate the matter before the Board on which the person desires to speak.

(ii) Time Allotted. Subject to any time designated for public comment for a particular meeting, each individual who speaks during public comment will be allowed to speak for up to three (3) minutes in the Board Chair’s discretion.

(iii) Mode of Appearance. Unless otherwise approved by the Board, public comment by a member of the public will only be permitted in-person. Copies of any materials that a member of the public desires to provide to the Board may be provided to the Board during the time that the member of the public exercises public comment.

No person shall be permitted to disrupt the meeting. The Chairman shall have the authority to determine appropriate conduct at the meeting and to direct the removal of any person who fails to abide by the rules of order set by the Board.”

Lawsikia Hodges also presented the proposed amendment, replacing Rule 15 (Chapter Funds):

“15.1 DEFINITION.

Chapter Funds shall be defined as those revenues received by the Fund pursuant to the assessment of excise taxes against property insurance policies for the benefit of firefighters retirement funds in accordance with Section 175.101 of the Florida Statutes and the assessment of excise taxes against casualty insurance policies for the benefit of police officers retirement trust funds in accordance with Section 185.08 of the Florida Statutes.

15.2 ADMINISTRATION.

The Board shall administer the Chapter Funds in accordance with Chapter 121, Ordinance Code.

15.3 AUTHORIZATION.

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The Executive Director-Plan Administrator shall provide written notice to the respective collective bargaining units each year of the amount of Chapter Funds received pursuant to Chapters 175 and 185, Florida Statutes. The written notice shall request the respective collective bargaining units to direct the Board on the administration of the Chapter Funds. Unless otherwise provided by the Board, the Executive Director-Plan Administrator is authorized to administer and disburse the Chapter Funds received each year for the legal use of the police officer and firefighter Members in the manner provided in Chapter 121, Ordinance Code. Prior to the Executive Director-Plan Administrator's disbursement of Chapter Funds pursuant to this section, the Executive Director-Plan Administrator shall be in receipt of the following:

(a) A written directive from an appropriate officer of the respective collective bargaining unit specifying: (i) the Chapter Funds calendar year(s) that the directive is applicable to; (ii) the legal use authorized by the collective bargaining unit; (iii) the meeting date that the collective bargaining unit approved or voted on such legal use; and (iv) if there is more than one legal use specified, the disbursement amount in exact amounts or percentages to be applied to each specified legal use; and

(b) Written confirmation from the Board attorneys that the written directive complies with this section and the legal use(s) specified in the written directive is a legal use of Chapter Funds.

To assist the Executive Director-Plan Administrator and Board attorneys in complying with this Rule, documents may be requested from the respective collective bargaining units to evidence the requirements in subsection (a) and (b) above, including legal opinions provided by the respective collective bargaining unit's attorney.

15.4 REPORT.

The Executive Director-Plan Administrator shall provide a report to the Board regarding the disbursement of Chapter Funds at the next immediate regular Board meeting following any disbursement of Chapter Funds in accordance with this Rule."

Chris Brown said he is seeing some of these sections for the first time today. He said he needs to take a look at the whole document, and asked Timothy Johnson to figure out the best way to review the rules with the Board of Trustees.

Timothy Johnson said he would add this to the Performance Plan for 2023.

Terry Wood moved to approve the amendments to rules 1.9, 11.7 and 15, seconded by Nawal McDaniel. The vote passed unanimously.

a. Charter Changes pertaining to Court Ruling regarding Board Authority

Lawsikia Hodges said that 22.07 of the Charter empowers the Board of Trustees to propose amendments to the Charter to City Council. The issue is, as we move into the administration of the Senior Staff Voluntary Retirement Plan (SSVRP), there is language in section 22.12 of the Charter that prohibits the Board of Trustees from creating a pension plan, or from administering a plan different from the Police and Fire Pension Fund as spelled out in Chapter 121.

Lawsikia Hodges said she has discussed this with Timothy Johnson, and her strong recommendation to the Board of Trustees is to do one of two things. She said that as we come to the practicality of administering the SSVRP – and there

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is a General Counsel opinion that is still out there that was overruled by the Court – to have the current General Counsel provide Timothy Johnson with clearer guidance on this point that section 22.12 of the Charter has been overruled. She said she has already spoken to the General Counsel about this, and he is willing to do that. This would be a simple memo for Timothy Johnson to put in his file to give the Board of Trustees some comfort. She said the second, permanent solution would be for the Board of Trustees to propose an amendment removing that language from the Charter to City Council.

Terry Wood proposed, referencing the federal judge’s ruling, that we go back and repeal the 2015 law that was made in anticipation of the City being correct on all those issues. The judge said the Board of Trustees had all the powers, including compensation, and establishing retirement plans for its employees. He proposed repealing the 2015 law, to return the Board of Trustees to how it was created by the State of Florida Legislature.

Chris Brown asked if this is something Terry Wood wants to explore.

Terry Wood said that he understands needing a letter for the administration of the SSVRP. But the whole point is, the Court said the City was wrong, and the Board of Trustees was right, and had those powers.

Lawsikia Hodges said that is exactly what the recommendation to Timothy Johnson was. She said she agrees with the recommendation. She said the law Mr. Wood is referring to is 2015-683, which amended the Charter. She said the Board of Trustees could work with OGC to draft these documents.

Michael Lynch said that 2015-304 also changed Chapter 121 of the Code of Ordinances, which overlaps with the Charter, concerning pay. He said it may not be as easy as one piece, but is not opposed to what is being suggested.

Lawsikia Hodges said 2015-683 was a very limited Charter amendment. She said that could be done away with easily based on the judge’s ruling.

Chris Brown said this would be a good idea, and Timothy Johnson should explore it.

b. Rights and Benefits of the Elected Sheriff

Bob Sugarman summarized his answers to questions regarding the appointment of Patrick Ivey to the Office of Sheriff for the Jacksonville Sheriff’s Office, and his eligibility to continue receiving his pension while serving as Sheriff. The Internal Revenue Code describes this as an ‘in service distribution’, and it is permitted because he is holding an elected position. However, the unique position is that Sheriff Ivey was appointed, not elected.

Bob Sugarman said he consulted with the Office of General Counsel on this matter, and the term ‘elected officer’ refers to the elected office which can be filled by election or appointment. The Sheriff can continue to receive his pension while serving as Sheriff, whether he was elected or appointed to the office.

Bob Sugarman said that there is an election in November for the Office of the Sheriff, and he and OGC are working on an opinion on how being elected to Sheriff might affect different classes of members.

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XI. Council Liaison Update

Councilman Randy White said he has no new update today.

XII. Old Business

Terry Wood discussed the Joshua Livingood fraud case, relating to his application for disability pension. He said that the Board of Trustees usually responds to recommendations of fact. He said that in this case, the Board is hiring an Administrative Law Judge to make those determinations of fact. He said that when he was a Trustee for the General Employees' Pension Plan, usually someone comes to the Board and brings evidence showing fraud has occurred. In this case, it looks like the Board is almost looking for fraud to occur. He recommended sending this to the state attorney to determine if there is fraud.

The Board of Trustees discussed differences in administrative and criminal fraud cases at length.

Bob Sugarman said that Chapter 185 says it is unlawful for someone to make a false and fraudulent statement to obtain benefits under a plan, and if someone does, it is a first-degree misdemeanor. Upon conviction, the Board of Trustees has discretion to forfeiture. This is the State standard. If the PFPF did not have its own provision under its plan, the Board wouldn't even be looking at this case because there was not a conviction. Ordinance Code Chapter 121 holds the PFPF to a higher standard. No conviction is required, just fraud against the PFPF. The State Attorney's Office wouldn't necessarily be helpful.

Chris Brown said that we are now in the middle of an inquiry to determine whether fraud was committed. The Board voted to send this to the Administrative Law Judge. The Board of Trustees will still make the final decision of whether to forfeit Mr. Livingood's pension.

The Board of Trustees continued to discuss the process, and no motion was made on the matter.

XIII. New Business

None.

XIV. Upcoming Meetings

- a. *Board of Trustees & FIAC Manager Update Workshop: WEDGE Capital Management – Monday, September 26, 2022 at 12:00PM*
- b. *Board of Trustees – Friday, October 21, 2022 at 9:00AM*

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XV. Adjournment
10:59AM

Nawal McDaniel, Board Secretary

Summary Prepared By:

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

Posted: 10/04/2022

To be Approved: 10/21/2022