



SUMMARY TO THE REGULAR BOARD OF TRUSTEES MEETING

Friday, October 20, 2023

9:00 A.M. – 10:30 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, November 17, 2023 at 9:00 A.M.

Board of Trustees

Chief Chris Brown, Chair
Mia Jones
Cpt. Michael Lynch
Terry Wood

Excused

Nawal McDaniel, Secretary

Fund Staff

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

Guests

Chris Cicero, Fund Treasurer
*Aaron Birman, RVK, Investment Consultant
*Jordan Cipriani, RVK, Investment Consultant
Lawsikia Hodges, Office of General Counsel
*Pedro Herrera, Fund Counsel

*Kevin Balaod, with.Intelligence
Renzer Bell
*Gar Chung, FIN-News
Brennan Merrell, COJ Treasury
Randy White, City Council
Randy Wyse, IAFF Local 122

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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Summary

I. Pledge of Allegiance

II. Invocation

Timothy Johnson gave the invocation.

III. Moment of Silence

Robert Ervin Jr., Retired Deputy Director of Police Operations
Charles I. Griffin, Retired Police Officer
Vincent M. Howell, Retired Police Sergeant
Wanda J. King, Retired Fire Lieutenant
Joseph M. Martin, Retired Fire Lieutenant
David C. Miller, Retired Police Officer

IV. Public Speaking

None.

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

Terry Wood moved to approve the Consent Agenda, seconded by Mia Jones. The vote passed unanimously.

2023-10-01CA Meeting Summaries to be Approved

1. Summary to the Board of Trustees Meeting of September 22, 2023
2. Summary to the Board of Trustees & FIAC Manager Update Workshop of October 12, 2023

2023-10-02CA 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.

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DISBURSEMENTS A

09-01-2023 thru 09-30-2023

1. J.P. Morgan	\$	438,776.38
Total	\$	438,776.38

DISBURSEMENTS B

09-01-2023 thru 09-30-2023

1. Accounts Payable Distributions	\$	44,114.52
2. Accounts Receivables	\$	48,433.98

2023-10-03CA Pension Distributions

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

September 1, 2023

1. Regular Gross	\$	7,309,840.47
2. Regular Lump sum	\$	0.00
3. Regular Rollover	\$	70,459.15
4. Regular DROP Gross	\$	1,496,070.87
5. DROP Lump sum	\$	80,013.85
6. DROP Rollover	\$	0.00
Total	\$	8,956,384.34

September 15, 2023

1. Regular Gross	\$	7,308,828.54
2. Regular Lump sum	\$	7,429.63
3. Regular Rollover	\$	0.00
4. Regular DROP Gross	\$	1,492,026.16
5. DROP Lump sum	\$	367,320.03
6. DROP Rollover	\$	0.00
Total	\$	9,175,604.36

September 29, 2023

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1. Regular Gross	\$	7,303,647.89
2. Regular Lump sum	\$	0.00
3. Regular Rollover	\$	0.00
4. Regular DROP Gross	\$	1,490,164.22
5. DROP Lump sum	\$	451,198.19
6. DROP Rollover	\$	0.00
Total	\$	9,245,010.30

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

[2023-10-04CA](#)

Application for Vested Retirement

[2023-10-05CA](#)

Application for Survivor Benefits

[2023-10-06CA](#)

Application for Time Service Connections

The following Consent Agenda items 2023-10-(07-10CA) were verified with supporting documentation and received as information at the Advisory Committee meeting held on September 12, 2023. Vote was unanimous. Meeting Summary attached.

[2023-10-07CA](#)

Share Plan Distributions

[2023-10-08CA](#)

DROP Participant Termination of Employment

[2023-10-09CA](#)

DROP Distributions

[2023-10-10CA](#)

DROP Distributions for Survivors

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VI. Executive Director's Report

a. 2024 PFPF Calendar – action requested

Steve Lundy presented the 2024 PFPF Calendar and highlighted several changes. Firstly, the Board meeting dates have been shifted from the third Friday to the fourth Friday of each month. This adjustment aims to facilitate greater in-person attendance by RVK at more meetings.

Additionally, the December Board of Trustees Meeting is now scheduled for Thursday, December 19. Another change involves Fallen Firefighters' Day, which has been moved from the second Friday in October to the second Monday in October.

Mia Jones moved to approve the 2024 PFPF Calendar, seconded by Terry Wood. The vote passed unanimously.

Kevin Grant provided an overview of the "COJ's Annual Repayment and Contribution Rebalancing" slide, highlighting the PFPF Repayment Amount and the COJ Contribution Amount. The former encompasses advanced payments for beneficiary payroll and administrative expenses, including staff salaries, benefits, and operational costs, while the latter represents the City's annual contribution based on the annual actuarial analysis.

Grant then presented historical data from 2018 to 2023, illustrating PFPF repayments and COJ contributions. He also introduced a hypothetical net amount, which reflects the balance between the PFPF repayment and the COJ contribution. This net amount would potentially be paid by the PFPF to the COJ in an alternative scenario, contingent on the City's agreement, a proposition that was not accepted in 2021 but is now open to consideration.

Timothy Johnson expressed enthusiasm about this development, although Jordan Cipriani would present an additional scenario for investing the COJ Contribution in short-term fixed income based on a prior request by the Board of Trustees. With collaborative efforts from COJ Treasurer Chris Cicero and Brennan Merrell, there is optimism that the alternative scenario of netting the repayment and contribution could come to fruition. In this case, the PFPF would only need to liquidate the net amount at the end of the year.

Chris Cicero expressed support for the concept of the alternative scenario and confirmed openness to netting the repayment and contribution.

Kevin Grant mentioned that he would share actuary Pete Strong's analysis of netting the repayment and contribution, conducted in 2021. This collaborative effort signifies a positive shift in the City's approach to the proposed alternative scenario.

b. Ordinance 2023-307

Timothy Johnson provided an overview of Ordinance 2023-307, which has been deferred. This ordinance aims to eliminate restrictive language from Charter Section 22.12, following a judge's ruling affirming the PFPF's authority over employee compensation and the creation of the SSVRP. Currently, Section 22.12 prohibits the Board from establishing or administering any pension or retirement plan other than the PFPF and from offering any retirement plan other than the GEPP or GEDC to employees.

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Johnson outlined six potential scenarios to address the issue:

1. City Council Policy Decision: If Council wants to restrict the authority of the Board; then OGC will do that. If not; then maybe OGC will support this ordinance.
2. Narrow the Order: Council's restrictions are prospective; not retrospective. Judge overruled the Binding Opinion; not the law. Order applies to John Keane.
3. Outside Opinion: How restrictive language was put in the Charter? Was it done legally? Question City Council's authority to amend Charter (take authority from independent agency) without referendum.
4. Wait for Next Council President: Retired Fire Chief, Union President, PFPF Member and City Council Liaison. Knows issue, and can provide leadership.
5. Apply the Law: Court ruled PFPF has authority over employee compensation. Restrictive language must be removed.
6. Sue the City: OGC has obligation to apply the law. Court order, Charter Section 3.01 and the 2015 Agreement. PFPF rights have been violated and a remedy must be sought through the Court.

Johnson expressed hope for scenario 5, emphasizing that Michael Fackler, the new General Counsel, would bring a fresh perspective. Johnson, along with Board Chair Chris Brown, plan to meet with Fackler to seek approval for the ordinance and the removal of restrictive language. He clarified that there was no immediate action required and that this update served to inform the Board, with a follow-up expected after the meeting with the new General Counsel.

VII. Investment Consultant Reports

a. Monthly Investment Performance Analysis – September 30, 2023

Jordan Cipriani presented the Monthly Investment Performance Analysis as of September 30, 2023, beginning with an overview of the General Market Commentary:

- Global equity markets pulled back in September, with most US and international indices experiencing low to mid-single digit declines, and growth stocks generally underperforming their value counterparts.
- Bond markets also declined in September, as rates across the yield curve rose during the month, with the 10-year Treasury yield reaching a 16-year high.
- Stocks traded lower due to rising interest rates, mixed economic data, and concerns over economic growth. While the Fed paused interest rate increases at their September meeting, it was indicated that a higher-for-longer monetary policy will continue into 2024. Year-over-year inflation as of the end of August rose to 3.70%, higher than the July reading and the Fed's 2.00% target, but down significantly from 2022 highs.
- A potential US Government shutdown added to uncertainty, although ultimately Congress passed a bill on September 30th to keep the government funded through November 17th and avoid a shutdown.
- Equity markets posted negative returns in September as the S&P 500 (Cap Wtd) Index returned -4.77% and the MSCI EAFE (Net) Index returned -3.42%. Emerging markets returned -2.62%, as measured by the MSCI EM (Net) Index.

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- The Bloomberg US Aggregate Bond Index returned -2.54% in September, underperforming the -0.96% return by the Bloomberg US Treasury Intermediate Term Index. International fixed income markets returned -4.00%, as measured by the FTSE Non-US World Gov't Bond Index.
- Public real estate returned -6.80% in September and 2.77% over the trailing five-year period, as measured by the FTSE NAREIT Eq REITs Index (TR).
- The Cambridge US Private Equity Index returned 6.62% for the trailing one-year period and 15.59% for the trailing five-year period ending June 2023.
- Absolute return strategies returned -0.29% for the month and 4.77% over the trailing one-year period, as measured by the HFRI FOF Comp Index.
- Crude oil's price increased by 8.56% during the month and has increased by 14.22% YoY.

Jordan Cipriani discussed page 3, which displayed the asset allocation by asset class, a comparison of asset allocation versus targets, and the schedule of investable assets. Moving to page 5, she discussed asset allocation and performance, emphasizing that the Fiscal Year to Date return stood at an impressive 13.98%. However, she noted that this figure might undergo slight adjustments as final performance numbers are received. Cipriani highlighted that the conclusive Fiscal Year 2023 performance numbers would be available in the forthcoming Quarterly Performance report.

b. Pension Payroll Contribution and Repayment: Short Duration Fixed Income Scenario Memo

Jordan Cipriani presented the Pension Payroll Contribution and Repayment: Short Duration Fixed Income Scenario Memo to the Board of Trustees, previously discussed with the FIAC. She informed the Trustees that despite the FIAC's acknowledgment of the work, they did not recommend the proposed approach. The FIAC provided four reasons for not approving the memo:

1. Anticipation of Netting Approval: The FIAC believes that the more favorable alternative of netting the repayment and contribution will likely be approved by both the City and the Board.
2. Preference for Long-Term Investment Horizon: The FIAC favors a long-term investment horizon, which contrasts with the short-term nature of the proposed scenario.
3. Resistance to Changing Investment Policy Statement: The FIAC is against altering the Investment Policy Statement to allow for the necessary carve-out, particularly given that the payment represents 8% of the total fund.
4. Concerns About Payroll Growth: Considering the plan's demographics, the FIAC expressed reservations about the potential growth of payroll as a percentage of the total fund. Currently at 8%, this could increase to 15% in the coming years.

Jordan Cipriani and Aaron Birman subsequently covered the details outlined in the memo:

At the September 22, 2023 Board Meeting, the PPF Board directed RVK to explore an alternative approach for handling the annual advance payroll contribution from the City of Jacksonville, totaling approximately \$180 million. Traditionally, this contribution is allocated to the Pension Fund, following the asset allocation policy targets. However, due to elevated short-term yields, particularly in the 1-year treasury, there is a proposal to consider investing these funds in ultra-short duration government securities to secure a known yield, deviating from the diversified asset allocation strategy.

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If the Board approves this approach, engaging an investment manager is recommended for market expertise. RVK outlines findings on enhanced cash or ultra-short duration managers capable of handling a \$180 million mandate for about nine months, focusing on high-grade credit issuers, particularly treasuries and agencies. PFMAM is suggested for a passive investment strategy due to cost advantages, with a proposed portfolio exclusively in US Treasury and Agency securities maturing by September 2024.

Under this plan, PFMAM would manage a hold-to-maturity portfolio, with custody maintained by Northern Trust. PFMAM would not assume control of cash at any stage, and a one-page contract letter outlining services and fees for this one-time project would be issued. Reporting obligations would be handled by the client's custodian.

Before proceeding, RVK highlights key considerations. The PFPF's current fixed income allocation is close to its 20% target, and adding \$180 million may require selling long-term fixed income assets, potentially causing tracking error with existing benchmarks. The Board is advised to explore options for segregating this payroll funding mechanism from long-term policy targets.

RVK concludes that this analysis is specific to the 2023-2024 payroll cycle, acknowledging potential changes in future payroll exercises with the City of Jacksonville and shifts in the rate environment.

During the Board of Trustees' discussion on the change in funding policy, there was a focus on the implementation timeline and strategies to navigate potential breaches of the allowable range in the fixed-income component of the asset allocation.

Lawsikia Hodges emphasized a procedural requirement, noting that any modification to the asset allocation would necessitate at least 10 days' written notice to the City Council Finance Committee, in accordance with Ordinance Code 121.116.

Chris Brown proposed placing this item on the November meeting agenda. This would provide a four-week period for individual Board of Trustees members to explore options and potentially move forward with the scenario of netting the repayment and contribution with the City.

Timothy Johnson confirmed that the item would be reintroduced to the agenda in November.

Chris Brown expressed optimism about progress with the City on reaching an agreement and voiced support for the process of netting the repayment and contribution, indicating a sense of logical advancement in the discussions.

VIII. Counsel Reports

Pedro Herrera requested permission from the Board of Trustees to file for a determination letter with the IRS for the SSVRP. He informed the Board that the IRS charges a fee for this process, with two potential fee levels: \$300 for the "Small Plans Fee" or a higher amount of \$2,700 if the IRS categorizes the SSVRP as a "spinoff" plan.

There was no public comment requested.

Michael Lynch moved to approve filing a determination letter with the IRS for the SSVRP, approving up to \$2,700, seconded by Mia Jones. The vote passed unanimously.

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IX. Council Liaison Report

None.

X. Old Business

Michael Lynch provided an update to the Board of Trustees on the progress of the Rules Committee. He estimated that it would take approximately three months to complete the review of the Board Rules. Collaborative efforts with PFPF Staff, Nawal McDaniel, and himself would be undertaken to make necessary changes or corrections. Lynch mentioned that the PFPF Staff had identified 3-4 changes, and procedural updates such as those related to elections and terms also needed incorporation into the Board Rules.

Once the Rules Committee finalizes these changes, Lynch intends to present the updated draft of the Board Rules to the Board of Trustees for review. To ensure thorough consideration, the Trustees will receive the final draft 30 days in advance of the adoption process.

XI. New Business

None.

XII. Privilege of the Floor

Michael Lynch reported to the Board of Trustees that he attended the International Foundation of Employee Benefit Plans conference earlier in the month. He highlighted that the conference covered several crucial topics, such as cybersecurity, fixed income, and legal matters, in a manner distinct from the NCPERS or FPPTA conferences. Lynch emphasized that the event provided valuable and educational insights into these important subjects.

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XIII. Upcoming Events

- a. Manager Update Workshop – Pinnacle Associates – Wednesday, November 8, 2023 at 12:00PM*
- b. Manager Update Workshop – J.P. Morgan – Wednesday, November 15, 2023 at 12:00PM*
- c. Board of Trustees Meeting – Friday, November 17, 2023 at 9:00AM*

XIV. Adjournment

10:30 A.M.

Nawal McDaniel, Board Secretary

Summary Prepared By:

Steve Lundy, Deputy Director

City of Jacksonville Police and Fire Pension Fund

Posted: 10/31/2023

To be Approved: 11/17/2023