



SUMMARY TO THE REGULAR BOARD OF TRUSTEES MEETING

Friday January 18, 2019

9:00 A.M. – 11:23 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 February 22, 2019 at 9:00 A.M.

Board of Trustees

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

Guests

Mark Muchowicz, JSO
Tiffany Safi, OGC

Excused

Nawal McDaniel, Trustee

Staff

Timothy H. Johnson, Executive Director – Plan Administrator
Steve Lundy, Assistant Plan Administrator
Kevin Grant, Finance Manager
Chuck Hayes, Pension Benefits Manager
Randall Barnes, Fund Treasurer
Lawsikia Hodges, Office of General Counsel
Alex Ford, Wilshire Associates
David Lindberg, Wilshire Associates – via Webex
Pete Strong, Fund Actuary
Bob Sugarman, Fund Counsel -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

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II. **Moment of Silence**
Lawton G. Taylor Sr., Retired Police Officer

III. **Public Speaking**
None.

Willard Payne made a motion to keep Chris Brown as Board Chair, and himself as Board Secretary for 2019. Seconded by Richard Patsy. Michael Lynch abstained. The vote passed.

IV. **Consent Agenda Items 2019-01-(01-09)CA**
Motion to approve: PATSY; Second: PAYNE; PASSED UNANIMOUSLY.

2019-01-01CA - Meeting Summaries Approved

1. Summary to the Regular Board of Trustees Meeting of Thursday, November 15, 2018 (Revised)
2. Summary to the Regular Board of Trustees Meeting of Wednesday, December 21, 2018

Michael Lynch asked what was revised in the November 15, 2018 Board of Trustees Meeting Summary.

Steve Lundy said OGC had requested that he revise the portion of the summary where Chris Brown announced the Shade Meeting to include more detail.

Lawsikia Hodges said that was to make it clear per Florida Statutes that we properly opened the Shade Meeting.

2019-01-02CA 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

12-01-2018 thru 12-31-2018

1. Pinnacle Associates	\$	138,886.00
2. Loomis, Sayles & Company	\$	123,689.12
3. Harvest Fund Advisors	\$	103,898.49
4. Comercia Bank	\$	167,184.74
5. Summit Strategies Group	\$	20,489.00

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The following Consent Agenda items 2019-01-(06-08CA) were verified with supporting documentation and received as information at the Advisory Committee meeting held on January 09, 2019. Meeting Summary attached.

[2019-01-06CA](#)

Refund of Contributions

[2019-01-07CA](#)

DROP Participant Termination of Employment

[2019-01-08CA](#)

DROP Distributions

[2019-01-09CA](#)

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

[NCPERS Website](#)

V. Executive Director's Report

[Timothy Johnson](#)

Timothy Johnson informed the Board of Trustees that the Advisory Committee approved their procedures for hearing correction and error appeals. This was sent to all members affected by the Beaches Time Service Connection issue. These members will have 30 days to respond, and then will have 14 days before their hearings. Hearings are anticipated to begin in March. The Board should anticipate a recommendation from the Advisory Committee to resolve these errors.

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Timothy Johnson mentioned the JFRD 'Out-Of-Class' pay issue. He said Pete Strong would talk about this more later.

Timothy Johnson said Kevin Grant will be presenting a FY2019 Operating Budget Amendment to the Board of Trustees (HANDOUT), and Chuck Hayes will demonstrate the new online Retirees' Portal.

Kevin Grant discussed his handout FY2019 Operating Budget Amendment:

- Add \$18k to Personnel for part-time hours of 1,500 with a budget amount of \$18k for the front receptionist.
- Reduce Professional Services by \$135k for 1st quarter realized savings and reductions in needed professional services.
- Add \$13k to Operating for any increased training, travel and miscellaneous services operationally for staff, board and committee members.
- Add \$85k to Building in anticipation of the buildout of the 3rd floor, security software with enhanced equipment and video/card reader upgrades to cover building and parking garage access points.
- Add \$19k to Parking to cover the cost of the elevator repairs as approved in the December board meeting.

Kevin Grant noted these changes have a net \$0 effect on the total budget. Only amounts between line items are being moved.

Chris Brown asked if this needs Board approval.

Timothy Johnson said it does, and he would bring it to City Council.

Lawsikia Hodges said that a motion to approve this budget amendment should be inclusive of authorizing OGC to prepare a resolution for signature which is necessary for Council legislation.

Willard Payne made a motion to approve the FY2019 Operating Budget Amendment, inclusive of authorizing OGC to prepare the necessary resolution. Seconded by Richard Patsy. The vote passed unanimously.

1. Online Retirees Portal Demonstration

Chuck Hayes

Chuck Hayes demonstrated the new online Retirees Portal. He said Timothy Johnson, Steve Lundy, Lynn West, and Debbie Manning worked tirelessly on the project. The Retirees Portal will be very helpful to members and will save the PFPF money. He demonstrated the following:

- Retirees Portal Landing Page
- Security Features
- Login Page
- Direct Deposit Statement example

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Timothy Johnson remarked that a majority of the PFPF's members see the online Retirees Portal as a benefit. We are moving more into the digital age.

VI. *Counsel Reports*

Lawsikia Hodges & Pedro Herrera

1. Litigation Summary Update

Lawsikia Hodges briefly discussed the Litigation Summary Update as attached

2. Reemployed Pensioners Update

Lawsikia Hodges said she is still working with Bob Sugarman's office reviewing information on this issue.

Lawsikia Hodges presented the Proposed Amendment to PFPF Procurement Policy – Emergency Purchases Section (HANDOUT).

Lawsikia Hodges said with this amendment, Timothy Johnson can act on his own in emergency situations to make purchases.

Chris Brown asked if this would allow to replace certain things if they are found to violate the ADA.

Lawsikia Hodges said yes, but it depends. This amendment would provide to replace pipes which burst in the middle of the night, in situations where there is no time for an RFP, for example. To the extent Timothy Johnson can plan ahead, he will, but if he finds an elevator is broken, it is needed to go out and fix it before the PFPF is sued.

Chris Brown opened the floor for public speaking. There was no public speaking requested.

Richard Patsy made a motion to accept the Proposed Amendment to PFPF Procurement Policy – Emergency Purchases Section. Seconded by Willard Payne. The vote passed unanimously.

VII. *Investment Consultant Reports*

David Lindberg & Alex Ford

1. Capital Markets Review – December Flash Report

David Lindberg and Alex Ford presented their updated Capital Markets Update handout. They discussed the market decline in the fourth quarter, and the recovery after Christmas. They discussed asset class performance, and the investment of the City's contribution as shown in the handout.

Regarding a request by the unions for the transfer of chapter funds, the Board of Trustees made the following motions:

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1. Michael Lynch made a motion to authorize the Executive Director – Plan Administrator to transfer funds in accordance with Union directives, contingent upon the Office of the General Counsel ensuring that the plan requirements in section 121 have been met.

Seconded by Richard Patsy. The vote passed unanimously.

2. Richard Patsy made a motion to authorize the Executive Director – Plan Administrator to propose to the unions that Jan 31st, 2019 is used as the valuation date. The Fund will transfer 90% from that value on February 1st, and transfer whatever remaining balance of the valuation once it's accurately calculated.

Richard Patsy amended his motion: In agreement with both of the unions that we use January 31st, 2019 as valuation date, we transfer 90% of the assets based on that valuation date on February 1st, and transfer the remaining portion of it as soon as practical.

Michael Lynch seconded the motion, as amended. The vote passed unanimously.

3. Michael Lynch made a motion to authorize staff, through the investment consultant's recommendation, to rebalance the assets back to the target ranges in the investment policy.

(Offsetting of what the Board and the FIAC decided last month, and then this month, with cash reserves being phased in through the quarter)

Willard Payne seconded the motion. The vote passed unanimously.

VIII. Actuary Report

Motion to accept the Actuarial Valuation Report as presented: PATSY; Second: LYNCH; PASSED UNANIMOUSLY.

1. Actuarial Valuation Report as of October 1, 2018 – Draft

Pete Strong

Pete Strong began presenting his draft Actuarial Valuation Report as of October 1, 2018 as attached. He made the following highlights:

- Page 3: Last year, the contribution requirement was \$135 million. This year, the contribution requirement is \$140 million.
- The bulk of the increase in the contribution requirement is driven by the increase in normal cost – covered payroll climbed.
- Data for last year's actuarial report was as of July 1st. Between July 1st and October 1st – the date the plan closed – there was an influx of new hires which was greater than expected. This added more than \$6 million in payroll alone.
- There was less turnover – less retirees – driven by members waiting to retire to receive the collectively bargained pay increases.

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Steve Lundy said that many members are waiting until October 2021 to enter the DROP. October 2021 is the first quarterly DROP class members can enter to receive complete pension credit for all of the collectively bargained raises from the 2017 pension reform. He said he expects the number of DROP enrollees in that DROP class to be record-breaking.

Pete Strong continued his presentation and made the following points:

- Returns on assets were higher than expected and led to an experience gain.
- Growth of the surtax increased by 6.25%, higher than the expected 4.25% amount.
- Page 9: The portion of the surtax allocated to the PFPF fell from 63% to 60.9% due to the City's other two plans' unfunded liabilities. This is out of the PFPF's control.
- The PFPF is exposed to risk of what the City's other two plans do – they lowered their assumed rate of return, increasing their unfunded liability, and increasing their 'share of the pie'.

Timothy Johnson said that he made Pete Strong's point to City Council last year – there are assumptions set forth in the law, and then reality. Things are assumed to go one way, but then they behave another way. City Council is beginning to understand how sophisticated this legislation is. Based on so many variables, actual experience may be different than originally assumed.

Timothy Johnson said he requested Pete Strong to assemble the chart on page 9 so that City Council can compare the legislation they passed compared to what is actually happening in reality with the surtax.

Pete Strong discussed other sources of experience on page 3 such as salary increases, retirement turnover, mortality, and demographics. Overall experience is in line with expectations.

Pete Strong discussed revisions in assumptions since the last valuation such as asset smoothing (shown on page 36) – returns are smoothed over 5 years, and the amortization is lowered by 1 year each year. The PFPF made almost 8% last year, but with asset smoothing, a rate of 7.2% is recognized.

Pete Strong discussed the funded ratio of 48.07% as shown on page 3. Using the market value of assets, the funded ratio is slightly higher at 48.47%.

Pete Strong he typically recommends closed plans lower their return assumptions over time. Now that the PFPF is officially closed, once we start to see payroll go down and we get closer to plan membership being 100% retirees – at that point assets need to be reallocated. There will be a much shorter time to invest the money. This is not something to do right now, but in the long term, consideration should be given to lower the PFPF's 7% return assumption.

Pete Strong discussed Actuarial Standard of Practice No. 51, regarding the assessment of risks, which became effective November 1, 2018 and is addressed on pages 6-8. GRS recommends a numerical risk assessment to be conducted at least once every 3 to 5 years.

Chris Brown asked what would come out of a risk assessment upon which the Board might act.

Timothy Johnson said there are two things: first, the Board doesn't have a comprehensive tool to show how all these variables work together – how a change in one of the City's other plans could affect the PFPF. Secondly, this would

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allow the Board to test some decision making – what impact of lowering the discount rate would have – it could use the model to forecast.

Pete Strong discussed the Plan Maturity Measures on the top of page 7.

Pete Strong said that the conclusion is that GRS recommends consideration be given to make extra contributions to the plan. We stay with this recommendation mainly because of the uncertainty which exists in this plan relative to other plans.

Richard Patsy made a motion to adopt the Actuarial Valuation Report as presented. Seconded by Michael Lynch. Discussion:

Pedro Herrera confirmed that the Trustees were aware that by adopting the Actuarial Valuation Report, they are setting forth the required contribution for the next Fiscal Year.

The vote passed unanimously.

Richard Patsy encouraged Timothy Johnson to request an additional contribution – based on the PFPF’s investment returns – of around \$5 million or so – to use the same language used last year.

Timothy Johnson asked if that was official, or just Richard Patsy talking.

Michael Lynch said he is absolutely always for the City giving us more money.

Richard Patsy said, “You have to ask that question. I’ll make that a motion, if –

Chris Brown said, “I’m sure that motion would carry along –

(NOTE: There was no second of Richard Patsy’s ‘motion’. It did not go to a vote.)

IX. Council Liaison Update

None.

X. Old Business

None.

XI. New Business

Timothy Johnson informed the Board of Trustees of some new business: OGC’s memorandum titled ‘Jacksonville Police and Fire Pension Fund Securities Litigation’. The Board of Trustees was informed of potential securities litigation action, and may consider serving as lead plaintiff. This memo serves to answer how to administer selection of legal representation and how to evaluate when we should serve as lead plaintiff. He introduced Tiffany Safi of OGC to describe the memorandum.

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Tiffany Safi said Bob Sugarman presented a comprehensive draft securities litigation policy to OGC. This memorandum follows that draft. This accomplishes three things – it outlines the criteria for selecting legal counsel, establishes general criteria to serve as active plaintiff, and ensures proper securities litigation monitoring and regular reporting to the Board of Trustees.

Tiffany Safi said the goal of the policy is transparency and consistency. This policy aligns with pension funds across the USA.

Tiffany Safi said monitoring counsel or firms will recommend possible lawsuits to the Board of Trustees once identified. This function is considered a fiduciary responsibility.

Richard Patsy said a couple of things in the policy stand out. He said he would prefer using the word ‘should’ instead of ‘shall’, referring to the Board of Trustees’ actions.

Richard Patsy said that on page 5, number 3, Duval County and the State of Florida should be removed since the Board of Trustees does not represent those entities.

Chris Brown said this is very odd – for a memorandum from the attorneys to the Board of Trustees, which the Board of Trustees requested – to have so many ‘shalls’ and ‘direct’ and ‘you will do this’.

Chris Brown said, “What is the source of this being absolute direction to us, almost as if we are not even given discretion”.

Tiffany Safi said this policy is a carryover from what Bob Sugarman prepared for the Board. OGC is willing to amend as suggested. These suggestions can be requested. Part of this is discretionary, the only part not discretionary is the portion where OGC is ultimately responsible for engaging counsel.

Chris Brown said let’s come back next month to discuss the policy.

Michael Lynch said he has a legitimate concern regarding the selection of counsel winning X amount of cases with X amount of fees. This could be restricting in an unintended way.

Lawsikia Hodges agreed this was a good point. She said OGC will take the Board’s comments, amend the policy, and bring it back.

Chris Brown said to move this to the beginning of next month’s agenda.

XII. [Upcoming Meetings](#)

1. Board of Trustees
Friday, February 22, 2019 at 9:00AM

XIII. [Adjournment](#)

Meeting adjourned at 11:23 A.M.

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Summary Approved:

Willard Payne, Secretary
Board of Trustees

Summary Prepared By:

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

Posted: 01/25/2019

To be Approved: 02/27/2019