

**JACKSONVILLE POLICE AND FIRE
PENSION BOARD OF TRUSTEES
MEETING MINUTES – NOVEMBER 22, 2013
RICHARD “DICK” COHEE BOARD ROOM**

NOTE: 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.

PRESENT

Asst. Chief Bobby Deal, Chairman
Nathaniel Glover Jr., Board Secretary
Dr. Adam Herbert, Trustee
Lt. Richard Tuten III, Fire Trustee

EXCUSED

Walter Bussells, Trustee

STAFF

John Keane, Executive Director-Administrator
Robby Gorman, Executive Assistant
Kevin Stork, Controller
Dan Holmes, Summit Strategies

CITY REPRESENTATIVES

C. Ronald Belton, Director of Finance & Chief Financial Officer, City of Jacksonville
Council Member Richard Clark, City Council Liaison
Joey Grieve, Fund Treasurer

GUESTS

Eric Smith, Governance Inc.
Curtis Lee
Asst. Chief Larry Schmitt
Mark Muchowitz, Police Officer
Elaine Brown, Killashee Investments
Mark Farrell, Killashee Investments
Chris Kaye, KBJ Architects

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

The meeting was brought to order at 9:00 a.m.

A moment of silence was observed for the following deceased members:

Edward M. Repper, Retired Police Officer
Glenn E. Daniels, Retired Firefighter Engineer

And it was noted that President John F. Kennedy killed in Dallas fifty years ago.

The Board of Trustees recited the Pledge of Allegiance.

PUBLIC SPEAKING PERIOD

Curtis Lee spoke to the Board stating that he was opposed to the renewal of the Klausner Kaufman Levinson and Jenson contract or as an alternative, not renew it entirely. He noted that they have been the Fund's General Counsel for over 20 years and recent developments that it was time for a change. Mr. Lee listed his reasons as firm is out of town and there are many qualified local attorneys and that the firm has "wasted the tax payer's money" in cases were "basically foolish". In his opinion, the firm has illegally advocated that the Police and Fire Pension Fund engage in collective bargaining.

Mr. Lee then spoke against the Peyton Plan bonus to retirees. He suggested in the current economy that the bonus is inappropriate considering the average retiree receives approximately \$53,000 a year (figure is Mr. Lee's) and gets a 3% COLA so he doesn't see the necessity of the bonus.

CONSENT AGENDA - ITEMS 2013-11-(1-10)CA

ALL CALCULATIONS AND DOLLAR AMOUNTS HAVE BEEN AUDITED IN ACCORDANCE WITH ACCEPTED PROCEDURES.

2013-11-1CA MINUTES TO BE APPROVED

1. Minutes of the Board meeting held September 20, 2013. Copy in the meeting file.
2. Minutes of the Board meeting held October 25, 2013. Copy in the meeting file.

2013-11-2CA DISBURSEMENTS

The listed expenditures have been reviewed and deemed payable. The Police and Fire Pension Fund Controller certifies that they are proper and in compliance with the appropriated budget.

DISBURSEMENTS A

1.	John Keane	\$	634.39
2.	Klausner, Kaufman, Jensen & Levinson	\$	58,903.31
3.	Eagle Capital Management	\$	131,296.09
4.	J.P. Morgan	\$	256,165.85
5.	BlackRock Financial Management	\$	51,098.51
6.	Harvest Fund Advisors	\$	103,903.91
7.	Pinnacle Associates	\$	157,414.00
8.	Tortoise Capital Advisors	\$	102,009.56
9.	GAMCO Asset Management	\$	119,266.00
10.	Police and Fire Pension Fund Center Bank Account	\$	150,000.00
	Total		\$1,130,691.62

DISBURSEMENTS B

Transaction list of Accounts Payable distributions. Attachment
(\$ 58,250.08)

2013-11-3CA PENSION DISTRIBUTIONS

A.	November 8, 2013	Regular Gross	\$4,039,980.98
		DROP Gross	\$ 763,935.09
		DROP Lumpsum	\$ 248,533.03
		Total	\$5,052,449.10
B.	November 22, 2013	Regular Gross	\$4,042,240.89
		Regular Rollover	\$ 38,337.06
		DROP Gross	\$ 763,922.02
		Total	\$4,844,499.97

2013-11-3CA APPLICATION FOR TIME SERVICE RETIREMENT

1. **Barber, Robert E.**, at 20 years of service, at 60%, effective September 27, 2013. Police Officer.

2013-11-4CA APPLICATION FOR SURVIVOR'S BENEFITS

1. **Batton, Carolyn Ann**, widow of Harvey Glenn Batton, who died October 1, 2013.
2. **Daniels, Deborah A.**, widow of Glenn E. Daniels, who died October 25, 2013.
3. **Gardner, Lynn A.**, widow of Joseph S. Gardner III, who died October 5, 2013.
4. **Richardson, Nancy**, widow of Douglas W. Richardson., who died October 1, 2013.
5. **Sanders, Margaret**, widow of Dewey B. Sanders Jr., who died October 6, 2013.
6. **Taylor, Carmela Ethel**, widow of Walter Henry Taylor, who died October 7, 2013.

2013-11-5CA APPLICATION FOR VESTED RETIREMENT

1. **Hamlin, Danny R.**, date of vesting October 10, 2013, to be placed on pension December 20, 2013. Police Officer.

2013-11-6CA APPLICATION FOR MEMBERSHIP

Cleared

- | | | |
|-----|------------------------|------|
| 1. | Arnold Jr., Kenneth L. | Fire |
| 2. | Brown, Cecilia | Fire |
| 3. | Burns, Emmett E. | Fire |
| 4. | Cruz, Kevin E. | Fire |
| 5. | Dempsey, Lauren R. | Fire |
| 6. | Duerson, Mark T. | Fire |
| 7. | Ford, Lucinda S. | Fire |
| 8. | Hollis, Curtis W. | Fire |
| 9. | Howard, Ray L. | Fire |
| 10. | Russell, Ryan L. | Fire |
| 11. | Souter, Jason L. | Fire |

Pre-existing Medical Condition

- | | | |
|-----|------------------|------|
| 12. | Alday, Ashley E. | Fire |
|-----|------------------|------|

- | | | |
|-----|------------------------|------|
| 13. | Anderson, Andrew C. | Fire |
| 14. | Braddock, Matthew S. | Fire |
| 15. | Conrad, Carol A. | Fire |
| 16. | Giddens, Ian N. | Fire |
| 17. | Graham, Shawn K. | Fire |
| 18. | Grissett III, John W. | Fire |
| 19. | Hooks, Corey L. | Fire |
| 20. | Johnson, Mitchell A. | Fire |
| 21. | Kavanaugh, Jeshua T. | Fire |
| 22. | Matos, Michael A. | Fire |
| 23. | McCluney, Brian P. | Fire |
| 24. | Millard, Brian S. | Fire |
| 25. | Okonski, Shawn M. | Fire |
| 26. | Razzoog, Bryan T. | Fire |
| 27. | Ress, Ramon G. | Fire |
| 28. | Rodrigues, Maurice A. | Fire |
| 29. | Shelsea, Robert S. | Fire |
| 30. | Starling, William C. | Fire |
| 31. | Sutton, David C. | Fire |
| 32. | Tallon, Bruce S. | Fire |
| 33. | Tanksley, Natasha N. | Fire |
| 34. | Tipton, Christopher W. | Fire |
| 35. | Vandever, Steven K. | Fire |

Trustee Rule 13.3

- | | | |
|-----|-----------------|------|
| 36. | Isles, Milik A. | Fire |
|-----|-----------------|------|

2013-11-7CA REFUND OF PENSION CONTRIBUTIONS

1. **Wright, Casey J.**, Police Officer, resignation/termination on November 1, 2013, will be issued a refund of his pension contributions in direct rollover to Thrift Savings Plan.

2013-11-8CA TIME CONNECTIONS

1. **Johnson, Anthony E.**, Prior Wartime Military Service, (23 months).
2. **Logue, Kevin M.**, Prior Florida Service and Wartime Military Service, (3 years, 2 months, 25 days).
3. **Mincey, Byron M.**, Prior Wartime Military Service, (2 years),.

2013-11-9CA DROP DISTRIBUTIONS

1. **Brown, Isaac E.**, the entire amount of his DROP account paid directly to him lump sum.

2013-11-10CA EDUCATIONAL OPPORTUNITIES

15th Annual Alternative Investing Summit – December 8-10, 2013 -
Opal

NCPERS 2014 Legislative Conference – January 26-28,

Trustee Glover asked the Executive Director-Administrator if applicants with Pre-Existing Conditions had to be accepted into the Fund. Mr. Keane told him that yes, they had to be accepted but they could not apply for Disability Pension for a problem related to the Pre-Existing condition.

A MOTION WAS MADE BY RICH TUTEN TO APPROVE THE CONSENT AGENDA ITEMS 2013-11-(1-10). ADAM HERBERT SECONDED THE MOTION WHICH PASSED UNANIMOUSLY.

The Executive Director Administrator then introduced Elaine Brown and Mark Farrell of Killashee Investments and Chris Kaye, KBJ. They addressed the Trustees about a development opportunity and asked to meet with the Board in a workshop to present the project. The Board decided to meet with them either before or after the December 13th Board meeting.

OLD BUSINESS

2012-06-13 A. 2013/2014 Budget. Attachment **RECEIVED AS INFORMATION**

B. \$125,993.25 needed to balance Senior Voluntary Retirement Plan.
Attachment

RICH TUTEN MADE A MOTION TO APPROPRIATE \$125,993.25 TO THE BUDGET TO BALANCE THE SENIOR VOLUNTARY RETIREMENT PLAN TO THE ACTUARIAL FIGURES

2013-06-4. **Cook, Cordelia C.**, has applied for Survivor's Benefits as the widow of Elijah Fishburne, who died February 27, 2013. The Board of Trustees referred the case back to the Advisory Committee for the presentation of affidavits by her lawyer, John Kattman.

A MOTION WAS MADE TO FOLLOW THE ADVISORY COMMITTEE'S RECOMMENDATION TO DENY SURVIVOR'S BENEFITS TO

CORDELIA COOK BASED DUE TO THE LACK OF EVIDENCE THAT SHE WAS LIVING WITH THE DECEASED BENEFICIARY, ELIJAH FISHBURNE. RICH TUTEN SECONDED THE MOTION WHICH PASSED UNANIMOUSLY.

NEW BUSINESS

MONTHLY REPORTS

EXECUTIVE DIRECTOR'S REPORT

Investment Report

2013-11-1 Investment Reports from Summit Strategy. Attachment

Mr. Holmes went over the highlights of the Quarterly Report. We outperformed 86% of other plans. He said the changes the Board have made are showing results. The Chairman asked for definitions of:

Total Fund Policy-The benchmark of our assets (in this quarter 7.9)

Total Fund Composite-The performance of the Fund (in this quarter 8.3)

The Board asked Mr. Holmes to prepare a performance comparison for the Fund showing where they fall with other Plans that have the same restrictions we have. Trustee Tuten pointed out that when you look at quartile rankings, quite often there was only a third of a percent between being in the top half and the bottom half, or 35th and 53rd.

Dan said we needed to continue diversification in the Fixed Income area. Chairman Deal thanked Dan for bringing the Fund into MLP's and asked how to know when to get out of MLP's. He said they tend to change their areas as the old ones are no longer viable. Mr. Grieve, City Treasurer, said he makes them defend their portfolios quarterly. Mr. Holmes said his staff discusses it every Monday.

Ronnie Belton, City CFO, said there were 3 kinds of markets, bear, bull, and pig, and that money is made between the bear and bull and you have to not get excited about highs.

Mr. Holmes will have an asset allocation recommendation reflecting the passage of Ordinance 669 at the December 13th meeting.

Mr. Keane pointed out that the Index Funds for the year had low percentile, 71, 35, 74. The Fund wants to save Manager fees, but how do we balance?

Mr. Holmes said there were pros and cons to both indexing and active management and that some asset types did better with one than the other.

We're in a low yield 30 year period so the bonds are not earning enough. They are negative earners this year.

Mr. Keane asked Mr. Holmes his opinion on whether or not we should continue with J.P. Morgan since they are being fined \$13 billion. He thought a lot of the bad mortgages came from companies they were asked to buy. Mr. Keane asked Mr. Holmes to keep track of the issue and report his recommendations to the Board. The Chairman asked Dan to prepare a background paper on whether the Fund should keep them or discharge them.

Dan then discussed asset allocations, what needs to be reduced because it is over allocation (US SMID, Core Fixed Income, etc.) and what the allocation could be with the passage of Ordinance 669. He advises that we look at Private Equity, Non Core Private Real Estate and Private Natural Resources. Private equity has an illiquidity problem but he thinks that the investment over a full market cycle the expectation is that it will deliver net of fees 4% more. The real asset side gives you additional diversification as well as a return premium.

Mr. Holmes recommends that the Fund replace the passive Emerging Markets Index fund and place it with an active manager. He likes Acadian which the City also uses, therefore we would get a break on the fee. They have reserved a \$50 position for us because they are getting ready to close. The normal fee would be 75bps but we would get 68bps.

Chairman Deal asked Dan about emerging firms that would qualify for Emerging Markets. Ronnie Belton said they were also trying to include emerging firms also. Dan said there weren't any available but he will double check. He did say that the best companies are closed to new business.

Mr. Holmes said all 5 recommended managers are good, but Acadian would have a fee break. Mr. Keane pointed out that the Index fund

charges 15bps. Mr. Grieve said the City will be sending the Fund \$118 million on December 9th, which could be used to help fund a new manager.

Dan recommends Acadian due to the fee break which will go down as assets go up. The other 4 companies are fine but their fees will be 100bps vs 68bps.

NAT GLOVER MADE A MOTION TO CLOSE THE NORTHERN TRUST EMERGING MARKET INDEX FUND AND TRANSFER THE AMOUNT OF THE PORTFOLIO TO FUND ACADIAN. DUE TO THE CITY ALSO BEING WITH THIS FIRM, OUR FEE WILL BE 68 BASIS POINTS. THE MOTION WAS SECONDED BY ADAM HERBERT AND PASSED UNANIMOUSLY.

Mr. Keane said we needed to move other funds.

Mr. Holmes then discussed Global core Plus Fixed Income portfolios to diversify our Fixed Income allocation. We are permitted to deal with these but there is concern that they occasionally delve down to D bonds. Mr. Keane suggested that maybe we do a side letter asking that they don't deal with D bonds. Dan said it was a co-mingled fund so that might not work. We could go to a more conservative type such as Franklin Global Bon Plus, but the return would not be as great. Joey Grieve said it was a very broadly diversified portfolio and had very little D if any.

A MOTION WAS MADE BY NAT GLOVER TO ALLOCATE 5% (AN ESTIMATED \$50-\$60 MILLION) TO FRANKLIN MULTI SECTOR PLUS FIXED INCOME TO DIVERSIFY OUR FIXED INCOME ASSET ALLOCATION USING THE NORTHERN TRUST COLLECTIVE BOND INDEX FUND, EXCESS ALLOCATIONS, AND CASH TO FUND THE PORTFOLIO WITH A FEE OF 80BPS. ADAM HERBERT SECONDED THE MOTION WHICH PASSED UNANIMOUSLY.

2013-11-2 Commission Recapture contract with Dominick & Dominick.

ADAM HERBERT MADE A MOTION TO APPROVE THE COMMISSION RECAPTURE CONTRACT WITH DOMINICK & DOMINICK. THE MOTION WAS SECONDED BY RICH TUTEN AND PASSED UNANIMOUSLY.

2013-11-3 Establish Security Lending program. Attachment

Joey Grieve said that the City was in Security Lending but he capped it at \$74 million. Mr. Keane was asked to report on a cap for the Fund.

A MOTION WAS MADE BY ADAM HERBERT TO REACTIVATE AND UPDATE A SECURITY LENDING PROGRAM WITH NORTHERN TRUST. RICH TUTEN SECONDED THE MOTION WHICH PASSED UNANIMOUSLY.

Legal

2013-11-5 Adopt board Policy on Security Litigation. Attachment

RICH TUTEN MADE A MOTION TO ADOPT THE BOARD POLICY ON SECURITY LITIGATION DISCUSSED AT THE NOVEMBER 19TH WORKSHOP. THE MOTION WAS PASSED UNANIMOUSLY.

2008-06-6 Merck litigation reimbursement for the Fund's expenses of \$13,455.90.
Attachment **RECEIVED AS INFORMATION**

Administrative Report

2013-11-7 **DISABILITY RETIREMENT APPLICATION**

Valenti, Erika L., Police Officer, 15 years of service, applying for Disability Retirement.

A MOTION WAS MADE BY NAT GLOVER TO ADOPT THE ADVISORY COMMITTEE RECOMMEDATION TO APPROVE THE DISABILITY RETIREMENT APPLICATION. RICH TUTEN SECONDED THE MOTION WHICH PASSED UNANIMOUSLY.

2013-11-8 Board policy on future costs of supporting Pension Reform actuary studies is proposed that the Pension Fund will pay the actuary if it is something we would normally do, or if it is an organization authorized by the City but it will be listed as a separate line budget item, otherwise the group asking for the information will have to pay for it. **Formalize into Policy.**

2013-11-9 Proposed Organization Chart as of November 22, 2013. Attachment

NAT GLOVER MADE A MOTION TO APPROVE THE NEW ORGANIZATIONAL CHART WITH THE DEPUTY DIRECTOR-ASSISTANT ADMINISTRATOR BACK TO THE CHART AS DISCUSSED IN THE NOVEMBER 19TH WORKSHOP. THE MOTION

WAS SECONDED BY ADAM HERBERT AND WAS PASSED UNANIMOUSLY

2013-11-10 2013 Peyton Bonus. Attachment

Trustee Glover asked that the beneficiaries be warned that the bonus would not necessarily be paid automatically. Mr. Keane said a letter would be enclosed with the statements when the bonus is paid. Trustee Herbert asked that the bonus be put on the February 2014 agenda so decisions could be discussed well ahead of time. Councilman Clark stated that he objected for the 2nd year in a row and felt the money should be saved for eliminated benefits.

A MOTION WAS MADE BY RICH TUTEN TO APPROVE THE 2013 BONUS. ADAM HERBERT SECONDED THE MOTION WHICH PASSE UNANIMOUSLY WITH NAT GLOVER RECUSING HIMSELF BECAUSE HE IS A RETIREE AND WILL RECEIVE A BONUS.

2013-11-11 Contract renewals with Klausner Kaufman Jensen & Levinson, Pension Board Consultants, and Dr. Scott Baker.

RICH TUTEN MADE A MOTION TO RENEW CONTRACTS WITH KLAUSNER KAUFMAN JENSEN & LEVINSON, PENSION BOARD CONSULTANTS, AND DR. SCOTT BAKER. THE MOTION WAS SECONDED BY NAT GLOVER AND PASSED UNANIMOUSLY.

ADDENDUM

2013-11-12 Mr. Keane asked the Board for authority to issue a Request for Information letter on Insured Programs and put a notice in Pensions & Investments as an additional revenue source. **The Board gave the go ahead.**

Mr. Keane reported that he had met with Congresswoman Corrine Brown and she has met with Henry Cisneros to discuss Workforce Affordable Housing. She will be meeting with the appropriate people to try to bring funds to the Jacksonville projects.

Council Member Richard Clark said that Ordinance 669 will be up for a vote in the next Finance Committee meeting. The Council Member is trying to mirror the State policy.

There being no further business, the meeting was adjourned at 11:20 a.m.

Police and Fire Pension Fund
Board of Trustees
Meeting Minutes
November 22, 2013
Page 12

**APPROVED AT THE BOARD MEETING OF
DECEMBER 13, 2013**

Nat Glover, Board Secretary