



JACKSONVILLE POLICE AND FIRE PENSION NEWS

1 WEST ADAMS STREET, SUITE 100 • JACKSONVILLE, FL 32202-3616
904-255-7373 (phone) • 904-353-8837 (fax) • jaxpfpf.coj.net (website)

"We Serve ... and We Protect"

MAY, 2016 • FROM THE DESK OF THE EDITOR

What's Happening with the Funds at the Pension Fund?

By Beth McCague, Interim Executive Director—Plan Administrator



That's the question I am asked whenever I meet with active firefighters, police officers or retirees. To properly answer the question,

let's start with some fundamentals. First, any investment results are in the long term most dependent on the allocation strategy chosen. Most public pension funds use a mix of 60% equities / 40% fixed income strategies.

Our current investment policy is similar. It calls for 59% of our funds will be invested in equities with 20 1/2% in fixed income, 15% in real estate and 5 1/2% in other real assets. With this broad diversification strategy the Fund is subject to the up and down swings of the market. We attempt to manage these swings by selecting some managers who use strong defensive strategies to protect us in a downward shift and by using passive indices as well as active managers who can outperform when the market is on the upswing.

These money managers have expertise in large or small equity companies, fixed income, international, emerging markets, real estate and real assets. Managers are selected based on their strategies, their performance history, their fees and how their investment styles blend or complement other managers in the fund. Currently we use 20 different managers.

So within that conservative investment philosophy, it's up to your staff and Board to make sure our allocation strategy is aligned with our long term needs and to identify money managers who can produce better than expected market returns.

Your Board of Trustees along with your Financial Investment Advisory

Committee (more on this in another article) and our Investment Advisor, Summit Strategies have worked hard over the past four months shifting allocations slightly and reviewing lower performing managers. We are in the process of terminating one of our equity managers, redistributing those assets to our passive manager and high performing large equity manager. We have developed strategies to invest in new allowable asset category called Core Plus Fixed Income. We have selected two managers to invest in this expanded category for us. In addition we are reviewing new managers to replace a less than optimal Small Equity manager. These changes are expected to produce superior results over the long term. The work to bring about these changes takes a great deal of time and effort. The Board and FIAC have participated in Workshops in March and April to give these changes the thought and deliberation necessary with final decisions being made at the board meetings. All of these meetings are public and we welcome any of our members to join us. Our next workshop to interview potential money managers in the small cap segment will be scheduled in May. Watch the website for notice of this public meeting.

At the end of March, our second fiscal quarter, our Fund was up about 3.91%. Our expected rate of return over the long term is 7%. That's still high when considering current market conditions but our improved portfolio should move us closer to achieving that goal. Performance alone will not solve our underfunding problem. The Fund balance as of March 31st is \$1,602,398,527. This represents a funding level of approximately 49%. As you know the Mayor is working to provide a dedicated funding source for this problem. We look forward to working through the details of how the continuation of the surtax can return our Fund to a permanently healthy level.

The Search for a New Executive Director

By Beth McCague, Interim Executive Director—Plan Administrator

In February, the Board of Trustees hired EFL Associates, a search firm with expertise in pension placements, to seek and recruit a new Executive Director for the Fund. Our requirements include a minimum of five years of pension administration or institutional investment experience, expertise in the oversight of investment portfolios, and a degree in finance, economics, accounting or a related area of study from an accredited university or comparable experience. Candidates who are CPAs or who have a JD, MBA or CFA degree will be preferred. Over 30 candidates applied from around the country. On April 25th the Board met to review resumes of the 9 top tier candidates identified by the search firm. They elected to interview 5 by video conference the first week of May. From there a select few will be invited to visit Jacksonville and a new, permanent leader will be named.

Final Roll Call

ROBERT A. BARLANTI SR., 4/14/16, Police Officer, 29 yrs. service (1997) • **JOSEPH E. STARLING**, 4/14/16, Police Sergeant, 20 yrs. service (1974) • **ROBERT C. "BOB" DICKINSON**, 4/11/16, Police Sergeant, 31 yrs. service (2006) • **MILTON A. RHODEN**, 3/22/16, Fire Fighter, 20 yrs. service (1983) • **RAYMOND K. EMINISOR**, 3/15/16, Police Officer, 30 yrs. service (2001) • **WILBUR G. COX**, 2/22/16, Fire Captain, 29 yrs. service (1990) • **JAMES T. WILSON**, 2/21/16, Fire Fighter Engineer, 26 yrs. service (1986) • **FRANCIS "FRANK" PELLICER JR.**, 2/18/16, Fire Fighter Engineer, 18 yrs. service (1978) • **CHRISTOPHER C. SWARY**, 2/2/16, Fire Fighter, 14 yrs. service (Active) • **NED SHIMP**, 1/18/16, Battalion Fire Chief, 33 yrs. service (1991) • **JAMES C. WILLIAMS**, 1/12/16, Police Lieutenant, 20 yrs. service (1971) • **GRAYMOND E. BUTLER**, 1/12/16, Fire Fighter Engineer, 33 yrs. service (1996) • **CLARENCE A. REASE**, 12/28/15, Fire Communications Manager, 25 yrs. service (1999) • **ALLAN L. SIMMONS**, 12/23/15, Police Officer, 25 yrs. service (1989)

July, 2016 DROP

Enrollments in the next DROP Class have begun! Please contact Steve Lundy @ 904-255-7373 to schedule an appointment. Call soon! The deadline to sign up is June 3rd at 12:00PM.

Please remember you must have 20 years of service before the DROP date of July 2nd, 2016 to enroll in the July DROP.

NOTICE: The Pension Fund office will be closed on May 13th in observance of Police Memorial Day, and May 30th in observance of Memorial Day.

Meet the FIAC

The Financial Investment Advisory Committees (FIAC) is a new entity created through Pension Reform in June 2015. By this ordinance, the Fund was to set up a committee made up of 5 individuals with strong backgrounds in finance and investments. The FIAC is to advise the Board of Trustees on matters of Finance, Investments and Actuarial matters. Our members are:

- **Eric “Brian” Smith Jr.**, CFP, Financial Advisor, FIAC Chair
- **Craig Lewis Sr.**, CFA, Private Equity Manger for the Alfred I DuPont Foundation, FIAC Secretary
- **Rob Kokowbany**, MBA, Ameris Bank
- **Mike Lukaszewski**, retired CFO Baptist Health System
- **Rodney Van Pelt**, retired executive HCA

These five individuals bring a broad breadth of expertise to the Fund. They meet as a group and together with the Board when reviewing Money Managers. The Board has the benefit of their expertise; but as Fiduciaries, the Board of Trustees is responsible for all final investment decisions.

Five Simple Ways to Catch Up on Retirement Savings

The best way to save for your retirement is to start investing early and let compound interest work for you. But what if you started late or had financial problems at middle age that ate into your nest egg?

If you have a nest egg at all, you're better off than more than a third of Americans who haven't saved a penny for retirement. That includes a quarter of those aged 50 to 64.

When you're behind on your savings, these tips can help you catch up:

1. First, focus on debt. Having little or no long-term debt can help keep monthly expenses low. Pay off the house if you can and keep your cars longer.

2. Reduce advisory fees.

Choose low-cost index funds over high-fee annuities or actively managed funds. A Morningstar study estimates that the expense ratio across all mutual funds was about \$64 per year on every \$10,000.

3. Max out tax-deferred accounts.

Take full advantage of IRAs and 401(k) plans, and pay yourself first by having money taken directly out of your paycheck, which ensures that the money is saved.

4. Work longer.

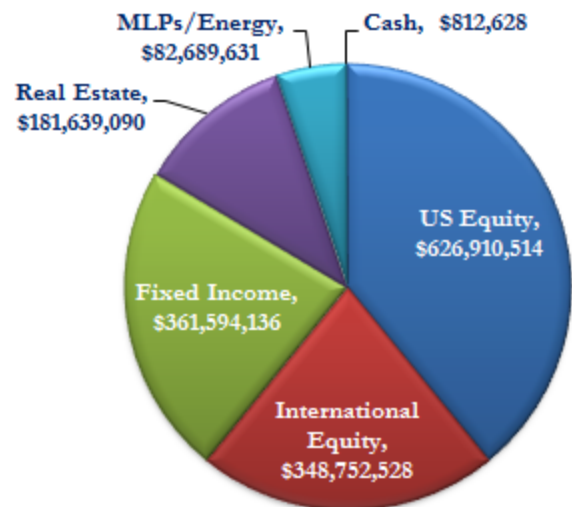
Many people do. A survey from Merrill Lynch found that 80 percent of those employed in their golden years work because they want to, not because they have to.

5. Don't fall for risky bets.

Never bet on aggressive investments or put all your eggs in one basket because you think you've found a sure thing.

Police and Fire Pension Fund Asset Allocation

(as of March 31, 2016)



POLICE AND FIRE PENSION FUND MONTHLY PERFORMANCE UPDATE

(as of March 31, 2016)

	\$ Assets	FYTD	1 Month	3 Month	1 Year	3 Year	5 Year
Total Fund Composite	\$ 1,602,398,527	3.91 %	5.30 %	0.44 %	-3.35%	5.93 %	6.85 %

BOARD OF TRUSTEES Chief Lawrence “Larry” Schmitt, JSO, Chair • Lt. Richard Tuten III, JFRD, Secretary • Richard “Rick” G. Patsy • Willard Payne Jr. • William E. “Bill” Scheu

PENSION ADVISORY COMMITTEE Lt. Robert “Ellis” Burns III, JSO, Chair • District Chief Brady Rigdon, JFRD, V. Chair • Sgt. Chris Brown, JSO • Chief Sean Hatchett, JFRD • James A. Holderfield, JSO • Lt. David McCall, JFRD • Rick Townsend, Retired JSO

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