

JACKSONVILLE POLICE AND FIRE PENSION FUND
BOARD OF TRUSTEES MEETING

DATE: June 16, 2017

TIME: 9:00 to 10:20 a.m.

PLACE: Jacksonville Police and Fire Pension Fund
One West Adams Street
Suite 100
Jacksonville, Florida 32202

BOARD MEMBERS PRESENT:

Richard Tuten, III, Board Chair
Richard Patsy, Board Secretary
Chris Brown, Trustee
Willard Payne, Trustee

STAFF PRESENT:

Timothy Johnson, Executive Director
Stephen Lundy, Pension Benefits Specialist
Pedro Herrera, Fund Counsel
Dan Holmes, Summit Strategies Group
(via telephone)

CITY REPRESENTATIVES PRESENT:

Lawsikia Hodges, Office of General Counsel
Anna Brosche, City Council Liaison
Joey Greive, City Treasurer

Denice C. Taylor, FPR
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BOARD MEETING

June 16, 2017

9:00 a.m.

- - -

CHAIRMAN TUTEN: All righty. Everyone is here. Meeting adjourned.

(Laughter)

CHAIRMAN TUTEN: What do we have? Call to order. Let's do the pledge of allegiance real quick.

I pledge allegiance to the flag of the United States of America, and to the Republic for which it stands, one nation, under God, indivisible, with liberty and justice for all.

CHAIRMAN TUTEN: Okay. We're going to have a quick moment of silence for William Barker Jr., William Bolena, III, William "Bill" Plaster, Ronald Reonas, Gerald Roach, Thomas C. Simms Jr., and William Van Cleave, firefighter.

(Pause)

CHAIRMAN TUTEN: All righty, then.

Public speaking period. No have -- no one has signed up. Splendid.

Moving on to the Consent Agenda, has everybody had a chance to read it, inspect it, internalize it, et cetera?

1 Do we have a motion to accept the Consent
2 Agenda?

3 MR. BROWN: Motion.

4 MR. PATSY: Second.

5 CHAIRMAN TUTEN: We have a motion and a
6 second. Any questions, concerns?

7 (No responses.)

8 CHAIRMAN TUTEN: All in favor?

9 (Responses of "aye.")

10 CHAIRMAN TUTEN: Any opposed?

11 (No responses.)

12 CHAIRMAN TUTEN: No. Consent Agenda passes.

13 We are now on to our Executive Director,
14 Mr. Johnson. Take it way.

15 DIRECTOR JOHNSON: Thank you.

16 Good morning, everyone. If you would turn
17 to your Executive Director's Report tab, I'm
18 going to spend just a couple of minutes on the
19 updates. There's nothing here that's urgent or
20 actionable. There's are all updates from last
21 month's meeting.

22 There's two items that I did want to
23 highlight. The first is that our Form 1, this is
24 our financial disclosure form, is due. And so
25 Stephen has emailed all of the members of the

1 Board a link to that form, and we also have hard
2 copies for you.

3 CHAIRMAN TUTEN: Tim, I apologize.

4 DIRECTOR JOHNSON: Yes, sir.

5 CHAIRMAN TUTEN: Is there any way we
6 could -- do we have background music on for a
7 reason?

8 DIRECTOR JOHNSON: We're waiting on Dan
9 Holmes. It's a distraction. It is.

10 CHAIRMAN TUTEN: It's just that with my
11 ears -- background music doesn't work that much.

12 DIRECTOR JOHNSON: So I wanted to encourage
13 you to get the financial disclosure forms done by
14 the end of the month and submitted. Okay.

15 And then the second item is an insert to
16 your book that looks like this. It's an insert.
17 It's on City of Jacksonville, Florida,
18 letterhead.

19 Now, you'll see on page 2 of my report I
20 made reference to turning over administration of
21 the Senior Staff Voluntary Retirement Plan over
22 to the GEPP. We had a couple of snafus earlier
23 in the year where members of that plan wanted to
24 make some changes or were due to receive
25 information, and my staff didn't have access to

1 administer it.

2 So I talked to Joey, and we conferred with
3 the Office of General Counsel, and the decision
4 was made that those three members would be turned
5 over administratively to the city, and this
6 letter acknowledges that transfer.

7 We didn't take any vote on it last month
8 because there wasn't an agreement describing it.
9 And so it's included in your book.

10 I don't know whether we need to have any
11 action to accept it or whether this is
12 informational and sufficient.

13 What would you recommend?

14 MS. HODGES: You could, if you want, have an
15 action to accept it, acknowledging it. If you
16 recall, this actually dovetails with the Office
17 of General Counsel opinion that was issued saying
18 that the plan wasn't authorized.

19 And so it makes perfect sense that this
20 Board would administer that and it would be
21 administered by the GEPP side of the city.

22 And so I think there's no necessary action
23 to be taken, but if as a Board you wanted to
24 acknowledge that this is what's occurring, you
25 could certainly do that.

1 CHAIRMAN TUTEN: Well, I think the question
2 came up last time when we talked about it simply
3 because at this juncture, because it is in
4 litigation and because there's certain aspects of
5 it we can't get to, we just deferred it to the
6 city to handle it from here until the lawsuit is
7 settled.

8 When the lawsuit comes back, if it comes
9 back in favor of the plaintiffs, then obviously
10 we would probably take control of it again and
11 handle it from there.

12 If it comes back in favor of the city, you
13 guys would just have it anyway. So, I mean, if
14 the Board wants to make a formal -- that we're
15 going to temporarily give it the city, depending
16 on the lawsuit, or we just -- if we don't have
17 to, we don't have to.

18 MS. HODGES: You don't have to.

19 DIRECTOR JOHNSON: All right. No action
20 required.

21 CHAIRMAN TUTEN: Perfect.

22 DIRECTOR JOHNSON: And then the last item I
23 wanted to acknowledge in my report is the final
24 item. It's a letter to OGC regarding the 2017
25 reform.

1 You may recall from last month's meeting
2 that direction was given to myself and to the
3 Sugarman firm to create a letter from this Board
4 to the Office of General Counsel, asking for an
5 opinion relative to reconciling the Board's duty
6 and responsibility under the -- under the 2015
7 court judgment.

8 The Board felt that it had a responsibility
9 to reconcile the fact that it had a judge's order
10 that it was complying with, but that the city's
11 opinion was that negotiations of benefits that
12 would eliminate the supplemental payment could be
13 done between the city and the unions.

14 So all the Board was asking for was an
15 opinion. That letter is in your Board book. It
16 looks like this. Chairman Tuten signed the
17 letter earlier this morning, which is here, and
18 I'm turning the letter over to the Office of
19 General Counsel. And I'm sure at some point
20 we'll get an opinion.

21 MS. HODGES: You absolutely will.

22 Jason Gabriel was aware that this was
23 coming, and we are preparing a response. So you
24 absolutely will.

25 DIRECTOR JOHNSON: Thank you.

1 I will entertain any questions you've got
2 with regard to my report.

3 CHAIRMAN TUTEN: Splendid, as always.

4 DIRECTOR JOHNSON: I appreciate it.

5 CHAIRMAN TUTEN: Does anybody have a
6 question for the director?

7 DIRECTOR JOHNSON: Now, I will be on the
8 agenda later under New Business. I'll be talking
9 about the submission of the 2018 fiscal year-end
10 budget. This is our operating budget for the
11 upcoming fiscal year.

12 We're obligated to send that to council this
13 month. It requires ratification by the Board.
14 And so I'll walk you through that budget in New
15 Business.

16 MR. BROWN: All right. Thank you.

17 CHAIRMAN TUTEN: We have Counsel Reports.

18 MS. HODGES: Yes. So I do have one item.
19 And, Tim, I didn't see it in the Board packet.

20 But there was an opinion on the connection
21 of the time for the court bailiffs. I don't
22 think we had that at our last pension Board
23 meeting at that time.

24 I sort of generally told you what the
25 principle was, what the Office of General Counsel

1 was comfortable with. But since that time, there
2 was an opinion that was issued, and so we'll make
3 sure that we get you a copy of that.

4 And the opinion basically stated, you know,
5 if there are former court bailiffs that are now
6 members of the fund, that they can connect that
7 time if they were working full time.

8 Okay. So that's the general principle that
9 was stated in that opinion. And so we had a
10 meeting on Monday with what I would call all of
11 the interested parties.

12 We had former Board Chair Larry Schmitt was
13 in the room, along with Bart Laird with JSO.
14 Joey was invited to the meeting, but he was
15 unable to make it, but the intent was to
16 certainly have him present at the meeting --

17 MR. GREIVE: And you-all briefed me later
18 that afternoon.

19 MS. HODGES: And we briefed you later that
20 afternoon.

21 Tim was also a part of this meeting. We had
22 more than enough lawyers at the meeting. I was
23 at the meeting. And everybody's getting billed
24 for that time.

25 (Laughter)

1 MS. HODGES: I was at the meeting. We had
2 our labor and employment lawyer who was at the
3 meeting because we needed her to speak to what
4 the definition of full-time meant.

5 Your's truly, Steve Durden, was also at the
6 meeting. We had John Sawyer. John Sawyer
7 represents the city's side of the house, because
8 the same issue is going to be pertinent to the
9 General Employees Pension Plan.

10 And so I think it was a good meeting because
11 we had all the right people sitting at the table.
12 And the point of the meeting was to basically
13 take that general principle and determine how to
14 apply that, because that's the real issue and
15 that's what we need to give you guys guidance on
16 as an Office of General Counsel, because you want
17 to make sure that the application of this
18 principle is consistent.

19 And so where we left it was that we needed
20 to gather some more facts. And so Larry
21 promised -- he's going to be on vacation, I
22 think, for a few weeks coming up. But he was
23 going to have Bart basically look at how many
24 people we're talking about here.

25 And he seemed to think off the top that it

1 wasn't more than a hundred former bailiffs that
2 are now members of the fund. And then from that
3 number it would be dwindled down even more
4 because not all those bailiffs would be
5 consistently working full-time hours.

6 But there's some nuances, you know, that we
7 need to kind of take into account. And so the
8 charge was, let's come back, let's look at the
9 number of people that this might actually affect
10 and let's determine if they meet this sort of
11 generic definition of full-time by basically
12 averaging if, you know, over their time as court
13 bailiffs, per week they average 40 hours, and at
14 least start there to see what we're talking
15 about.

16 I neglected to mention we also had
17 Diane Moser, who is the Employee Services
18 Director, at the table.

19 And so once we get that information and we
20 can better see how large this class is, then I
21 think we can give you guys more guidance, because
22 we want to make sure that the message is
23 consistent coming from the Board, is consistent
24 coming from HR, and it's consistent coming from
25 the JSO with respect to which members this would

1 affect.

2 And then we'll probably send out some
3 notice. But as far as the application
4 procedures, those members would have to make
5 application to this Board. And the current time
6 connection procedures that you currently have are
7 going to apply to those folks.

8 So it's really just trying to nail down who
9 it all affects, and we just want to make sure we
10 get it right before we start messaging and
11 notifying folks of how to apply.

12 So that's where we are.

13 CHAIRMAN TUTEN: What's going to be their
14 contribution rate?

15 DIRECTOR JOHNSON: Meaning, what will it
16 cost them to get it, right?

17 CHAIRMAN TUTEN: Yeah. In other words, it's
18 going to be the -- you know, because the city
19 employee connects if you put in for the city.
20 You buy federal or firefighter time from another
21 departments, it's 20 percent.

22 DIRECTOR JOHNSON: It's 20 percent in the
23 current procedure for a time connection.

24 So to Lawsikia's point, we're going to do it
25 the same way we would other time connections.

1 MS. HODGES: Right.

2 CHAIRMAN TUTEN: Okay. Gotcha.

3 MS. HODGES: And we do have a meeting that's
4 coming up, I think, next week. So the goal is to
5 really move expeditiously on this. And,
6 hopefully, but the time we get to the next Board
7 meeting, we'll be a little bit further along that
8 path.

9 MR. BROWN: Thank you for working on that.

10 And I did want to note, even though this
11 won't actually affect the number of people
12 eligible, that's -- you know, you'll figure that
13 out based on, you know, how that equation works
14 with fixing an amount of hours they work.

15 But when you look at the CSOs, who were in a
16 very similar situation, only a small percentage
17 actually elected to buy the time back --

18 MR. GREIVE: Right.

19 MR. BROWN: -- because to many people, it
20 doesn't make a lot of sense.

21 MS. HODGES: It doesn't make a lot of sense.
22 Right.

23 MR. BROWN: So even though you won't know
24 exactly what the number is, I think it would be a
25 good rule of thumb to really -- I don't

1 anticipate it being too many at all.

2 But there are some people that it really
3 does make some economic sense for them to be able
4 to do that. And, nevertheless, providing the
5 option to all people that are eligible is so
6 important.

7 MS. HODGES: Yes, right. Exactly.

8 So we'll make sure we get you a copy of the
9 opinion because we did reference the CSO opinion
10 because it is very similar, the principle is.

11 MR. BROWN: Yes.

12 DIRECTOR JOHNSON: I would just make a
13 comment on that, unless you wanted to join in.

14 MR. HERRERA: No. I just wanted to ask him,
15 and I think just in reviewing the notes, I guess,
16 from the prior meetings, there will be an
17 ordinance amendment as well, or did that --

18 MS. HODGES: We had -- yeah. We had talked
19 about that, but I think the first step -- that
20 could be forthcoming. You know, this Board would
21 have to determine that.

22 But I think as we shift more and we gather
23 more facts, that was one of the things that we
24 had talked about, clarifying the ordinance,
25 because right now the ordinance would permanently

1 put the class of court bailiffs in this temporary
2 status.

3 And what our labor and employment lawyers
4 are saying is you cannot call something that
5 looks like a duck, you can't call it a pig.

6 And so to that extent, we may need to clean
7 up the ordinance. But let's tackle that after we
8 get past this first phase.

9 DIRECTOR JOHNSON: So the only other comment
10 I was going to make is that, as of today, we have
11 an opinion, but we're not formally accepting
12 applications to connect the time.

13 We're going to work through these details --

14 MS. HODGES: We're going to work -- right.

15 DIRECTOR JOHNSON: -- and then we're going
16 to bring that to the Board, so that when you do
17 begin to answer questions from members relative
18 to the policy, you'll be able to give them really
19 good explanations.

20 Right now, if the explanation was you can
21 connect time as a bailiff, that's really not
22 true. Some bailiffs can probably connect time.

23 MS. HODGES: Right.

24 DIRECTOR JOHNSON: But we haven't really
25 drilled down into who those individuals are.

1 You'll get that in a future meeting. We'll
2 probably have it done by July.

3 MS. HODGES: I think so.

4 DIRECTOR JOHNSON: Yeah. We'll probably
5 have it done by the July meeting.

6 MS. HODGES: I think so, for sure.

7 DIRECTOR JOHNSON: Thank you.

8 You've got a lot to talk about. Did you
9 want to talk -- I didn't mean to preempt you.
10 Did you want to talk about anything else?

11 MS. HODGES: That was the only -- now, I
12 probably would defer to Pedro because Bob and I
13 have been having conversations, of course. I
14 didn't know if you wanted to update the Board on
15 the employee -- the employment affidavit.

16 Did you want to update your Board on that?

17 So if you recall, there is a rule -- the
18 same rule that we were talking about amending in
19 your code, 121.107, that addresses this, you
20 know, connection of time.

21 There's also another rule that talks about
22 your retirees not being able to basically double
23 dip, right?

24 And so, you know, if you're a retiree, you
25 can't receive your pension check and you can't --

1 I'm sorry. You can receive your pension check if
2 you're reemployed with the city under certain
3 positions.

4 And so what we've been working on is the
5 general rule to that is if you are a pensioner
6 and you become reemployed with the city, that
7 your check gets cut off, unless you fall into
8 that smaller class exception of the retirees
9 working under these current positions, like the
10 court bailiffs and so forth.

11 And so one of the issues we had specifically
12 with one of your members had to do with the
13 member having a consulting agreement with the
14 city.

15 And so in shifting through that specific
16 situation, we sort of determined a few things, is
17 that it's hard for your HR Department to figure
18 out how many of your pensioners are principals of
19 companies that may then enter into contracts with
20 the city. HR just doesn't keep that information.

21 That information would be flowing through
22 our city's Procurement Department, and we're not
23 drilling down in that detail as to who the
24 principals are of various corporations that might
25 be entering into contracts with the city.

1 And so one of the things that we talked
2 about -- because pursuant to your code, you are
3 required to have this annual affidavit program,
4 which is meant for you to get information from
5 your members on an annual basis, basically where
6 they certify that they're still eligible to
7 continue receiving benefits under the plan.

8 And so we have been working with Tim, and
9 Bob has been extremely helpful in this, in trying
10 to strengthen that affidavit to basically give
11 your advisory committee some additional facts to
12 determine if they need to probe a little bit
13 more.

14 So some of the questions would be, are you
15 currently employed with the city? If they check
16 yes to that, we know we need to turn off their
17 pension check. Okay.

18 You know, we've added some other facts in
19 there because pursuant to state statute, you
20 could permanently lose your pension if you're
21 being fraudulent towards the Board in providing
22 certain information.

23 And so we've sort of added in a statement in
24 the affidavit where they would be certifying that
25 I haven't provided any, you know, fraudulent or

1 withheld any material information with respect to
2 getting the benefit.

3 We've also added some statements that would
4 give us some information as to whether or not
5 they have a company that has a contract with the
6 city.

7 And so the idea there would be if they check
8 the box, yes, I do have a contract with the city,
9 that would at least give us enough information
10 for Tim to look at that. He would then contact
11 me, and then I would have the name of that
12 corporation and I could pull the contract.

13 And then we could look at the contract to
14 kind of determine, okay, is this really an
15 independent contractor, or is this a member that,
16 you know, you might be concerned with -- is
17 committing, you know, a bit of fraud. It's truly
18 a shell sort of corporation. It's not
19 independent.

20 And that's really just going to be
21 determined on the contract terms. It is
22 absolutely okay for a pensioner to form a
23 corporation and do business with the city. That
24 is okay, and that's not considered employment.
25 It's being reemployed with the city that is going

1 to trigger the benefits being cut off.

2 And so we have been working with Tim on
3 that, and I provided a copy of that revised
4 affidavit. Bob's taking a look at it. We'll
5 probably make some more changes, I think, in
6 substance.

7 From the lawyers' standpoint, we're all on
8 the same page. I think it's just a matter of
9 formatting. Do we want it more check the box, do
10 we want it more -- is that my time, Tim?

11 DIRECTOR JOHNSON: That's your time.

12 MS. HODGES: Is it.

13 So, yeah, I think we're making good progress
14 on that. So that's one report.

15 The other report, I probably would defer to
16 Pedro because Bob was working on the reclamation
17 policy. I think we're making good inroads on
18 that. The Office of General Counsel is still
19 tweaking it a bit.

20 But did you have any more --

21 MR. HERRERA: No. I mean, I think that --
22 you know, I would echo the same comments. I
23 think -- you know, we've been working. I know
24 Bob and I -- I've been reviewing it also.

25 I think we have a good base, and I think you

1 guys are just taking a look at it now. It should
2 be -- it should be ready in the next little bit.

3 DIRECTOR JOHNSON: I think you're right. I
4 think it's very likely. These are activities of
5 the advisory committee.

6 I think in July this Board will see a
7 finished reclamation policy. They'll see a
8 finished, updated affidavit relative to
9 reemployment of pensioners.

10 And we had some discussion this past month
11 on the Rounsville matter, convicted police
12 officer and his possible forfeiture of pension.

13 So this Board will see those things. So
14 they've been very active at the advisory
15 committee level.

16 MR. BROWN: One quick thing I'd like to just
17 throw at you, at least to consider from October
18 on, because both the administration at JSO and
19 new retirees have certainly been asking about
20 this.

21 How does this impact -- with the change and
22 the switch going away from, you know, new hires
23 not being in a pension, does this have any impact
24 on a retiree's ability to get rehired with the
25 city starting in October if they're no longer

1 participating in a pension?

2 Is that outlined in the ordinance, or is it
3 specifically -- is it state pensions or what-not,
4 because there could be -- well, there will be.
5 That question will come up.

6 People will ask to be considered for rehire,
7 especially from JSO's perspective when we have
8 times when we may need to hire people to serve,
9 you know, fill certain roles, we have retired
10 retirees and they've had to, of course, shut off
11 their pension while they're, you know, serving in
12 a capacity, whether it be an assistant chief or
13 what-not.

14 But what happens in October if they get
15 rehired here? So it's just something to be --

16 MS. HODGES: That's a good question.

17 MR. BROWN: -- you know, conscious of
18 because that is going to come up at some point
19 and it would be nice to have an answer I can
20 provide, at least to both my department and the
21 retiree.

22 CHAIRMAN TUTEN: Okay. So we're just
23 talking about court bailiffs for Jacksonville.

24 What if there are court bailiffs someone
25 else full time? Would that still entitle them to

1 purchase time?

2 MS. HODGES: Well, it would be court
3 bailiffs, right, for Jacksonville.

4 CHAIRMAN TUTEN: Just for Jacksonville only?

5 MR. BROWN: If they're not sworn outside of
6 Jacksonville. They're buying their time back
7 here because they were city employees. They have
8 to be sworn law enforcement elsewhere, which
9 there are bailiffs that are sworn law
10 enforcement.

11 CHAIRMAN TUTEN: Do you-all get a lot of
12 those guys that come here to work full time?

13 MR. BROWN: No, not a lot.

14 CHAIRMAN TUTEN: Probably not. Just
15 curious.

16 MR. GREIVE: And they'd have to buy at the
17 higher rate.

18 MR. BROWN: Yeah.

19 MR. PATSY: Clarify something for me.

20 If somebody does, as a retiree, comes back
21 to work for the city and their pension stops,
22 they don't start accruing benefits again, do
23 they?

24 MS. HODGES: There's a provision --

25 MR. GREIVE: If their pension stops -- if

1 they come back to work as a full-time employee at
2 the city, you know, their pension would be shut
3 off. They would start reaccrediting service time --

4 MS. HODGES: Right.

5 MR. GREIVE: -- and their PFPF time would
6 connect to their city pension --

7 MS. HODGES: Yes.

8 MR. GREIVE: -- and they would be
9 recalculated under city pension, which is why we
10 don't get that -- we don't get that --

11 MR. BROWN: It would be like if they never
12 retired.

13 MS. HODGES: Right.

14 MR. BROWN: So it's just freezing their
15 retirement, going back into service. And you see
16 this -- we've seen this a couple times with some
17 of our staff members that have been brought back.

18 One in particular was in the correction
19 pension fund. He was asked to come back as an
20 assistant chief, so he stopped all that. The
21 only income he's receiving is from the city right
22 now, but he is contributing because he's adding,
23 you know, more time to it.

24 MR. GREIVE: So we don't -- we don't see a
25 lot of people go from a sworn or a firefighter

1 position to become a general employee, a desk
2 number-cruncher or anything.

3 But we see people transfer the other way,
4 usually from corrections to JSO because their
5 pension time would transfer over to the PFPF, and
6 when they ultimately retire, they retire as if
7 all that service was as a police officer. And
8 the employer has to send all the money over and
9 then the pension fund has to send all the money
10 over.

11 So we see people going that way, but we
12 don't see many people coming back our way because
13 they don't want to give up their better accrual
14 and the better terms of this plan for the terms
15 of that plan.

16 MR. BROWN: Right.

17 MR. PATSY: So, hypothetically, if somebody
18 did do that, they went from being a fireman to a
19 regular city employee and they ultimately retire
20 from the city in that position, their pension
21 benefit would be recalculated --

22 MR. GREIVE: Their city time, and they'd go
23 out under city terms --

24 MR. PATSY: No wonder you don't see many
25 people do that.

1 MR. GREIVE: -- which is why you don't see
2 many people doing that.

3 MS. HODGES: Right.

4 CHAIRMAN TUTEN: You're thinking of more
5 like, let's say I retired. I'm gone for two
6 years, and then for some reason I can't come
7 back -- yeah, if I come back as a full-time city
8 employee, work for the fire department, I have to
9 suspend my pension.

10 The only way I can keep getting my pension
11 still and get a check from the city is if I come
12 on as a contract worker.

13 MR. GREIVE: That's right.

14 MR. PATSY: Okay. That makes sense.

15 MS. HODGES: Yeah.

16 CHAIRMAN TUTEN: Now, there's specific rules
17 for that, and there's people that you get kind of
18 fuzzy sometimes when it comes to who's a contract
19 worker and who's not.

20 Now, that's up to the city to hopefully vet
21 these people that they're hiring and make sure
22 that -- because there's certain IRS rules,
23 there's certain city rules that say, this is what
24 a contract worker is and is not.

25 There have been issues in the past. And I

1 believe we're going to start this summer sending
2 out affidavits to retirees stating, are you
3 working for the city, even though you're a
4 retiree? If so, what do you do, how long is your
5 contract, et cetera, et cetera. Because, you
6 know, we don't want to pay somebody a pension to
7 have them working for the city at the same time.
8 That's not what this whole thing is about.

9 MR. PATSY: Right. No, I got it.

10 MR. BROWN: And I want to acknowledge the
11 hard work that the pension advisory committee has
12 been doing because they've been vetting a lot of
13 those and getting with Sugarman's office to kind
14 of see, you know, are these particular jobs, are
15 they in conflict or not?

16 MS. HODGES: Yeah.

17 MR. HERRERA: Right.

18 CHAIRMAN TUTEN: Great. All righty, then.
19 We're still waiting on Dan?

20 DIRECTOR JOHNSON: Dan, you with us?

21 MR. HOLMES: Yes, I am. The mute button was
22 in the way. Sorry.

23 CHAIRMAN TUTEN: Perfect.

24 DIRECTOR JOHNSON: Hey, Dan. Good morning.
25 It's Tim.

1 MR. HOLMES: Good morning, Tim. How are
2 you?

3 DIRECTOR JOHNSON: Very good. Very good.
4 I think you're next up on the agenda.

5 MR. HOLMES: Okay. Great. Can everybody
6 hear me?

7 MR. GREIVE: Yes.

8 CHAIRMAN TUTEN: Now we can. Perfect.

9 MR. HOLMES: Okay. I have three things to
10 cover fairly quickly this morning.

11 The first is the economic and capital market
12 review. I'll hit the highlights there -- is the
13 Flash Report, and then the third, I've got a
14 rebalancing recommendation.

15 So without any further ado, I'll get into
16 the economic perspective on page 1. These are
17 for the month of May.

18 So what we've seen so far this year is
19 better economic indicators. So that would
20 include stronger corporate earnings, both US
21 based and overseas, better consumer business
22 confidence, and the continuation of accommodated
23 policy by most of the central banks around the
24 world.

25 Those factors have led the equity rally to

1 continue so far this year, both US and non-US
2 based. We'll get into more of that in a second.

3 With regard to the US alone, we continue to
4 experience more job growth. This has resulted in
5 the unemployment rate declining by 10 basis
6 points during the month of May to 4.3 percent.
7 So this is the lowest unemployment has been since
8 2001.

9 What we've also seen is that wage growth has
10 held steady over the past couple of months at
11 about 2 1/2 percent on an annualized basis.
12 That's giving the -- or that has given the
13 impetus to the Fed to raise interest rates by
14 another 25 basis points.

15 Looking at GDP, first quarter estimate of
16 GDP was revised up from 70 basis points to 1.2
17 percent on an annualized basis. The Atlanta Fed
18 is estimating that GDP for the second quarter is
19 supposed to come in somewhere around 3.8 percent.

20 So another indicator that we're seeing
21 economic growth both here and outside the US.

22 Something else that's adding to this is the
23 fact that now for the ninth consecutive month,
24 we've seen the manufacturing sectors expand.

25 Up until just recently, it was mostly just

1 the service sectors. Manufacturing was basically
2 flat. And what we've seen now for the past year
3 or so is that manufacturing has started to pick
4 up as well. So that's all positive news for the
5 economy, and it's translated into the markets as
6 well.

7 So far what we've seen this year, a couple
8 different trends. First of all, International
9 Equities are outperforming US Equities.

10 Examples of that we saw in the month of May
11 where EAFE was up 3.7 percent. The S&P was only
12 up 1.4 percent. Year-to-date, it's kind of the
13 same thing as well.

14 Emerging markets are kind of the big leader
15 so far this year. Over the last three months
16 they've been up over 10 percent alone. And then
17 the other trend is that growth is outperforming
18 value so far this year.

19 So without getting into too much more detail
20 there, I'll get into performance, unless there's
21 any questions.

22 Okay. Hearing none, I'll move into the
23 Flash Report.

24 Turning to the Flash Report, the first thing
25 I want to do is remind everyone that this is a

1 preliminary Flash Report. At least one of the
2 real estate managers does not report on a monthly
3 basis, only on a quarterly basis. So I would
4 expect our returns to be up a little bit more
5 from what we're showing here.

6 So if you turn to the first page, we'll note
7 that at the end of May, the total market value
8 for the portfolio was \$1.9 billion.

9 A number of overweights currently exist in
10 the portfolio, which has by and large benefited
11 performance. There's been an overweight to US
12 Equities. It went out to the point where the
13 overweight is getting towards the maximum end of
14 the permissible on range. It's overweight by 4.2
15 percent.

16 The International Equity part is overweight
17 as well by about 29 basis points, only slightly.

18 Core Fixed Income is a little bit overweight
19 relative to the non-Core -- I'm sorry, to the
20 Core Plus, rather.

21 And Real Estate continues to be underweight,
22 principally in the Noncore area. Core Real
23 Estate, we have a 10 percent allocation.

24 Turning to the second page, we have
25 preliminary returns. These are -- this page is

1 showing on a gross basis. Net basis is shown a
2 couple pages back, on page 5, but I'll kind of
3 combine the two in my comments.

4 So first of all, for the month of May, total
5 portfolio was up 1.16 percent. So far this
6 calendar year, the portfolio is up 8.26 percent
7 on a gross basis and 8.09 percent on a net basis.

8 And for the fiscal year, the fiscal year,
9 the portfolio is up -- the total portfolio is up
10 9.4 percent on a gross basis and 9.2 percent on a
11 net basis.

12 A number of takeaways. First, over the
13 periods that we've shown here, performance is
14 above the policy benchmark. In addition to that,
15 both on a calendar year-to-date basis and a
16 fiscal year-to-date basis, we see that all of the
17 asset classes are above their benchmarks in those
18 two time periods.

19 Turning to the US Equity asset class, you
20 can see that so far this fiscal year it's up 13.6
21 percent and above the benchmark by a little over
22 1 percent. Similar excess return for the
23 calendar year-to-date so far.

24 So, so far, all of the managers in the
25 Domestic Equity portfolio have outperformed, with

1 the exception of one manager, Sawgrass, which we
2 continue to have conversations about.

3 The other managers have rallied very well,
4 including England -- I'm sorry, including Eagle
5 and also Pinnacle as well. In addition to that,
6 Wedge is coming back a little bit as well.

7 In the International portfolio, you can see
8 that that's been a very strong driving force, up
9 over 18 percent so far this year. All the
10 managers are outperforming there.

11 In Fixed Income, it's up 2.9 percent so far
12 this calendar year. Moving down the line, you
13 see Real Estate is up 2.6 percent and above the
14 benchmark.

15 And, finally, MLPs during the months of
16 April and May had negative returns. They were
17 stronger during the month of May. That's pulled
18 calendar year-to-date returns down to negative
19 1.6 percent.

20 We continue to have confidence in those
21 markets. We believe that are undervalued. But
22 basically the market saw a disappointment in the
23 level of agreement with regard to how much
24 production was going to be cut by OPEC and traded
25 off a little bit according.

1 Yield is up around 7 percent now. So,
2 again, we remain cautiously optimistic about the
3 MLP space. We're seeing more production coming
4 online here -- and you have more wealth, I should
5 say, coming in line here in the US. But at the
6 same time, with that 7 percent going into yield,
7 it remains attractive.

8 So, in summary, the absolute performance of
9 the overall portfolio continues to be driven by
10 equities, both US and non-US.

11 International is driven so far this year by
12 emerging markets and growth, the growth manager.
13 Baillie Gifford is up over 25 percent so far this
14 year. A lot of that is due to their Emerging
15 Markets in Chinese holdings. They're 8 percent
16 above the benchmark so far this year.

17 In the US, part of the portfolio, as I
18 mentioned before, the growth tilt in the overall
19 portfolio is helping drive excess performance
20 above the benchmark.

21 And in terms of relative outperformance,
22 Eagle and Pinnacle are above their benchmarks by
23 5 percent and almost 7 percent, respectively, for
24 the two managers.

25 For almost all the other managers, relative

1 performance continues to be good so far this year
2 as well. And other than just taking some
3 scrutiny of Sawgrass in the portfolio, everything
4 else has been okay.

5 I'll stop there and see if there's any
6 questions on performance.

7 MR. PATSY: Dan, what's your intentions with
8 Sawgrass? Are you going to come back to us with
9 a recommendation?

10 MR. HOLMES: Yeah, that's the intention. We
11 had them in to the FIAC meeting to make a
12 presentation last week, last Friday.
13 Unfortunately, we didn't have a quorum, so it was
14 more of an informational presentation.

15 The plan is, is to either have them come
16 back or to share the information among all of the
17 FIAC members, and then make a joint
18 recommendation to the Board for consideration.

19 MR. PATSY: Okay. So your expectation is
20 when we get together for the next quarterly?

21 MR. HOLMES: That would be my expectation.

22 MR. PATSY: Okay.

23 MR. HOLMES: Tim, anything else you want to
24 add to that? Did I miss anything?

25 DIRECTOR JOHNSON: No. I'm glad you made

1 reference of the interviews with Sawgrass and
2 FIAC and that lack of quorum. They did a great
3 job, by the way. I don't know if you wanted to
4 comment on it, but Sawgrass did an outstanding
5 job.

6 MR. HOLMES: Yeah. The thing I really like
7 is when a manger is very flexible. They went
8 right to the point in their presentation, the
9 rationale or the reasons why they've
10 underperformed.

11 Part of it, or I should say a good part of
12 it, is their particular style and their
13 particular process. One thing that we noted in
14 the presentation is -- or in the discussion prior
15 to the presentation is, is that a year ago this
16 time, they were ahead of the benchmark since
17 inception.

18 One year hence, they're behind the
19 benchmarks since inception. The reason really
20 lies in the fact that they tend to have more
21 defensive characteristics in the portfolio, and
22 over the last 12 months, equities, especially
23 growth equities, have just ripped. And in that
24 kind of market environment, typically they have
25 not kept base with the broader index.

1 They shine when market is flat to down, and
2 they're able to protect more on the downside.

3 So I'll leave the Sawgrass discussion for
4 the next recommendation.

5 The final issue I have this morning is
6 recommended rebalancing. Again, because we did
7 not have a quorum with the FIAC, we did not get a
8 chance to vote on this. However, I don't think
9 it's very controversial, but I would like to
10 offer it to the Board for consideration.

11 As I mentioned in the lead up to the Flash
12 Report, we noted that asset allocation is close
13 to the maximum in terms of the 5 percent
14 overweight allowable to domestic equities.

15 At the end of May, it was up 4.2 percent
16 above the target. What I'm recommending is, is
17 that we cut some of that overweight in half by --
18 approximately half, by reducing domestic large
19 cap equities by \$40 million.

20 That \$40 million would be distributed as
21 follows: We would redeem 20 million from the S&P
22 Index, 10 million from Eagle, 5 million from
23 Brown, and 5 million from Sawgrass. That makes
24 it roughly style neutral across the domestic
25 large cap portfolio.

1 From there, what I'm recommending is, is
2 that 18 of that 40 million be used to increase
3 International Equities. 15 of it would go to
4 Baillie Gifford, 3 million would go to Acadian,
5 the Emerging Managers manager.

6 As you'll recall, Silchester is --
7 Silchester is really closed for new assets. And
8 we recently brought them up to where their target
9 weight is.

10 In Fixed Income, I'd like to take some and
11 put it in the Fixed Income, 20 million to be
12 exact, with 10 million going each into Neuberger
13 Berman and Loomis.

14 And then, finally -- and both, by the way,
15 both of those Core-Plus managers are off to a
16 good start so far since they've been hired,
17 especially Loomis Sayles.

18 And then, finally, a \$2 million increase to
19 MLPs, one million each to each of the two
20 managers to bring them to target.

21 So that's really all I have in the way of
22 rebalancing recommendations. I'll be happy to
23 entertain any questions.

24 CHAIRMAN TUTEN: Dan, I've got a question
25 for you, buddy. Let me ask you this.

1 How long have the individual classes been
2 overweight relative to the target? In other
3 words, two months, three months --

4 MR. HOLMES: US Equities has been overweight
5 for the majority of the time period. I would
6 have to go back, Rich, in time, but it's been
7 overweight for some time period.

8 But the issue here now is, is that we're
9 starting to get close to the maximum amount of
10 the overweight where we would have to take action
11 anyway.

12 And then also -- I'm also recognizing the
13 fact that US Equities have had a very, very good
14 run, and I would like to take some of those gains
15 and rebalance and take some of that off, some of
16 those chips off the table, so to speak.

17 CHAIRMAN TUTEN: Right. Well, I just wanted
18 to make sure, you know, it's not something
19 that -- you know, if it's a trend, of course, on
20 the flip side of that is, anything we buy is
21 probably going to be at a high point based on the
22 overall market, in other words.

23 But, you know, yeah -- and I don't -- I'll
24 be honest with you, I can't keep up with your
25 recommendations, Dan. I'm not saying they're not

1 good or bad, but I couldn't write all that stuff
2 down that fast.

3 MR. HOLMES: There should be a memorandum
4 there. I don't know if Steve included that in
5 the packet.

6 DIRECTOR JOHNSON: It's in your book.

7 CHAIRMAN TUTEN: Oh, okay. My bad.

8 MR. BROWN: It makes sense, obviously,
9 moving those particular assets in a high economy
10 like this over to the Fixed Income.

11 I thought it was a really good presentation,
12 Dan.

13 MR. HOLMES: Thank you.

14 MR. PATSY: Tim, do we need a formal
15 recommendation from the FIAC before we can do
16 anything?

17 DIRECTOR JOHNSON: I hope -- I hope not. I
18 hope we don't.

19 MS. HODGES: I don't -- through the Chair,
20 and I was just looking at that as he was
21 mentioning the lack of the quorum.

22 But under 121.504 it says -- this is your
23 FIAC Committee. "With regard to general strategy
24 matters such as actuarial practices, assumptions,
25 asset allocation, counting determinations of risk

1 management, the Financial Investment Advisory
2 Committee may at any time provide advice and
3 recommendations to the Board, which shall receive
4 and act upon such advice and recommendations as
5 the Board, in its fiduciary capacity, shall
6 determine."

7 So that's permissive, but there are other
8 functions that they must give you advice on, and
9 that's your deselection of individual investment
10 managers, and you have to obtain that advice
11 before you can act.

12 So I think it's fine if the Board at this
13 time wanted to take this item up.

14 CHAIRMAN TUTEN: Yeah. I don't think we
15 have to -- I mean, if we've got to make a
16 decision, we've got to make a decision. I don't
17 think we necessarily have to have -- wait on
18 their approval or their recommendation for
19 something.

20 MR. BROWN: Well, you do for certain things,
21 like for hiring --

22 MS. HODGES: Well, for certain things you
23 do.

24 MR. BROWN: -- managers and such --

25 MS. HODGES: Right.

1 MR. BROWN: -- but that first paragraph, the
2 way it's written --

3 MS. HODGES: But for this, yeah, it's "may."
4 They may give advice.

5 CHAIRMAN TUTEN: And I'm just doing this
6 because I'm Rich. Let me ask you a question.

7 With the new pension reform agreement, is
8 there anything in there that specifically keeps
9 all this from the 2015 agreement today?

10 MS. HODGES: So this is in your ordinance
11 code. So your FIAC structure and governance is a
12 part of your ordinance.

13 CHAIRMAN TUTEN: That's why I'm asking you,
14 though. The 2017 replaces the entire 2015
15 agreement. Is that -- all this part still in?

16 DIRECTOR JOHNSON: Yeah. It's in the -- so
17 the pension reform, as we've mentioned a few
18 times, didn't change your governance structure at
19 all. The new pension reform, it changed the
20 plan, the benefits. That's what was negotiated.

21 But the structure of the FIAC committee is
22 still operative. It's still in your ordinance.
23 And so I would recommend that you follow what's
24 in your ordinance code that you're bound by.

25 CHAIRMAN TUTEN: I want -- I have a request

1 for the director to do a favor for me.

2 Find out how many investment advisory
3 committee meetings we've had and find out how
4 many full quorums we've had to have a meeting,
5 because here's the problem. We've got to wait,
6 don't wait.

7 Regardless, people have to show up and
8 they've got to do their job. We've got to have
9 three of them here. Today we've got four.
10 Usually we have pretty good. Some of my earlier
11 days, I'll be honest with you, there were a
12 couple trustees that showed up about every six
13 months. But back then we weren't quite as filled
14 with stuff as we are today.

15 MS. HODGES: Okay.

16 CHAIRMAN TUTEN: Advisory Committee meeting.
17 If they're going to have this level of
18 responsibility, which they do --

19 MS. HODGES: Right.

20 CHAIRMAN TUTEN: -- as politely as I can,
21 they need to show up.

22 DIRECTOR JOHNSON: All right.

23 CHAIRMAN TUTEN: Or we need to find somebody
24 else that will. I understand it's voluntary. I
25 understand it takes up time in your day.

1 Don't preach it to somebody who has been
2 doing it for 14 years. I don't want to hear it.
3 Show up or don't, but make up your mind.

4 MS. HODGES: And I'm happy to --

5 CHAIRMAN TUTEN: That's all I've got.

6 Do we need a recommendation?

7 MR. BROWN: I make a motion to accept Dan's
8 asset allocation recommendation.

9 MR. PATSY: And I'll second.

10 CHAIRMAN TUTEN: And we have a second.

11 All right. Any questions, concerns?

12 MR. BROWN: I think Anna has something to
13 mention.

14 MS. BROSCHE: No. I was just going to say
15 that it strikes me that this is a -- this is an
16 action in following a policy that already exists.
17 So if we were going to change the policy, then,
18 yes, you would need their input.

19 MS. HODGES: No. I mean, again --

20 MR. BROWN: Or if you find -- there are
21 people, that's one thing, you know. Hire good
22 investment managers, but --

23 MS. HODGES: It's very specific that it's
24 the deselection of certain positions that you've
25 got to have. Otherwise, it's a "may." So "may"

1 is permissive. That's not mandatory.

2 CHAIRMAN TUTEN: Okay. We've got questions,
3 comments?

4 (No responses.)

5 CHAIRMAN TUTEN: All in favor?

6 (Responses of "aye.")

7 CHAIRMAN TUTEN: Any opposed?

8 (No responses.)

9 CHAIRMAN TUTEN: None.

10 Anything further, Dan?

11 MR. HOLMES: No, sir, other than wish
12 everybody to have a great weekend.

13 MR. BROWN: You too. Thanks, Dan.

14 MR. PATSY: You too.

15 MR. HOLMES: Okay. Thanks. Take care.

16 (Mr. Holmes disconnected from the meeting.)

17 CHAIRMAN TUTEN: All righty, then. Where
18 are we at now, Director Johnson?

19 DIRECTOR JOHNSON: We're at New Business,
20 Mr. Chairman. Last tab in your board book.

21 CHAIRMAN TUTEN: You need a motion and a
22 second, Tim, to adopt the budget?

23 DIRECTOR JOHNSON: I do. I need a motion
24 and a second. There's a lot in this budget.

25 MR. BROWN: Can we discuss it?

1 DIRECTOR JOHNSON: I've had the opportunity
2 to meet with members of the Board individually to
3 go over the recommendation.

4 It not only includes an adoption of the
5 budget, but within the budget there are two
6 hires. There is a COLA recommendation, and
7 there's also a ratification of a lease.

8 So it may be helpful if I were to explain
9 that for the record before you ask for a motion,
10 if you're all right with that.

11 So I'll make it quick. So what's in front
12 of you is a Memorandum recommending the proposed
13 operating budget for fiscal year-end 2018.

14 You can see this is a \$12,306,945 budget.
15 This is an 8 percent increase over last year's
16 budget, but it is a more efficient budget and a
17 more accountable budget. And I can walk you
18 through line-by-line to give you an update on
19 what the changes are and the justification behind
20 it.

21 There's a couple of things in this budget
22 that are new. One is I've included both revenues
23 and expenditures in this budget. In the past,
24 the Board has approved the expenditure side, the
25 spending side, but you haven't seen the revenues

1 that have come in. So I'll explain that.

2 Also, I've broken out the investment expense
3 in the budget. This is the expense for your
4 management fees. And the reason why that's
5 important is because the lion's share of the
6 budget is management fees. \$9 million of the
7 money that we're spending is to cover the fees
8 for the management of the money. That's
9 significant.

10 In addition to that, that number grows as
11 the assets grow. So when the pie gets better,
12 the fees become bigger. So that's really the
13 reason why the budget is bigger. It's because
14 the assets have grown significantly from last
15 year.

16 Previously that had been rolled into
17 Professional Services. So you really didn't get
18 a feel for how much of your Professional Services
19 were things like actuary or legal fees and how
20 much your Professional Service was from managing
21 the money. So we've broken that out.

22 All right. So let me walk you through this
23 line-by-line, and I think I can be quick about
24 it.

25 Under Revenues, you'll see the trust fund

1 revenues of 11,542,427. That is the portion of
2 the city's contribution that goes to operating
3 expense.

4 Next you'll see Building Rental of 614,518.
5 We have four tenants in this building that
6 generate just a little more than \$600,000 a
7 month -- a year in rent.

8 You'll notice that there is a \$6,000
9 reduction in rental income. That's about a 1
10 percent reduction. So it's a curious situation
11 that we're in.

12 Although rents have increased by 3 percent
13 over last year, there was an error found in last
14 year's budget in that one of the tenants pays the
15 rent for 11 months and not 12. Inadvertently, 12
16 months of rent were counted in last year's
17 budget.

18 And so when you take that one month out,
19 offset it by the increase of 3 percent, it still
20 looks like a reduction in rent. So we have a new
21 baseline on rent, and you'll see that continue as
22 we go on into the future.

23 In terms of parking rental, we have about
24 240 spaces in this building. Roughly 200 of
25 those are rented. There's an increase in revenue

1 from 122,000 to 150,000. And that is the result
2 of 36 rooftop parking spaces being rented to our
3 neighbor across the street, Farah and Farah.

4 CHAIRMAN TUTEN: To stop real quick, Tim,
5 and I apologize.

6 As far as this remaining space, is there
7 anything we can do to rent them out? Do we need
8 to advertise to somebody or go knock on doors?

9 DIRECTOR JOHNSON: Well, you know, FSCJ is
10 doing a development across the street.

11 CHAIRMAN TUTEN: Okay.

12 DIRECTOR JOHNSON: That could be the impetus
13 for more interest around it. The trio buildings
14 are going to be -- my understanding is that
15 they're going to be developed. And I would
16 imagine that there's going to be professionals
17 working on that construction project that may
18 want the convenience of this parking.

19 So we haven't marketed it, but I'm
20 anticipating that the growth in interest in
21 downtown might make our parking garage more
22 attractive.

23 CHAIRMAN TUTEN: On that track, are there
24 any parking structures that are looking in to
25 being built around all these places?

1 MR. GREIVE: We could check with Public
2 Works, but --

3 CHAIRMAN TUTEN: I'm thinking about from our
4 perspective, supply and demand.

5 DIRECTOR JOHNSON: Yes, sir.

6 MR. GREIVE: I don't think any in your
7 immediate vicinity. And parking is very
8 localized.

9 Your occupancy seems pretty good, though.
10 200 are now leased out of 240.

11 DIRECTOR JOHNSON: Yeah. It's pretty good.
12 You're right.

13 MR. GREIVE: It's pretty good. I mean,
14 obviously you want to get to 100 percent, but 200
15 out of 240 ain't bad.

16 CHAIRMAN TUTEN: Well, Jacksonville is a
17 funny town. For as big as it is, people don't
18 really like -- don't expect to walk very much.
19 You know, they get to big cities, they walk eight
20 city blocks. It takes them 30 minutes. It's no
21 big deal.

22 Jacksonville. Dear God, I've got to go two
23 blocks. I can't do it.

24 MR. PATSY: Well, you go walk two blocks in
25 July and August and tell me how you feel then,

1 buddy.

2 (Laughter)

3 CHAIRMAN TUTEN: All right.

4 DIRECTOR JOHNSON: All right.

5 On the expenditure side, you'll see a
6 reduction in personal expense from 1.2 million
7 down to about \$1.1 million.

8 I mentioned that I'm recommending two new
9 hires, but the net change in full time is the
10 same. There's eight people or staff now.
11 There'll be eight people on staff even with the
12 two hires.

13 And the reason for that is that I'm
14 eliminating the deputy position for this upcoming
15 budget. This Board had a deputy position funded
16 last year. I'm not convinced that I need to fill
17 that position in this fiscal year.

18 Long-term succession planning, it might be
19 necessary to fill that position. But if you-all
20 end up continuing my contract, I'm going to be
21 here for a minute. So right now I don't see a
22 need to fill that deputy position.

23 As we go down to Professional Services,
24 you'll see that number has been reduced. And
25 what I've done here is I've taken the legal fees

1 that were in the past all placed in Professional
2 Services, and I've reallocated half the money to
3 Sugarman and Susskind, and then half the money to
4 our internal counsel, which is the Office of
5 General Counsel.

6 So we haven't allocated any less money to
7 legal fees. We've just divided it up between
8 internal and external counsel.

9 So that's why you'll see the Operating
10 expense increasing on the other side, because
11 I've just taken those expenses and put them into
12 Operating.

13 MR. PATSY: So does one of those
14 allocations, whether it's Sugarman or OGC, one
15 goes to Professional services or one goes to
16 Operating?

17 DIRECTOR JOHNSON: Yeah, that's right.

18 So I consider the Office of General Counsel
19 to be staff. They're internal. Whereas, I
20 consider the Sugarman organization to be a
21 professional service, like your actuary --

22 MR. PATSY: So OGC is going to Operating and
23 Sugarman is going to Professional services.

24 DIRECTOR JOHNSON: Yes, sir.

25 CHAIRMAN TUTEN: Forgive me, because I feel

1 a little silly asking this, but why is there a
2 charge for the Office of General Counsel to do
3 work?

4 MS. HODGES: There's always a charge.
5 Through the Chair, we don't work for free.

6 MR. GREIVE: They have to pull it somewhere.

7 MS. HODGES: Yeah. We charge all of our
8 clients --

9 MS. BROSCHE: City Council --

10 MS. HODGES: Yes. She can attest City
11 Council gets charged. The mayor's office gets
12 charged. So we don't discriminate at all in our
13 charges.

14 But I can tell you that we have some of the
15 best rates. You'll never get as good services --

16 MR. GREIVE: And some of the best attorneys.

17 (Laughter)

18 DIRECTOR JOHNSON: You took the words out of
19 my mouth.

20 CHAIRMAN TUTEN: You get a paycheck from the
21 City of Jacksonville, though? Is that what I'm
22 assuming?

23 MS. HODGES: That is correct. I do receive
24 a paycheck.

25 CHAIRMAN TUTEN: No, I like the idea,

1 because what I'm thinking is, I get paid a
2 department salary for being a fireman, but yet
3 when I show up at your house, I go, it's going to
4 be an extra 50 bucks today because it's
5 Wednesday.

6 So do you understand? I don't --

7 MR. BROWN: Rich wants to run for mayor and
8 restructure the way all this is allocated.

9 CHAIRMAN TUTEN: What's the purpose of that?

10 MS. HODGES: So it's internal billing. It's
11 our internal services --

12 MR. GREIVE: It's a service billing. You
13 guys pay a charge to IT as well for the IT
14 services supporting the building.

15 The pension fund on that side of the street
16 and this pension fund actually get billed for me
17 and my staff's time. It's all billed out --

18 MR. BROWN: JSO pays for SWAT medics that
19 are employed with JFRD. It's internal billing.
20 We're using them for our functions so we're
21 paying for it, but --

22 MR. GREIVE: JFRD pays Fleet for fire trucks
23 and ambulances.

24 MS. HODGES: There you go.

25 CHAIRMAN TUTEN: I smell something, but --

1 MR. BROWN: Rich wants --

2 (Simultaneous speech.)

3 CHAIRMAN TUTEN: I smell -- I smell a lot of
4 internal waste. I see a lot of paper trail
5 counting money that doesn't go anywhere. But,
6 hey, that's just me.

7 MS. HODGES: That's okay.

8 DIRECTOR JOHNSON: All right.

9 So I believe I was down to Investment. And
10 I just wanted to mention that we're paying about
11 50 basis points in fees on the management of our
12 assets.

13 So in coming up with that \$9.5 million fee
14 estimate, we just took the current value of
15 assets as of June 12th, 2017, applied 50 basis
16 points to it, and that's the estimate for what
17 we're going to pay.

18 If the assets grow, we'll pay more. If the
19 assets reduce in value, we'll pay less.

20 MR. PATSY: Tim, the 50 basis points is
21 based on the amount that we actually write checks
22 for?

23 DIRECTOR JOHNSON: That's right. So that's
24 not negotiated fees. It's actually comparing a
25 year-end number of what we actually paid to the

1 value of assets.

2 MR. PATSY: Right. Do we pay all of our
3 managers in hard dollars as opposed to some
4 managers -- like a mutual fund, they take a
5 certain percentage of the assets directly out of
6 the fund as opposed to us writing them a check.

7 DIRECTOR JOHNSON: That's correct. Through
8 our --

9 MR. PATSY: So we have some managers that do
10 that.

11 DIRECTOR JOHNSON: Right, through our
12 custodian.

13 MR. PATSY: Does that get backed into that
14 50 basis points?

15 DIRECTOR JOHNSON: Yes.

16 MR. PATSY: Okay.

17 DIRECTOR JOHNSON: So it's not just the
18 checks we're writing. I think that's the point
19 you're making.

20 MR. PATSY: All right. That's good.

21 MR. BROWN: It is an accurate snapshot of
22 what we paid.

23 DIRECTOR JOHNSON: Right.

24 MR. PATSY: Okay.

25 DIRECTOR JOHNSON: All right.

1 In terms of Building expense, I've kept that
2 level as well as Parking expense. I've kept that
3 level.

4 We're well within budget for this year.
5 We're about 70 percent through the current year.
6 I don't see any reason to change that, so I've
7 kept it level.

8 So that is your budget. It's 12 million 3
9 of -- again, the increase is really the result of
10 increasing in the fees we're going to pay for
11 money managers.

12 Interestingly, I keep track of our
13 administrative cost per member. And our
14 administrative cost per member under last year's
15 budget was \$511. Our administrative cost per
16 member under this budget is \$489.

17 So I'm working to create efficiency in the
18 way we operate. So we've reduced it here.

19 MR. PATSY: With a smaller number of
20 participants.

21 DIRECTOR JOHNSON: That's right. There's
22 5,257 members as of the last census. Obviously
23 that number changes, you know. People are hired.
24 People pass way. People leave. So that number
25 changes.

1 MR. PATSY: Right.

2 DIRECTOR JOHNSON: We use that snapshot of
3 the census for the actuarial report as an
4 official number.

5 So if you take 5,257, you divide it into our
6 Operating expense, which would be Personnel,
7 Professional Services and Operating, that's how
8 you get that number. I don't include investment
9 fees in that number.

10 All right. So there's five actions that I
11 need you to support that go hand in hand with
12 this budget. And I'll read them all. I'm
13 hopeful we can get a motion for all of them.

14 The first is I'd like to post the Finance
15 Manager's position. This is the position that
16 would replace Devin Carter's position.

17 Next, I would like to approve the Records
18 Specialist job description and hire Jessica
19 Fields, whose résumé we've put before you.

20 This is a position that was hired in August
21 of 2016. My predecessor, Beth McCague, and I
22 interviewed and hired Jessica. She's been here
23 since August handling our public records.

24 We've expanded that position in the job
25 description to include record retention, the

1 digitizing and indexing of all of our files as
2 well as public records. And, hopefully, as time
3 grows, we're going to go into electronic data
4 management.

5 I'm hopeful that we'll get to the point
6 where not only are our records digitized, but our
7 processing of records will be digital as well.
8 She's got a great background. She's doing a
9 great job.

10 The next is to approve the Assistant Plan
11 Administrator job description and to reclassify
12 Stephen Lundy from an economic analyst into that
13 the position. And this is the Stephen Lundy I'm
14 talking about here. He's done a great job. And
15 you've had access to Stephen's performance.

16 This puts him in line with the professional
17 pension administration position, whereas the old
18 position really was not a pension position. He's
19 got a tremendous amount of talent. He's got a
20 real heart for this business.

21 This is not a deputy position. It is an
22 assistant plan administer position. But it is a
23 great position for him to grow into. It doesn't
24 change his pay grade and it doesn't change his
25 pay scale. It just reclassifies him into the new

1 role.

2 I'm sorry, Chris. Let me answer your
3 question.

4 MR. BROWN: My question was just commenting
5 on -- yes, he's here now.

6 DIRECTOR JOHNSON: He's here. He is
7 outstanding.

8 CHAIRMAN TUTEN: His current duties will
9 stay the same or does he --

10 DIRECTOR JOHNSON: Oh, they'll be enhanced.

11 CHAIRMAN TUTEN: Okay. But I mean, in other
12 words, it's the same -- forget the new stuff.
13 He's going to do the same things he's going now
14 as far as talking to the members, all that good
15 stuff?

16 MR. LUNDY: Yes.

17 DIRECTOR JOHNSON: For example, one of
18 the -- one of the emphases of our work has been
19 member education. I added that to his role in
20 his old position. It will be included in his
21 role in his new position.

22 So we do an orientation for all new
23 firefighters and all new police officers. We
24 actually go meet with them at their hiring before
25 they become official, and we train them on their

1 pension.

2 We have a vesting seminar, so that when you
3 get to your vesting period, we can update you on
4 your new rights and benefits.

5 And we also do a very popular DROP workshop.
6 Every quarter of the year, we invite members who
7 want to enter into the DROP and we do a DROP
8 presentation.

9 So if you're following me, it was part of
10 the duties I added to his old job, but it really
11 is a pension administration duty that we're now
12 going to reclassify into this position.

13 Well, the last two I'll be quick about.

14 Under the negotiation with the city, there
15 is a 5 percent cost-of-living adjustment that is
16 given to all city employees.

17 There is a memo describing that as part of
18 your packet. It looks like this. And you'll see
19 that all employees, even those that are part of
20 independent boards and authorities are entitled
21 to it. And so I'm recommending that my staff get
22 that raise based on this memo.

23 And then, finally, the audit revealed that
24 there was a mistake in a lease that was brought
25 before a prior police and fire fund board back in

1 2012.

2 So if you read the audit, you'll see that
3 for our Pace contract, the audit didn't match the
4 revenues, and so they needed to reconcile that.
5 When we research it, we identified that the wrong
6 lease was brought to the Board. So the release
7 on record was the wrong lease.

8 The right lease is attached to this packet.
9 So it literally is a copy of a 2012 lease that
10 should have been brought to the Board, but
11 inadvertently was not.

12 So there's a lot there. But if -- through
13 the Chair, if you would entertain a motion to
14 accept the budget and the actions that support
15 it, I would -- I would appreciate it.

16 MR. BROWN: Yeah. I think all five actions,
17 I would make a motion to accept them.

18 MR. PAYNE: I'll second it.

19 CHAIRMAN TUTEN: All right. We have a
20 motion and a second to accept all five.

21 Any questions, comments?

22 (No responses.)

23 CHAIRMAN TUTEN: Impressive.

24 All in favor?

25 (Responses of "aye.")

1 CHAIRMAN TUTEN: Opposed?

2 (No responses.)

3 CHAIRMAN TUTEN: None.

4 MR. BROWN: Now I'd like to discuss --
5 because we've talked about your employees -- or
6 employees you're over -- when does your contract
7 expire?

8 DIRECTOR JOHNSON: In July.

9 MR. BROWN: We need to do something as far
10 as make an evaluation of his last year. He's
11 provided a lot of information over the last year,
12 especially the six-month mark.

13 Evaluating his job performance fits the
14 benchmarks that we set when we initially hired
15 him, and then make a determination about contract
16 extension and any change in the salary, et
17 cetera.

18 I don't know if we want to do this, you
19 know, as informal, maybe a subcommittee, and if
20 we do, how many people. We have one. That's a
21 lot easier to perhaps get an evaluation done and
22 present it in the public setting at the Board
23 meeting. But if his contract is expiring at the
24 end of July, we probably need to do that in a
25 couple of weeks.

1 CHAIRMAN TUTEN: Well, usually we make
2 committees of two people.

3 MR. BROWN: Two people.

4 CHAIRMAN TUTEN: I'm going to personally
5 nominate you two.

6 (Laughter)

7 MR. PAYNE: I'll second that.

8 CHAIRMAN TUTEN: And I do it because you
9 want to be part of the process. That's good. I
10 remember those days.

11 You have a background in, you know, cost,
12 fee structure, all that kind of good crap.

13 MR. GREIVE: That'll teach you to bring
14 stuff up.

15 (Laughter)

16 CHAIRMAN TUTEN: But can you have it done
17 maybe in a couple weeks for the next meeting?

18 MR. BROWN: We will need to get, obviously,
19 you know, this announced. It's a public
20 hearing -- public meeting, which is fine. But
21 can we do it within four weeks?

22 CHAIRMAN TUTEN: Well, when does your
23 contract expire?

24 DIRECTOR JOHNSON: End of July.

25 CHAIRMAN TUTEN: End of July. When is the

1 next Board meeting in July?

2 DIRECTOR JOHNSON: The third Friday in July.
3 So my contract won't be expired by that time. It
4 expires after the third meeting in July.

5 CHAIRMAN TUTEN: Well, that's what I'm
6 saying. Can we have, like, a report from you
7 guys before the Board meeting or at the Board
8 meeting? I don't think -- I mean, I'll be blunt.
9 I don't think it's going to be a problem.

10 MR. BROWN: At this point, let me do this.

11 Let me have you schedule your own
12 evaluation. We need to come up with a date that
13 we can announce and go through that whole
14 process.

15 Any particular weeks that you are out?

16 MR. PATSY: Probably ought to stay away from
17 the 4th, but other than that, I'm here.

18 CHAIRMAN TUTEN: Well, then, I would
19 recommend to Director Johnson that any and all
20 supporting documents for your case, for the
21 judge, would be given to these two, and that, you
22 know, as far as any concerns or things you want
23 to take in another direction, including salary,
24 my friend.

25 MR. BROWN: Let me do this.

1 First of all, how is Monday, the 10th, look
2 for you? Is that okay?

3 MR. PATSY: I got nothing.

4 MR. BROWN: Perfect. Can we schedule that
5 for the afternoon of Monday, the 10th?

6 DIRECTOR JOHNSON: I got it.

7 MR. BROWN: Tim, if you could compile
8 basically a self-evaluation, just basically
9 supporting materials. That's what we ask our
10 employees at JSO. They throughout the year enter
11 stuff in that they need.

12 And then we will come evaluate and bring a
13 recommendation to the Board.

14 MR. PATSY: Clarify for me. Because it's
15 two members of the Board doing this, do we
16 need --

17 MS. HODGES: Yes.

18 CHAIRMAN TUTEN: Well, sure. You can --
19 just bring a recommendation. Everybody discusses
20 it.

21 MR. GREIVE: 24-hour notice.

22 MR. BROWN: 24 is the number?

23 MR. GREIVE: Right.

24 MR. PATSY: Pardon me. But when Chris and I
25 get together with Tim, that's --

1 MS. HODGES: That would be noticed.

2 MR. PATSY: -- that would be noticed.

3 MR. BROWN: Should anybody else be there?

4 You know, I haven't done this before for this
5 kind of setting. Is there anybody else, General
6 Counsel's Office, someone from the city? I don't
7 know what protocol would be.

8 CHAIRMAN TUTEN: Well, you guys are creating
9 parameters, questions, whatever, that you're
10 going to get information from him as far as you
11 have a concern or you think -- you know, and he's
12 going to obviously have a lot of information as
13 far as what you've done for the year --

14 DIRECTOR JOHNSON: Yes.

15 CHAIRMAN TUTEN: -- and when you go back to
16 the original job, if you don't mind getting the
17 original job description that we did the search
18 with, see if he's lined up, checked the boxes and
19 we're happy with what he's done, what we expect
20 in the future, and then you just bring the report
21 to us.

22 MR. PATSY: Right. But to Chris's point, do
23 we need OGC there?

24 MR. BROWN: Somebody else there as well. Is
25 it a good idea to have somebody there? I mean,

1 you know.

2 MS. HODGES: Right. I mean, and independent
3 agencies do it differently. You know, many of
4 the independent agencies will rely on some
5 counsel from our own city HR Department just to
6 kind of guide you along.

7 MR. GREIVE: That's not a bad idea.

8 MS. HODGES: And, you know, recently, if you
9 may recall, not to pick on independent agencies,
10 JEA, for example, when they were doing the
11 evaluation of their particular CEO, it's really
12 under a magnifying glass.

13 And we want to make sure that's occurring in
14 the public, everybody has access to it. You want
15 to make sure somebody is there to take your
16 minutes, because you're going to keep it like any
17 other normal meeting.

18 But I am happy -- I'm open that day. I'm
19 happy to come help you along --

20 MR. BROWN: Fantastic.

21 MS. HODGES: Yeah. No problem.

22 MR. BROWN: Thank you for committing, like
23 we did.

24 MS. HODGES: No problem.

25 CHAIRMAN TUTEN: We don't have to run this

1 by the advisory committee, right?

2 MS. HODGES: No, you do not. Absolutely.

3 CHAIRMAN TUTEN: That's all I needed to
4 know.

5 MS. HODGES: Or your investment manager.

6 MR. BROWN: Tim, capturing all of that, if
7 you could set that up with the appropriate
8 players, we'll plan on being there.

9 DIRECTOR JOHNSON: Yes.

10 MR. BROWN: Thank you.

11 MS. BROSCHE: And I have a question, if you
12 don't mind.

13 So this budget is going to where?

14 DIRECTOR JOHNSON: It's going to council.
15 We're obligated by the end of June to submit this
16 operating budget to council. And I'll be coming
17 before --

18 MS. BROSCHE: And not through the
19 administration, then?

20 MS. HODGES: Yeah, it --

21 MS. BROSCHE: They go (indiscernible).

22 So to the extent that there were any
23 changes --

24 DIRECTOR JOHNSON: Right.

25 MR. BROWN: So it has to go by the end of

1 June?

2 DIRECTOR JOHNSON: Well, I presented it to
3 council, or at least I appeared before council in
4 August of 2016. It was actually Beth and I that
5 were there, and council accepted that budget.

6 But I would imagine there has to be a
7 procedure if council has the authority to say, go
8 back and --

9 MS. BROSCHE: Well, there is. But I'm
10 saying that you might put forth a budget that has
11 different numbers based on the discussion that is
12 about to take place.

13 And I'm saying that you just approved this
14 budget --

15 MR. BROWN: Oh, yes.

16 MS. BROSCHE: -- and so it seems like
17 there's enough time, because in your July
18 meeting, you could approve a revised budget.

19 MR. BROWN: That is true. That is true.

20 CHAIRMAN TUTEN: You're saying if we cut the
21 salary and save money, we should put a new budget
22 in.

23 (Laughter)

24 MS. HODGES: Yeah. Because this budget is
25 incorporated into the consolidated budget,

1 correct? Right?

2 DIRECTOR JOHNSON: Yes.

3 MS. HODGES: I mean, it's going to be --

4 MR. GREIVE: To the overall budget, but they
5 go directly to council.

6 MS. HODGES: Right. So you could amend
7 that.

8 MR. BROWN: So based on what happens at our
9 evaluation meeting, we could have a proposed
10 revised budget that would be --

11 MS. HODGES: Right.

12 MR. BROWN: -- accepted -- God, I love
13 bureaucracy -- at the following meeting, and then
14 it would be August when we present this.

15 MR. GREIVE: Yeah. You would have already
16 met the requirements. You'll just be submitting
17 a revised.

18 MR. BROWN: Got it. Okay. Cool.

19 MS. HODGES: Right.

20 CHAIRMAN TUTEN: All right. Do we need any
21 more motions or discussions of motions or
22 anything else to talk about, Director?

23 DIRECTOR JOHNSON: Yes.

24 CHAIRMAN TUTEN: Wait a minute. We did
25 approve the budget, right?

1 DIRECTOR JOHNSON: Did we take a vote?

2 You're right about that.

3 MR. BROWN: We did take a vote. Yes, we
4 did, because then I interrupted before you had a
5 chance to ask for any names.

6 But do we take any sort of vote on this?

7 CHAIRMAN TUTEN: I don't think we need a
8 vote on that. It's just a voluntary thing.

9 MS. HODGES: No.

10 DIRECTOR JOHNSON: This may be the last
11 meeting of the newly elected president of
12 council.

13 MS. BROSCHE: Yes.

14 MR. BROWN: She's trying to see if she can
15 continue to do this, but --

16 (Laughter)

17 CHAIRMAN TUTEN: Before you get to leave,
18 who's coming over? Please say Crescimbeni,
19 please, please. Please send him over just for my
20 last six months. It would just be splendid to
21 have him here.

22 MS. BROSCHE: I have not decided.

23 MR. BROWN: Anna, let me ask you something.
24 Can you come next month, briefly? Maybe not in
25 this role --

1 MS. BROSCHE: What's the meeting date?

2 DIRECTOR JOHNSON: The third Friday, the
3 21st.

4 MR. BROWN: And if you can just be here at
5 9:00, you can leave probably about 9:20.

6 MS. BROSCHE: Yes.

7 CHAIRMAN TUTEN: So next month is her last
8 month?

9 DIRECTOR JOHNSON: Well, this is her last
10 month, but we'd like to properly recognize Anna
11 for the work she's done. You've been tremendous.

12 MS. BROSCHE: Well, I've really enjoyed the
13 opportunity to be here this for this year.

14 MR. BROWN: Really?

15 (Laughter)

16 MS. BROSCHE: I have. I have. I think it's
17 been very helpful.

18 DIRECTOR JOHNSON: It's the donuts.

19 MS. BROSCHE: Yeah, it is the donuts. But
20 thank you-all. Thank you.

21 MR. PATSY: My pleasure.

22 CHAIRMAN TUTEN: You're welcome. We've
23 enjoyed having you.

24 MS. BROSCHE: I know I was loud.

25 MR. GREIVE: Yes. Very outspoken.

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CERTIFICATE OF REPORTER

I, Denice C. Taylor, Florida Professional Reporter, Notary Public, State of Florida at Large, the undersigned authority, do hereby certify that I was authorized to and did stenographically report the foregoing proceedings, pages 3 through 75, and that the transcript is a true and correct computer-aided transcription of my stenographic notes taken at the time and place indicated herein.

DATED this 28th day of June, 2017.

Denice C. Taylor, FPR
Notary Public in and for the
State of Florida at Large

My Commission No. FF 184340
Expires: December 23, 2018