

**JACKSONVILLE POLICE AND FIRE PENSION FUND  
BOARD OF TRUSTEES  
SPECIAL MEETING MINUTES – JUNE 7, 2016  
RICHARD “DICK” COHEE BOARD ROOM**

***PPPF MISSION STATEMENT:***

*To provide long term benefits to participants and their beneficiaries*

**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.

**BOARD OF TRUSTEES**

Chief Larry Schmitt, Chairman  
Lt. Richard Tuten III, Board Secretary  
Richard Patsy, Trustee  
Willard Payne, Trustee  
William E. Scheu, Trustee

**STAFF**

Beth McCague, Interim Executive Director – Plan Administrator

**CITY REPRESENTATIVES INVITED**

Tommy Hazouri, City Council Liaison

**EXCUSED**

Devin Carter, Chief Financial Officer  
Debbie Manning, Executive Assistant

**GUESTS**

Dan Cummings, Sr. Vice President & Managing Director, EFL Associates  
Rhonda Sarli, City Employee Services  
Randy Wyse, Jax. Assoc. of Fire Fighters  
David Bauerlein, Times Union

David Chapman, Daily Record

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

**CHAIRMAN SCHMITT CALLED THE MEETING TO ORDER AT 9:05AM**

**PUBLIC SPEAKING PERIOD**

**NO REQUESTS FOR PUBLIC SPEAKING**

**DAN CUMMINGS FROM EFL ASSOCIATES BRIEFED THE BOARD ON BOTH FINALISTS AND DISCUSSED THE FLOW FOR THE INTERVIEWS. HE BRIEFLY REPORTED ON THE RESULTS OF THE BACKGROUND AND REFERENCE CHECKS FOR EACH FINALIST.**

**BETH MCCAGUE REVIEWED THE SUGGESTED INTERVIEW QUESTIONS AND THE PROCESS FOR DECISION MAKING ONCE THE INTERVIEWS WERE COMPLETE. THE BOARD WILL INTERVIEW EACH CANDIDATE. AT THE CONCLUSION OF THE INTERVIEWS, THE BOARD WILL MAKE ITS DECISION AS TO WHICH CANDIDATE THEY WOULD MAKE AN OFFER TO, SUBJECT TO POSITIVE FEEDBACK FROM THE INTRODUCTORY MEETINGS WITH SEVERAL COUNCIL MEMBERS AND A CITY OFFICIAL. TRUSTEE SCHEU SUGGESTED THIS PROCESS WOULD BE UNFAIR TO THE CANDIDATE WHO MIGHT NOT BE SELECTED BUT WAS STILL INTERVIEWING AT CITY HALL. IT WAS DECIDED, AFTER CHECKING WITH OFFICE OF GENERAL COUNSEL ATTORNEY STEVE DURDEN, THAT THE BOARD COULD RECESS AFTER THE INTERVIEWS AND RECONVIENE AT 1:15PM, WHEN ALL BUT ONE INTERVIEW AT CITY HALL HAD BEEN COMPLETED AND FEEDBACK WAS RECEIVED.**

**TRUSTEE PAYNE ASKED THAT SOME OF THE QUESTIONS BE ASSIGNED TO INDIVIDUAL TRUSTEES AS THIS SEEMED TO MAKE THE LAST SERIES OF INTERVIEWS RUN SMOOTHLY. ASSIGNMENTS WERE MADE. TRUSTEES WERE ENCOURAGED TO ASK ANY QUESTIONS THEY FELT APPROPRIATE.**

- **SCHEDULED INTERVIEWS WITH BOARD OF TRUSTEES**
  - 8:00 – 9:30am – Tim Johnson

**TIM JOHNSON JOINED THE MEETING. HE WAS ASKED TO MAKE AN OPENING STATEMENT. HE STATED THAT HE BELIEVED HE HAD THE EXPERIENCE THAT CAN HELP TAKE THE BOARD WHERE IT WANTS TO GO. HE SEES THE ISSUES AS**

**HOLISTICALLY LOOKING AT WAYS TO HELP THE REFERENDUM PASS AS IT IS THE ROAD TO SOLVENCY. TO DO LIST, HE WOULD LOOK AT BENEFITS, FEES, AND TRANSPARENCY. HE NOTED IT IS NOT JUST THE WILLINGNESS TO SHARE INFORMATION BUT THE ABILITY. BEING CLEAR ABOUT DUTIES OF COMMITTEES, THE BOARD AND STAFF WOULD BE IMPORTANT.**

***A SERIES OF QUESTIONS AND ANSWERS FOLLOWED:***

**CURRENTLY HE MANAGES FOUR STAFF MEMBERS. HE WORKS THROUGH THE MONTH TO PREPARE FOR THE BOARD MEETINGS. HE INCLUDES A DASHBOARD TO SHOW BOARD MEMBERS ACTIVITY LEVELS OF THE STAFF AND PROGRESS ON STRATEGIC DIRECTION. HE ALSO GIVES GENERAL NEWS UPDATES ON MATTERS OF INTEREST TO THE BOARD.**

**THE PLAN HE MANAGES IS \$825M WITH 12,000 MEMBERS. 14% ARE CORRECTIONS OFFICERS, PROBATION OFFICERS, AND SHERIFF OFFICERS. NO FIREFIGHTERS ARE MEMBERS OF THIS FUND. THE PLAN IS 81% FUNDED. EXPENSES AT THE PLAN EXCLUSIVE OF MANAGER FEES ARE \$125 A MEMBER PER YEAR.**

**TRUSTEE TUTEN ASKED WHAT WOULD BE THE PLAN IF THE SURTAX DOESN'T PASS. HE SAID HE WOULD EXPECT TO BE PART OF A TEAM THAT ADDRESSES ALL THE ISSUES NEED TO IDENTIFY THE FUNDING MECHANISM NEEDED.**

**TRUSTEE SCHEU DESCRIBED THE PERSONALIZING OF POLICY ISSUES THAT CREATES AN UNFRIENDLY ATMOSPHERE BETWEEN THE FUND AND THE CITY AND ASKED HOW TIM WOULD ADDRESS IT. TIM SAID HE WOULD STRIVE FOR BEST PRACTICES IN GOVERNANCE INCLUDING THE BIDDING OF ALL CONTRACTS, HAVE AN ANNUAL FINANCIAL EXTERNAL AUDIT. HAVE BOARD MEMBERS SIGN CONFLICT OF INTEREST STATEMENTS ANNUALLY.**

**TRUSTEE PATSY ASKED ABOUT INVESTMENTS AND THE NUMBER OF LOCAL FUNDS USED. TIM SAID WILSHIRE IS ONE OF HIS INVESTMENT ADVISORS. CURRENTLY THE FUND IS ALLOCATED 30% EQUITY 20% ALTERNATIVES 15% REAL ESTATE AND FIXED INCOME 35%.**

**THE INVESTMENT IN ALTERNATIVE STRATEGY STARTED EIGHT YEARS AGO. ONE OF THE ALTERNATIVE STRATEGIES IS THE FUND HAS A SIZABLE INVESTMENT IN VIATICALS WHICH IS KEEPING RETURNS HEALTHY. THE FUND HAS 40 MANAGERS AND 20 LIMITED PARTNERSHIPS. THEY USE TWO OTHER INVESTMENT ADVISORS. ONE IS FOR EMERGING MANAGERS AND ONE IS FOR DIRECTED BROKERS.**

**THE FUND PREPARES A WRITTEN RECOMMENDATION FOR EVERY MANAGER SELECTION. HE NOTED THE EMERGING MARKET PROGRAM STARTED WITH A FOCUS ON LOCAL INVESTMENTS. BNY MELLON IS THE FUND'S CUSTODIAN. ALL**

**TRADES OUTSIDE OF THE DIRECTED BROKER TRADES AND HANDLED BY THE CUSTODIAN.**

**IN CLOSING TIM SAID THE PASSING OF THE REFERENDUM WAS KEY, THAT BUILDING TRUST AND INTEGRITY WAS IMPORTANT. HE WAS INSPIRED BY THE PROGRESS MADE AND WOULD WORK HARD TO HELP THE BOARD.**

**TIM JOHNSON LEFT THE MEETING AT 9:40AM.**

**THERE WAS A BRIEF BREAK.**

- 9:45 – 11:15am – Corrine Koch

**CORRINE KOCH JOINED THE MEETING AT 9:50AM.**

**IN HER OPENING STATEMENT CORRINE SAID SHE WAS VERY HAPPY TO BE IN JACKSONVILLE AND LOOKING FORWARD TO THE INTERVIEW. SHE TOOK A JOB WITH A TAFT HARTLEY PLAN SEVERAL YEARS AGO AND NOW REALIZES HER PASSION IS WITH PUBLIC PENSION FUNDS. SHE HAS YEARS OF PENSION EXPERIENCE WHICH SHE CAN SHARE. SHE NOTED THAT ANSWERS TO SOME QUESTIONS MAY BE INCOMPLETE AS HER CURRENT ROLE AS FUND ADMINISTRATOR IS WITH A TAFT HARTLEY PLAN WHICH IS PRIVATE. MUCH OF THEIR INFORMATION IS NOT AVAILABLE TO THE PUBLIC. HOWEVER, SHE WOULD DRAW ON PREVIOUS EXPERIENCE WITH THE PUBLIC PLANS SHE HAS WORKED WITH.**

***A SERIES OF QUESTIONS AND ANSWERS FOLLOWED:***

**DURING HER FIRST 90 DAYS IN OFFICE SHE WOULD GET TO KNOW THE WORKINGS OF THE OFFICE. SHE WOULD LOOK EXTERNALLY AND IMPROVE THE RELATIONSHIPS WITH CITY COUNCIL. SHE WOULD WORK TO RESTORE THE INTEGRITY OF THE FUND AND BUILD RELATIONSHIPS.**

**SHE STATED THAT DEFINED BENEFIT PLANS ARE A SHARED RESPONSIBILITY AND ALL HAVE TO DO THEIR PART. HER CURRENT PLAN IS IN A “FUND IMPROVEMENT” STATUS WITH CHANGES EXPECTED IN INVESTMENT PERFORMANCE AND CONTRIBUTIONS.**

**CORRINE WOULD TRAIN NEW BOARD MEMBERS WITH INTERNAL TRAINING, FIDUCIARY TRAINING, ETHICS, AND INVESTMENTS.**

**SHE UNDERSTANDS THAT THE BOARD MEMBERS ARE FIDUCIARIES. THEIR ALLEGIANCE IS WITH THE BENEFICIARIES AND MEMBERS. PART OF HER ROLE**

**WOULD BE TO PROVIDE ALL STAKEHOLDERS WITH INFORMATION ABOUT WHAT A FIDUCIARY IS. THE BOARD OBLIGATION IS TO PROTECT BENEFITS. THE OBJECTIVE OF THE BOARD IS TO PROTECT BENEFITS AND BETTER THE FUND. HER ROLE WOULD INCLUDE EDUCATE THE COMMUNITY ON THE ROLE OF THE FIDUCIARY.**

**AS AN EXAMPLE OF HOW SHE PROTECTED THE FUND, CORRINE RECOUNTED A SITUATION IN HER CAREER WITH PUBLIC PLANS WHERE MEMBERS, PREPARING TO RETIRE, WERE INTENTIONALLY INCREASING THEIR OVERTIME HOURS IN ORDER TO BOOST THE LAST SEVERAL YEARS TOTAL COMPENSATION PRIOR TO RETIREMENT THEREBY INFLATING THEIR PENSION. SHE DETERMINED THIS WAS "GAMING THE SYSTEM" AND WORKED TO ELIMINATE THAT UNFAIR PRACTICE. SHE DID THIS BY MEETING WITH MEMBERS AND EXPLAINING THIS PRACTICE WAS UNFAIR TO THE REMAINING MEMBERS IN THE PLAN. IN THIS PROCESS SHE WAS ABLE TO SHOW THE FUND WAS BEING A GOOD STEWARD.**

**THE FUND WHERE SHE CURRENTLY WORKS HIRED A NEW INVESTMENT ADVISOR IN 2013, BEFORE CORRINE CAME. SINCE SHE HAS BEEN THERE, THE ADVISOR HAS NOT MADE RECOMMENDATIONS FOR CHANGE. THE TRUSTEES ARE HAPPY WITH THE PERFORMANCE. SHE DOES KNOW OF SUMMIT STRATEGIES AS SUMMIT WAS ADVISOR TO THE EL PASO FUND SHE PREVIOUSLY WORKED WITH.**

**SHE BELIEVES IN REVIEWING THE BACK OFFICE OF MONEY MANAGER FIRMS. AS A FIDUCIARY SHE WANTS TO KNOW THE FUND IS NOT JUST A ONE PERSON SHOP. SHE MEETS WITH INVESTMENT MANAGERS WHEN THEY ARE IN TOWN. SHE SAID WOULD BE ABLE TO DEAL WITH POTENTIAL POLITICAL PRESSURE TO HIRE A SPECIFIC MANAGER SAYING SHE WOULD "RIDE THAT WAVE" WHEN IT CAME.**

**NEW ENGLAD PENSION CONSULTANTS IS THE CURRENT INVESTMENT ADVISOR TO HER FUND. THE FUND IS CURRENTLY CONSIDERED TO BE IN THE "YELLOW ZONE." THE UNDERFUNDED POSITION IS BEING CORRECTED THROUGH MORE CONTRIBUTIONS.**

**SHE PREFERS THE TRANSPARENCY OF A PUBLIC PLAN TO A TAFT-HARTLEY PLAN. SHE BELIEVES MEMBERS HAVE MORE CONFIDENCE IN THE FUND WHEN THEY CAN SEE INTERIM REPORTS RATHER THAN ONLY A ONCE A YEAR REPORT. CORRINE IS BIG ON COMMUNICATION WITH MEMBERS.**

**SHE THINKS AT THE END OF HER FIRST YEAR IN THIS JOB SHE SHOULD BE REVIEWED FOR: HOW SHE IS SUCCEEDING AGAINST THE FUND OBSTACLES; WHAT IS THE EFFORT AND WHAT HAS BEEN DONE; LOOK AT THE STRATEGIC PLANNING EFFORT; HOW HAS SHE HELPED THE BOARD ACHIEVE ITS GOALS?**

**SHE NOW SCORES STAFF WITH METRICS AND SHE HAS DEVELOPED PERFORMANCE REVIEWS. SHE LOOKS FORWARD TO WORKING WITH A SMALLER STAFF. HER WORK ETHIC IS TO HELP HER STAFF UNDERSTAND THEIR JOBS.**

**WHEN WORKING WITH PUBLIC OFFICIALS SHE ESTABLISHES TRUST BY TELLING THE TRUTH. IF SHE DOESN'T KNOW AN ANSWER SHE EXPLAINS THAT SHE WILL GET BACK TO THE OFFICIAL WITH AN ACCURATE ANSWER. SHE HAS MUCH EXPERIENCE WORKING WITH ATTORNEYS. SHE WORKS WITH THEM CONSTANTLY. SHE KEEPS THEM INFORMED ON FUND ACTIVITIES AND USES THEM AS A SOUNDING BOARD.**

**SHE PREVIOUSLY WORKED IN A SUNSHINE STATE EXCEPT THE PUBLIC ENTITIES COULD HAVE PRIVATE EXECUTIVE SESSIONS. AS TO THE MORE STRINGENT FLORIDA SUNSHINE LAWS SHE BELIEVES IF THAT IS THE LAW THEN YOU MUST ABIDE BY IT.**

**THE BOARD RECESSED AT 10:45AM.**

**THE BOARD RECONVEINED AT 1:15PM.**

**BOARD MEMBERS SCHMITT, SCHEU, PATSY, AND PAYNE WERE IN ATTENDANCE IN PERSON. TRUSTEE TUTEN JOINED BY PHONE.**

**ALSO PRESENT. BETH MCCAGUE, DAN CUMMINGS, RHONDA SARLI, DAVID BAUERLEIN, DAVID CHAPMAN.**

**THE BOARD DISCUSSED THE CANDIDATES. BOTH WERE EXCELLENT CANDIDATES AND CAPABLE OF ADMINISTERING THE PLAN, BUT HAD DIFFERENT SKILL SETS. THE BOARD AGREED THAT BOTH LACKED EXTENSIVE INVESTMENT EXPERIENCE. THE BOARD ALSO AGREED THAT TIM JOHNSON HAD THE STRONGER COMMUNICATION SKILLS. RESTORING RELATIONSHIPS WITH THE CITY IS THE HIGHEST PRIORITY FOR THE FUND. TIM'S COMMUNICATION SKILLS MAKE HIM THE BETTER FIT FOR THE FUND AT THIS POINT IN TIME.**

**BETH MCCAGUE REPORTED THAT SHE HAD COLLECTED FEEDBACK FROM THE THREE COUNCIL MEMBERS WHO WERE ABLE TO MEET WITH THE CANDIDATES, THE ONE COUNCIL MEMBER WHO HAD MET WITH ONLY ONE CANDIDATE AND SHE HAD NOT BEEN ABLE TO SECURE FEEDBACK FROM CITY TREASURER ON ONE CANDIDATE, BUT NOT BOTH. ALL FEEDBACK FROM THE INTRODUCTORY CALLS WERE FAVORABLE WITH ALL INTERVIEWEES SAYING THEY WOULD BE AGREEABLE TO THE HIRING OF EITHER CANDIDATE.**

**BETH MCCAGUE SAID EITHER CANDIDATE WOULD NEED ASSISTANCE WITH MANAGEMENT OF THE FUND ASSETS. IF THE DECISION IS TO MAKE TIM THE**

**OFFER HE WILL NEED HEAVY SUPPORT FROM PENSION EXPERT RICK PATSY, ALONG WITH OTHER BOARD MEMBERS AND THE FIAC COMMITTEE MEMBERS TO MASTER THE INVESTMENT MANAGEMENT PART OF THE JOB.**

**ALSO, THE DEPUTY DIRECTOR POSITION HAS REMAINED VACANT UNTIL THE NEW DIRECTOR IS IN PLACE AND CAN BE PART OF THAT SELECTION PROCESS. THIS PERSON SHOULD SHORE UP THAT AREA OF RESPONSIBILITY.**

**AFTER A DISCUSSION OF THE STRENGTHS OF EACH CANDIDATE, TRUSTEE PAYNE MADE THE MOTION TO EXTEND THE OFFER FOR THE POSITION OF EXECUTIVE DIRECTOR TO TIM JOHNSON. TRUSTEE PATSY SECONDED THE MOTION. THE MOTION PASSED UNANIMOUSLY.**

**TRUSTEE PATSY THEN MADE A MOTION TO AUTHORIZE INTERIM DIRECTOR BETH MCCAGUE TO NEGOTIATE THE EMPLOYMENT CONTRACT WITH TIM JOHNSON IN LINE WITH THE POSTED JOB DESCRIPTION. TRUSTEE PAYNE SECONDED THE MOTION. THE MOTION PASSED UNANIMOUSLY.**

**THE BOARD THEN REVIEWED HIGHLIGHTS OF THE PRESENTATION FROM INVESTMENT ADVISOR DAN HOLMES WITH SUMMIT STRATEGIES THAT WAS PROVIDED AT THE MAY 20<sup>TH</sup> WORKSHOP ON SMALL CAP MANAGERS. BETH MCCAGUE REMINDED THE BOARD THAT DAN HOLMES HAD RECOMMENDED A CHANGE IN MANAGER AS DRZ WAS LIMITING ITSELF BY FOCUSING ONLY ON DIVIDEND PAYING STOCKS. THEIR PERFORMANCE HAS BEEN ONE STEP FORWARD/ONE STEP BACK. DRZ'S DIVIDEND STRATEGY SHOWS WELL IN DOWN MARKETS BUT THEY MISS THE UPSIDE OF MARKET PERFORMANCE.**

**THE BOARD HAD SEEN PRESENTATIONS FROM DRZ, AJO, WILLIAM BLAIR, AND WEDGE. AJO'S PURE QUANTITATIVE STYLE WAS NOT CONSIDERED A GOOD FIT. WILLIAM BLAIR AND WEDGE BOTH HAD GOOD LONG TERM RESULTS. WEDGE HAD MORE CONSISTENT PERFORMANCE AND BECAUSE THEY OFFERED A CO-MINGLED FUND THEIR PRICING WAS MORE FAVORABLE THAN BLAIR'S. ALSO, BLAIR WOULD NOT BUNDLE OUR PRICING BASED ON OUR BUSINESS COMBINED WITH THE CITY'S.**

**THERE WAS DISCUSSION. TRUSTEE TUTEN SUGGESTED BECAUSE OF THE LONGSTANDING RELATIONSHIPS WE WAIT UNTIL THE END OF THE YEAR TO REPLACE DRZ. CHAIRMAN SCHMITT NOTED IN THE PAST THE BOARD HAS LUMBERED ALONG DELAYING CHANGE UNTIL OPPORTUNITIES PASSED. TRUSTEE PATSY SAID DRZ DID NOT PROTECT THE FUND IN THE DOWN TURN AND STRESSED IT WAS DIFFICULT TO RELEASE LONG TENURED FUNDS, BUT IT MUST BE DONE IN FAVOR OF BETTER OPPORTUNITIES.**

**TRUSTEE TUTEN ASKED THAT WE REVIEW THE PERFORMANCE OF ALL MANAGERS THAT HAVE BEEN TERMINATED SINCE SUMMIT STRATEGIES BECAME**

Police and Fire Pension Fund  
Board of Trustees  
Special Meeting Minutes  
June 7, 2016

**OUR INVESTMENT ADVISOR. HE WOULD LIKE THEIR PERFORMANCE SINCE THEY WERE TERMINATED COMPARED TO THE PERFORMANCE OF THE REPLACEMENT MANAGER. BETH MCCAGUE SAID SHE WOULD HAVE THIS REPORT PRODUCED.**

**TRUSTEE PATSY MADE THE MOTION TO TERMINATE DRZ AND REPLACE THEM WITH WEDGE. TRUSTEE SCHEU SECONDED THE MOTION. VOTE WAS FOUR TO ONE WITH TRUSTEE TUTEN OPPOSED.**

**BETH MCCAGUE SAID SHE WOULD INFORM SUMMIT STRATEGIES OF THE BOARD'S DECISION.**

**THERE BEING NO FURTHER BUSINESS, CHAIRMAN SCHMITT ADJOURNED THE SPECIAL BOARD MEETING AT 1:44PM**

**TO BE APPROVED AT THE BOARD OF TRUSTEE MEETING ON JUNE 17, 2016**

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Richard Tuten III, Board Secretary