

**JACKSONVILLE POLICE AND FIRE
PENSION BOARD OF TRUSTEES
MEETING MINUTES – JANUARY 18, 2013
RICHARD “DICK” COHEE BOARD ROOM**

NOTE: If any person decides to appeal any decision made with respect to any matter considered at this public meeting such person will need a record of proceedings, and for such purpose such person may need to ensure that a verbatim record of the proceedings is made at their own expense and that such record includes the testimony and evidence on which the appeal is based. The public meeting may be continued to a date, time, and place to be specified on the record at the meeting.

PRESENT

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

STAFF

John Keane, Executive Director-Administrator
Robby Gorman, Executive Assistant
Kevin Stork, Controller
Dan Holmes (by phone)
Jarmon Welch (by phone)

CITY REPRESENTATIVES

Council Member Richard Clark, City Council Liaison

GUESTS

Mark Muchowitz, Police Officer
Randy Wyse, Local 122 President
Kelly Dobson, Firefighter
Carla Miller, City Ethics Officer
James Young, Ethics Commission Chairman
Steve Patterson, Florida Times Union
Daniel Carr
Connie Benham
Curtis Lee

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

The meeting was brought to order by Chairman Deal at 9:02 a.m.

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

Tim Ellis, Retired Fire Captain
Archie Smith, Retired Fire Captain
Wade C. Chancey, Retired Fire Lieutenant

And Archie Bussells, father of Trustee Walt Bussells

The Board of Trustees recited the Pledge of Allegiance.

Election of Board Officers

CONSENT AGENDA - ITEMS 2013-01-(1-10)CA

2013-01-1CA MINUTES TO BE APPROVED

1. Minutes of the Board meeting held December 21, 2012. Copy in the meeting file.

2013-01-2CA DISBURSEMENTS

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

DISBURSEMENTS A

1.	John Keane	\$	644.18
2.	Klausner, Kaufman, Jensen & Levinson	\$	14,703.20
3.	Summit Strategies	\$	61,465.89
4.	Pension Board Consultants, Inc.	\$	20,050.00
5.	Sugarman & Susskind	\$	8,843.00
6.	Northern Trust Company	\$	61,791.32
7.	Grau and Associates	\$	3,000.00
8.	DePrince Race & Zollo, Inc.	\$	191,905.00
9.	Thompson Siegel & Walmsley	\$	37,463.88
	Total	\$	399,866.47

DISBURSEMENTS B

Transaction list of Accounts Payable distributions. Attachment \$ 174,610.29

2013-01-3CA PENSION DISTRIBUTIONS

A.	January 4, 2013	Regular Gross	\$3,847,587.63
		Regular Lumpsum	\$ 29,247.42
		DROP Gross	\$ 676,698.32
		Total	\$4,569,333.91

B.	January 18, 2013	Regular Gross	\$3,871,617.60
		DROP Gross	\$ 687,036.09
		DROP Lumpsum	\$ 674,703.95
		Total	\$5,259,783.77

2013-01-4CA APPLICATION FOR SURVIVOR'S BENEFITS

1. **Beckham, Virginia**, widow of Howard R. Beckham, who died December 10, 2012.
2. **Chancey, Polly S.**, widow of Wade C. Chancey, who died December 17, 2012.
3. **Hedrick, Debra C.**, widow of Bruce W. Hedrick, who died December 12, 2012.
4. **Walters, Deborah Allen**, widow of Avery Dale Walters, who died December 8, 2012.

2013-01-5CA REFUND OF PENSION CONTRIBUTIONS

1. **Herndon, Randall D.**, Police Officer, resignation/termination on December 18, 2012, will be issued a refund of his pension contributions directly to him.
2. **Panchula, Joseph A.**, Police Officer, resignation/termination on November 30, 2012, will be issued a refund of his pension contributions directly to AXA Equitable.
3. **Sawyer II, Billy**, Police Officer, resignation/termination on December 28, 2012, will be issued a refund of his pension contributions directly to him.
4. **Wards, Tricia V. Gittens**, Police Officer, resignation/termination on December 3, 2012, will be issued a refund of her pension contributions directly to her.

2013-01-6CA APPLICATION FOR VESTED RETIREMENT

1. **Sell, Kerrie A.**, date of vesting December 21, 2012, to be placed on pension December 11, 2026. Police Officer.

2013-01-7CA TIME CONNECTIONS

1. **Elkins, Richard H.**, Prior Florida Service, (4 years).
2. **John, Robert A.**, Prior Florida Service, (5 months, 20 days).
3. **Oliver, David W.**, Prior Florida Service, (14 days).
4. **Wilson, Kurtis**, withdrew last month's request to purchase Prior Florida Service, (11 months).

2013-01-8CA DROP PARTICIPANT TERMINATION OF EMPLOYMENT

1. **Bedford, Shawn L.**, DROP commencement date January 21, 2011, termination of employment effective date January 4, 2013. Police Officer.
2. **Brown, Suzi E.**, DROP commencement date January 25, 2008, termination of employment effective date January 4, 2013. Fire Lieutenant.
3. **Cribbs, Danny D.**, DROP commencement date January 25, 2008, termination of employment effective date January 4, 2013. Fire Captain.
4. **Embry, Rickey M.**, DROP commencement date January 25, 2008, termination of employment effective date January 4, 2013. Fire Captain.
5. **Hartley, John P.**, DROP commencement date January 25, 2008, termination of employment effective date January 4, 2013. JSO Director Investigations & Homeland Security.
6. **Hinson, Robert A.**, DROP commencement date January 25, 2008, termination of employment effective date January 4, 2013. Police Officer.
7. **Jones, Kurt M.**, DROP commencement date July 25, 2008, termination of employment effective date February 1, 2013. Police Officer.
8. **Lundy, William D.**, DROP commencement date January 25, 2008, termination of employment effective date January 4, 2013. Firefighter Captain.
9. **McClain, Rudolph A.**, DROP commencement date January 25, 2008, termination of employment effective date January 4, 2013. Police Officer.
10. **Parmer, Randall L.**, DROP commencement date January 25, 2008, termination of employment effective date January 4, 2013. Police Lieutenant.
11. **Porter, Antonio J.**, DROP commencement date October 17, 2008, termination of employment effective date January 4, 2013. Firefighter Engineer.
12. **Potts Sr., Mario D.**, DROP commencement date January 25, 2008, termination of employment effective date January 4, 2013. Police Officer.

2013-01-9CA DROP DISTRIBUTIONS

1. **Bedford, Shawn**, the entire balance of his DROP account paid directly to him lump sum.
2. **Brown, Suzi E.**, the entire balance of her DROP Account paid to her bi-weekly over the next 30 years.

3. **Cribbs, Danny D.**, A portion of his DROP paid directly to him lump sum, and the remaining balance of his DROP account paid to him bi-weekly over the next 20 years.
4. **Embry, Rickey M.**, the entire balance of his DROP Account paid to him directly lumpsum.
5. **Hartley, John P.**, the entire balance of his DROP Account paid to him bi-weekly over the next 20 years.
6. **Hinson, Robert A.**, the entire balance of his DROP Account paid to him bi-weekly over the next 35 years.
7. **Jones, Kurt M.**, the entire balance of his DROP Account paid to him bi-weekly over the next 30 years.
8. **Lundy, William D.**, the entire balance of his DROP Account paid to him bi-weekly over the next 25 years.
9. **McClain, Rudolph A.**, the entire balance of his DROP Account paid to him bi-weekly over the next 25 years.
10. **Parmer, Randall L.**, A portion of his DROP account paid directly to him lump sum, and the remaining balance of his DROP Account paid to him bi-weekly over the next 10 years.
11. **Porter, Antonio J.**, A portion of his DROP account paid directly to him lump sum, and the remaining balance of his DROP Account paid to him bi-weekly over the next 25 years.
12. **Potts Sr., Mario D.**, the entire balance of his DROP Account paid to him bi-weekly over the next 20 years.
13. **Walters, Deborah.**, the entire balance of her DROP Account paid to her bi-weekly over the next 10 years.

2013-01-10CA EDUCATIONAL OPPORTUNITIES

5th Annual EnTrust Investment Summit – February 5-6, 20113

4th Annual Government Accounting Conference – February 7-8, 2013 – AGA Tallahassee Chapter

NAPO's 25th Annual Police, Fire, EMS & Municipal Employee Pension & Benefits Seminar – February 17-19, 2013 – Opal Financial Group

15th Annual Klausner, Kaufman, Jensen & Levinson Client Conference – March 10-13, 2013

Benefits Conference for Public Employees – April 16-17, 2013 – IFEBP

Pension Bridge Annual Conference – April 16-17, 2013

A MOTION WAS MADE BY RICHARD TUTEN TO APPROVE THE CONSENT AGENDA ITEMS 2013-01-(1-10)CA. ADAM HERBERT SECONDED THE MOTION WITH THE FOLLOWING COMMENT:

I JUST WANTED TO INDICATE THAT IN VOTING FOR THE (DECEMBER) MINUTES (ITEM 2013-01-1CA), I AM NOT EXPRESSING AGREEMENT WITH THE TWO ACTIONS TAKEN. ONE WAS RELATED TO THE PRESENTATION TO THE DUVAL COUNTY DELEGATION. I HAVE A CONCERN ABOUT OUR NOT RECOGNIZING THE APPROPRIATENESS OF THE CITY COUNCIL TO CONSIDER THE STRUCTURE AND MEMBERSHIP OF BOARDS. SECOND, I HOPE THAT AT SOME POINT, WE WILL CONSIDER, EVEN IF WE HAVE STRICT RULES FOR IT, OPPORTUNITIES FOR MEMBERS AND OTHERS TO COMMENT TO THE BOARD. I JUST WANT THAT TO BE PART OF THE RECORD. (Trustee Herbert was not able to attend the December meeting.)

THE MOTION PASSED UNANIMOUSLY.

ADDENDUM

2012-12-15 Executive Director-Administrator John Keane said discussion on allowing public speaking at Board meetings was being deferred while obtaining an opinion from Fund General Counsel and information from the City and State. The Chairman noted that if it was decided to allow public speaking, it could not be done until a policy was established. Councilman Clark said it was opening a can of worms, and an enormous mistake. The public had access to the phone and e-mail which provides them with a response. Councilman Clark feels the Board of Trustees is as transparent as possible. **DEFERRED**

OLD BUSINESS

2012-12-1 Schedule Board meetings to handle Board Governance Needs identified by Trustees Herbert and Bussells on:
Board Bylaws
Succession Planning
Executive Director-Administrator's Performance Objectives
Other Governance issues **DEFERRED TO LATER IN THE MEETING**

2012-11-1 Actuarial Assumptions. **DEFERRED TO LATER IN THE MEETING.** The Board spoke to Actuary Jarmon Welch by phone.

2012-12-3 Schedule Board meetings to conclude Police and Fire Pension Fund Overhead Budget for FY 12/13. Proposed calendar attached.

The Board agreed to the proposed meeting schedule for 2013 acknowledging that changes may have to be made to have quorums present.

NEW BUSINESS

MONTHLY REPORTS

EXECUTIVE DIRECTOR'S REPORT

Investment Report

2013-01-1 Investment Reports from Summit Strategy. Attachment **DEFERRED TO LATER IN THE MEETING.**

2012-12-2 Letter to City notifying them of proposed modifications of the Fund's Statement of Investment Policy recommended by Summit Strategies. Attachment

Legislative Report

2012-12-6 J-1 Bill to was presented to the Duval Delegation who sent it on to Tallahassee. Attachment **RECEIVED AS INFORMATION**

Legal Report

2013-01-2 Countrywide Financial Corporation Securities Litigation distribution. Attachment **RECEIVED AS INFORMATION**

2012-11-4 BP Class action complaint filed. Attachment. **RECEIVED AS INFORMATION**

Real Estate Report

2013-01-3 Fully executed lease amendment with Pace Center for Girls. Attachment **RECEIVED AS INFORMATION**

Administrative Report

2013-01-4 Annual Report required by Section 119.071(5), Florida Statutes (2007). Attachment **RECEIVED AS INFORMATION**

Items deferred from earlier in the Agenda:

2012-11-1 Actuarial Assumptions. **The Board spoke to Actuary Jarmon Welch by phone.**

- A. Review and act on actuarial assumptions to be used by Board's actuary to prepare new actuarial study as of 10/1/12.

The Board will be discussing the average pay increase of 4% from 5.5 or 5.25% with Mr. Welch at their next meeting.

- B. Actuarial explanation of increased Unfunded Actuarial Accrued Liability. Attachment

Mr. Welch said that ½ of the unfunded liability (\$735 million) was due to the years of not earning 8.5% and not reserving anything from the years over 8.5% to balance out the bad years. Instead it was used to lower the City's contribution rate.

Chairman Deal asked if Mr. Welch had at any time discussed with the City Actuary lowering the assumption rate to a more reasonable rate. Jarmon stated that it was the City Actuary that set the 8.5% and had also set 8.4% for the General Employees. The only way the rate could be changed was if one actuary proposed it and the other agreed to it, without agreement, it would go to an arbitrator. Every 5 years, after the experience studies, Mr. Welch suggested lowering the interest assumption. The City Actuary never wanted to lower and also didn't lower the General Employee's. Mr. Welch says he wouldn't have won in arbitration because the rates were optimistic but in a reasonable range due to the past market performance. He said actuarial theory works very well in a normal world, but it doesn't work when the world isn't normal.

Chairman Deal said that many of the underfunded funds around the country have a health care component. How are others who are subsidizing health care doing better? It looks like the assumption rate is too high. Why? Because if you lower the assumption rate, you increase the City's contribution. And they didn't want to do that because they couldn't afford it. It was going to be better next year or it was going to be left for the next administration to handle.

Jarmon agreed and said the administrations did not realize how big the problems would become.

Trustee Bussells asked if he understood correctly that all of the assumptions made 30 years ago were wrong, understating assumptions. Mr. Welch said the assumptions were earned over the 30 years. But it couldn't average out due to the City not reserving the extra earnings during the good years.

Trustee Bussells if we assume 8.5% was earned since 2000, the fund would still be \$700 million in the hole? Mr. Welch said over the last

12 bad years, actuaries expected it to change sooner. They have just recently agreed that the assumption rates need to be lowered.

Chairman Deal noted that our Fund is a middle of the road plan for the State of Florida. People in authority are saying our benefits are too rich.

Mr. Welch said the Fund has to compete with Social Security because its members do not receive Social Security benefits. In the world of the past, it was a middle of the road plan. But in the present world, it is a generous plan. We need to have less risk exposure.

Chairman Deal noted GASB rules have also affected the reporting of unfunded liability. If interest rates go up, how does it affect unfunded liability?

Jarmon said it would cause large market losses, especially in bonds.

Trustee Bussells asked if the ½ of the unfunded liability was due to the last 12 years underperforming, and all the other actuarial predictions (pay, retirement age, DROP participation, etc) were wrong also. Mr. Welch said he agreed with that.

Board Secretary Glover asked Mr. Welch about the City's pension holidays and how they affected the unfunded liability. Mr. Welch said they weren't holidays per se, they were using the extra earnings to lower their contributions.

Councilman Clark said he thought they couldn't add the extra contributions. Mr. Welch said that actuarial assumptions would have had to be lowered to increase the City's contribution.

Chairman Deal pointed out that the State of Florida continued their contributions in good years to FRS which meant they weren't hurt as badly during the bad years.

The Board took a recess at 10:17 a.m.

The Board reconvened at 10:20 a.m.

ADDENDUM

2013-01-4 Elections were held for Chairman and Board Secretary.

A MOTION WAS MADE BY WALT BUSSELLS TO NOMINATE CHAIRMAN DEAL FOR RE-ELECTION. RICHARD TUTEN NOMINATED NAT GLOVER

FOR RE-ELECTION AS BOARD SECRETARY. ADAM HERBERT SECONDED THE MOTION. BOTH WERE RE-ELECTED UNANIMOUSLY.

2013-01-1 Investment Reports from Summit Strategy. Attachment

Mr. Holmes spoke to the Board on his Asset Allocation Implementation Memo dated December 20, 2012. He recommended changes, especially in the Fixed Income areas. Mr. Holmes says bonds are no longer a safe haven due to the low interest rates. A spike in interest rates will cause bonds to go negative. He suggests decreasing Core Fixed Income (make passive investments) in favor of Emerging Market Debt (active investments). Dan also suggests that ½ of the Large Cap Equity be passive investments and ½ active, while all Small Cap should be active. International Equity should be all active.

WALT BUSSELLS MADE A MOTION TO MOVE \$30 MILLION FROM THE CASH ACCOUNT TO THE REAL ESTATE ACCOUNT AND ANOTHER \$30 MILLION FROM THE CASH ACCOUNT TO THE MLPS ACCOUNT. THE MOTION WAS SECONDED BY ADAM HERBERT AND PASSED UNANIMOUSLY.

Eaton Vance has a Bank Note program. There was discussion of switching their bond portfolio to that program for better results.

WALT BUSSELLS MADE A MOTION THAT WHEREAS EATON VANCE HAS FOR 10 YEARS HURT OUR MEMBERS AND HURT THE TAXPAYERS WITH CONSISTENTLY BELOW AVERAGE PERFORMANCE AND HIGH FEES, TO FREEZE AND LIQUIDATE THE EATON VANCE PORTFOLIO (\$72 MILLION) AND GIVE THEM ½ (APPROXIMATELY \$35 MILLION) FOR HIGH YIELD BANK NOTES AND PUT THE REMAINDER IN A BOND INDEX FUND. THE MOTION WAS SECONDED BY NAT GLOVER AND PASSED UNANIMOUSLY.

The overnight account has \$30-\$40 million which would do better someplace else. Dan recommended that it be split between the Northern Trust Tips, S&P, EAFE Index Funds.

A MOTION WAS MADE BY WALT BUSSELLS TO SPLIT THE MONEY (\$30-\$40 MILLION) IN THE OVERNIGHT ACCOUNT BETWEEN THE NORTHERN TRUST INDEX ACCOUNTS (TIPS, 500 S&P, EAFE). RICHARD TUTEN SECONDED THE MOTION WHICH PASSED UNANIMOUSLY.

Mr. Holmes then went over the Manager Report Card with the Board. There was discussion of when we can get into Silchester which is supposed to replace The Boston Company who is doing badly. If we can't get into Silchester soon, we may need to move it someplace else. We already put ½ The Boston Company's portfolio in an index fund.

Dan also recommended that BlackRock be terminated, but is willing to look at them with another product. He recommends the Board do an RFP for an Emerging Market Debt advisor. This would be government bonds of emerging markets.

Mr. Holmes continued going over the Manager Report Card charts pointing out the portfolios that are protected during down times, such as Eagle Capital.

2012-12-1 Schedule Board meetings to handle Board Governance Needs identified by Trustees Herbert and Bussells on:
Board Bylaws
Succession Planning
Executive Director-Administrator's Performance Objectives
Other Governance issues

The Chairman requested that Dr. Herbert hold sub-committee meetings to handle the Board Governance Needs.

ADDENDUM

2012-12-4 Trustee Bussells wants to plan the next audit and prepare the RFP for a new auditor. The last RFP was an attachment for the December meeting.

There being no further business, the meeting was adjourned at 11:25 a.m.

**APPROVED BY THE BOARD OF TRUSTEES AT
THEIR MEETING ON FEBRUARY 18, 2013**

Nat Glover, Board Secretary