

**JACKSONVILLE POLICE AND FIRE
PENSION BOARD OF TRUSTEES
WORKSHOP AGENDA – NOVEMBER 19, 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
Robert Klausner, Fund General Counsel
Jarmon Welch, Fund Actuary

CITY REPRESENTATIVES

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

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.

1. OVERARCHING PFPB GOALS

Enactment of Comprehensive Pension Reform by the City Council.

Improve Investment Returns via Replacement of Underperforming Managers.

Adoption of pending Legislation for Expansion of Investment Options to improve Fund Investment performance and reduce risk.

Review Investment Managers currently working with the Jacksonville Retirement System for possible selection resulting in potential fee savings to both Plans.

Stabilizing Reserve Accounts utilizing Life Insurance products.

2. **PPFB STRATEGIC PRIORITIES for 2014**

Legislative Agenda

City Council:

Continued technical support for Jacksonville Retirement Reform Task Force and Jacksonville Civil Council Pension Reform recommendations

Adoption of 2013-669 – Alternative Investment Options.

Florida Legislature:

Adoption of House Bill 117 and Senate Bill 388

Secure sponsorship and support for amending Chapter 117 – Unclaimed benefits.

Operating Expenses

Apply for additional grants to update building fixtures to more energy efficient status.

Increase building revenue with rental of 2nd floor space.

Increase parking facility revenue with increased utilization of available spaces.

Investment Strategy and Returns

Coordinate with Summit on Revised Investment Policy Statement and Asset Allocation Plan upon adoption of Ordinance permitting increase in Alternative Investment.

Revised Investment Policy Statement filed with City Council as soon as possible.

Goal to reduce risk and increase returns.

During the October Board Meeting, Dan Holmes reported “All asset classes performed above their benchmark on both gross and net basis for the fiscal year, with a gross 14.86% and net 14.35% performance”. Mr. Holmes pointed out that the return would have been even higher if the Fund could invest in Private Equity.

Money Manager Fees

Increase use of Investment Managers working the JRS will result in lower fees for both Funds.

Increasing Funds allocated to Index Funds will reduce investment fees.

Investment Expenses

Re-establish Security Lending Program to provide revenue stream.

Increase use of Commission Recapture Program. Attachment

Legal Fees

Monitor ongoing legal cases.

Establish Board Policy on "Security Litigation". Attachment

Actuarial Study

Board Policy of "Annual Actuarial Valuation of Plan".

2 handouts from Pension Board Consultants.

Cost of supporting Pension Reform studies.

3. PFPB STAFFING

Review staffing levels and position descriptions for all staff.

Revised Position Description and Job Specifications reviewed and approved by City Employee Services.

4. LEADERSHIP SUCCESSION PLAN

Develop a Succession plan for Leadership Positions

Establish Time Table for Filling Positions

Create a Selection Process for Leadership Positions

Establish Qualifications for Leadership Positions

5. ANNUAL EVALUATION PROCESS FOR DIRECTOR

Qualitative and Quantitative Evaluation Criteria Evaluation Criteria for Director

Update Evaluation Instrument – Executive Director - Administrator and Deputy Executive Director – Assistant Administrator attached.

6. ADDITIONAL ITEMS BY BOARD MEMBERS

Re-design agenda

Consider Member vs. Beneficiaries

Peyton Bonus – Copies of Ordinance and Settlement Agreement provisions Attached.

7. ITEMS DEFERRED FROM OCTOBER BOARD MEETING

Senior Staff Voluntary Retirement Plan

1. Draft actuary study Attachment

Trustee Bussells ask if other public sector SERPs appropriated annually per cost. Controller Stork has not worked with other SERPs. Mr. Bussells asked External Auditor Linda Dufresne. She also had not seen any other. Mr. Bussells says he's used to annual appropriations.

DEFERRED TO TRUSTEE WORKSHOP.

2. \$125,993.25 needed to balance SERP budget. Attachment
Due to the Actuary already moving the funds, we need to move the actual money. We are out of sync due to a gap in knowledge from the Deputy Director's death last year. It was decided to take it up during the workshop.

DEFERRED TO TRUSTEE WORKSHOP

2013-10-1 Investment Reports from Summit Strategy. Attachment

All asset classes performed above their benchmark on both gross and net basis for the fiscal year, with a gross 14.86% and net 14.35% performance. Dan Holmes pointed out that the return would have been even higher if the Fund could invest in Private Equity.

Chairman Deal said that speaking to Trustees from other plans, they are amazed that we can achieve our returns with our restricted investments.

Trustee Bussells asked about the difference between what Summit records as fees and what is actually the fee payments in our budget. Right now it is a difference between 49 basis points and 51. Dan said his office and Kevin were working on that.

The City Retirement system has a 17% return. Their fixed income assets have been diversified for several years giving them a positive return in that area while ours was negative.

Mr. Holmes says investing in Private Equity would help greatly, even 5% would raise returns. If we are ever able to go in that direction, he would recommend 5% in Private Equity and 5% in Private Natural Resources.

Dan suggested rebalancing pointing out that US SMID was 5.9% over the benchmark. It has to stay in Fixed Income. He recommended 1% to Thompson Siegel & Walmsley's Core Fixed Income portfolio and fund a Core Plus manager that the City is using.

Mr. Keane informed the Board that an amendment was being introduced by Council by Council Member Schellenberg that would allow us to invest in Private Equity, Distressed Funds, Venture Funds. He thinks that it will be deferred until Chairman Scheu's committee finishes their findings.

Mr. Holmes suggested Franklin Templeton Global Multi Sector Plus for Core Plus for the 4.9%. The City uses them but there would be no price break. The fee would be set at 80 basis points. They are able to invest in hi-yield. It gives the diversification of a comingled fund.

Trustee Tuten was concerned that they did not go back 10 years. Dan said that the Fixed Income team has a lot of experience. Mr. Tuten said he thought they were too expensive and wanted to know how much they raised their returns with high yield.

They may go down to DDD bonds which is not allowed for us. We have to stay within A. Mr. Belton said this manager was in place when the administration came in and he would have been reluctant to go into it. Mr. Holmes said that we are allowed to do this in a comingled fund. Trustee Tuten asked for a list of the next best managers. Trustee Bussells said he was a fan of diversification. Energy fell out 2 times in his past but he likes the energy exposure. If it is legal for us to use this manager, he is for it. Real Estate has fallen out several times also. He wants to know more.

Chairman Deal suggested the Board take it up at the workshop following up with a Board meeting to adopt the decisions.

Acadian is a Emerging Markets manager that the City uses but they are about to close to new business. Dan has reserved a place for us if we are interested. Other companies are also recommended. AJO and Oaktree are brand new. Lee Munder and Thomas White have been around awhile and good managers. One of these would take ½ of the Northern Trust Emerging Managers Index.

Joey Grieve said they were very pleased with Acadian and that there could possibly be a price break for the City & the Fund. Mr. Holmes pointed out that it is a comingled fund and could not be sure if there would be a fee break.

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Mr. Holmes then asked the Board if they would be interested in investing in NonCore Real Estate which would include such opportunities as what Henry Cisneros has spoken of earlier. This was deferred to the workshop.

Additional Items may be added