

**BOARD OF PENSION TRUSTEES
FOR THE
CITY OF JACKSONVILLE RETIREMENT SYSTEM
June 28, 2018**

MINUTES

City Hall - St. James Building, Conference Room 3C: 2:00 P.M.

Members Present

Jeff Bernardo, Chairman
David Kilcrease
Bill Messick
Diane Moser
Sam Mousa
Shari Shuman
Bruce Tyson
Mike Weinstein
Terry Wood

Staff Present

Randall Barnes, Senior Debt Manager
Paul Barrett, Senior Investment Officer
Joey Greive, Treasurer
Jaime Sawczyn, Pension Assistant
John Sawyer, OGC
Tom Stadelmaier, Pension Administrator

Others Present

Craig Coleman, Summit Strategies Group (via phone)
Dan Holmes, Summit Strategies Group (via phone)

1. CALL TO ORDER

The Chair called the meeting to order at 2:02 PM

2. PUBLIC COMMENT

None

3. MINUTES

Mr. Weinstein motioned to approve the May 24, 2018 Minutes and Mr. Kilcrease seconded. There was no discussion and the Chair took a vote. The Minutes passed unanimously.

4. NEW BUSINESS

Mr. Mousa motioned to approve the consent agendas. Ms. Moser seconded. The Chair took a vote and the consent agendas passed unanimously.

5. INVESTMENT AND FINANCIAL MATTERS

Mr. Barrett reported we are on pace to meet Plan target rates of return. He also introduced the timeline for implementation of diversifying assets investments which would be dependent on the Asset-Liability (AL) study currently in progress.

Dan Holmes from Summit Strategies Group provided a summary of the May Flash report and Economic and Capital Market Update. Fund value is \$2.35B as of May 31, 2018. All asset classes remain above the benchmark. Real estate results are preliminary. Broad diversification of the portfolio as a whole has helped with the increasing market volatility. However, US Equity composite has underperformed relative to other assets.

Mr. Greive inquired about Hancock Timber. Mr. Holmes reported that a cash distribution in March has led to the increased market value in that account.

Mr. Holmes reviewed in further detail the small-cap underperformance discussed at the last Board meeting. Recommendation from Summit is to terminate Westwood and invest proceeds in INTECH Enhanced.

Ms. Shuman asked about the style of the two funds. Mr. Holmes characterized Westwood as core with a slight bend to value in style. INTECH is style neutral.

Chairman Bernardo and Ms. Shuman questioned the benchmark indexes being used since they were not specific in the Flash. Mr. Barrett explained that since the benchmarks have changed they were shown as generic names. Mr. Greive suggested possibly showing the current benchmark with a note about the history.

Ms. Shuman suggested looking at making a change that wasn't style neutral. Mr. Coleman explained the benefit of being style neutral.

Chairman Bernardo suggested looking at moving Westwood proceeds to Blair instead of INTECH. He reasoned that if Summit was confident that Blair's process is robust, perhaps moving to Blair would take advantage of the temporary down period.

Mr. Grieve added that INTECH is low cost. Mr. Holmes added that small cap is more volatile but with similar expected returns. He further explained that moving to Blair instead would be a tactical move.

Mr. Coleman described Blair as a value manager with exposure to REITs.

Following the discussion, Mr. Grieve suggested the possibility of moving half of the proceeds to Blair, half to INTECH.

Mr. Messick made a motion to terminate Westwood and move half the proceeds to Blair, half to INTECH. Ms. Shuman seconded. The chair took a vote and it passed with all present voting in favor.

Discussion ensued about implementing the change. Mr. Barrett explained the need to engage with a transition manager which Mr. Holmes indicated would take a couple of weeks.

Mr. Weinstein raised a question about hiring the transition manager related to a new ordinance passed on Tuesday regarding the notification process for changes and new awards of business from the City. Mr. Grieve reviewed the requirements with the Board that time sensitive needs such as this can proceed but there were notification requirements based on actions taken.

Ms. Shuman asked about having a transition manager in place for when the need arises like now and Mr. Greive reported they have 3 in place and like to have flexibility to choose based on the circumstance present at the time they are needed.

Mr. Barrett gave an update on the underperformance in Pinnacle and suggested the possibility to have Pinnacle come to an upcoming Board meeting to provide an update. Mr. Weinstein suggested a staff call outside of a Board meeting. Mr. Greive said they would arrange the call and invite Board members to attend with staff.

Mr. Holmes gave an update on the AL study. He reported they have received the data needed from the actuary (Segal) and it is being loaded for analysis. Target to complete work is September to include target asset allocations for consideration by the Board. Staff reviewing and interviewing different asset providers so they are prepared to implement changes after decisions on any changes by the Board.

Mr. Mousa asked about the consequences of the AL study. He asked if it would change the pension contribution from the City. Mr. Greive replied it would not change the contribution directly but lead to review of asset allocation changes. Chairman Bernardo said the AL study is a tool that would show the pieces of the puzzles including cash flow needs over time. Ms. Shuman said much of the AL study is about liquidity analysis since the diversifying assets category is less liquid.

Chairman Bernardo asked if the AL study includes scenario analysis that consider possible bear markets. Mr. Grieve and Mr. Holmes answered yes, that stress-testing scenarios are included.

6. ADMINISTRATIVE

None

7. OLD BUSINESS

Ms. Moser provided an update on how military leave is handled in the 401a Plan. She reported that the City pays both the normal employee portion and the City contribution when an employee is away on approved military leave.

Mr. Stadelmaier provided an update on the Dizo case. Mr. Dizo is the participant the Board previously voted to cutoff due to significant overpayments. Mr. Dizo recently wrote requesting his pension be reinstated at a lower rate since the board rules and regulation indicate payments should not drop below 80% for recovery. After review with legal, the Pension Office replied to Mr. Dizo indicating payments were cutoff by the Board due to the circumstances of his case and the need to recover the funds. Mr. Dizo also called the Pension Office and had further discussions. It has been communicated to Mr. Dizo that we are open to his suggestions for repayment of the funds and Mr. Dizo has indicated he does not have any funds to make a repayment.

8. INFORMATION

The next regular BOT meeting will be Thursday, July 26, 2018 at 2 PM. Chairman Bernardo reported he will not be able to attend. Ms. Shuman agreed to chair the July meeting.

9. PRIVILEGE OF THE FLOOR

Mr. Messick asked about the status of building the retiree portal. Mr. Greive reported that the Child Support payment upgrade took priority but now that it is complete ITD will move to work on the retiree portal. Staff will work with ITD to get an update.

Mr. Wood asked if reply to all on the Board was a possible Sunshine law violation. Mr. Mousa said yes and it should be avoided.

10. ADJOURNMENT

Chairman Bernardo adjourned the meeting at about 3:14 PM.