

**BOARD OF PENSION TRUSTEES  
FOR THE  
CITY OF JACKSONVILLE RETIREMENT SYSTEM  
September 27, 2018**

**MINUTES**

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

**Members Present**

Jeffrey Bernardo, Chair  
David Kilcrease  
Bill Messick  
Diane Moser  
Sam Mousa  
Shari Shuman  
Bruce Tyson  
Mike Weinstein

**Staff Present**

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

**Others Present**

Dan Holmes, Summit Strategies Group  
Alecia DeCuollo, Summit Strategies Group (via phone)  
Joshua Mckinley, Summit Strategies Group (via phone)

**1. CALL TO ORDER**

The Chair called the meeting to order at 2:05 PM

**2. PUBLIC COMMENT**

None

**3. MINUTES**

Mr. Weinstein motioned to approve the July 26, 2018 Minutes and Ms. Moser seconded. There was no discussion and the Chair took a vote. The Minutes passed unanimously.

#### **4. NEW BUSINESS**

##### Consent agendas

Mr. Kilcrease motioned to approve the consent agendas. Mr. Tyson seconded. The Chair took a vote and the consent agendas passed unanimously.

#### **5. INVESTMENT AND FINANCIAL MATTERS**

Mr. Barrett updated the Board on the Westwood termination and subsequent reallocation of assets as previously approved by the Board. Mr. Barrett then provided an update on the annual pension payback. He noted that the holdings in the fund's cash account were reduced in order to partially fund the payback.

Mr. Holmes updated the Board regarding the sale of Summit to Mercer and that they would no longer serve public pension clients as a result.

Mr. Holmes provided a brief update on the market and fund performance. He reported economic indicators remain strong and the Fed is raising interest rates as expected. He emphasized the fund remains overweight in domestic equities. Fund is up 7.5% but we have seen more volatility this year overall. MLPs, Real estate and diversifying assets remain very strong. Domestic equities are still below benchmarks as has been discussed. Chairman Bernardo asked about possible style drift with Eagle and Mr. Holmes responded that they have not seen that. Ms. Shuman noted that there are a lot of red numbers vs. benchmarks especially with Pinnacle and Loomis but that absolute returns still were strong in general for most of the holdings. Mr. Holmes repeated stance from previous meetings that Summit was comfortable with all funds and that Pinnacle should be watched most closely.

Mr. Holmes provided a summary of the Asset-Liability study that was shared. He indicated the study showed no need to change allocation in policy based on the results. There are no long-term liquidity concerns at this time. He noted all of the components of Pension reform including the surtax were reflected in the study. The study used Plan actuarial assumptions and Summit data on capital markets as well as an assumed surtax growth of 4.25%. There was some discussion regarding how the funding looks without the surtax included as well which is reflected in the report. Mr. Weinstein asked about the reason for contributions not showing after 2045 and Mr. Holmes indicated that is the date the Plan is projected to reach 100% funding level.

Mr. Holmes highlighted that the net outflow projects to move from about 5% to about 6.1% by 2030 which is when the surtax is projected to start funding. He described this outflow amount as very manageable. There was some discussion about the possibility of moving the surtax to an earlier date such as 2028. Chairman Bernardo asked if the risk around the Plan rate of return of 7.2% was symmetric and Mr. Holmes replied no

but it was not materially different.

Mr. Holmes added that 12% is the maximum they would recommend in diversifying assets mainly for liquidity needs. Mr. Barrett asked if implementing the recommended "Portfolio A" in the Asset-Liability study was worth it given that the lower standard deviation may be a result of stale valuations that may occur with private equity and other diversifying assets, while only expected to yield a slightly higher return. Mr. Holmes responded yes that the possible smoothing effects on portfolio risk was accounted for in their analysis. Mr. Holmes emphasized that there is an advantage to having more investment tools especially since there are not major liquidity concerns presented by the study. He repeated that building the diversifying assets is a long-term strategy that takes years to build.

Mr. Greive updated the Board regarding the Investment consultant RFP. It has been published and there is strong interest. Staff has been responding to inquiries. Deadline is October 15. Staff will complete scoring and pick top two or three for Board review in November or December timeframe. Process for questions goes through procurement and there should be no communication between providers and the Board at this time.

Mr. Greive told the Board that staff would provide investment data in the interim period. He reported they were well equipped to do so and stay on top of the review but that reporting to the board would have a different format than Summit provided. Chairman Bernardo expressed his confidence in staff for the interim period.

## **6. ADMINISTRATIVE**

Mr. Stadelmaier reported on the PAC and COPAC election results. New PAC members will be in place in October.

Mr. Stadelmaier reported on the pension portal kickoff meeting with ITD. Current prototype was presented by ITD and provided good information on retiree checks. Tax forms would not be available in the first release. The initial rollout will be read-only and focus on retiree pensioner information with the thought to build out additional functionality from there. Target live date is 1<sup>st</sup> quarter 2019 (by end of March 2019) as long as there are not any changes presented to ITD.

Mr. Stadelmaier discussed Pension Office changes to the consent agenda process which have been reviewed with the PAC and COPAC. This will include having the PAC, COPAC and Board sign off on the consent agenda as a whole instead of each folder. The Board indicated support for the change. Mr. Mousa wanted to make sure the consent agenda included all of the cases that would normally be provided by the folders.

## **7. OLD BUSINESS**

Mr. Sawyer reviewed the circuit court decision to quash the board ruling in the Sabrina Pryce-Jones Disability case. He reported the board must act within a 30 day window and the appropriate next step would be to hold a “shade” meeting to review options with the Board. The meeting was requested by the Board and set for October 4 at 2 PM.

**8. INFORMATION**

The next regular BOT meeting will be Thursday, October 25, 2018 at 2 PM.

**9. PRIVILEGE OF THE FLOOR**

Mr. Mousa reported Mr. Weinstein’s retirement to the Board. Mr. Greive would take on CFO role and Mr. Barnes would take on treasurer role subject to confirmations in November.

Mr. Tyson thanked the Board for his time serving as a member. He is leaving the PAC at the end of this month.

**10. ADJOURNMENT**

Chairman Bernardo adjourned the meeting at about 3:48 PM.