

**BOARD OF PENSION TRUSTEES
FOR THE
CITY OF JACKSONVILLE RETIREMENT SYSTEM**
August 29, 2019

MINUTES

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

Members Present

Jeffrey Bernardo, Chair
Joey Greive
Brian Hughes
David Kilcrease
Kent Mathis
Bill Messick
Diane Moser
Terry Wood

Members Not Present

Shari Shuman

Staff Present

Randall Barnes, Treasurer
Paul Barrett, Sr. Manager of Debt and Investments
Brennan Merrell, Manager Debt and Investments
John Sawyer, OGC
Tom Stadelmaier, Pension Administrator

Others Present

Jordan Cipriani, RVK via phone
Sherry Hall, JEA
Pat Maillis, JEA
Kevin Schmidt, RVK via phone
Jeff Williams, Segal
A full list of additional attendees that signed in is available through the Pension Office

1. CALL TO ORDER

Chair Bernardo called the meeting to order at about 2:00 PM

2. PUBLIC COMMENT

All public comments related to the JEA proposed legislation.

Dave McKee thanked JEA management and the Board. He previously addressed the PAC on August 14. He also prepared a table demonstrating lack of increase in benefits for retirement eligible workers compared to others. He said JEA has rejected the idea of eliminating the COLA wait period for the retirement-eligible population. He also expressed his concern to the Board that the negotiations did not include appointed employees and that meant their interests were not represented as well because the nature of the appointed population is different.

John Norse addressed the disparity between retirement-eligible employees and others and requested the COLA wait-period be eliminated for retirement-eligible workers. He also raised the concern about losing an opportunity for DROP benefits and potential loss of employee health insurance benefits.

Robert Fowler requested a reduction in the COLA wait-period. He said retirement-eligible workers feel left behind by the process. He also expressed concern that older workers had less opportunity to make-up for Social Security benefits.

Kirsten Doolittle spoke as an attorney representing IBEW and JSA. She said the code has not been properly vetted in regards to how it will affect the unfunded liability over time. She added it is impossible to properly assess if the City is able to fund the benefit without further analysis. She also stated that while she viewed many of the provisions as generous to employees that there should not be a rush to vote.

Valerie Gutierrez spoke as the local IBEW business manager and provided a handout to the Board documenting their concerns.

Randy Hilton spoke as a 30-year employee and president of the PEA. He opposed the legislation in the current format. He indicated it has not been ratified and he has concerns about the unfunded liability.

3. MINUTES

Mr. Greive made a motion to approve the minutes. Mr. Kilcrease seconded the motion. The Chair asked for any discussion and there was none. The Chair took a vote and the minutes passed unanimously.

4. NEW BUSINESS

Consent agendas

Mr. Greive moved to approve the consent agendas. Mr. Wood seconded the motion. The Chair opened discussion and it was light with no changes—Mr. Kilcrease asked about the benefit for Schellenberg and Mr. Stadelmaier reviewed it. The Chair took a vote and the consent agendas passed unanimously.

JEA Proposed Changes

Mr. Greive suggested allowing for JEA to present first due to the interest in the topic among the public. Chair Bernardo concurred.

Ms. Sherry Hall from JEA introduced the proposed changes and started to cover the information in the presentation. She highlighted the JEA Board's decision to move forward with review of becoming a non-government entity.

Ms. Pat Maillis from JEA covered the specifics related to employee protections and the pension plan. She reviewed in detail the provisions in the presentation and highlighted the estimated cost of \$132M for the changes that would be funded by JEA in the event of a recapitalization.

Mr. Hughes asked Mr. Sawyer if the Board has a role in determination of the benefits. Mr. Sawyer responded that the Board is not the Plan sponsor and is not party to the legislation and that benefits are negotiated. The Board and the PAC can provide comment on the legislation which must be presented to both groups.

Mr. Hughes asked Ms. Hall what was the purpose of the proposed changes. Ms. Hall responded that it was to protect employees and their retirement benefits. Mr. Hughes asked if it was to ensure security to employees in the event of a recapitalization. Ms. Hall said Yes and that JEA was also looking to maintain employees through the process.

Mr. Wood expressed concerns with the unfunded liability and a potential deficit in the expected surtax.

Mr. Sawyer relayed to the Board that they have no authority to amend the legislation but that their comments and concerns could be relayed to council.

Mr. Hughes asked if an actuarial analysis has been performed and if the City is ultimately responsible for the financial health of the Plan. Mr. Barnes replied yes to both questions.

Mr. Wood noted the fiduciary responsibilities of the Board members regarding changes.

Mr. Mathis asked the Board to consider allowing the PAC to complete their review before proceeding with any comments.

Mr. Kilcrease asked JEA if they were still at the bargaining table with the unions. Ms. Hall said yes but that there was agreement on the pension provisions. She added there were some minor items with other aspects still being reviewed and all changes were also subject to membership approvals.

Mr. Mathis raised a concern about those eligible to retire being forced to retire and thought that should be considered in light of the public comments received. Mr. Hughes asked JEA if the bill contemplated the need for collective bargaining and Ms. Hall replied that it did.

Mr. Williams presented the estimated impact statement which indicated an addition of \$132M of unfunded liability that JEA would pay at recapitalization. He also reviewed a set of projections related to Plan funding including one with the surtax accelerated to start in 2021 which shows the plan reaching 100% funding much sooner.

Mr. Greive spoke about the mayor being on record with use of recapitalization proceeds to include about \$1B to pay-down general fund debt, about \$1B to pay-down BJP debt and the remainder for a City endowment fund. Mr. Hughes added that the mayor wants to ensure that any transaction keeps promises and protections for employees, creates stability for ratepayers and creates value to taxpayers. He said the mayor is committed to the principles reviewed by Mr. Grieve. Mr. Mathis asked if payoff of the BJP debt was would be part of the legislation. Mr. Hughes said that legislation regarding use of recapitalization funds would be introduced at the appropriate time in the process and that the mayor will support legislation regarding the debt payoff. He said it would be premature to put spending before a recapitalization event actually occurs.

Mr. Wood asked about the assumed surtax growth. Mr. Greive reported it is at 4.25% which is in the middle of the range expected and this was recently reviewed by the Council auditor.

Mr. Kilcrease asked about the later date for fully funding the COPP. Mr. Williams replied that will different demographics, current funding and assumptions that the projections do show different funding dates. Mr. Grieve added that they have asked Segal to complete the related PFPF analysis which should result in some updated figures on the projections and likely bring the fully funded dates closer together.

Mr. Greive gave an update on the current schedule with Council which is scheduled to review the proposal in finance next week 9/4 and with full council potentially 9/10.

Mr. Mathis made a motion to allow the PAC the opportunity to complete review of the legislation to provide comment for Council and the Board to consider. Mr. Kilcrease seconded the motion. The chair opened the floor for any additional discussion. There was none and a vote was taken and the motion passed unanimously.

Investment and Financial Matters

Mr. Merrell gave a brief recap of the July Flash report. He also provided an update on private equity and reported staff plans to have the top three firms chosen by November. Additionally, RVK will be reviewing private debt with staff and the Board next.

Mr. Merrell gave the Board an update on this year's pension payback of about \$125M.

Cash will mainly be raised from US Equity which is over-allocated currently. Mr. Greive asked if with the changes the fund would be overweight in value. Ms. Cipriani pointed to the memo and indicated the value overweight is very minimal. Mr. Kilcrease asked about divesting of the Mellon US Equity fund that we just invested in recently. Ms. Cipriani acknowledged this point and also countered that the US Equity funds are a ready source of liquidity. Mr. Merrell added that staff reviewed all classes before arriving at the approach. Mr. Barnes summarized by saying this change is mainly about sourcing liquidity and reducing US Equity exposure in the fund. Mr. Wood made a motion to approve the recommended action on the buyback, Mr. Greive seconded. Chair Bernardo paused for additional comment and took a vote and the motion passed unanimously.

Mr. Merrell added a final point that Bailee Gifford inquired with us about potentially increasing emerging markets percentage in their fund. We are waiting to hear back if they do decide to move forward on this and if there is an option to not make the change. Chair Bernardo commented that a move from 20% to 30% in this area is not unreasonable.

Ms. Cipriani completed a recap of 2Q including benchmarks and peer analysis. This included the fund showing top 7% vs. peers over 10 years despite struggles in the most recent quarter. Ms. Cipriani discussed RVK's plan to provide education on private credit and a pacing study.

Disability Applications

Mr. Stadelmaier reviewed a summary for Linda Williamson and indicated the full file was available for review. Mr. Wood made a motion to approve, Ms. Moser seconded. There was no further discussion. The Chair took a vote and the motion passed unanimously.

Mr. Stadelmaier reviewed a summary for Demetrias Coles and indicated the full file was available for review. Mr. Mathis made a motion to approve, Mr. Greive seconded. There was no further discussion. The Chair took a vote and the motion passed unanimously.

5. OLD BUSINESS

None

6. ADMINISTRATIVE

Mr. Stadelmaier pointed the Board members to the redlined version of Chapter 120 for necessary clarifications and requested comments back directly to him by September 16.

7. INFORMATION

The next regular BOT meeting is scheduled for Thursday, September 26, 2019, at 2

PM. There may be a special meeting called before that depending on the work of the PAC regarding the JEA proposed changes.

8. PRIVILEGE OF THE FLOOR

Mr. Kilcrease reported to the Board that the COPAC is interested in more detail than the MRO provided in the most recent Corrections disability case.

Mr. Wood commented that the Board should be focused on the fiduciary responsibilities related to the JEA changes and making sure JEA or their successor is responsible for their liabilities.

9. ADJOURNMENT

Chair Bernardo adjourned the meeting at about 4:15 PM.