

**BOARD OF PENSION TRUSTEES
FOR THE
CITY OF JACKSONVILLE RETIREMENT SYSTEM
November 21, 2019**

MINUTES

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

Members Present

Jeffrey Bernardo, Chair
Julie Bessent
Ann Brackin
Joey Greive, Vice-Chair
Brian Hughes
Patrick Johnson
Diane Moser
Terry Wood

Members Not Present

David Kilcrease, Secretary

Staff Present

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

Others Present

Jordan Cipriani, RVK (via phone)
Kevin Schmidt, RVK (via phone)

1. CALL TO ORDER

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

2. PUBLIC COMMENT

Chair Bernardo welcomed new Board members Julie Bessent (council appointment) and Ann Brackin (PAC Chair).

3. MINUTES

Mr. Greive made a motion to approve the minutes. Ms. Moser 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. Wood moved to approve the consent agenda. Mr. Greive seconded the motion. The Chair took a vote and the consent agenda passed unanimously.

Bailey Appeal

Mr. Stadelmaier provided a summary of the Bailey case and her appeal. Ms. Bailey was overpaid for a refund and that amount would be deducted from the latest refund she receives when she leaves employment again. The PAC upheld that recommendation by a vote of 5-1.

Ms. Bailey expressed concern regarding the Pension Office mistake in September 2015 when she was overpaid. She is concerned she has been putting money into the Plan the last three years not knowing she was paying back the overpayment. She requested a fair and reasonable resolution.

Mr. Greive asked Mr. Sawyer about detrimental reliance and the Board's obligation to collect the overpayment. Mr. Sawyer said the Board has a fiduciary responsibility to make the corrective action of collecting the overpayment or it will jeopardize the tax-exempt status of the Plan. On detrimental reliance he said the bar is high for governmental entities and the Board would not decide that—it would be up to a court.

Chair Bernardo observed this appears to an interest-free loan that the member received. Mr. Hughes asked if the City handles active employee overpayments the same way. Ms. Moser said recovery is obligated per City policy. Mr. Wood pointed out other pension recent cases have also required recoveries.

Mr. Greive made a motion to approve the PAC's recommendation to deny the appeal. Ms. Moser seconded the motion. The Chair asked for any further discussion and there was none. He then took a vote and the motion passed unanimously.

Mr. Sawyer said the only remaining administrative accommodation for Ms. Bailey on this matter is a lawsuit.

Disability Cases

Mr. Stadelmaier covered a summary of the application for J. Curry. Mr. Greive made a motion to approve the application. Mr. Johnson seconded the motion. Chair Bernardo took a vote and the motion passed unanimously.

Mr. Stadelmaier covered a summary of the application for T Beals. Mr. Hughes made a motion to approve the application. Ms. Moser seconded the motion. Chair Bernardo took a vote and the motion passed unanimously.

5. INVESTMENT AND FINANCIAL MATTERS

Mr. Schmidt and Ms. Cipriani gave a recap of the 3Q economic and investment report. He pointed out the geo-political concerns giving rise to market volatility. More assets are moving to safety and less economically sensitive areas were stronger. October saw a bounce-back which was a good reminder to not look too closely at short periods.

Ms. Cipriani reminded the Board that diversifying assets remain below target. For peer-analysis, the results are volatile recently due to heavy equity exposure, but results remain great long-term vs. other funds. Equity was a detractor in 3Q with large cap the only segment performing well. Mr. Greive inquired about Franklin and Hancock. Mr. Merrell reported Hancock had a New Zealand sell-off and while Franklin did underperform, it remains a long-term positive. Ms. Bessent asked about Tortoise. RVK reported that Tortoise and Harvest have a lot of overlap and Tortoise is a likely candidate for draw-down. Chair Bernardo pointed out the risk-return plots for Pinnacle and Franklin on page 26 and Ms. Cipriani acknowledged they have taken on more risk without corresponding reward. Mr. Schmidt added that this has been a very tough period for active managers.

Mr. Barnes recognized Mr. Barrett and Mr. Merrell for their work along with RVK on the private equity providers search. They reviewed seven RFI's, conducted interviews and narrowed the field to the top three: Neuberger Berman, Adams Street and HarbourVest. Mr. Merrell noted all three are capable and reminded the Board about the finalist presentations and decision on January 9. Mr. Barnes said a rank order has been established and Chair Bernardo suggested sharing that along with any attributes and a possible methodology for Board selection. Ms. Cipriani said RVK can share further detail on the analysis.

Mr. Merrell said a private credit consultant RFP is now ready. RVK is a candidate however the City procurement process is required to make a selection. RFP will be released in early December and responses are due in early January. Mr. Greive mentioned that because contracting can be difficult that staff should reach out to other public plans to see what can be obtained and learned from their experiences.

Finally, Mr. Merrell provided a brief update on staff due-diligence work regarding the USB Trumbull fee break, an upcoming real-estate funds detailed review and an update on Baillie Gifford.

6. OLD BUSINESS

PAC Chair Brackin reported the PAC did offer support for 2019-725 as it relates to further funding the unfunded liability of the plans. Mr. Hughes said he understands the PAC's view but pointed out that the possible recapitalization is still very speculative. Additionally, the Mayor's position is that about \$1B would be used to pay-off the BJP debt and thereby accelerate payment of the surtax to the pension unfunded liability which would benefit the pension funding considerably as well. Mr. Wood asked about the cost of other debt and pointed out it is considerably lower than the 7% assumed rate of return in the pension.

Mr. Hughes made a motion to have the Board offer no comment on 2019-725 at this time. Mr. Greive seconded the motion. Chair Bernardo asked about the status of the legislation and Mr. Hughes said it was currently deferred.

Mr. Greive pointed out that actuarial analysis shows the total unfunded liability of the plans being paid off about a decade sooner under the proposal to accelerate the surtax funding. Chair Bernardo stated he understood that but that he sympathizes with the PAC's position on the matter and given that the legislation would further fund the plan he supports it. Ms. Bessent asked about possible future legislation on recapitalization as it relates to pension. Mr. Hughes pointed out that all bills related to recapitalization will require an element dealing with pension funding.

There was no further discussion and the Chair took a vote. The motion for no Board comment passed 6-2. Dissenting were Mr. Wood and Chair Bernardo.

7. ADMINISTRATIVE

Mr. Stadelmaier reported the redlined version of Chapter 120 contains all Board, PAC, OGC and staff comments. Board vote is not required. Comments are always welcome as it moves forward.

8. INFORMATION

The next regular BOT meeting is scheduled for Thursday, December 19, 2019, at 2 PM.

9. PRIVILEGE OF THE FLOOR

None

10. ADJOURNMENT

Chair Bernardo adjourned the meeting at about 3:21 PM.