

**BOARD OF PENSION TRUSTEES
FOR THE
CITY OF JACKSONVILLE RETIREMENT SYSTEM
March 28, 2019**

MINUTES

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

Members Present

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

Members Not Present

Shari Shuman

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
Matt Powell, Segal
Kevin Schmidt, RVK
Jim Voytko, RVK (via phone)
Jeff Williams, Segal

1. CALL TO ORDER

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

2. PUBLIC COMMENT

None

3. MINUTES

Mr. Greive made a motion to approve the minutes. Mr. Mousa 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. Mousa seconded the motion. The Chair opened discussion and there was limited discussion. Mr. Wood suggested staff add years to the DB to DC transfers going forward. Mr. Mousa recommended that staff include page numbers to the GEPP Consent going forward. Mr. Stadelmaier agreed to make these changes. Mr. Kilcrease requested that staff review Betty Sledge. She was listed under GEPP as survivor for Charlie Sledge who was a Corrections Officer. Mr. Stadelmaier agreed to review and correct if needed. The motion was amended to reflect the additional review requested. [It was later determined Charles Sledge was in fact under GEPP with Ret/DROP date in 2000 so no correction was needed.] The Chair took a vote and the consent agendas passed unanimously.

Segal Review of Actuarial Valuations for October 1, 2018

Jeff Williams and Matt Powell, both from Segal reviewed the October 1, 2018 actuarial valuation reports. Mr. Williams relayed the most significant changes for this year were based on the experience study results they previously reviewed. Overall, the results varied minimally from expectations, which is ideal—this means assumptions are working as planned when tested vs. the actual data. Mr. Williams first covered the highlights page from the GEPP report. Mr. Greive clarified the change in amortization period from 30 years to 29 years for plan year ended 2018 and a reduction by 1 year each year going forward. Mr. Williams noted a slight increase in administrative expense, which is based on previous year actuals. Mr. Powell also noted the increase in payroll growth. Mr. Williams and Mr. Powell covered the summary chart on page nine, including detail on the required City contribution.

Mr. Mousa asked if the report reflects all requirements of pension reform and the Florida statutes. Mr. Williams confirmed that it did. Mr. Mousa then asked if the report needed to show the contribution and payroll percentages under the old method given the changes with pension reform. Mr. Williams said he would further review that with other actuaries at the firm and share with staff. Mr. Williams went on to cover detail from the highlights in Corrections.

Mr. Mousa asked about the change in the proportional allocation of the surtax with the GEPP and COPP, both getting more. Mr. Greive pointed out that the primary difference was the GEPP and COPP lowering the assumed rate of return which increased their

proportional liability. Mr. Kilcrease asked for clarification on page 33 of the COPP report. Mr. Williams explained that page 33 was for pre-DROP. Additionally, he agreed to make modifications on related pages to more clearly display the figures.

Mr. Wood inquired about the change to show Disability with the regular Pension in the GEPP. There was limited discussion from the group on the subject. Mr. Williams confirmed the disability liability is included in the GEPP going forward and the full 10% employee contribution (9.7% pension and 0.3% disability) is valued in the GEPP.

Mr. Mousa made a motion to accept the Valuation reports presented allowing for final modifications from Segal working with staff based on comments from today's meeting. Mr. Greive seconded the motion. The Chair opened discussion and there was limited discussion. The Chair took a vote and the motion passed unanimously.

5. INVESTMENT AND FINANCIAL MATTERS

Mr. Barrett reported to the Board that staff has selected State Street as the transition manager for the changes directed last month. Changes are expected to be completed by the end of next month.

Ms. Cipriani briefly covered the full 4Q 2018 report, including the peer group data not shown in the Monthly flash. She referenced the updated RVK work plan, which RVK continuously collaborates on with staff. However, RVK does not plan to present the work plan at each Board meeting, unless requested. She noted they are always open to take questions and feedback on the items they are working on behalf of the Board.

Ms. Cipriani explained a reason the one-year results look bad in comparison to the peers is the peer group includes hard-closed plans that demand more fixed-income based assets and down markets will result in a greater negative variance. She also noted from page 26 that the Fund is currently highly liquid compared to the peer group.

Chair Bernardo asked about the report distinction between strategic and tactical and Ms. Cipriani noted strategic is based on the outlines of the Fund Investment Policy. Mr. Kilcrease asked about the difference with legacy and Ms. Cipriani noted there was previously a higher allocation to US Equity.

Mr. Schmidt covered the latest monthly performance flash report. Improved trade rhetoric and improved earnings reports led to a positive month for the Fund. The Fund also beat the benchmark overall. The Fed's latest update is to keep rates stable which should dampen volatility to some degree.

Mr. Greive inquired about Pinnacle again which has shown some recent improvement. Mr. Schmidt said they are working to meet with them at their offices. Mr. Barrett added that as time goes on it appears the bad quarter they suffered is what put them under the scrutiny and that all other indicators point to them being an effective part of the overall

strategy. Ms. Cipriani added that RVK shared that conviction in Pinnacle and that all should recognize that their approach will involve greater volatility than normal.

Jim Voytko from RVK reviewed their approach to capital markets assumptions (CMA). He emphasized that these assumptions are just a road map and that the relative accuracy is most important in evaluating future performance in capital markets. He added the level of returns are important when considering contributions and support of benefit changes as discussed in Segal's presentation.

On page eight of the deck, it was noted that in recent years there is a lowered and more guarded expectation on returns which is supported by the higher P/E ratios (valuations) in the market. A common question includes how to handle mid-year changes. The short answer is typically by rebalancing within a portfolio.

Chair Bernardo asked about the gap between expectations and the Plan's assumed rate of return. RVK noted that this gap is a real challenge and that the City's Fund is not unique in this regard as this is a challenge for all institutional investors. To that point, bringing the Plan's assumed rate down over time is helpful. Ms. Cipriani mentioned that active investment management is intended to help with the gap as the CMA relate to passive overall performance. RVK noted more institutional funds are getting more conservative especially considering 4Q results.

The Board decided to defer a more detailed discussion on alternative diversifying assets given the recent focus on that area at previous Board meetings.

6. OLD BUSINESS

None

7. ADMINISTRATIVE

Mr. Stadelmaier reported that the PAC held a workshop to cover comments on the GEPP Summary Plan Description (SPD). The SPD draft was updated and the PAC is scheduled to vote on the SPD at the next PAC meeting. Once approved, an updated version will likely go to the Board next month.

Mr. Stadelmaier provided a summary of the redlined Board rules and regulations document. Mr. Kilcrease offered comments from his initial review including questions on the existing language in the disability applications. Mr. Stadelmaier noted these comments and said he would make the requested revisions. Mr. Greive suggested that Board members provide comments wherever possible in advance of next month's meeting. Plan is to have an updated redlined version for review and approval at the next Board meeting. To summarize, these changes are mainly to provide clarification on certain points or correct language to reflect current practice.

The Board also discussed the summary chart of needed changes to Chapter 120. Mr.

Sawyer pointed out that the Board does not have authority to make these changes but that the City as Plan Sponsor in conjunction with the Council process could make the changes. It was appropriate for the Board to review and consider those areas of code that could benefit from correction or clarification. Mr. Stadelmaier emphasized that the main section of the document is focused on correction and clarification of current practice. The section at the bottom is separate and related to policy changes that should be considered, but they are subject to further review and negotiation. After Board discussion, consensus was that the Board would greatly benefit from a redlined version of code (similar to the redlined version of the Board Rules). Mr. Stadelmaier agreed to begin work on the redlined code for review by legal, administration and the Board.

8. INFORMATION

The next regular BOT meeting will be Thursday, April 25, 2019, at 2 PM.

9. PRIVILEGE OF THE FLOOR

None

10. ADJOURNMENT

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