I. CALL TO ORDER

Chair Chris Brown called the meeting to order at 9:01AM.

II. PLEDGE OF ALLEGIANCE

III. A MOMENT OF SILENCE WAS OBSERVED FOR THE FOLLOWING DECEASED MEMBERS:
IV. PUBLIC SPEAKING PERIOD

Phil Vogelsang said FOP President Steve Zona asked him to speak about the input on the DROP and COLA benefits for members who entered the DROP under the 2015 pension reform agreement. He made the following remarks:

- Input from the FOP would be consistent with that which Lawsikia Hodges has provided the Board.

- DROP benefits that a Member has fully accrued cannot lawfully be changed without their consent.

- Each Member who accrued a benefit under the 2015 plan would have to elect to have their plan changed voluntarily.

- Members who entered and exited the DROP under the 2015 plan should also have the option to elect either the 2015 or the 2017 plan.

- Members should elect either the 2015 or the 2017 plan in full. They cannot ‘cherry-pick’ individual benefits from both plans.

There were no further requests for Public Speaking. Public Speaking Period closed.

V. CONSENT AGENDA – ITEMS 2018-02-(01-11)CA

2018-02-01CA
Meeting Summaries Approved

1. Meeting Summary of the Board of Trustees Meeting held January 19, 2018. Copies held in the meeting files.
2. Workshop Summary of the Board of Trustees Workshop held January 19, 2018. Copies held in the meeting files.

2018-02-02CA
Disbursements

The listed expenditures in DISBURSEMENTS A & B have been reviewed and deemed payable. The Police and Fire Pension Fund Finance Manager certifies that they are proper and in compliance with the appropriated budget. Transaction lists available upon request.

**Disbursements A**
1-1-2018 thru 1-31-2018

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tr>
<td>DCT Reporting</td>
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<td>Sawgrass Asset Management</td>
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<tr>
<td>GRS</td>
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<tr>
<td>The Northern Trust Company</td>
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<td>Loomis Sayles</td>
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<td>Harvest Fund Advisors</td>
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<tr>
<td>Thompson Siegel &amp; Walmsley</td>
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<tr>
<td>Michael Givens</td>
<td>$14,500.00</td>
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<tr>
<td>Eagle Capital Management</td>
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<tr>
<td>Carr, Riggs &amp; Ingram, LLC</td>
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<tr>
<td>Tortoise Capital Advisors</td>
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**TOTAL** $869,287.81

**Disbursements B**
1-1-2018 thru 1-31-2018

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<tbody>
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<td>Transaction list of Accounts Payable distributions</td>
<td>$18,388.68</td>
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2018-02-03CA
Pension Distributions

A. January 12, 2018
1. Regular Gross $5,641,243.39
2. Regular Lumpsum $53,615.43
3. Regular Rollover $0.00
4. Regular DROP Gross $1,158,829.79
5. DROP Lumpsum $272,803.85
6. DROP Rollover $129,972.98

TOTAL $7,256,465.44

B. January 26, 2018

1. Regular Gross $5,645,074.72
2. Regular Lumpsum $16,715.78
3. Regular Rollover $10,488.56
4. Regular DROP Gross $1,272,614.75
5. DROP Lumpsum $588,213.36
6. DROP Rollover $255,659.44

TOTAL $7,788,766.61

All calculation and dollar amounts have been reviewed and calculated in accordance with accepted procedures.

The following Consent Agenda items 2018-02-(04-06CA) were verified with supporting documentation and approved at the Advisory Committee meeting held on February 7, 2018. Vote was unanimous.

2018-02-04CA
Application for Survivor Benefits

2018-02-05CA
Application for Vested Retirement

2018-02-06CA
Application for Time Service Connections

The following Consent Agenda items 2018-02-(07-11CA) were verified with supporting documentation and received as information at the Advisory Committee meeting held on February 7, 2018.
2018-02-07CA
Refund of Pension Contributions

2018-02-08CA
Share Plan Distributions

2018-02-09CA
DROP Participant Termination of Employment

2018-02-10CA
DROP Distributions

2018-02-11CA
DROP Distributions for Survivors

Richard Patsy made a motion to approve the Consent Agenda items 2018-02-(01-11CA). Seconded by Michael Lynch. The vote passed unanimously.

VI. EXECUTIVE DIRECTOR’S REPORT
Timothy H. Johnson

Timothy Johnson said that there are many updates this month. He made the following highlights:

- Council reacted to the letter that he sent, on the Board’s direction, by inviting him to present the October 1, 2017 Actuarial Valuation to the Finance Committee.

- Pete Strong and Bob Sugarman were helpful in writing the letter to Council, which requests additional funding.

- Liabilities are transferred to the future through the surtax.

- DROP will be discussed later in the agenda, under Counsel Reports.

- The Asset-Liability study will be presented to the FIAC in March or April.

- The External Audit is almost complete.

VII. COUNSEL REPORTS
Lawsikia Hodges
1. **Chapter Funds Grievance Update**  
   **Share Plan Implications**

Lawsikia Hodges updated the Board on the recent action taken on the 2016 Chapter Funds Grievances and made the following remarks:

- Todd Norman, the Chief of Employee and Labor Relations for JFRD denied the Grievance on the Fire side.
- JSO Undersheriff Patrick Ivey denied the Grievance on the Police side.
- We are in a holding pattern awaiting union response to the denials.
- Union response will dictate the next steps.

2. **Retroactive Benefits Opinion** – Handout

Bob Sugarman said that he has sent the draft opinion to OGC, and at their suggestion, there will be an addition to the opinion, which will state that a notification will be sent to the unions and the City informing them of the actions being taken. He said the opinion recommends sending election forms to about 140 affected members.

Timothy Johnson said that members’ intent must be verified, and the necessary changes be made to JaxPension before the Fiscal Year end, in order for members’ DROP statements to be correct. He said that out of this group of affected members, it might be July before the statements are correct.

Bob Sugarman said that members cannot ‘cherry-pick’ benefits. They must choose either the 2015 plan or the 2017 plan for life. He said the formal opinion would be issued later today or Monday, depending on his flight.

Michael Lynch said he agrees wholeheartedly with the opinion. He asked if members who reached 20 years of service under the 2015 plan, but who did not enter the DROP would be entitled to the same election.

Bob Sugarman answered yes, once a member reaches normal retirement age, they lock in their benefit.

Michael Lynch noted that there would be a larger impact than 140 members.
Bob Sugarman said that the Board could direct Timothy Johnson to proceed upon receipt of the opinion.

Richard Patsy said it would be appropriate for members to be educated prior to electing their benefit.

Bob Sugarman said the PFPF could present projections based upon assumptions on variable rates. He said the Board should not take on the liability of predicting what those rates will be.

Chris Brown said it would be more appropriate for the unions to educate its members on the choice between the 2015 and 2017 plans.

Lawsikia Hodges agreed and said that OGC recommended adding language to the opinion directing the PFPF to notify the unions for education purposes.

Chris Brown requested a motion to accept the opinion, provided no substantial changes are made to it.

Bob Sugarman that the following words would be added to the opinion:

“The Plan Administrator should notify the unions and the City in advance that this election will be offered to the affected Plan members.”

Steve Lundy asked if the opinion should be changed so that members who reached 20 years of service under the 2015 plan but have not yet retired should make their election along with the remainder of the affected members.

Bob Sugarman said that yes, the opinion would be changed to reflect that.

Lawsikia Hodges said she would prefer the motion to be to direct Timothy Johnson and PFPF staff to proceed with the action plan based on the legal opinion.

Bob Sugarman said that Steve Lundy made a good point, and that change will be reflected in the opinion.

**Michael Lynch made a motion to direct Timothy Johnson and PFPF staff to proceed with the action plan based on the legal opinion. Seconded by Nawal McDaniel. The vote passed unanimously.**

Bob Sugarman said there is good news that came out of the tax bill. He said that Master Limited Partnerships (MLPs) would continue to be exempt from corporate tax.
Lawsikia Hodges said that she had a good conversation with Chuck Hayes yesterday about section 121.107 on Time Service Connections (TSCs). She said there might have been confusion on how to apply the code. She said that the law is black and white; members may connect time at either a 10% or a 20% rate, depending on where they worked. She said any incorrect payments would be corrected just like in any other case.

Chris Brown asked for an update on the bailiff TSCs.

Timothy Johnson said that the task has proven difficult because JSO is working with multiple ERP systems that span decades of data. He said he is hopeful that the PFPF will receive the data it needs within two weeks. He said JSO is making progress, and as soon as the PFPF receives the data file, we will immediately begin processing the applications on a first in, first out basis.

VIII. INVESTMENT CONSULTANT REPORTS

Dan Holmes

1. Preliminary Flash Report – January 31, 2018

Dan Holmes discussed the Preliminary Flash Report as attached. He made the following highlights:

- Performance in January started strongly, and by the month’s end, the total fund hit $2.1 billion.
- Real Estate allocation was under the permitted range, which calls for rebalancing.
- The total fund was up 4% net of fees for January and 1% above the benchmark.
- The total fund was up 8% on a Fiscal Year to Date basis, and all asset classes were above their indices.
- Loomis and Wedge are catching up.
- The declining US Dollar continues to drive the outperformance of International Equities.
- Dan Holmes does not expect strong bond returns this year.
- Strong movement in the MLP sector in January.
Dan Holmes discussed the tracking error in the EAFE index fund, which was brought up at a previous Board of Trustees meeting. He said the tracking error shows the index fund underperforming the benchmark. He said preliminary data and estimates have to be used for returns because of the timing of the custodian statements and the FIAC meetings early in the month. He said the data has to be updated and adjusted with the final numbers later. He said this one error in particular was due to using a preliminary return estimate.

Richard Patsy asked if this estimate flows through the total fund composite.

Dan Holmes said it does, but to keep in mind that the relative weight will dampen the overall effect. He said this only happens in months when Summit does not have the final statements from Northern Trust. He said the is Summit has to use what it has available in order to get the reports out timely. He said it is difficult with an FIAC early in the month. He said he makes sure the long term numbers are updated.

Dan Holmes said the tracking error is correct on the quarterly report. He said this error is big in the short term, but dampens out over the long term. He said stratified sampling is used for the EAFE index.

Richard Patsy asked if there is a better solution.

Dan Holmes said active management would be better. He said this index fund is primarily used for liquidity management when rebalancing is needed. He said we can look at other index funds, but if we go outside Northern Trust, costs will go up.

Richard Patsy said the bottom line is he does not like the index fund.

Dan Holmes said he would prefer an active manager in that spot. He said the FIAC is suggesting an International Small Cap.

Chris Brown asked if the Board could direct the FIAC to look at this.

Dan Holmes said that we explore it with the FIAC.

2. Economic & Capital Market Update – January 31, 2018

Dan Holmes discussed the Economic & Capital Market Update as attached. He made the following highlights:

- Positive economic trends including strong earnings reports, strong wage inflation, GDP growth, and manufacturing growth continued through January.
• The IMF raised its global growth expectations.

• Strong wage inflation spooked inflationary fears, one driver of the recent market volatility.

• The new Fed Chair and his approach to raising interest rates is spooking investors.

• Private equity strategies, or other investments without stock or bond correlation would help to dampen volatility, and he will bring recommendations to the Board on such investments.

3. Investment Performance Review – December 31, 2017

Dan Holmes discussed the Investment Performance Review as attached. He made the following highlights:

• Returns presented are the same as shown on the Flash Report – the big difference is that the Investment Performance Review shows peer rankings, portfolio characteristics, and asset class deposits.

• Over the Calendar Year, the Total Fund was up over 17%, outperforming the policy index by 2.7%, and ranking in the 11th percentile for the public pension plan universe.

• 2017 was a very good year on an absolute and relative basis.

• Trailing returns were exceptionally strong post-financial crisis.

• Every asset class outperformed its benchmark.

• All manager portfolios have done well, especially international equity. Baillie Gifford performed exceptionally well.

Greg Anderson asked Dan Holmes if he thinks the markets are entering a phase with big swings in volatility.

Dan Holmes said that he doesn’t have that short term view. He said the consensus at Summit is that we are in the end stages of a bull market. He said to expect more volatility in stocks and bonds. He said there is no more quantitative easing artificially lifting equities.

Richard Patsy asked Dan Holmes if he sees anything among managers to cause concern.
Dan Holmes said in general, February is a strong month for manager turnover, however he sees nothing significant on the market side.

IX. COUNCIL LIAISON UPDATE

Greg Anderson

Greg Anderson said that there is no new pension legislation pending in council. He said he is happy to hear that the Council Finance Committee Chair requested Timothy Johnson to attend the Finance Committee. He said he would attend that meeting.

Richard Patsy said he would like to pitch to the Council that if the JEA sale goes through, a portion of the money from the sale should be used to pay down the unfunded liability in the City’s pension plans. He said it would smooth out City contributions going forward for the PFPF and the GEPP.

Greg Anderson agreed and said this recent exercise has been interesting. He said he is not sure where it will land at this point. He said he thought the valuation was helpful, even though the media coverage did not play it that way. He said it is a very sensitive political situation.

Richard Patsy advised caution. He said generally speaking, consultants oversell and under deliver.

Regarding the estimated sale price of JEA, Greg Anderson remarked, “You saw the range, right?”

X. OLD BUSINESS

1. Smoothing Analysis
   Pete Strong

Pete Strong said this report is expected to be complete in March.

2. 2017-07-02CA Disbursements B – 6/1/2017 thru 6/30/2017 – Correction

   Transaction list of Accounts Payable distributions $ 12,520.98

Steve Lundy said that due to a typographical, clerical error, a wrong number was reported on the July 2017 Board agenda for Disbursements B. He said the number reported was $45,027.08. He said the correct amount disbursed was $12,520.98.
Richard Patsy made a motion to correct the July 2017 meeting summary to reflect the correct amount for Disbursements B. Seconded by Nawal McDaniel. The vote passed unanimously.

Timothy Johnson said that Steve Lundy did an outstanding job on the latest issue of the PFPF Newsletter. He said Steve Lundy is the Editor of the newsletter, and has included a copy of the latest issue as a handout for the Board.

Timothy Johnson said that the PFPF held a management retreat a week ago and came up with some phenomenal ideas. He said Steve Lundy, Chuck Hayes, Kevin Grant, and himself all attended the retreat. He said Steve Lundy would discuss one of the ideas he had related to the newsletter.

Steve Lundy said that historically, the newsletter was attached to the retirees' direct deposit statements and sent out by mail. He said that his idea was to move the newsletter to a digital, email format. He said the PFPF would use the same service that the City uses for its ‘COJ Employee News’, Constant Contact. He said the service would save a lot of money, and would give the PFPF new methods for keeping in touch with members.

Chris Brown asked for a brief explanation for the recent DROP overpayments.

Timothy Johnson directed the Board to the ‘Regular DROP Gross' line items on the consent agenda. He said that these numbers reflect a rough difference of $113,000. He said an issue arose when the IRS updated their tax tables in the middle of January. He said once the tax tables were entered into JaxPension after the first payroll, it triggered payments to members who had previous DROP payments but had a $0 DROP balance. He said 152 members were affected. He said PFPF staff met with Treasury, contacted all members, and corrections will be made on members’ future pension checks to recoup the overpayments.

XI. NEW BUSINESS

XII. NEXT SCHEDULED MEETING
   Friday March 16th, 2018 at 9:00AM

XIII. ADJOURNMENT

Chair Chris Brown adjourned the meeting at 10:01AM.

NOTES:
Any person requiring a special accommodation to participate in the meeting because of disability shall contact Steve Lundy, Assistant Plan Administrator at (904) 255-7373, at least five business days in advance of the meeting to make appropriate arrangements.

If any person decides to appeal any decision made with respect to any matter considered at this public meeting such person will need a record of proceedings, and for such purpose such person may need to ensure that a verbatim record of the proceedings is made at their own expense and that such record includes the testimony and evidence on which the appeal is based. The public meeting may be continued to a date, time, and place to be specified on the record at the meeting.

Additional items may be added / changed prior to meeting.

Meeting recorded by Steve Lundy, Assistant Plan Administrator

Willard Payne, Board Secretary

To be approved at the Board Meeting on March 16th, 2018.