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JACKSONVILLE POLICE AND FIRE PENSION FUND  
BOARD OF TRUSTEES  
MEETING SUMMARY – MARCH 16, 2018 – 9:00AM  
RICHARD “DICK” COHEE BOARD ROOM

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**PRESENT**

Lt. Chris Brown, Board Chair  
Willard Payne, Secretary  
Cpt. Michael Lynch, Trustee  
Nawal McDaniel, Trustee  
Richard Patsy, Trustee

**STAFF**

Timothy H. Johnson, Executive Director – Plan Administrator  
Steve Lundy, Assistant Plan Administrator  
Greg Anderson, City Council Liaison  
Peter Birk, Summit Strategies, via webex  
Joey Greive, Fund Treasurer  
Pedro Herrera, Sugarman & Susskind, Pension Counsel  
John Sawyer, Office of General Counsel  
Pete Strong, Fund Actuary – via webex

**GUESTS**

Mark Muchowicz, JSO  
Randy Wyse, President, Jacksonville Association of Firefighters

**EXCUSED**

Lawsikia Hodges, Office of General Counsel  
Dan Holmes, Summit Strategies

**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:**

Ronald M. Carmichael, Retired Police Officer  
Melvin J. Deloach, Retired Fire Lieutenant  
Lannie C. Higginbotham, Retired Police Officer

**IV. PUBLIC SPEAKING PERIOD**

*There were requests for Public Speaking. Public Speaking Period closed.*

**V. CONSENT AGENDA – ITEMS 2018-03-(01-10)CA**

**2018-03-01CA**

*Meeting Summaries Approved*

1. Meeting Summary of the Board of Trustees Meeting held February 16, 2018. Copies held in the meeting files.
2. Meeting Summary of the Personnel Committee Meeting held March 8, 2018. Copies held in the meeting files.

**2018-03-02CA**

*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**

*2-1-2018 thru 2-28-2018*

1.	Constant Contact, Inc.	\$	714.00
2.	Pinnacle Associates, LTD	\$	85,425.00
3.	Harvest Fund Advisors, LLC	\$	92,221.61
	<b>TOTAL</b>	<b>\$</b>	<b>178,360.61</b>

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**Disbursements B**

*2-1-2018 thru 2-28-2018*

1.	<u>Transaction list of Accounts Payable distributions</u>	<u>\$</u>	<u>17,829.56</u>
2.	<u>Transaction list of Accounts Receivables</u>	<u>\$</u>	<u>48,125.36</u>

**2018-03-03CA**

*Pension Distributions*

**A. February 9, 2018**

1.	Regular Gross	\$	5,638,547.43
2.	Regular Lumpsum	\$	77,202.56
3.	Regular Rollover	\$	13,686.20
4.	Regular DROP Gross	\$	1,055,397.61
5.	DROP Lumpsum	\$	0.00
6.	DROP Rollover	\$	21,322.46
	<b>TOTAL</b>	<b>\$</b>	<b>6,806,156.26</b>

**B. February 23, 2018**

1.	Regular Gross	\$	5,614,969.73
2.	Regular Lumpsum	\$	0.00
3.	Regular Rollover	\$	0.00
4.	Regular DROP Gross	\$	1,145,600.25
5.	DROP Lumpsum	\$	0.00
6.	DROP Rollover	\$	0.00
	<b>TOTAL</b>	<b>\$</b>	<b>6,760,569.98</b>

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

The following Consent Agenda items 2018-03-(04-06CA) were verified with supporting documentation and approved at the Advisory Committee meeting held on March 7, 2018. Vote was unanimous.

**2018-03-04CA**

*Application for Survivor Benefits*

**2018-03-05CA**

*Application for Vested Retirement*

**2018-03-06CA**

*Application for Time Service Connections*

*The following Consent Agenda items 2018-03-(07-10CA) were verified with supporting documentation and received as information at the Advisory Committee meeting held on March 7, 2018.*

**2018-03-07CA**

*Application for DROP*

**2018-03-08CA**

*Refund of Pension Contributions*

**2018-03-09CA**

*DROP Distributions*

**2018-03-10CA**

*DROP Distributions for Survivors*

***Richard Patsy made a motion to approve the Consent Agenda items 2018-03-(01-10CA).  
Seconded by Willard Payne. The vote passed unanimously.***

**VI. PERSONNEL COMMITTEE REPORT**

*Lt. Chris Brown*

**1. New PFPF Pay Plan**

*Chris Brown said that the Personnel Committee met on March 8 and discussed three topics. He asked Timothy Johnson to review the first topic, and said that OGC has a motion ready for a Board vote.*

*Timothy Johnson directed the Board to the Personnel Committee tab of the Board book. He summarized what led to developing the New PFPF Pay Plan. He said when the Board reviewed his performance plan, it delayed approving its compensation component because OGC advised that any bonus plan for the Executive Director should apply to all PFPF staff as well. He said he researched the current Pay Plan for the staff. He said three pay plans exist: one that applies to employees hired before July 2016 (Step Plan), one for employees hired after July*

2016 (Performance), and one for the Executive Director (Contract). He said the best idea is to replace all three with one, which would apply to all employees. He said the new plan would align everyone with an annual salary increase range of between 0-5%. He said that if staff perform the same as they have, then they would receive annual raises equivalent to the Step Plan.

Timothy Johnson said the New PFPF Pay Plan was well received by the Personnel Committee, OGC, and Employees Services. He said it was not intended to cost the Plan any more money. He added that it eliminates the cost of COJ raises.

Chris Brown said that the New PFPF Pay Plan makes sense. He said it is driven by the performance matrix. He said that the Step Plan was not raises; average salaries were set, and people were hired below market rate but salaries increased to market rate over time.

Chris Brown asked John Sawyer to read his prepared motion to approve the New PFPF Pay Plan.

John Sawyer read the motion,

“A motion to approve the New PFPF Pay Plan, effective as of October 1, 2018, as contained in the board materials, which pay plan shall apply to all PFPF employees and replace and supersede all other employee pay adjustment provisions in the Jacksonville Police and Fire Pension Fund Salary and Employment Plan adopted July 8, 2016 and the Jacksonville Police and Fire Pension Fund Salary and Employment Plan revised March 21, 2006.”

**Richard Patsy made a motion to approve the New PFPF Pay Plan. Seconded by Willard Payne. Discussion:**

Greg Anderson asked how the New PFPF Pay Plan would work, effective October 1, 2018.

Timothy Johnson said that all employees accruing a step on the Step Plan would be given a prorated step raise as of September 30, 2018. He said all employees would also be given the 4.5% COJ raise on October 1, 2018. He said the employees would not be entitled to the third COJ raise in 2019.

Greg Anderson asked how the Board contemplates this in the annual budget season.

Timothy Johnson said that salaries would be budgeted for the maximum annual raise of 5%, and then if one employee, such as Steve Lundy, performs at 3.5%, below the maximum of 5%, then the actual rate of 3.5% would be paid.

Greg Anderson said he thinks there is wisdom in the Board setting an annual range of salary increases. He thanked Timothy Johnson for answering his question.

*Michael Lynch asked if employees would be able to realize gains less than what they would have realized under the Step Plan.*

*Timothy Johnson said that the Step Plan provided for bi-annual raises of roughly 4.18%. He said the New PFPF Pay Plan provides for a 2.5% annual raise if employees perform at the same level. He said their money does not go down under the New PFPF Pay Plan.*

*Michael Lynch added, "Come to work, do your job, get 2.5%."*

*Timothy Johnson agreed. He said that employees wouldn't lose any money, however they would give up the COJ raises. He said if the City decides to raise all salaries 10% in 2020, PFPF employees wouldn't be automatically entitled to that. He said staff has control through performance.*

*Richard Patsy said that the PFPF Board would have the latitude to enact the 10% COJ raise if it wished.*

*Michael Lynch added that there is nothing keeping the Board from doing that.*

*Richard Patsy said if the Board had any reason to change the New PFPF Pay Plan in the future, then the course could be corrected to make it better.*

*Greg Anderson said the Board should approve a salary range and submit it to budget instead of 5% annually.*

*Joey Greive asked if Greg Anderson's concern is that if the Board could overspend after it submits its budget to Council.*

*Greg Anderson said yes.*

*Joey Greive said that this New PFPF Pay Plan maxes out at an annual 5% salary increase. He said it could not be higher. He added that the Board would submit a budget to Council with a 5% increase, which is the absolute maximum.*

*Timothy Johnson said that at the end of the Fiscal Year, he would come back with actual performance.*

*Joey Greive said this method works. He said the budget would be submitted with the maximum of what employees would get, and then Timothy Johnson would come back to the Board with the actual amounts of raises, which will be less.*

**The vote passed unanimously.**

Chris Brown asked John Sawyer to read his prepared motion to amend Timothy Johnson's contract to align with the New PFPF Pay Plan.

John Sawyer read the motion,

"A motion to amend the salary section in the Executive Director's employment contract to reference annual salary adjustments based on the New PFPF Pay Plan, effective as of October 1, 2018; directing the Office of General Counsel to prepare a contract amendment; and granting the Chair the authority to execute such contract amendment on behalf of the Board."

**Richard Patsy made a motion to amend Timothy Johnson's contract, incorporating the New PFPF Pay Plan. Seconded by Willard Payne. The vote passed unanimously.**

## 2. **Employee Conflict of Interest Disclosure Policy**

(Revised Employee Conflict of Interest Disclosure Policy HANDOUT)

Timothy Johnson said he and the Board must make disclosures in their Form 1, however staff is not required to make disclosures. He said Steve Lundy was appointed as the PFPF Ethics Officer to the City Ethics Coordination Council headed by Carla Miller. He said that out of all the other independent agencies in the City, he was able to find one other Conflict of Interest Policy and Disclosure, which was from JTA.

Timothy Johnson said that this would disclose any potential conflicts, and if any employee is related to any member, it is not a problem. He said the disclosure would be to make the Board aware. He said he does not expect any change in policy or discipline. He said if he feels anything needs to be investigated, then it will be.

**Willard Payne made a motion to approve the Employee Conflict of Interest Disclosure Policy in the Board Materials, as amended in the revised policy presented. Seconded by Nawal McDaniel. The vote passed unanimously.**

## 3. **Executive Director's Mid-Year Review**

Chris Brown said Timothy Johnson does a good job reporting on benchmarks each month. He said that he is doing very well in all categories.

Michael Lynch asked if the State Report was submitted.

*Timothy Johnson said that it would be submitted today. He said the deadline was yesterday, and the Finance Manager is working on it.*

*Chris Brown asked if there is any reason to expect a delay like last year.*

*Timothy Johnson said there is no reason to expect a delay. He said last year's delay was inadvertent.*

## **VII. EXECUTIVE DIRECTOR'S REPORT**

*Timothy H. Johnson*

### **1. Reappointment of Tracey Devine & Rob Kowkabany to the FIAC**

*Timothy Johnson said that after the FIAC's terms were staggered last year, two members' terms have come up for reappointment. He said the FIAC wishes for them to continue serving on the committee. He said he just needs Board authorization directing him and OGC to write legislation to extend their terms 3 years until March 1 2021.*

***Michael Lynch made a motion to reappoint Tracey Devine and Rob Kowkabany to the FIAC. Seconded by Richard Patsy. The vote was unanimous.***

### **2. Beaches Time Service Connections Investigation – Handout**

*Timothy Johnson described his handout. He said this would lead to Board action in April. He said that there was an issue that resulted in members who made Time Service Connections (TSCs) connecting time from the beaches being charged an incorrect lower rate.*

*Timothy Johnson said this issue stemmed from an opinion written by Steve Durden at OGC regarding Cecil Field firefighters. He said some of the language in that memo was misinterpreted to suggest that the TSC rate for members connecting beaches time should be 8%. He said that beginning in June 2016, anyone connecting beaches time was charged 8% instead of the correct 20% rate. He said that he became aware of the issue a month and a half ago. He said that some members who had made applications before June 2016 asked PFPF staff to be lowered to the 8% rate, and staff became confused regarding retroactive adjustments.*

*Timothy Johnson said he then asked OGC to weigh in on the issue. He reminded the Board that at their last meeting, Lawsikia Hodges said that the issue was black and white; members may connect time at either their current contribution rate or 20%, depending on where they worked, and any incorrect payments would be corrected just like in any other case.*

*Timothy Johnson said that eight members were charged the incorrect, lower rate. He said that all new TSCs are charged at the correct rate going forward.*

*Chris Brown asked what would be put in place to make sure that this same issue does not repeat.*

*Timothy Johnson said that the lesson learned here was that one cannot take a legal opinion that answers one question and use it to answer a different question. He said if the question is, 'what rate do beaches members pay?', then that question should have been asked.*

*Chris Brown noted this issue started in the PFPF's interim phase before Timothy Johnson began as Executive Director.*

*Timothy Johnson said there would be more questions to attorneys going forward through future pension reform.*

*Chris Brown said he recommends that these members should be given a full five years to make repayment, given the inconvenience.*

*Timothy Johnson said he has not contacted the affected members yet. He said he is working with OGC on a general benefit correction policy. He said he would bring it back to the Board in April for approval. He said he would talk with Chris Brown and Michael Lynch separately to get their insight on how to handle this specific case.*

*Steve Lundy said three police and five firefighters were charged the lower rate. He said that the retired member is a police member.*

*Timothy Johnson said the Board would know how to administer the correction after the policy is submitted in April.*

### **VIII. COUNSEL REPORTS**

*John Sawyer updated the Board on the Chapter Funds Grievances made by the Unions. He said both unions appealed for arbitrations and the COJ denied the requests. He said the CBA process is exhausted at this point.*

*John Sawyer updated the Board on the Curtis Lee case. He said the COJ motioned to dismiss, and Curtis Lee refiled the amended complaint two weeks ago. He said now, only the City and the PFPF Board are listed as defendants in the case.*

*Michael Lynch asked why would the unions be denied for arbitration.*

*John Sawyer said he is not a labor attorney and cannot elaborate.*

*Michael Lynch said that the City used \$5 million of the Chapter Funds for their contribution. He said the COJ has picked pieces of the 2015 legislation that they like, and dismissed other parts they do not like. He asked if this ends up in court if the Board would be liable.*

*John Sawyer said he would get an answer from the labor attorney.*

*Chris Brown said the police union contract does not allow the City to deny arbitration. He asked if the fire union contract does.*

*Michael Lynch said neither contract allows the City to decline arbitration.*

*Chris Brown said he has never heard of any contract allowing the City to decline arbitration. He asked John Sawyer to bring an answer back.*

## **IX. INVESTMENT CONSULTANT REPORTS**

*Dan Holmes*

### **1. Preliminary Flash Report – February 28, 2018**

*Peter Birk discussed the Preliminary Flash Report as attached. There were no questions.*

### **2. Economic & Capital Market Update – February 28, 2018**

*Peter Birk discussed the Economic & Capital Market Update as attached. There were no questions.*

### **3. Rebalancing Recommendation**

*Peter Birk discussed the Rebalancing Recommendation. He said markets took care of this and the portfolio is back within target range. He said Summit would give recommendation for any portfolio changes and rebalancing once the Asset-Liability study is complete.*

*Richard Patsy asked if Principal would still have capacity should the Board wish to allocate more to it following the Asset-Liability study.*

*Peter Birk said that he anticipates capacity, and opportunities to allocate elsewhere as well. He said he would like to wait until the Asset-Liability study is finalized.*

**X. COUNCIL LIAISON UPDATE**

*Greg Anderson*

*Greg Anderson said that Timothy Johnson presented to the Council Finance Committee and did a great job at answering all the questions.*

*Timothy Johnson said he gave a handout to the Finance Committee and described changes in last year's and this year's contribution, and what contributed to its decline. He said the Board asked him to request an additional \$5 million in contributions, and Council Member Schellenberg suggested contributing an additional \$10 million.*

*Greg Anderson said Timothy Johnson's presentation to the Finance Committee was very well received. He said the committee discussed a resolution to approve the higher contribution, but Mousa got up and said there was no reason to do that as the budget cycle was just beginning. He said each Councilmember said they preferred the higher contribution.*

**XI. OLD BUSINESS**

**1. Smoothing Analysis**

*Pete Strong*

*Pete Strong discussed his Smoothing Analysis report as attached. He said Michael Lynch asked for the projection of the recommendations the Board made to smooth returns, and to reduce the amortization period by one year each year to a minimum of fifteen years. He discussed the sensitivity testing incorporated into the report, assuming if the surtax grows less than assumed.*

*In response to a question from Richard Patsy, Pete Strong said that in a year with low investment returns, the higher contribution would smooth over the next five years, and the opposite would happen in good years. He said that smoothing would lower volatility in contribution payments.*

*Pete Strong discussed the different scenarios modeled in his report, showing projected contributions while changing various factors such as the Surtax Growth Rate and investment returns under smoothing and under market value methods, and with reducing the amortization period by one year annually.*

*Pete Strong highlighted some charts on pages 13-18 which project unfunded liability under all scenarios. He said that if another recession occurs, the Plan would be OK.*

*Timothy Johnson asked Pete Strong to summarize the smoothing that would be applied to the next actuarial report.*

*Pete Strong said smoothing would be over a 5-year period, incorporating 20% each year of the difference between what is expected versus what is earned. He said the 7% return assumption would be calculated, then the actual return. He said that difference would be realized in 20% increments over a 5-year period.*

*Greg Anderson said that this method of smoothing makes sense. He said there would be no more big spikes in required contribution up or down. He asked why a 7-year smoothing period was not recommended?*

*Pete Strong said that five years is the longest period allowed by Florida Law.*

## **XII. NEW BUSINESS**

## **XIII. NEXT SCHEDULED MEETINGS**

1. **Optional Board of Trustees & FIAC Workshop**  
Northern Trust – Custody & Manager Update  
**Tuesday, March 20<sup>th</sup>, 2018 at 1:00PM**

*Timothy Johnson said that Trustees may call in to this update if they wish, or attend in person. He said the meeting is optional, but noticed in case any Trustees would like to attend.*

2. **Optional Board of Trustees & FIAC Workshop**  
GRS Client Satisfaction Review  
**April 17<sup>th</sup> at 1:00PM**

*Pete Strong said that the GRS Client Satisfaction Review is a new initiative that started last year. He said it gives GRS an opportunity to check up and to find new ways to enhance its relationship with its clients.*

*Timothy Johnson said that this meeting will be noticed, and Trustees may call in or attend in person.*

3. **Board of Trustees Meeting**  
**Friday, April 20<sup>th</sup>, 2018 at 9:00AM**

**XIV. ADJOURNMENT**

***Chair Chris Brown adjourned the meeting at 10:38AM.***

**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

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Willard Payne, Board Secretary

To be approved at the Board Meeting on April 20<sup>th</sup>, 2018.