



JACKSONVILLE POLICE AND FIRE PENSION FUND
BOARD OF TRUSTEES
MEETING SUMMARY – APRIL 20, 2018 – 9:00AM
RICHARD “DICK” COHEE BOARD ROOM

PRESENT

Lt. Chris Brown, Chair
Cpt. Michael Lynch, Trustee
Nawal McDaniel, Trustee
Richard Patsy, Trustee

GUESTS

Paul Barrett, Treasury
Mark Muchowicz, JSO
Steve Zona, President, FOP

EXCUSED

Willard Payne, Secretary
Lawsikia Hodges, Office of General Counsel

STAFF

Timothy H. Johnson, Executive Director – Plan Administrator
Steve Lundy, Assistant Plan Administrator
Greg Anderson, City Council Liaison
Dan Holmes, Summit Strategies – via Webex
Peter Birk, Summit Strategies – via Webex
Kevin B. Grant, Finance Manager
Joey Greive, Fund Treasurer
John Sawyer, Office of General Counsel
Pete Strong, Fund Actuary – via Webex
Pedro Herrera, Pension Counsel

MEETING CONVENED

9:00AM

MEETING ADJOURNED

10:14AM

NOTICE: 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.

I. PLEDGE OF ALLEGIANCE

II. MOMENT OF SILENCE

Moment of Silence held for the following deceased members:

Raymond D. Eddins, Retired Firefighter Engineer
Larry R. Lee, Retired Firefighter Engineer
James C. Norman, Retired Fire Lieutenant
William L. “Bill” Walters, Retired Fire Captain

III. PUBLIC SPEAKING PERIOD

None.

IV. CONSENT AGENDA – ITEMS 2018-04-(01-11)CA

Motion to approve: PATSY; Second: LYNCH; APPROVED UNANIMOUSLY

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2018-04-01CA

Meeting Summaries Approved

1. Board of Trustees Meeting – March 16, 2018
2. Custody & Manager Update – March 20, 2018

2018-04-02CA

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 attached.

Disbursements A

None for 3-1-2018 thru 3-31-2018

Disbursements B

3-1-2018 thru 3-31-2018

1.	<u>Transaction list of Accounts Payable distributions</u>	\$	27,392.89
2.	<u>Transaction list of Accounts Receivables</u>	\$	46,453.77

2018-04-03CA

Pension Distributions

A. March 9, 2018

1.	Regular Gross	\$	5,636,580.10
2.	Regular Lumpsum	\$	3,812.72
3.	Regular Rollover	\$	0.00
4.	Regular DROP Gross	\$	1,154,287.49
5.	DROP Lumpsum	\$	0.00
6.	DROP Rollover	\$	0.00
	<u>TOTAL</u>	\$	6,794,680.31

B. March 23, 2018

1.	Regular Gross	\$	5,629,444.62
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2.	Regular Lumpsum	\$	472.42
3.	Regular Rollover	\$	34,794.18
4.	Regular DROP Gross	\$	1,155,046.99
5.	DROP Lumpsum	\$	0.00
6.	DROP Rollover	\$	0.00
TOTAL		\$	6,819,758.21

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

The following Consent Agenda items 2018-04-(04-06CA) were verified with supporting documentation and approved at the Advisory Committee meeting held on April 11, 2018. Vote was unanimous. Meeting Summary attached.

2018-04-04CA

Application for Time Service Retirement

2018-04-05CA

Application for Child's Benefit

2018-04-06CA

Application for Time Service Connections

The following Consent Agenda items 2018-04-(07-11CA) were verified with supporting documentation and received as information at the Advisory Committee meeting held on April 11, 2018. Meeting Summary attached.

2018-04-07CA

Refund of Pension Contributions

2018-04-08CA

Share Plan Distributions

2018-04-09CA

DROP Participation Termination of Employment

2018-04-10CA

DROP Distributions

2018-04-11CA

DROP Distributions for Survivors

V. EXECUTIVE DIRECTOR'S REPORT

Timothy H. Johnson

Timothy Johnson informed the Board of Trustees that two supplemental attachments have been included in the Consent Agenda for transparency purposes: the monthly CenterState Bank transactions, and the pension payroll registers.

Timothy Johnson updated the Board of Trustees on the Asset-Liability Study. Dan Holmes presented the complete study for the FIAC's review this month, and it will set the stage for the Fund Asset Allocation. The FIAC will discuss the study individually with Dan Holmes before deciding on a recommendation to the Board of Trustees in May.

Timothy Johnson discussed the external audit being performed by CRI. The audit's completion has been delayed two months, and is now expected in May. He recommends publishing the audit in May to give the Board a month to review it before approving it in June.

1. Givens Contract Extension

Motion to extend Mike Givens' contract 90 days past the current expiration date: McDANIEL; Second: PATSY; APPROVED UNANIMOUSLY.

Timothy Johnson requested the Board to extend Mike Givens' contract 90 days so that the remaining 13 hours could be used if needed for the 2017 Chapter Funds Report.

Timothy Johnson briefly mentioned two upcoming educational opportunities: FPPTA conference in Orlando from June 24 – 27, and the Florida Division of Retirement in Tallahassee from June 4 – 6. The PFPF will pay Trustees' expenses.

Timothy Johnson pointed out the letter from CRI explaining the delay in the audit's completion.

Greg Anderson asked for the original deadline for the audit.

Timothy Johnson said he does not suspect a breach of contract due to the audit's delay. He anticipated completion earlier in March. The audit is supposed to be finished no more than six months past the close of the Fiscal year. He is confident that next year will be tighter.

Joey Greive said the City has not been thrilled with the audit's timeframe. CRI underwent some procedural changes and assigned new people to this year's audit. CRI warned the City they would likely miss the April 30 deadline. The City had to reach out to GFOA and request an extension on the filing of the audit. GFOA was willing to give the extension. The Council Auditors Office hired CRI, and a discussion will be had to fix issue this next year.

Greg Anderson asked if the delay was a resource issue, and not based on any specific findings.

Timothy Johnson and Joey Greive answered yes; it is a resource issue.

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Greg Anderson asked if the Board would review all CenterState Bank transactions going forward.

Timothy Johnson said the transactions are just disclosed, and have already been posted. In the past, the transaction totals were shown. Now, all individual transactions are listed which add up to the totals. Michael Lynch had requested the transaction lists to be attached.

Greg Anderson asked how many tenants the PFPF has, and if the PFPF 'pays itself rent'.

Timothy Johnson said there are three tenants (PACE, Hertz, and the State of Florida) and no, the PFPF does not pay itself rent.

Greg Anderson thanked Timothy Johnson for the update. He said he likes the attachment of the transaction lists.

Timothy Johnson described the State's sales tax audit of the PFPF. The State is auditing the PFPF to ensure it is charging the correct amount in sales taxes to its tenants in the building and the garage. This audit is on a 1-5 year cycle, and is the PFPF's first under Timothy Johnson.

Michael Lynch asked if the audit's delay would delay the receipt of chapter funds from the State.

Timothy Johnson said it would not delay the receipt of the chapter funds. The auditors are diligent on the financials contained in the audit, and are confident that the financials will not change.

Michael Lynch asked if everything required has been submitted to the State in order to receive the chapter funds.

Timothy Johnson said yes. The final report will be submitted, but it will not be different.

Michael Lynch said the amount of members affected by the DROP & COLA Benefits opinion has grown from about 100 to about 300.

Timothy Johnson agreed and said that the retirees and DROP enrollees should be given the opportunity to elect which plan's benefits they prefer. The recent opinion also says active members who reached normal retirement eligibility under the 2015 Plan but did not retire or enter the DROP should be given the election as well. The addition of active members grew the list by about 200. The attorney has written the draft election form. We feel that member education is important – we will present workshops at the union halls to affected members and give them the opportunity to make their election.

Michael Lynch advised against scheduling the workshops during the beginning of May, because many firefighters are studying for promotional exams.

Michael Lynch suggested utilizing JFRD's and JSO's communication systems to distribute the election forms to members.

Richard Patsy asked which plan a member would default to if they fail to make an election.

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Timothy Johnson said there is a default. It was discussed last month. He asked Pedro Herrera to reiterate.

Pedro Herrera said "if there is no election – in other words – if you do not elect within the certain time period – the window – that were going to be providing, then you would default to the new."

Timothy Johnson said Steve Lundy would present two reports: the Quarterly DROP Statistics and the new outstanding communication tool, Constant Contact, which is saving the Fund a significant amount of money. He said Steve Lundy gets all the credit for what has been accomplished there.

Steve Lundy discussed the quarterly DROP statistics that he records each quarter following the DROP enrollment periods. He pointed out the declining 'average whole years of service' metric from the beginning of the DROP in 1999 to 2015, when pension reform occurred. After 2015, the metric increases, and members are delaying DROP enrollment. He suspects members are waiting until they receive the collectively bargained raises of the 2017 pension reform to enter the DROP.

Michael Lynch agreed and said he thinks another reason members delayed entering the DROP after the 2015 pension reform was because they were waiting on future reform to change the Plan back to what it was previously.

Steve Lundy noted that the 2,000th DROP enrollment occurred this year.

Greg Anderson asked if there were 2,000 members currently in the DROP.

Steve Lundy said that 2,000 members have signed up for the DROP since the beginning of the program, and that many have passed away because many of the first DROP enrollees were elderly members.

Greg Anderson asked how one would know how many members are currently in the DROP.

Steve Lundy said that metric appears in the annual actuarial reports.

Steve Lundy discussed the new email-based communication service Constant Contact. He demonstrated the first newsletter sent to members through the service.

Richard Patsy said that some retirees might not have access to a computer, or may not use email. He suggested a provision for members without email to receive a paper newsletter.

Steve Lundy said members were notified of the upcoming change in the previous newsletters. The new upcoming annual affidavit requests an email address. He also asked PFPF staff to request retired members' email addresses in all communications. He said he would look into a separate newsletter for retirees who do not have access to email.

Steve Lundy demonstrated the capabilities of the Constant Contact service: email campaigns (newsletters), automated emails such as birthday messages, and member engagement metrics. He said that no confidential or exempt information is stored with Constant Contact such as physical addresses.

Steve Lundy discussed the chart comparing costs of the old mail newsletter to the new email service. Assuming 12 newsletters a year, the email service saves over \$26,000 a year over the old mailing system. The email service allows for unlimited emails to members at no extra cost.

VI. COUNSEL REPORTS

Lawsikia Hodges & Bob Sugarman

1. BP Class Action

Motion (see verbatim motion below): LYNCH; Second: McDANIEL; APPROVED UNANIMOUSLY.

John Sawyer discussed the complicated class action lawsuits brought against British Petroleum (BP) resulting from the Deepwater Horizon disaster. British Law applies to this case, and the upside of a large settlement has dissipated to four-figures at most. He recommends that the PFPF negotiate the best settlement and withdraw.

Nawal McDaniel asked if any costs have been paid as of today.

John Sawyer said no.

Michael Lynch said the loser pays attorney costs under British Law.

John Sawyer agreed that the loser pays. The cost of losing outweighs the benefit of winning this case.

John Sawyer read his recommended motion, **"To authorize Tim Johnson to settle or resolve all claims brought by PFPF in the cases styled, Avalon Holding, Inc., et al. v. BP, PLC, Case No. 4:12-cv-03715 (S.D. Texas 2012) and In Re: BP plc Securities Litigation, Case No. 4:10-mc-02185 (S.D. Texas 2010), under any conditions determined by Mr. Johnson to be in the best interests of the PFPF and with which OGC concurs, on the condition that no costs or attorneys' fees may be paid by PFPF to outside counsel or the defendant."**

Michael Lynch made the motion to adopt John Sawyer's recommended motion. Seconded by Nawal McDaniel. The vote passed unanimously.

John Sawyer said that Jason Gabriel would like to consult with the Trustees individually to respond to a question posed at the last Board of Trustees meeting regarding the chapter funds grievances: if the City were sued, could the PFPF face liability?

Michael Lynch said that he would like to go on the record as saying he would like to have that conversation sooner rather than later.

VII. INVESTMENT CONSULTANT REPORTS

Dan Holmes

Dan Holmes said he was able to cancel his previously scheduled meeting and was able to attend the Board of Trustees today.

1. **Flash Report – March 31, 2018**

Dan Holmes discussed the Flash Report as of March 31, 2018 as attached. He made the following highlights:

- The Fund's total market value is at \$2.046 billion.
- Asset allocation is overweight in equities and underweight in Real Estate, but still in line with the Investment Policy.
- Market volatility is returning to normal levels.

Chris Brown said that Sawgrass' performance stands out as underwhelming when compared to the Russell 1000 index.

Dan Holmes agreed. Summit Strategies and the FIAC recommends keeping Sawgrass in place until finishing the Asset-Liability Study. Sawgrass has underperformed in strong growth environments. He said that we would revisit Sawgrass' role in the portfolio following the finalization of the Asset-Liability Study.

Richard Patsy said that in his experience, the Russell 1000 index is competitive for managers. He asked how Sawgrass falls out relative to its peers.

Dan Holmes agreed. He said that over the past 5 years, the Russell 1000 growth index contained large beneficiaries of quantitative easing, which emphasized high momentum stocks and resulted in active managers' relative underperformance. He said Sawgrass' quality bias has been their biggest issue.

Dan Holmes mentioned the positive tracking error of the international index fund. In theory, this should not be happening. The reason is that Northern Trust is using a fair value process to adjust closing prices for international securities versus those of local markets. This creates a disparity in the short time but will even out over time.

2. **Economic & Capital Market Update – March 31, 2018**

Dan Holmes said he has nothing urgent to discuss.

Chris Brown dismissed Dan Holmes, Peter Birk, and Pete Strong because of technical difficulties with the conference call line.

VIII. **COUNCIL LIAISON UPDATE**

Greg Anderson

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Greg Anderson said there is no legislation pending Council, and things are slow in anticipation of the budget.

IX. OLD BUSINESS

1. Chapter Funds Grievance

Discussed previously in the meeting.

X. NEW BUSINESS

Joey Greive updated the Board on an "Investment Day" on May 3, 2018 at City Hall. The event covers topics such as private equity. He suggested inviting a member of the Board and the FIAC to attend.

Chris Brown informed the Board that he would be out of town on May 19th and suggested rescheduling the next Board of Trustees meeting to May 25th at 9:00AM.

The Board of Trustees rescheduled their next meeting to May 25th, 2018 at 9:00AM.

Michael Lynch mentioned a deceased member on the Final Roll Call. This member died prior to the commencement of his vested benefit, and all of his contributions stay in the Fund, and do not go to his survivor. He asked if there was another way the Fund could better provide for members in this kind of situation.

Chris Brown asked Pedro Herrera to research this for the next meeting.

Pedro Herrera agreed.

Steve Lundy, Assistant Plan Administrator
Posted 04/23/2018
Revised 04/25/2018

Willard Payne, Secretary
To be approved at the Board Meeting on May 25, 2018.

The next regular meeting will be held Friday, May 25, 2018 at 9:00AM.