I. PLEDGE OF ALLEGIANCE

II. MOMENT OF SILENCE

   James P. Croft Sr., Retired Fire District Chief
   Travis J. Williams, Active Firefighter

III. PUBLIC SPEAKING PERIOD

   None.

IV. CONSENT AGENDA – ITEMS 2018-06-(01-09)CA

   Motion to approve: PAYNE; Second: PATSY; APPROVED UNANIMOUSLY.

   2018-06-01CA
   Meeting Summary Approved

   1. Board of Trustees Meeting – May 25, 2018
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
5-1-2018 thru 5-31-2018

1. Comercia Bank $ 154,888.57
2. Sugarman & Susskind $ 32,638.90

TOTAL $ 187,527.47

Disbursements B
5-1-2018 thru 5-31-2018

1. Transaction list of Accounts Payable distributions $ 15,375.15
2. Transaction list of Accounts Receivables $ 57,356.56

Pension Distributions

A. May 4, 2018

1. Regular Gross $ 5,665,007.08
2. Regular Lumpsum $ 0.00
3. Regular Rollover $ 0.00
4. Regular DROP Gross $ 1,168,755.56
5. DROP Lumpsum $ 0.00
6. DROP Rollover $ 0.00

TOTAL $ 6,833,762.64

B. May 18, 2018

1. Regular Gross $ 5,661,754.33
2. Regular Lumpsum $ 0.00
3. Regular Rollover $ 0.00
4. Regular DROP Gross $ 1,168,941.73
5. DROP Lumpsum $ 170,000.00
6. DROP Rollover $ 0.00

TOTAL $ 7,000,696.06

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

The following Consent Agenda items 2018-06-(04-05CA) were verified with supporting documentation and approved at the Advisory Committee meeting held on June 6, 2018. Vote was unanimous. Meeting Summary attached.

2018-06-04CA
Application for Survivor Benefits

2018-06-05CA
Application for DROP

The following Consent Agenda items 2018-06-(06-09CA) were verified with supporting documentation and received as information at the Advisory Committee meeting held on June 6, 2018. Meeting Summary attached.

2018-06-06CA
Refund of Pension Contributions

2018-06-07CA
Share Plan Distributions

2018-06-08CA
DROP Participation Termination of Employment

2018-06-09CA
DROP Distributions

V. EXECUTIVE DIRECTOR’S REPORT
Timothy H. Johnson

Timothy Johnson said he received word today that he would receive the Bailiff Time Service Connection (TSC) data file from JSO today. He will reconvene the original group (OGC, COJ Treasurer, Employee Services, and JSO) to discuss what the data says. The group would discuss how the PFPF should go about administering the TSCs.
Timothy Johnson said not all members who applied to purchase TSCs may be entitled, and would not be pleased. This should be discussed at the meeting.

Chris Brown asked if the Police and Fire union representatives would be invited to the meeting.

Timothy Johnson said there is no reason why they shouldn’t be invited. This meeting should be ‘out in the open’.

Timothy Johnson said he would continue to keep the Board updated on the State Report, and the Sales Tax Revenue audit of the PFPF building and garage.

Timothy Johnson said he would like the Personnel Committee to be reconvened to discuss an increase and a recommendation to replace Jessica Fields.

Chris Brown said he and Richard Patsy served on the Personnel Committee in the past. He asked if Michael Lynch and Nawal McDaniel would like to serve on the new Personnel Committee.

Michael Lynch and Nawal McDaniel agreed.

2. **DROP & COLA Benefits Election – Update**
   
   Steve Lundy

Steve Lundy updated the Board of Trustees on the progress of administering the DROP & COLA Benefits Election. Eight educational workshops were held, and about 90 members attended. All members in attendance completed their election forms. Out of a total 348 affected members, about 170 have completed their election forms as of June 11. All members have chosen the fixed DROP & COLA rates provided under the 2017 ordinance.

Chris Brown discussed ways JSO and JFRD could contact members to notify them to sign their forms.

Steve Lundy said the list of affected members includes their email addresses. He said he would send an updated list of remaining members on Monday, which would include active members’ email addresses and retired members’ phone numbers.

Richard Patsy asked for a breakdown of the 170 members who had returned election forms – and how many active and retired members have yet to make their election.

Steve Lundy said about 92 active, 57 retired & DROP, and 24 terminated vested members still need to make their election. He said the list of 27 affected terminated vested members was just completed in the last week.

Joey Greive said he and Timothy Johnson have been in contact regarding upcoming ITD projects for GEPP and PFPF. ITD has been directed to move forward on the affidavit form improvements. Implementing changes to the system to accommodate the DROP & COLA Benefits Election has been
set aside given the fact that 100% of affected members have chosen the fixed rates. This project is estimated to take 1,500 hours and cost $145,000.

Timothy Johnson said the Board would have a chance next month to review the updated affidavits. The affidavits will look different to retirees. He will go on tour to educate the retirees on the new affidavits so they will not be shocked or surprised by the updates.

1. **Procurement Authority Policy – Handout**

   Motion to approve: PATSY; Second: McDANIEL; APPROVED UNANIMOUSLY.

Timothy Johnson said he presented the procurement authority chart last month, which laid out the types of procurements and purchases the Board would have to approve.

Lawsikia Hodges said that this new policy is a ‘cut and paste’ from the City’s policy. She briefly outlined parts A, B, & C from the policy handout. She wants the public to know that the PFPF has a quality procurement policy that is fair, open, and promotes competition. Section 7 of the policy gives the Executive Director the ability to use the City’s procurement process should it be more efficient. ‘Nothing has been reinvented’. There is also a piggybacking section. The policy also gives the Executive Director some authority to further clarify any additional rules or gaps in the code.

Timothy Johnson thanked Lawsikia Hodges for her work.

Chris Brown thanked Lawsikia Hodges for her suggestion to allow the Executive Director to use the City’s procurement process if needed.

Michael Lynch asked what would happen if the Board had any conflict with any FIAC or Executive Director recommendation.

Chris Brown said it would ultimately be the Board’s authority.

Lawsikia Hodges said that nothing in this policy could trump the City’s ordinance code. Certain items require an FIAC recommendation – but they are just recommendations.

Chris Brown said that anything significant would come through the Board.

**Richard Patsy made a motion to approve the Procurement Authority Policy. Seconded by Nawal McDaniel. Discussion:**

Joey Greive asked how Lawsikia Hodges picked the threshold amounts described in the policy.

Lawsikia Hodges said that Timothy Johnson and Greg Pease worked together to develop the thresholds, which mirror those of the City and are tied to the State Statutes.

The vote passed unanimously.
VI. **COUNSEL REPORTS**  
Lawsikia Hodges & Bob Sugarman

Bob Sugarman updated the Board of Trustees on current projects that are in the works:

- **Opinion on Refunds of Contributions for terminated vested members who pass before the commencement of benefit:** in progress.
- **Disclaimer of a Child’s Benefit:** an active member passed away with no spouse and one child. If the Child’s Benefit can be disclaimed, the member’s contributions would be refunded to the estate – which is about 5 times the total amount of the Child’s Benefit. Initial research indicates the Child’s Benefit may be disclaimed, however more discussion is needed with OGC.
- **Securities Fraud Case – PFPF is named plaintiff, but not the lead. Bernstein Leibowitz asked for the PFPF’s permission to appeal the case – OGC agreed. The appeal would be at no cost to the PFPF, so stay tuned.**
- **Member Bankruptcy Case – The PFPF was asked to pay out some of a member’s pension money to other people in the case – the PFPF cannot do this. Sugarman wrote to the Trustee in the bankruptcy, and to the lawyer who filed the bankruptcy case. No answer has been received yet.**
- **Michael Williams Pension Garnishment – The Court required him to pay restitution to the victim of his crime from his pension. Attorney ordered the PFPF to pay. The PFPF cannot do that – the Court Order must be directed directly to the PFPF. The PFPF has now received the correct satisfactory order, and will begin deducting money from his bi-weekly pay and sending it to the court, which will disburse the money to the victim. This took a while to complete, but it is over now.**
- **Probate Case – the PFPF received an order to disburse a member’s ‘share account’ partially to a hospital then to children. This member does not have a ‘share account’ but has a DROP account. Bob Sugarman is playing phone tag at this point on this case.**
- **Jason Mann, a former JSO officer whose career was ended. He was criminally prosecuted and plead to a misdemeanor. His court record is complicated. It looks like he plead to a felony. OGC says he plead to a misdemeanor and resigned.**

Chris Brown said that just because Jason Mann resigned, he cannot escape ultimate termination. If someone is investigated for a serious offense which would likely result in termination, the member would always resign. This is something to look at more closely.

Bob Sugarman said he would take a closer look at what exactly ended Jason Mann’s career – resignation or termination. He said he would need his final personnel action file from JSO’s records.

Richard Patsy asked if a member loses his pension benefits if he is terminated.

Bob Sugarman said that pension forfeiture is based on the admission of a specified offense. If the final papers say resignation – then he resigned. If they say terminated – then he was terminated. We have to go by what the file says.
Bob Sugarman informed the Board of two new members who joined his firm.

Bob Sugarman reminded the Board of Trustees to file their required financial disclosure forms.

Michael Lynch asked for a status update on the Keane case and the Lee case. He said he has asked OGC but has received no response.

Lawsikia Hodges said she would send an email to the two OGC litigators handling these cases and would have a response ready by the end of today’s meeting.

VII. INVESTMENT CONSULTANT REPORTS
Dan Holmes

1. Preliminary Flash Report – May 31, 2018

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

- Asset Allocation is within policy.
- Volatility is up, exacerbating value concerns.
- Economic growth globally and in the US is positive.
- The total Fund is up 5% on a Fiscal Year-To-Date basis, and above the policy index by 20 basis points.
- All managers are doing well on an absolute and relative basis.

Dan Holmes discussed underperformance of managers Loomis Sayles, Pinnacle, Wedge, and Sawgrass.

Michael Lynch remarked that Dan Holmes sounded more confident in the two ‘lesser performing’ of these managers.

Dan Holmes said that is correct. A lot has transpired over the short term. The lesser performing managers may have underperformed the benchmark however, all are performing relative to what we would expect. In the long term, we do not think anything is broken in their process or implementation.

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

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

- Global GDP growth is positive: earnings, revenue growth, and profit margin growth remain positive.
- Volatility in bond and equity markets is getting back to normal levels: last year was abnormally low.
- Issues of concern include inflationary pressure, a burgeoning trade war, and the election of a new Italian government stoking fears of Italy leaving the EU.
Dan Holmes said the Northern Trust-managed EAFE index fund’s return should have very low tracking error between the index fund’s return and the actual index return. The higher difference is due to Northern Trust moving to a fair value pricing method for all international funds. This results in a higher tracking error in the short term, however it will dissipate over the long term.

Richard Patsy said a representative from Northern Trust called him and explained their switch to fair value pricing. He asked Dan Holmes for his opinion on this methodology.

Dan Holmes said Northern Trust is trying to reflect the economic value better. Also, it is the current trend as many institutional investors are adopting the fair value pricing method.

VIII. COUNCIL LIAISON UPDATE
None.

IX. OLD BUSINESS

1. Asset – Liability Study
Motion to approve: LYNCH; Second: PAYNE; APPROVED UNANIMOUSLY.

Dan Holmes

Chris Brown said he did not have any questions for Dan Holmes on the Asset – Liability Study. He asked the Board for a motion to approve.

Michael Lynch made a motion to approve the Asset – Liability Study. Seconded by Willard Payne.

Discussion:

Dan Holmes said he wanted to make sure everyone had an opportunity to ask questions. There has been a lot of discussion of the Asset – Liability Study in the FIAC, and we think the recommended target asset allocation is appropriate to reach the Fund’s goals.

Richard Patsy commented that allocating to Private Assets is a very different animal. Assets traded on public markets are easily compared to benchmarks – the data is transparent. Private Equity is not that simple. Comparing apples to apples is not possible with Private Investments. Transparency is not good, the fees are high, and the market is ‘frothy’ and overvalued. He encouraged the Board to be skeptical of Private Investments and to look at it more closely when the time comes.

Chris Brown said that is a good philosophy, and it would be the Board’s approach to be skeptical.

Dan Holmes said he echoes everything Richard Patsy just said. The Board has all the authority, and should tread lightly in the current market. The Board should look for opportunities to produce more income and minimize the J-curve. We will not rush into this.

The vote passed unanimously.
2. External Audit

Motion to accept: PATSY; Second: McDANIEL; APPROVED UNANIMOUSLY.
Rob Lemmon

Chris Brown said the Board has had a month to digest this report. He asked for a motion to accept.

Richard Patsy asked Rob Lemmon if he was comfortable with the response to the identified material weakness.

Rob Lemmon said he is comfortable with the response. It meets the requirements and is an appropriate response.

Richard Patsy made a motion to accept the results of the External Audit. Seconded by Nawal McDaniel. The vote passed unanimously.

3. Revised Actuarial Valuation as of October 1, 2017

Motion to accept: LYNCH; Second: PATSY; APPROVED UNANIMOUSLY.
Jeffrey Amrose & Jennifer Cagasan

Jeffrey Amrose said he would be on the phone today along with Jennifer Cagasan to answer any questions.

Michael Lynch said he has read the Revised Actuarial Valuation and that there was a big change in payroll.

Jeffrey Amrose agreed, and said there was also a modest change in asset value – an increase of $7 million. The big change was the payroll increase by 5%.

Michael Lynch made a motion to accept the Revised Actuarial Valuation. Seconded by Richard Patsy. The vote passed unanimously.

Michael Lynch asked if the Board is still seeking to keep the extra $5 million requested of the City.

Timothy Johnson said that he asked City Council for the additional $5 million payment. The Council said they would wait until budget season, which is starting now. He said he would continue to advocate for the extra $5 million.

Michael Lynch said that this Revised Actuarial Report should illustrate why the extra payment is a good idea – especially when errors like this occur.

Chris Brown said that the Fund has more liberty to make money on short-term holdings as opposed to the City – the City can’t invest like the Fund can. He asked Timothy Johnson for an update on this next month.
Lawsikia Hodges said, “Rita Mairs has said that in the Keane case, John Keane amended the complaint [...] to bring in the City as the defendant as well as the Board. The discovery stage of that case is complete with the exception of one final deposition. A motion to dismiss was filed on behalf of the City and the Board – it is still pending – the deadlines for filing summary judgement motions are in July. The case is scheduled for trial in January of 2019. Prior to the trial we will participate in a Court-ordered mediation.”

Lawsikia Hodges said that was the extent of her update. She said she is not the litigator on this case and would recommend that the Board reach out to Rita Mairs directly for more specifics about the case.

Lawsikia Hodges said that Jacob Payne is handling the Lee case, and said that, “there is a complaint that was amended by Curtis Lee that the judge dismissed and that his last action on the case is to move to dismiss the complaint in full. He doesn’t know when he’s anticipating to get a response, but he expects that between getting a response and there will be some sort of hearing that the City will be attending on that case.”

Lawsikia Hodges said that she would give the Board the email addresses of Jacob Payne and Rita Mairs so they could reach out directly to them for more detailed updates.

Richard Patsy asked Lawsikia Hodges to clarify her point on the mediation.

Lawsikia Hodges said that the City anticipates participating in a court-ordered mediation prior to trial. This is an attempt to resolve the case before it goes to trial.

Richard Patsy asked if mediation was different than arbitration.

Lawsikia Hodges said the point of mediation is to resolve or reach settlement. If that cannot be reached, it would go to trial. This is kind of like the Board’s 2015 agreement.

Michael Lynch asked if there are rules that would allow the Board to go into executive session to discuss this with its attorneys – not to necessarily take any action on the case, but to be able to have open dialogue.

Chris Brown said it would be better to meet one-on-one with the General Counsel’s Office.

Lawsikia Hodges said for the mediation step, OGC may need general parameters from the Board – where it could settle and where it could not.

Chris Brown asked Michael Lynch if he would like to reach out to the OGC litigators to discuss this.

Michael Lynch said he has spoken to Jason Gabriel about this issue. He said he has looked at the Keane case and has some very strong feelings about it. He said he would like to discuss this case more openly. He said a shade meeting would be fine to discuss this. He said its something the Board should have a conversation about.
Chris Brown said that a year ago, OGC met one-on-one with the Board. He suggested another round of these meetings to update the Board, and to figure out at a later meeting if a group shade meeting is necessary. He said this would be the better order of events.

Bob Sugarman said that by State Law, a shade meeting is initiated by a request by the lawyer. It doesn’t mean the Board cannot ask the lawyer to call the shade meeting – the request has to be made at a public meeting.

Lawsikia Hodges said if the Board begs for a shade meeting, OGC would initiate that meeting.

Michael Lynch said that he perceives that the Board gets months to review items like actuarial valuations, the procurement policy, investment reports, but has to rush through lawsuits.

Chris Brown suggested having the one-on-one meetings, then in July the Board could consider if it thinks a shade meeting is necessary and could schedule that shortly after.

Lawsikia Hodges said that the trial date is anticipated, not set in stone, and could be pushed back later. She said that she would take this conversation back to Rita Mairs today and let her know that the Board wants one-on-one meetings and at least one wants a shade meeting.

X. NEW BUSINESS

XI. UPCOMING MEETINGS

1. Optional Board of Trustees & FIAC Manager Update
   Neuberger Berman Group LLC – THURSDAY, June 28, 2018 at 11:00AM

2. Board of Trustees Meeting
   FRIDAY, July 20, 2018 at 9:00AM

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Steve Lundy, Assistant Plan Administrator
Posted 06/25/2018

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Willard Payne, Secretary
To be approved at the Board Meeting on July 20, 2018.

The next regular meeting will be held Friday, July 20, 2018 at 9:00AM.