



## AGENDA TO THE REGULAR BOARD OF TRUSTEES MEETING

Thursday, November 16, 2017

9:00 A.M.

City of Jacksonville Police and Fire Pension Fund  
1 West Adams Street Suite 100, Jacksonville, FL 32202  
Richard "Dick" Cohee Board Room

The next regular Board of Trustees meeting will be held December 15, 2017 at 9:00 A.M.

### Present

Lt. Richard Tuten III, Chair  
Richard Patsy, Secretary  
Lt. Chris Brown, Trustee  
Nawal McDaniel, Trustee

### Guests

William Scheu  
Paul Barrett, COJ  
Michael Lynch, JFRD  
Mark Muchowicz, JSO

### City Representatives Invited

Greg Anderson, City Council Liaison

### Staff

Timothy H. Johnson, Executive Director- Plan Administrator  
Kevin Grant, Finance Manager  
Joey Greive, Fund Treasurer  
Pedro Herrera, Pension Counsel  
Lawsikia Hodges, Office of General Counsel  
Dan Holmes, Summit Strategies  
Pete Strong, Fund Actuary

### Excused

Steve Lundy, Assistant Plan Administrator  
Willard Payne, Trustee

### 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.

### Agenda

#### I. Call To Order

**Chairman Richard Tuten called the meeting to order at 9:07AM.**

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II. Pledge of Allegiance

III. Moment of Silence Will Be Observed For The Following Deceased Members:

Wayne A. Clark, Retired Police Officer

IV. Public Speaking

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

V. William Scheu Recognition

Timothy Johnson said that Bill Scheu has served the Police and Fire Pension Fund with distinction since his appointment by City Council.

Timothy Johnson presented Council President Anna Brosche's letter of appreciation to Bill Scheu for his service as Trustee. He also presented a plaque to Bill Scheu.

Greg Anderson said that Bill Scheu is a friend and a true professional, well known for his accomplishments as a lawyer. He said that Bill's community service is defined by his servant's heart. He thanked Bill for leading the Fund through tough times with a gentleman's touch. He said that Bill's counsel has helped make Jacksonville a better place.

Richard Tuten said that Bill Scheu joined the Board in a difficult time, and that he appreciates his service as Trustee, noting that is not easy.

Bill Scheu thanked everyone for the recognition. He said that Nawal McDaniel would bring great insight and fiduciary expertise to the Board as the new Trustee who will serve in his seat.

VI. Consent Agenda Items 2017-11-(01-10)CA

*2017-11-01CA - Meeting Summary and Final Transcript Approved*

1. Meeting Summary of the Board of Trustees Meeting held October 20, 2017. Copies held in the meeting files.
2. Meeting Summary of the Board of Trustees Personnel Committee Meeting held November 8, 2017. Copies held in the meeting files.

*2017-11-02CA 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

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available upon request.

**DISBURSEMENTS A**

10-1-2017 thru 10-31-2017

1. ACCESS	\$	4,260.04
2. AAA Reporters	\$	615.00
3. Baker-Gilmour Cardiovascular	\$	3,500.00
4. The Northern Trust Company	\$	32,881.66
5. Klausner & Kaufman	\$	313.50
6. Brown Advisory	\$	169,131.52
7. GRS	\$	32,716.00
8. Eagle Capital Management	\$	387,587.28
9. Tortoise Capital Advisors	\$	95,886.51
10. Loomis Sayles	\$	210,074.12
11. Sugarman & Susskind	\$	14,497.07
12. Michael Givens	\$	8,875.00
13. Tim Johnson	\$	17.76
14. PBI	\$	1,620.00
15. Commercia Bank	\$	141,332.51
<b>Total</b>	<b>\$</b>	<b>1,103,287.97</b>

**DISBURSEMENTS B**

10-01-2017 thru 10-31-2017

1. Accounts Payable Distributions	\$	<b>21,640.91</b>
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*2017-11-03CA Pension Distributions*

**October 6, 2017**

1. Regular Gross	\$	5,406,565.97
2. Regular Lumpsum	\$	0.00
3. Regular Rollover	\$	0.00
4. Regular DROP Gross	\$	1,115,447.15
5. DROP Lumpsum	\$	0.00
6. DROP Rollover	\$	367,314.78
<b>Total</b>	<b>\$</b>	<b>6,889,327.90</b>

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**October 20, 2017**

1. Regular Gross	\$	5,458,984.62
2. Regular Lumpsum	\$	2,651.15
3. Regular Rollover	\$	9,118.85
4. Regular DROP Gross	\$	1,148,679.50
5. DROP Lumpsum	\$	160,737.70
6. DROP Rollover	\$	103,819.80
<b>Total</b>	<b>\$</b>	<b>6,883,991.62</b>

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

The following Consent Agenda items 2017-11-(04-06) were verified with supporting documentation and approved at the Advisory Committee meeting held on November 8, 2017. Vote was unanimous.

[2017-11-04CA](#)

Application for Vested Retirement

[2017- 11-05CA](#)

Application for Time Service Connections

[2017-11-06CA](#)

Applications for DROP Participation

The following Consent Agenda items 2017-11-(07-10) were verified with supporting documentation and received as information at the Advisory Committee meeting held on November 8, 2017.

[2017-11-07CA](#)

Refund of Pension Contributions

[2017-11-08CA](#)

Share Plan Distributions

[2017-11-09CA](#)

DROP Participant Termination of Employment

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[2017-11-10CA](#)

DROP Distributions

A motion was made by Chris Brown to approve the Consent Agenda items 2017-11-(01-10CA), seconded by Richard Patsy. The vote was unanimous.

VII. Investment Consultant Reports

*Dan Holmes*

1. Investment Performance Review – September 30, 2017

Dan Holmes said that the trends in early 2017 have continued through the end of the year. He said Central Bank accommodation, growth, and consumer and business confidence have all contributed to a great year for risk assets.

Richard Tuten asked what has been driving the good performance of international equity markets.

Dan Holmes said the same drivers have been helping good performance of risk assets globally, giving the Central Bank accommodations in Europe as an example.

Dan Holmes discussed the performance of Fixed Income.

Dan Holmes discussed the Fund's asset class allocation in relation to other pension plans on page 13. He said that the Fund's relative overweight to international stocks has helped to drive good performance. He also discussed the Fund's allocations to MLPs and Real Estate in relation to other pension plans.

Greg Anderson asked if the PFPF building is included in the real estate allocation listed. Dan Holmes replied that it is not – it is categorized separately.

Chris Brown asked if the Fund should shift away from its high international allocation in the next year.

Dan Holmes said not right now. He said that after Pete Strong finishes his valuation, an Asset-Liability Study will be done. He said that after the study is completed, target asset allocation will be reviewed with the FIAC and Board.

Greg Anderson asked if the low cash level relative to the median is an issue.

Dan Holmes said that no, the low cash level is fantastic. He said that the City's practice of advancing benefit payments at the beginning of the year is great noting that in the last fiscal year, the cash earned 14%.

Dan Holmes discussed the fiscal year summary on page 14. He said the gross of fees return for the fiscal year was 14.5%. He said that net of fees, the Fund returned 14.13% for the fiscal year.

Chris Brown thanked Dan Holmes for a good year.

Dan Holmes joked that in good years, the credit goes to the Board, and in bad years, the blame goes to the investment consultant.

Dan Holmes said that the Board has taken on more risk than its peers, and has benefited from it. He said that the good luck may not last, and that the Asset-Liability Study will help the Fund to dial down its volatility.

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Dan Holmes said that equity returns drove the good performance of the Fund. He said that the good changes that the Board and FIAC have been making have been coming to fruition.

Greg Anderson asked if expense ratios have played a part in the Fund's good performance.

Dan Holmes said that they have played a minor positive role.

Dan Holmes discussed the Fund's trailing 3-year period on page 16. He said that over long periods, the Fund performs in the top third.

Dan Holmes said that the Fund's international portfolio finished in the 4th percentile for the fiscal year. He said that Baillie Gifford is behind the stellar returns for the Fund's international portfolio. He discussed Baillie Gifford's style of stock selection, noting their tilt towards value even though they're a growth manager.

Dan Holmes discussed emerging markets benchmarks with the Board and Joey Grieve.

Richard Tuten asked how Quantitative Easing's unwinding would affect fixed income.

Dan Holmes said that at this point, he thinks volatility would pick up, and rates would rise. He said the question is how much and how quickly that would happen.

Dan Holmes discusses the Real Estate portfolio, and MLPs, noting that managers performed within expectations. He discussed the difference in performance between the two MLP managers, Tortoise and Harvest, highlighting their different management styles.

Dan Holmes discussed the expected future returns of MLPs with the Board.

Dan Holmes discussed possible impacts of federal tax reform on the Fund.

VIII. *Executive Director's Report*  
*Timothy H. Johnson*

Timothy Johnson acknowledged Kevin Grant, the Fund's new Finance Manager. He said that he is excited to have Kevin aboard, saying that he has really hit the ground running.

Kevin Grant said that he is looking forward to working together with everyone.

Timothy Johnson welcomed Nawal McDaniel to the Board.

Timothy Johnson discussed the dashboard, noting that it has reset for the new Fiscal Year. He said that pension contribution refunds have been separated from total refunds. He discussed the outreach section, noting that vesting workshops have been started, which target newer members approaching their vesting date. He also discussed the investment administration section. He described a year-to-date metric for each item which will be included starting in December.

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Timothy Johnson informed the Board that Jason Gabriel was unable to make it to the meeting, and will postpone his presentation until the December meeting.

Timothy Johnson updated the Board on the Advisory Committee election, noting that ballots have been sent to retirees.

Timothy Johnson said that Chris Brown ran unopposed and will start his second term in January, and that Michael Lynch, who also ran unopposed, will be the new fire trustee starting in January.

Timothy Johnson said that the operating budget update will be completed by Kevin Grant and will be ready for the December meeting.

## IX. Personnel Committee

### 1. Performance Plan

Richard Patsy said the Personnel Committee has been working on a revised performance evaluation for the Executive Director.

Richard Patsy described the categories in the evaluation as attached. He said that the Personnel Committee is recommending that the Board adopt the attached evaluation for use for Tim's Fiscal Year 2018 evaluation.

Lawsikia Hodges said that she wasn't aware of the recent Personnel Committee meeting. She said that there are special laws governing special compensation, saying that the Personnel Committee needs to discuss this with Counsel to make sure it conforms to the law.

Lawsikia Hodges said that by law, if there are bonuses for one employee, there needs to be a bonus policy for all employees.

Lawsikia Hodges said that the wording 'disputes' on page 5 relating to Building Coalitions should be changed to 'any issues'.

Chris Brown said that the Personnel Committee will meet again to discuss the bonus policy for employees, noting that the CEO level position, managers, and clerk level employees could have different ranges.

**A motion was made by Chris Brown to adopt the Performance Evaluation, striking the compensation section, and modifying the wording in the Building Coalitions section as Lawsikia Hodges suggested, seconded by Richard Patsy, discussion:**

Greg Anderson asked if the Fund has a performance bonus policy currently for employees.

Timothy Johnson answered no, it does not – employees get increases based on their Step Plan, not on performance. Timothy Johnson said that performance evaluations were completed in the past as 'one-off' events.

**The vote passed unanimously.**

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X. Counsel Reports

*Lawsikia Hodges & Pedro Herrera*

Lawsikia Hodges and Pedro Herrera have no new reports.

XI. Council Liaison Update

*Greg Anderson*

Greg Anderson has no new updates.

XII. Old Business

XIII. New Business

1. **DROP Interest Study**

Pete Strong

Pete Strong said that the past practice has been to use a 2% load to account for the fact that the DROP interest paid is more than the expected return for the plan. The expected rate of return is 7.0%, and the DROP interest rate is 8.4%. He said that the 2% load wasn't enough to fully value the liability, and recommended an explicit evaluation of the actual entire experience of DROP payments.

Pete Strong discussed the average payouts to DROP participants, averaging around a 30 year payout per member.

Richard Tuten said that valuing the DROP will become more difficult in the future after possible benefit changes due to new collectively bargained contracts occur.

Joey Greive said that from the City's perspective, they don't see any reason not to fix the problem.

Joey Greive also said that the Board should also consider revisiting the DROP interest crediting method in the future.

Richard Patsy said that it makes a ton of sense to use Pete Strong's new method for valuing the DROP liability. He said that it is much more accurate.

Pedro Herrera said that the City needs to be comfortable with Pete Strong's recommended changes in actuarial methods before the Board approves them.

Joey Greive said that he has talked about this at great length with Timothy Johnson, Pete Strong, and Mike Weinstein, and said that it is their collective thought that this problem needs to be fixed. He said that he thinks it would be in the wisdom of Council to fix this.

Greg Anderson said that he reviewed Pete Strong's report; it has been distributed to members of Council by the Council President. He said he cannot speak for his colleagues but his sense is that the Council is focused on the right thing, and that is a fully funded pension plan.



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A motion was made by Chris Brown to accept Pete Strong's recommendation to change the DROP valuation method as described in his DROP Interest Study, seconded by Nawal McDaniel. Discussion:

Greg Anderson asked if the impact from the change in valuing the DROP would be felt in next year's budget. Pete Strong answered yes.

The vote was unanimous.

Chris Brown asked if OGC should look at what the Board could do to fix the DROP interest calculation method.

Lawsikia Hodges said that OGC is reviewing it currently and will get back to the Board.

Chairman Richard Tuten recessed the meeting for a 5 minute break.

## 2. DROP Retroactive Benefits Study

Pete Strong

Timothy Johnson said that resulting from the new collective bargaining under the 2017 pension reform, members who entered the DROP under the 2015 pension reform changes would be retroactively adjusted back to the pre-2015 DROP with an 8.4% DROP interest rate, and a 3.0% COLA.

Pete Strong said that the members who entered the DROP between 2015 and 2017 received a variable interest rate between 2% and 14.4%, based on the return earned on the Plan. He said that in 2016, the interest rate was 2%, and in 2017 it was 10%. He said that depending on when members entered the DROP, a retroactive adjustment to 8.4% could increase or decrease their balance.

Pete Strong said that out of 132 members who entered the DROP, 76 would see a small reduction in their DROP balance due to the retroactive adjustments. He said that all 132 members would see their bi-weekly DROP payment increase due to an increase in COLA to a flat 3%. He said that the total increase in actuarial liability would be about \$136,000.

Richard Tuten said that he has legal questions regarding whether accrued benefits could be changed for retirees.

Timothy Johnson said that this study posed two questions; first, who does and does not benefit from the retroactive adjustments; and secondly, do members have a right to object to changing their accrued benefits?

Lawsikia Hodges said that these are questions that are being looked into by OGC lawyers. She said that it would be prudent to not take any action on this until the lawyers finish their review.

Pedro Herrera said that this a novel issue and that all bases need to be covered before any action is taken.

## 3. Holiday Bonus & Share Plan

Timothy Johnson described his letters to the Police and Fire unions which inform them of the balance of the reserve accounts, communicate the anticipated amount of the chapter funds to be received from the state, and inform them that these funds will be governed by the 2015 pension reform agreement.

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Timothy Johnson said that since the letters were sent, approximately \$10.8 million was received from the state, of which 50% was used as a credit against the City's contribution this year, and the other 50% is at the discretion of the Board.

Timothy Johnson said that last year, the Board funded a \$3 million Holiday Bonus paid to retirees, and funded a \$2 million Share Plan for active members. He said that Richard Tuten has asked to look at a 3% Holiday Bonus this year.

Timothy Johnson said that he is not confident that the unions agree to the Board's view that this year's chapter fund money is governed by the Board.

Pedro Herrera said that this is a situation where the unions and the City should sign off on the Board's interpretation of how it will use the chapter funds in a memorandum of understanding (MOU).

Chris Brown said that Steve Zona had contacted him requesting that the Board issue a Holiday Bonus to retirees as it had last year.

Richard Tuten said that a member of the firefighter union leadership contacted him and said that the Holiday Bonus should be paid to retirees. Richard Tuten said that the Holiday Bonus should be paid at the same rate as it was last year.

Lawsikia Hodges said that she, Mike Weinstein, Pedro Herrera, and OGC all agree that the chapter funds accrued prior to October 1st and are the Board's responsibility.

**A motion was made by Chris Brown to pay the Holiday Bonus to retirees at the same rate as in December 2016, contingent upon the signing of the MOU by the union presidents before the deadline to submit the payroll for the first pay period in December, 2017, seconded by Richard Patsy. The vote was unanimous.**

Pete Strong suggested that a smooth actuarial value could be used for funding purposes for the Fund in order to manage volatility. He recommended that going forward, smoothing could be considered by the Board.

XIV. Next Scheduled Meetings

**Friday, December 15th, 2017 at 9:00AM**

XV. Adjournment

**Chairman Richard Tuten adjourned the meeting at 11:42 AM.**

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Richard Patsy, Board Secretary

To be approved at the Board of Trustees Meeting on December 15, 2017