



SUMMARY TO THE REGULAR BOARD OF TRUSTEES MEETING

Friday, July 17, 2020
9:01 A.M. – 11:08 A.M.

City of Jacksonville Police and Fire Pension Fund
1 West Adams Street Suite 100, Jacksonville, FL 32202
ZOOM ONLINE MEETING – NO PHYSICAL LOCATION

The next regular Board of Trustees meeting will be held August 21, 2020 at 9:00 A.M.

Board of Trustees

Assistant Chief Chris Brown, Chair
Nawal McDaniel, Secretary
Cpt. Michael Lynch
Richard Patsy
Terry Wood

Guests

Chuck Baldwin
Renzer Bell
Angelica Franklin
Naje George
Richard Lundy

Terri Lundy
Randy Wyse, JFRD, President IAFF Local 122

Staff

Timothy H. Johnson, Executive Director – Plan Administrator
Steve Lundy, Deputy Director
Kevin Grant, Finance Manager
Randall Barnes, Fund Treasurer
Jordan Cipriani, RVK, Investment Consultant
Kevin Schmidt, RVK, Investment Consultant
Pete Strong, GRS, Fund Actuary
Lawsikia Hodges, Office of General Counsel
Bob Sugarman, Fund Counsel

Notice

Meeting Agendas and Summaries are available on our website at jaxpfpf.coj.net. For additional meeting documents, please contact Maria Young, Custodian of Public Records for the City of Jacksonville Police and Fire Pension Fund at 904-255-7373 or MariaY@coj.net to file a public records request.

Pursuant to the American with Disabilities Act, accommodations for persons with disabilities are available upon request. Please allow 1-2 business days notification to process; last minute requests will be accepted, but may not be possible to fulfill. Please contact Disabled Services Division at: V(904) 630-4940, TTY-(904) 630-4933, or email your request to KLMcDan@coj.net. 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.

Summary

Chair Chris Brown convened the meeting at 9:01 A.M.

I. Invocation

Timothy Johnson gave the invocation.

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II. Moment of Silence

Walter R. Geiger, Retired Police Officer
Derrell C. Hills, Retired Police Officer
Robert E. Morris Jr., Retired Police Sergeant

III. Public Speaking

Randy Wyse said he wanted to make a communication regarding the Forfeiture Policy process. He said he thought the last version contained some issues, and these issues were communicated to all parties. He said he wanted to make sure we abided by the law relating to the process, and that all members are afforded all their rights through the forfeiture process.

IV. Consent Agenda Items 2020-07-(01-10)CA

Nawal McDaniel made a motion to accept the consent agenda. Seconded by Terry Wood. The vote passed unanimously.

2020-07-01CA Meeting Summaries to be Approved

1. Summary to the Board of Trustees Meeting of June 19, 2020
2. Summary to the Board of Trustees & FIAC Manager Update Meeting of June 23, 2020

2020-07-02CA 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

06-01-2020 thru 06-30-2020

None.

DISBURSEMENTS B

06-01-2020 thru 06-30-2020

1. Accounts Payable Distributions	\$	48,248.01
2. Accounts Receivables	\$	55,507.48

2020-07-03CA Pension Distributions

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

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June 12, 2020

1. Regular Gross	\$	6,350,768.19
2. Regular Lumpsum	\$	0.00
3. Regular Rollover	\$	54,320.87
4. Regular DROP Gross	\$	1,307,326.30
5. DROP Lumpsum	\$	0.00
6. DROP Rollover	\$	0.00
Total	\$	7,712,415.36

June 26, 2020

1. Regular Gross	\$	6,350,756.16
2. Regular Lumpsum	\$	0.00
3. Regular Rollover	\$	0.00
4. Regular DROP Gross	\$	1,307,244.80
5. DROP Lumpsum	\$	0.00
6. DROP Rollover	\$	0.00
Total	\$	7,658,000.96

The following Consent Agenda items 2020-07-(04-05CA) were verified with supporting documentation and approved at the Advisory Committee meeting held on July 8, 2020. Vote was unanimous. Meeting Summary attached.

[2020-07-04CA](#)

Application for Survivor Benefits

[2020-07-05CA](#)

Application for Time Service Connections

The following Consent Agenda items 2020-07-(06-09CA) were verified with supporting documentation and received as information at the Advisory Committee meeting held on July 8, 2020. Meeting Summary attached.

[2020-07-06CA](#)

Refund of Pension Contributions

[2020-07-07CA](#)

Share Plan Distributions

[2020-07-08CA](#)

DROP Participant Termination of Employment

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[2020-07-09CA](#)

DROP Distributions

[2020-07-10CA](#)

Educational Opportunities (**MAY BE RESCHEDULED DUE TO COVID-19**)

1. Bi-Monthly Ethics Training for Boards & Commissions – COJ – **Tentative Dates**
October 1, 2020 – 12PM – 1PM – Lynwood Roberts Room, City Hall, First Floor
December 3, 2020 – 12PM – 1PM – Lynwood Roberts Room, City Hall, First Floor

(RSVP with Andrea Myers at ahmyers@coj.net or 904-630-4747)

V. Investment Consultant Reports – Jordan Cipriani & Kevin Schmidt
a. Monthly Investment Performance Analysis – June 30, 2020

Richard Patsy said he attended the FIAC meeting last Friday, and that RVK reviewed the potential asset allocations in their study. He said he is concerned about our ability to execute the allocation to the private equity asset class effectively. RVK has done a good job with the study so far. He said he doesn't see any major changes to the Asset Allocation besides incremental changes 'around the edges'. One thing that stood out was the consensus that MLPs would probably not be included in the new asset allocation – this makes sense given MLP performance over the past years.

Jordan Cipriani covered the Monthly Investment Performance Analysis. US equity markets started well in June, then the Coronavirus spiked across the United States. This led to some scaling back of States' reopening plans. Consumer discretionary saw their best quarter on record. There is optimism for economic recovery. Tech stocks performed well. Defensive sectors like utilities and consumer staples lagged. Returns were generally positive for the month and the quarter.

Kevin Schmidt continued RVK's presentation, starting with the asset allocation versus the target on page 3. All asset classes are within the bounds of the investment policy.

Kevin Schmidt covered manager performance starting on page 5. Returns were strong on an absolute and relative basis. The Fund was up 3.25% month-to-date. Year-to-date, the Fund was up .02%. There continues to be a positive trend in the right direction. US Equity, Fixed Income, and International Equity all contributed strongly to performance. We are starting to see the lagged movement in Real Estate – we expected some negative performance.

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b. Asset Allocation Review

Jordan Cipriani updated the Board of Trustees on the Asset Allocation Review. The review is still under review by the FIAC. The FIAC meeting last Friday was productive, and several potential portfolios were reviewed. The FIAC offered feedback and made additional requests. There may be a recommendation made next month following the FIAC meeting.

VI. *Executive Director's Report – Timothy Johnson*

Timothy Johnson said that Aaron Bowman has completed his term as the Council Liaison to the Pension Fund. City Council is on a hiatus, and there will be a new liaison named by Council President Hazouri. We will present an award to Aaron Bowman recognizing his service.

a. Children's Benefit Recommendation

Steve Lundy discussed the Children's Benefit Recommendation with the Board of Trustees. The Advisory Committee has recommended that the Board approve the attached pension adjustments, and retroactive lump sums for the currently paid children, under the newly reinterpreted 'proportionate share' of the survivor's benefit. There are some children on this list who are not currently being paid, but had to be calculated due to their siblings currently being paid. The lump sums to each child are different due to a higher pension amount, or a longer time of being underpaid. The lump sums to all children for approval today total approximately \$945,000.

Richard Patsy and Terry Wood asked about payment plans to the children, mentioning a possible 'annuity'-style option of receiving the lump sum.

Timothy Johnson said that we communicated with these beneficiaries when we received the opinion reinterpreting the 'proportionate share' language of the ordinance. The beneficiaries are up to speed on the process. He said he is not sure if we can legally hold back the money – this is a retroactive benefit. This is not our money, but theirs, and questions arise as it is actively invested. The safest thing is to keep them informed, and let their own tax professionals determine what should be done.

Bob Sugarman said if we give them the right to take the money in installments, or by a lump sum, that will not change their tax liability. The right to assert that control would mean they are in 'constructive receipt' of the money, and that would be a problem.

Richard Patsy made a motion to approve the Children's Benefit Recommendation. Seconded by Michael Lynch. The vote passed unanimously.

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- b. Nawal McDaniel Reappointment*
- c. Richard Patsy Reappointment*

Timothy Johnson said that Nawal McDaniel’s term on the Board of Trustees expired, and Richard Patsy’s term is about to expire next month. We would need a motion to recommend the City Council reappoint Nawal McDaniel and Richard Patsy to the Board of Trustees. He also mentioned the two FIAC members who will be reappointed by City Council.

Terry Wood made a motion to recommend the City Council reappoint Nawal McDaniel and Richard Patsy to the Board of Trustees.

Michael Lynch asked if the Board has previously requested the City Council reappoint Council-Appointed members of the Board of Trustees.

Steve Lundy said he believes so, but cannot remember the last Trustee who was reappointed.

Timothy Johnson said the last Council-Appointed Trustee was Bill Scheu, but he did not seek reappointment, and Nawal McDaniel was appointed by City Council to fill his vacant seat.

Michael Lynch seconded the motion. The vote passed unanimously.

Lawsikia Hodges briefly discussed how this resolution would be presented to the City Council. The next Council deadline is July 22.

Timothy Johnson discussed the SSVRP. He said that at the Board meeting in June, he gave an update that we heard from Loree French at OGC that the City was returning administrative control of the SSVRP back to the PFPF Staff. With our authority restored, we would retroactively adjust the SSVRP members’ pensions, including underpayments. Their pension benefits would be corrected prospectively as well.

Timothy Johnson discussed the SSVRP underpayments as shown on his director’s report. Because of IRS 415 rules, there is a cap on pension benefits. Keane’s ‘Excess’ benefit is calculated separately to accommodate this limit.

Timothy Johnson said that the SSVRP members’ pension have been corrected as of the July 10 payroll, including their lump sum retroactive underpayment correction. Action is not needed – the Board of Trustees approved these benefits previously. However, we need Board of Trustee action to modify the budget to pay these benefits. We also need modification to next year’s budget to pay the benefits going forward.

Kevin Grant discussed the Budget Transfer Directive for the Current Fiscal Year 2020 as attached to the meeting book. This would cover the lump sum payment and the ongoing 415 excess payments for the SSVRP for the current fiscal year. Also, this would correct the previous budget transfer approved by the Board – the City requested the Board not use the ‘internal services transfer from’ in the prior budget transfer directive.

Michael Lynch asked why the City asked to not use the original method in the previous budget transfer directive.

Kevin Grant said that the City projects revenues for the year, and asked us not to change it.

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Terry Wood made a motion to approve the Budget Transfer Directive for Fiscal Year 2020. Seconded by Richard Patsy. The vote passed unanimously.

Kevin Grant discussed the Fiscal Year 2021 Budget Memorandum as attached to the meeting book. This increases the budget for next year to accommodate the 415 Excess SSVRP payments to John Keane.

Nawal McDaniel made a motion to approve the Fiscal Year 2021 Budget Memorandum. Seconded by Richard Patsy. The vote passed unanimously.

Timothy Johnson said that he has one more item to discuss. He said he has received conflicting advice regarding the administration of the 415 excess payments to John Keane. He said he would like to request a legal memo from Sugarman's office with the input from OGC regarding the compliance in paying the 415 excess.

Timothy Johnson and Kevin Grant, responding to a question by Michael Lynch, discussed the original plan to pay the 415 excess payments to John Keane through the City process. The City denied our request to override the system to pay the lump sum 415 excess payment.

Terry Wood said that the GEPP and JEA retirement systems have about a dozen people receiving 415 excess payments. There is a distinction that the 415 excess payments must come from the general fund and not the trust fund – they have to be marked separately.

Bob Sugarman said that he needs details on the SSVRP for the opinion. The money does not come from the same trust assets set aside for the SSVRP, instead, the General Fund. The promise to pay John Keane a certain amount is still valid, we just have to pay some from a different pocket.

Michael Lynch said that Terry Wood said about a dozen people are receiving 415 excess payments between the GEPP and JEA, so this is nothing new. Also, we are in agreement that this is the right thing to do, based on the motions to increase the budgets. Bob Sugarman should work on figuring out how to administer this moving forward. This should be Bob Sugarman's motion, not OGC's. On this payment, they are conflicted, and this creates a problem if we ask them to resolve it – we will not get a solid answer.

Chris Brown asked Bob Sugarman if he had any questions on what we are asking.

Bob Sugarman said, the questions are, if the 415 excess was properly placed into operation, and if yes, how do we pay it, and if not, how do we fix it. He said he would consult with OGC on the breadth of the judge's ruling, the summary judgment, the PFPF having the right to establish the SSVRP.

Lawsikia Hodges said that she understood Michael Lynch's comments, but wanted to say in full disclosure that the OGC has a legal engagement with Bob Sugarman, and works collaboratively with his office, and has had no disagreement so far. She noted Michael Lynch's comment, and said she would pass it on, and would be eager to review any counsel Bob Sugarman provides to the Board of Trustees.

Chris Brown asked if there was anything else to discuss.

Bob Sugarman said that he advises the Rounsville forfeiture hearing go directly to the Board of Trustees. He said he is not sure the Advisory Committee has the authority under the Code of Ordinances to conduct the hearing.

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VII. Counsel Reports – Lawsikia Hodges & Bob Sugarman
a. *Forfeiture Procedures*

Bob Sugarman reviewed the revised Forfeiture Procedures with the Board of Trustees, covering each step, along with noting the changes and additions since the last version.

Michael Lynch said that he had some questions that were already answered. He thanked Bob Sugarman for allowing his input. He said he wants a little more time to review the Forfeiture Procedures before approving them. This is a major step – this deals with taking a member’s pension. He said he wants to be overly comfortable before approval. Next month would be better than today.

Timothy Johnson said that Michael Rounsville would exhaust his contributions in September, so if we approve the procedures in August, and hold the hearing in September, we would be close. Bob Sugarman and OGC gave us procedures on how to seek repayments of overpayments – it would not be too difficult to seek repayment of a couple weeks of overpayments.

Chris Brown said there will be one more month to review the Forfeiture Procedures and to add input. Rounsville’s forfeiture hearing will be in September. He thanked Bob Sugarman for all his hard work.

Chris Brown asked if there was any new business.

Michael Lynch said he would like to discuss some items on the Executive Director’s Report not previously discussed like the Baldwin chapter funds and the HERTZ rent recovery.

Timothy Johnson said he has asked OGC for a review of the Baldwin chapter funds issue. As for HERTZ, the PFPF filed a claim with the courts for the uncollected rents.

Bob Sugarman said all the PFPF has to do is to file the bankruptcy claim.

Michael Lynch asked Lawsikia Hodges for an update on the Baldwin chapter funds.

Lawsikia Hodges said she spoke with Randall Barnes and Joey Greive, and committed to work on Baldwin next week. We have to dig for old interlocal agreements. We will have a better answer next week.

Michael Lynch said that items 1 and 4 of the OGC Litigation Summary Update continue to appear on the update, although they are closed. He asked if they were still on the report for a reason.

Lawsikia Hodges said that she believes that report is sent by Lisa Cenac to Steve Lundy for each meeting. She asked if that was the case for this meeting.

Steve Lundy said Lisa Cenac sent him the attached report for this meeting.

Michael Lynch said that the fees paid to Bob Sugarman’s office should be discussed next month. Under Article 22.04(e) of the City of Jacksonville Charter, “The board shall have the power to employ and fix the compensation of an administrator and any consultants, attorneys, actuaries, accountants, and other employees or contractors as the board may require.” Bob Sugarman has worked for us for some time, and has done very well on the work asked of him.

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Lawsikia Hodges said that OGC sent an amendment to Bob Sugarman's engagement letter, and Jason Gabriel agreed to the rates. Bob Sugarman has done an outstanding job, and we are eager to work with him. No Board of Trustees action is necessary, Jason Gabriel is happy to amend the agreement. This should be signed as soon as feedback is received from Bob Sugarman that he is alright with the draft agreement.

Chris Brown asked if anyone has any objections to this engagement letter.

Michael Lynch said that he does. He said he wanted to make sure the Board of Trustees is using its authority to compensate Bob Sugarman under the City of Jacksonville Charter, and not the Office of General Counsel doing it, and then telling the Board it is OK. He said the Board is being told there is an engagement letter from OGC to Bob Sugarman, to give him some sort of salary, and that he believes the Board is unaware of what this letter says. This is the problem we should address.

Chris Brown said he believes Timothy Johnson has the authority to coordinate, and the Board gave this authority to him. The Board works through the Executive Director – he has the authority to determine the reasonableness of changes.

Lawsikia Hodges said that this was initiated by Bob Sugarman. He reached out to OGC to ask for an increase in rates. OGC reached out to Timothy Johnson on the rates. Originally, the Board put out an RFP, and the Board selected Bob Sugarman. The Board was involved in that legal engagement in the selection of Bob Sugarman.

Michael Lynch said he wanted to make sure he heard this correctly for the record; He asked Lawsikia Hodges if she is telling the Board that the contract with Bob Sugarman is a contract between Bob Sugarman and the Police and Fire Pension Fund.

Lawsikia Hodges said no, there is a legal engagement, and this is the case with all outside counsel. This contract is between outside counsel and OGC. When OGC doesn't have capacity, we enter into a legal engagement with the outside counsel. This contract was signed by Jason Gabriel, and Bob Sugarman. Also, Timothy Johnson signed in order to verify there are funds available to pay Bob Sugarman.

Michael Lynch said that this issue keeps coming up, and the Board needs to discuss it. Everything that OGC has just told us is that Bob Sugarman works for them. We are a side note. If you look at Article 22 of the Charter, 22.04(e) specifically says that the Board will employ and fix the compensation of counsel. This is our decision to make, not OGC's, and we should exercise that authority. He said he is not asking for a debate or motion today, but this needs to be discussed. This has been ruled on in Court. As we continue to let OGC make our decisions for us, we further distance ourselves from our authority.

Chris Brown asked if the Board would need to vote for any such changes. The Board gave Timothy Johnson the authority to handle this.

Timothy Johnson said he does not have the authority in selecting counsel or compensation. He said his input on this request was merely because Bob Sugarman had asked for an increase 11 months ago, and he was getting this moving. Bob Sugarman has done a good job.

Chris Brown said he agrees with Michael Lynch – this is overstepping. Timothy Johnson has no inherent authority. We, as the Board, should be making this decision.

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Lawsikia Hodges said she wants to be clear – maybe this should be on next month’s agenda. She said she wants to circulate this. The Board was not hoodwinked here – it was completely involved in the selection of Bob Sugarman. There is a sound contract in place.

Chris Brown said that Article 22.04(e) states the Board sets compensation. He asked if there is something in the agreement that says the Board handed this authority to OGC.

Lawsikia Hodges said that in the initial engagement letter, the Board of Trustees agreed to the initial rate. Three years later, Bob Sugarman asked for an increase. Because of the involvement of the Fund, OGC cannot just amend the engagement letter. Timothy Johnson must sign. If OGC says Bob Sugarman’s rates are too high, hopefully Timothy Johnson steps in and says they are too high.

Lawsikia Hodges said there is a fundamental disagreement on the Charter between OGC and the Police and Fire Pension Fund. She said she would be happy to attend a noticed meeting with Jason Gabriel and the Board of Trustees to talk about this foundational question.

Chris Brown said he is happy to have a separate meeting to discuss this. The recent changes in the last 12-18 months regarding the School Board speak to OGC’s role as the PFPF’s attorney.

Chris Brown said the Board of Trustees respects OGC’s role, however we can also seek outside guidance.

Chris Brown said the Board of Trustees is an outside authority.

Bob Sugarman thanked the Board of Trustees for the kind words. He said the PFPF is his client, and has his undivided loyalty. There was a substantial learning curve because of the consolidated nature of Jacksonville. The rates are below market. We discounted the fees because of the learning curve.

Chris Brown said that if the Governor extends the emergency order, Board of Trustees meetings will continue to be held online.

VIII. Council Liaison Update

IX. Old Business

X. New Business

XI. Adjournment

11:08 A.M.

Summary Approved:

Nawal McDaniel, Board of Trustees Secretary

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Summary Prepared By:

Steve Lundy, Deputy Director

City of Jacksonville Police and Fire Pension Fund

Posted: 07/27/2020

To be Approved: 08/21/2020