



SUMMARY TO THE REGULAR BOARD OF TRUSTEES MEETING

Friday, July 19, 2019
9:01 A.M. – 10:04 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 August 23, 2019 at 9:00 A.M.

Board of Trustees

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

Guests

Randy Wyse, President, IAFF Local 122
Michael Savinelli, Neuberger Berman

Excused

Lawsikia Hodges, Office of General Counsel
Willard Payne, Secretary

Staff

Timothy H. Johnson, Executive Director – Plan Administrator
Steve Lundy, Deputy Director
Kevin Grant, Finance Manager
Randall Barnes, Fund Treasurer
Aaron Bowman, City Council Liaison
John Sawyer, Office of General Counsel
Alex Ford, Wilshire Associates – via Webex
David Lindberg, Wilshire, Investment Consultant (via Webex)
Bob Sugarman, Fund Counsel (via Webex)

Notice

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.

An audio recording of this meeting is available upon request. Contact the Jacksonville Police and Fire Pension Fund Custodian of Public Records, Maria Young at MariaY@coj.net or (904) 255-8950 to make a Public Records Request.

Agenda

- I. Invocation
Timothy Johnson
- II. Pledge of Allegiance

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III. Moment of Silence

Thomas E. Mitchell, Retired Police Sergeant
 Robert W. Powell, Retired Police Sergeant
 Carla D. Roberts-Jones, Retired Police Officer

IV. Public Speaking

There were no requests for public comment.

V. Consent Agenda Items 2019-07-(01-05)CA

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

2019-07-01CA Meeting Summaries to be Approved

1. Summary to the Board of Trustees & FIAC Manager Update of Tuesday, June 18, 2019
2. Summary to the Regular Board of Trustees Meeting of Friday, June 21, 2019
3. Summary to the Board of Trustees Personnel Committee of Monday, July 8, 2019

2019-07-02CA 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

None

DISBURSEMENTS B

06-01-2019 thru 06-30-2019

1. Accounts Payable Distributions	\$	46,980.36
2. Accounts Receivables	\$	56,555.85

2019-07-03CA Pension Distributions

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

June 14, 2019

1. Regular Gross	\$	5,983,793.79
2. Regular Lumpsum	\$	0.00
3. Regular Rollover	\$	0.00
4. Regular DROP Gross	\$	1,229,216.10
5. DROP Lumpsum	\$	50,000.00
6. DROP Rollover	\$	0.00
Total	\$	7,263,009.89

July 28, 2019

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1. Regular Gross	\$	5,985,497.09
2. Regular Lumpsum	\$	0.00
3. Regular Rollover	\$	0.00
4. Regular DROP Gross	\$	1,257,755.93
5. DROP Lumpsum	\$	0.00
6. DROP Rollover	\$	0.00
Total	\$	7,213,253.02

The following Consent Agenda items 2019-07-04C were verified with supporting documentation and approved at the Advisory Committee meeting held on June 12, 2019.

2019-07-04CA

Refund of Pension Contributions

2019-07-05CA

Educational Opportunities

1. Bi-Monthly Ethics Training for Boards & Commissions – COJ
 August 22, 2019 – 12PM – 1PM – Lynwood Roberts Room, City Hall, First Floor
 October 24, 2019 – 12PM – 1PM – Lynwood Roberts Room, City Hall, First Floor
 December 5, 2019 – 12PM – 1PM – Lynwood Roberts Room, City Hall, First Floor

(RSVP with Kirby Oberdorfer at koberdorfer@coj.net or 904-630-4747)

2. Fall Trustee School – FPPTA
 October 6-9, 2019, Sawgrass, Florida

[FPPTA Website](#)

VI. *Executive Director’s Report*

Timothy Johnson

Timothy Johnson thanked everyone who attended the PFPF’s 2019 Summer Social. Many Council Members, Union Representatives, Money Managers, and other stakeholders attended. Mike Savinelli, of Neuberger Berman attended and is at today’s Board Meeting.

Chris Brown introduced Mike Savinelli.

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Mike Savinelli thanked the Board of Trustees for having Neuberger Berman a part of the Plan. He briefly described the money management firm, Neuberger Berman. He thanked the Board for the invitation to the Summer Social.

Timothy Johnson discussed the awards given at the Summer Social. Last year's winners were Richard Patsy, Trustee of the Year, Pete Strong, Outstanding Actuary, Lynn West, PFPF Employee of the Year, James Holderfield, Advisory Committee Member of the Year, and Brian Smith, FIAC Member of the Year. This year's winners are Michael Lynch, Trustee of the Year, David Lindberg, Outstanding Investment Consultant, Chuck Hayes, PFPF Employee of the Year, Michael Shell, Advisory Committee Member of the Year, and Rodney Van Pelt, FIAC Member of the Year. In addition, Greg Anderson has an award for outstanding City Council Liaison.

Timothy Johnson welcomed Aaron Bowman, the PFPF's new City Council Liaison.

Aaron Bowman said he is glad to be here today.

Timothy Johnson said he has scheduled meetings with the new City Council members to expose them to the Police and Fire Pension Fund. He said he would meet with Aaron Bowman as well to discuss how the Board governs.

Timothy Johnson reported on other ongoing items:

There will be a recommendation from the Personnel Committee today.

The FIAC has been discussing the evaluation matrix for the upcoming Request For Proposal (RFP) for investment consultant services.

Everything is in place to administer the New Board Rule for Bailiff Time Service Connections – the new letter to prior applicants for Bailiff Time Service Connections will go out before the month end. Some bailiffs will be able to connect time who were previously ineligible. Other bailiffs will be eligible to connect additional time.

We are waiting on a legal opinion on the children's benefit question.

We're ready to administer the JFRD Out-Of-Class Pay issue.

Kevin Grant discussed the Investment Consultant RFP Timeline (Handout):

July 31 – RFP is published;

August 14 – Question and Answer Session

August 28 – RFP Closing Date (final day to submit response)

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September 13 – Evaluation Results will be presented to the FIAC

TBD – Interviews – Potential Interviews with top respondents

October 1 – Contract Phase – Contract negotiations and execution

Timothy Johnson said that instead of having two sets of interviews at the FIAC and Board levels, we could invite the Board of Trustees to one set of interviews with the FIAC. The Board will interview the finalists at the same time as the FIAC. We would not expect a final decision by the Board at that time, but the FIAC will create their recommendation to the Board at that meeting.

Michael Lynch asked when that meeting would be scheduled.

Kevin Grant said it would be in September – it could be a special meeting.

Richard Patsy asked if this RFP was by invitation.

Kevin Grant said it is open to anyone and everyone. Those who requested it will receive it as well.

Michael Lynch said the interviews lasted 4-5 hours when the GEPP interviewed its investment consultant candidates.

Randall Barnes said they brought in around six candidates.

Timothy Johnson said all firms interviewed by the GEPP have reached out to us. We talked about cancelling the regularly scheduled September FIAC meeting and moving to a different date. The September 13th FIAC meeting isn't set in stone – we will set a date that works for everyone.

Aaron Bowman asked for an explanation of publishing an RFP instead of extending the contract with the current investment consultant.

Timothy Johnson said Summit Strategies was the PFPF's investment consultant for almost 11 years before its acquisition by Mercer. The PFPF had to make a quick decision for who would be its next investment consultant. The Board of

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Trustees invited 3 firms to interview, and Wilshire was selected. Wilshire was engaged for a 1-year interim investment consultant contract, in anticipation of the PFPF publishing a full RFP.

Chris Brown said that Mercer had a 'no public pension' consulting strategy, so Summit left that business.

Michael Lynch asked if anything on the horizon would delay this timeline.

Kevin Grant said it is all good.

Kevin Grant said that the last report will be sent to the State today for the Chapter Monies. Everything is on schedule, and the PFPF should receive the Chapter Monies with the first traunch of checks sent.

Kevin Grant said we are in the contract phase with Farah & Farah for lease of the PFPF building's third floor space. The contract will be for 1-1.5 years. Also, they will pay \$80 per parking space, which is an increase.

Timothy Johnson commended Kevin Grant for all of his work on the contract. Once completed, the contract will be brought to the Board of Trustees for final approval.

Kevin Grant said the final changes to the contract for the JSO Bicycle Unit Stop Station have been received from Lawsikia Hodges.

Michael Lynch asked if the PFPF could ask Randy Wyse and Steve Zona for direction concerning the Chapter Funds before they are received. We do not want to be in another situation of holding the monies longer than necessary. We should stay ahead of the game, and ask what the unions want to do regarding the Holiday Bonus, et cetera.

VII. Personnel Committee

Motion to accept the Personnel Committee's recommendation regarding Steve Lundy: McDANIEL; Second: LYNCH; PASSED UNANIMOUSLY.

Nawal discussed the Personnel Committee's recommendation of promoting Steve Lundy to Deputy Director. The recommendation involves reclassifying Steve Lundy's position of Assistant Plan Administrator to Deputy Director. The purpose is to capture what Steve Lundy is doing. There will be no vacancy in the old position – it will be eliminated. Steve Lundy has been doing more work than the role of Assistant Plan Administrator. The promotion would include a 3% increase in pay. This is not performance based, but to bring Steve Lundy into the pay code of Deputy Director. This Deputy Director

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job description is different from the one previously eliminated. This new Deputy Director job description captures what Steve Lundy is doing now.

Nawal McDaniel said that after the Personnel Committee met and discussed this, she and Michael Lynch both agree that this is appropriate, Steve Lundy is doing a great job and this is a well deserved promotion.

Chris Brown asked for a motion to approve the Personnel Committee's recommendation.

Nawal McDaniel made a motion to accept the Personnel Committee's recommendation regarding Steve Lundy. Seconded by Michael Lynch. Discussion:

Chris Brown asked if there was any discussion, and for Steve Lundy's thoughts.

Steve Lundy thanked the Board of Trustees for the consideration. He said he appreciates it, and this means a lot to him.

Chris Brown said it is certainly not without merit. He said Steve Lundy has quite well deserved this, especially with the extra work put in over the past year – the extra duties, like analyzing the Bailiff TSC data he never should have had to do. There are a lot of things he has taken on, and we are grateful for that.

The vote passed unanimously.

Michael Lynch said that over the next couple of months, the PFPF staff will have their annual performance evaluations, and the Personnel Committee will meet again in September to discuss.

VIII. Counsel Reports
Bob Sugarman

Bob Sugarman said he recently attended a conference and about 400 pension lawyers attended also. He said that he would bring back some ideas discussed at the conference to the Board of Trustees soon. The biggest issue facing Florida's municipalities is cyber security. Two municipalities had to pay ransoms to retrieve their stolen data from hackers. We need to ensure our security is up to date.

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John Sawyer said that he would be Lawsikia Hodges back up today. He reminded the Board of Trustees that they are a party in litigation at the current time, and any public comment could be detrimental to the case.

Michael Lynch asked if anything generated John Sawyer's reminder.

John Sawyer said, "Nothing in particular".

Michael Lynch said he has been waiting a month for a meeting with the Office of General Counsel. At the last Board of Trustees meeting, he said he was told he would have his requested meeting. He said he got the email yesterday, for a meeting sometime in August. He said this is why he has to have these conversations publically – and it gets uncomfortable. He said that when he asks, OGC's timeline is two months, and his timeline is two weeks, and this is why these things happen the way they do. This is why you have this handout today on the Keane Litigation Costs.

John Sawyer said he apologizes for that delay.

IX. Investment Consultant Reports
David Lindberg & Alex Ford

Alex Ford and David Lindberg presented the Investment Consultant Reports handout. They covered the following topics and made the following highlights:

1. FY2019 3Q Capital Market Review

Alex Ford

- Page 5: Asset Class Performance. This sets the context for where we are through the Calendar Year. This was the strongest 1st half of the year for equities in 25 years, although this doesn't come without volatility.
- Page 6: Economic Review. Despite all the quantitative easing and liquidity injected into the economy over the last 10 years, inflation is still low. The Federal Reserve sees some weakness on the horizon. We should see some rate cuts coming. This will be a shot of adrenaline to the markets for the short term, but the long term prognosis is uncertain.
- Page 8: U.S. Equity Market. Growth stocks continue to dominate, and are outperforming by several percentage points. Large Cap dominates Small Cap. This has been pervasive over the past several years.
- Page 9: Non-U.S. Equity Market. Growth outpaces value. Ove the full market cycle, Wilshire expects an equalization.
- Page 10: U.S. Fixed Income. The yield curve is inverted, and is not sustainable over the long term. The market is pricing in slower growth on the horizon.

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2. June 2019 Fiscal YTD Performance Update

David Lindberg

- Page 15: Summary. This summarizes each section – Fiscal Year To Date performance was 2.6% through the end of June. There is a lot of movement and volatility. Items 2-4 deal with the U.S. Equity portfolio. Wilshire believes the PFPF should have more passive management in U.S. Equity. It is challenging for active management to outperform passive in this space.
- Page 16: PFPF Performance Update. Total Fund versus Policy Index returns were discussed.
- Page 15: Summary. Items 3-4 deal with WEDGE and Pinnacle. On an inception basis, WEDGE has underperformed. We recommend retaining WEDGE. They are very highly scored by Wilshire, and are on our focus list. They are highly regarded, and perform very well on a longer-term basis. Pinnacle is rated slightly above average by Wilshire, not as strong as WEDGE. There is nothing to do today – we are just setting the stage for our structure analysis in September.
- Page 15: Summary. Item 5 is Fixed Income. The PFPF's fixed income portfolio is too heavy in the core plus area. Wilshire recommends considering an increase in the core exposure. This is less volatile.
- Page 15: Summary. Item 6 relates to MLP benchmarking. The landscape of the MLP universe has changed. We may need to consider an alternative benchmark.

Richard Patsy said Wilshire can do the fixed income analysis, but given the upcoming RFP, the Board shouldn't take Wilshire's recommendations to change. If we hire a new consultant, they might have different recommendations. There would be a lot of activity and expense. He said that he thinks Wilshire's recommendation on fixed income makes sense.

David Lindberg said Wilshire could present the information in September, but the Board of Trustees does not have to make any decisions based on the analysis.

Richard Patsy said he thinks the general Board consensus is that we would like to wait. He said he would like to see Wilshire's recommendation on the fixed income allocation, however. He said he thinks the MLP benchmark recommendation is very logical.

David Lindberg asked to clarify – Wilshire should present the Fixed Income and MLP benchmarking analysis, but leave the equity analysis alone for now.

Chris Brown said yes.

David Lindberg said that works well, and Wilshire will be happy to do that in September.

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Chris Brown asked if there were any more questions for Wilshire, and there were none.

David Lindberg thanked the Board of Trustees for the award.

Chris Brown thanked David Lindberg for all the work.

Michael Lynch said he sat in on the IFEBP Fiduciary Certificate class, and he learned a lot of things. He said he believes the Board of Trustees do a lot of things right, but there are some things which he questions. He said he is looking into 'riders' as it relates to fiduciary liability insurance. These keep the insurance company from suing the Trustees personally. Also, Trustees are required to contribute in their professional experience to their work on the Board. He said he asked about attorneys – and the person at the conference said she would never work on a Board as an attorney. Also, Richard Patsy is financially in tune.

Michael Lynch said he said that looking forward, as the PFPF is a closed plan, the Trustees should have a conversation about reducing the Actuarially Assumed Rate of Return. Obviously, the City should chime in, and we should discuss this in concert with them. He said he discussed this with Timothy Johnson, and suggested lowering the return assumption by small increments in years of good returns instead of all at once.

Richard Patsy asked Michael Lynch if he envisions the plan lowering the rate from 7% to 6%.

Michael Lynch said he was thinking 6 3/8ths . The impacts from GEPP lowering their assumed rate is dramatic. This shouldn't be a trade war, or a race to zero. Being a little more conservative is a good plan going forward. We shouldn't make any decisions today, but this is something to think about. He said if the Trustees don't like this idea, he would like to hear why.

Michael Lynch asked if everyone had an opportunity to look at the Keane Litigation Cost handout.

Chris Brown said yes.

Michael Lynch said he had been asked not to discuss the number listed.

Chris Brown said, "I would like to suggest, perhaps, a Shade Meeting"

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John Sawyer said, "I will take that request back"

Chris Brown said, "I think at this point, we really need to get together and actually discuss things rather than have one-on-one meetings. If you could maybe work through a schedule for us to – maybe in August"

Michael Lynch said he would be elated if we could do that in August.

John Sawyer said the interim step is to announce a Shade Meeting, and that may require a special meeting.

Chris Brown said we should work through that because there are a lot of points of discussion we need to have that wouldn't be appropriate here.

The Board of Trustees discussed the steps necessary for announcing the Shade Meeting, and how much time there should be between announcing the Shade Meeting and when the Shade Meeting would take place.

John Sawyer said he would need to look at the Statute to determine the timing of announcing and holding the Shade Meeting.

Chris Brown said he recommends announcing the Shade Meeting at the next Board of Trustees meeting, then holding the Shade Meeting a couple of days later.

Michael Lynch asked about the small manager's accounts in Steve Lundy's daily market value update. He asked if these were residual cash balances in terminated managers' accounts.

Kevin Grant said that is correct.

Michael Lynch said it's not a lot of money, and asked if there was anything we could do about it.

Kevin Grant said that he would request Northern Trust to transfer the money, and Timothy Johnson would sign off.

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Randall Barnes said the City has not yet sent letters to affected members of the JFRD Out Of Class Pay issue, but will soon.

Michael Lynch asked if the PFPF would get a monthly kick back from the collected funds from members.

Randall Barnes said it would go into the PFPF's accounts in the City's General Ledger.

Chris Brown asked if Aaron Bowman had an update.

Aaron Bowman said he is happy to be here, and looks forward to meeting with Timothy Johnson to be brought up to speed. He said he is happy to do anything he can to facilitate discussions with the PFPF and City Council. Budget hearings start in August, so it will be a busy month and a half.

X. Old Business
None

XI. New Business
None

XII. Upcoming Meetings

1. Board of Trustees & FIAC Manager Update – Thompson Siegel & Walmsley
July 30, 2019 at 12:00PM
2. Board of Trustees Meeting
August 23, 2019 at 9:00AM

XIII. Adjournment
10:04AM

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Summary Approved:

Willard Payne, Secretary
Board of Trustees

Summary Prepared By:

Steve Lundy, Deputy Director
City of Jacksonville Police and Fire Pension Fund

Posted: 07/24/2019

To be Approved: 08/23/2019