



SUMMARY TO THE REGULAR BOARD OF TRUSTEES MEETING

Friday, August 23, 2019

Convened 9:00 A.M. – Adjourned 10:10 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 September 24, 2019 at 9:00 A.M.

Board of Trustees

Assistant Chief Chris Brown, Chair
Willard Payne, Secretary
Cpt. Michael Lynch
Nawal McDaniel
Richard Patsy

Excused

Randall Barnes, Fund Treasurer
Aaron Bowman, City Council Liaison

Staff

Timothy H. Johnson, Executive Director – Plan Administrator
Steve Lundy, Deputy Director
Kevin Grant, Finance Manager
David Lindberg, Wilshire, Investment Consultant
Alex Ford, Wilshire, Investment Consultant
Lawsikia Hodges, Office of General Counsel
Bob Sugarman, Fund Counsel (via Webex)

Guests

Mark Muchowicz, JSO

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

- I. Pledge of Allegiance
- II. Invocation
Kevin Grant
- III. Moment of Silence
Ira W. Bramlitt, Retired Firefighter Engineer
John L. “Big Mo” Higginbotham, Retired Police Officer
Walter S. Hurlbert, Retired Firefighter Engineer

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Gregg L. Mattson, Active Police Officer
Robert C. West, Retired Police Sergeant

IV. Public Speaking
None.

V. Consent Agenda Items 2019-08-(01-15)CA

Motion to Approve Consent Agenda: McDANIEL; Second: PATSY; APPROVED UNANIMOUSLY

2019-08-01CA Meeting Summaries to be Approved

1. Summary to the Regular Board of Trustees Meeting of Friday, July 19, 2019
2. Summary to the Board of Trustees & FIAC Manager Update of Tuesday, July 30, 2019

2019-08-02CA 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

07-01-2019 thru 07-31-2019

1. Sawgrass Asset Management	\$	65,242.14
2. Wilshire Associates	\$	56,250.00
3. Northern Trust	\$	11,724.26
4. Tortoise Capital Advisors	\$	78,900.51
Total	\$	212,116.91

DISBURSEMENTS B

07-01-2019 thru 07-31-2019

1. Accounts Payable Distributions	\$	61,836.64
2. Accounts Receivables	\$	24,362.44

2019-08-03CA Pension Distributions

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

July 12, 2019

1. Regular Gross	\$	6,037,778.41
2. Regular Lumpsum	\$	22,738.20
3. Regular Rollover	\$	0.00
4. Regular DROP Gross	\$	1,245,606.59
5. DROP Lumpsum	\$	116,639.59
6. DROP Rollover	\$	0.00
Total	\$	7,422,762.79

July 26, 2019

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1. Regular Gross	\$	6,032,135.17
2. Regular Lumpsum	\$	0.00
3. Regular Rollover	\$	0.00
4. Regular DROP Gross	\$	1,247,922.54
5. DROP Lumpsum	\$	30,000.00
6. DROP Rollover	\$	0.00
Total	\$	7,310,057.71

The following Consent Agenda items 2019-08-(04-09CA) were verified with supporting documentation and approved at the Advisory Committee meeting held on August 14, 2019. Vote was unanimous. Meeting Summary attached.

[2019-08-04CA](#)

Application for Time Service Retirement

[2019-08-05CA](#)

Application for Disability Retirement

[2019-08-06CA](#)

Application for Survivor Benefits

[2019-08-07CA](#)

Application for Child's Benefit

[2019-08-08CA](#)

Application for Vested Retirement

[2019-08-09CA](#)

Application for Time Service Connections

The following Consent Agenda items 2019-08-(10-14CA) were verified with supporting documentation and received as information at the Advisory Committee meeting held on August 14, 2019. Meeting Summary attached.

[2019-08-10CA](#)

Refund of Pension Contributions

[2019-08-11CA](#)

Share Plan Distributions

[2019-08-12CA](#)

DROP Participant Termination of Employment

[2019-08-13CA](#)

DROP Distributions

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[2019-08-14CA](#)

DROP Distributions for Survivors

[2019-08-15CA](#)

Educational Opportunities

1. Bi-Monthly Ethics Training for Boards & Commissions – COJ
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

Steve Lundy & Kevin Grant

At this point in the Board of Trustees' meeting, Timothy Johnson was not present. Steve Lundy and Kevin Grant covered the Executive Director's Report as attached:

Kevin Grant covered the FIAC and Board of Trustees timeline, and updates regarding the Investment Consultant Request for Proposal (RFP). The final decision on investment consultant will be made on October 18th.

Richard Patsy asked if a time had been scheduled for the October 2nd special meeting.

Steve Lundy said he had sent out an email to everyone asking the preferred meeting time. The meeting will most likely be held in the afternoon.

Steve Lundy updated the Board of Trustees on the bailiff time service connections issue. Letters have been sent to the original applicants informing them to reapply to lock in their original rate. We are still waiting to receive the certified data file from JSO HR. Once the data file is received, the 'New Rule' will be applied. Applicants who meet the new threshold will be informed they may purchase time service. Applicants not meeting the new threshold will be sent a letter of rejection, and will be informed they may appeal to the Advisory Committee.

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Steve Lundy updated the Board of Trustees on the JFRD Out-Of-Class Pay issue. All pension adjustments have been calculated for all members affected by the issue. The letters to retirees are nearing finalization and will be sent next week.

Michael Lynch asked if there will be a DROP recalculation for members.

Steve Lundy said there will be a pension adjustment, and there will be an adjustment to DROP principal. All of these adjustments have been calculated and will be stated on the letters to members, if applicable.

Steve Lundy gave Randall Barnes' update on the JFRD Out-Of-Class Pay issue: the City has now mailed the letters on the JFRD Out-of-Class Pay issue and will begin the collection process on the October 4 check.

Steve Lundy said that the City has also deposited the Chapter Funds with the Tax Collector and is expecting a funds transfer in the next few days, which will result in the PFPF account being credited.

Steve Lundy presented the 'Outstanding Investment Consultant' award to David Lindberg and Alex Ford of Wilshire. They were unable to accept the award at the Summer Social last month.

Chris Brown thanked David Lindberg and Alex Ford for their work.

David Lindberg thanked everyone and said it has been a great year.

Michael Lynch asked about the chapter funds.

Kevin Grant said the chapter funds are in a cash account.

VII. [Counsel Reports](#)

[Lawsikia Hodges & Bob Sugarman](#)

1. [Beaches Time Service Connections Update](#)

Bob Sugarman updated the Board of Trustees on the Beaches Time Service Connections issue. The insurance company has denied the PFPF's claim. They said the fund has not lost any money yet. They said when and if the fund loses money, put them on notice and they will reconsider the claim.

Bob Sugarman said the Board of Trustees has two choices, but should not act today:

- Accept the Advisory Committee's recommendation (against the advice given by OGC) to sell the members' Beaches TSCs at the original erroneous rate, then wait to see if anyone sues us – whether it is the City, or other members.
- Deny the Advisory Committee's recommendation (accepting the advice given by OGC), and sit back and see if they sue us.

Bob Sugarman said that in either case, we would make another claim to the insurance company. He said he expects they would defend us.

Chris Brown asked if the Board of Trustees accepts the appeal, and the Advisory Committee's recommendation, and does not require members affected by the Beaches TSCs issue to repay the money, would that not be sufficient to make a claim to the insurance company.

Bob Sugarman said it would not be, necessarily – someone would have to make a claim against us.

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Chris Brown said he feels that the fund has already incurred a loss, as some members affected have retired.

Bob Sugarman said the claim needs to be made by someone else outside this room.

Lawsikia Hodges said she would encourage the Board of Trustees to follow OGC's advice. There is a recent case law with a ruling in the 4th circuit almost identical to this. There are also IRS implications. The Board of Trustees shouldn't vote on this issue until we have heard back from Timothy Johnson as well.

Chris Brown asked Lawsikia Hodges to forward the recent case law to the Board of Trustees.

Michael Lynch said that if the Board tells the members to pay us, they will sue. Then we will spend more on legal expenses. Or, we write it off.

Chris Brown said there is already a hardship to the members affected. They would intend to sue. From a common sense perspective, this litigation would be costly.

Michael Lynch mentioned that throughout the time the Beaches TSCs errors occurred, an excess of 20 people have had the opportunity to view the Beaches TSCs, and point out that "this is substantially different than it has been in the past". We all missed it. No one is pointing fingers. We can come to the least painful conclusion.

Chris Brown said he recommends the Board of Trustees not vote on this today. He said he wants to review the case law.

Lawsikia Hodges said we could send the case law to the opposing counsel as well.

Chris Brown said we would review the Beaches TSCs issue next month.

Bob Sugarman noted that if the Board is to act on the recommendation of the Advisory Committee next month, the opposing counsel should be notified.

2. OGC Response to Request for Shade Meeting

Lawsikia Hodges said that after meeting with all the Trustees, the OGC litigation team has decided a Shade Meeting would be prudent. She began to read the Shade Meeting request announcement, but noticed the case citation may be inaccurate. She said she would confirm and reiterate the announcement later in today's meeting.

3. Order Denying Petition for Rehearing

Lawsikia Hodges said the opposing side was denied a rehearing. There is an unlikely possibility that they would appeal to the Supreme Court.

The Board of Trustees discussed scheduling, and rescheduled the next regular Board of Trustees meeting for September 24, 2019 at 9:00 A.M.

VIII. Investment Consultant Reports

David Lindberg & Alex Ford

1. FY2019 3Q Capital Market Review

David Lindberg and Alex Ford presented Wilshire Consulting's Investment Consultant Reports handout. They covered the following topics and made the following points:

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- Page 4: Market Update as of August 16, 2019 – There is a lot of recession talk and fear. On average, recessions occur every 7 years. It has been 10 years since the last recession. Some try to time recessions, but our advice is to do nothing. The fund has a good asset allocation.
- Page 20: Market Reaction – This page shows the reaction to times when the yield curve was inverted. The U.S. has strong consumer spending, and low unemployment. The economy is strong.
- Page 21: Long Term Returns – Long term returns following yield curve inversions were discussed. There is a maximum of 30.6% to a minimum of -14.5%. There is no predicting the future.

2. July 2019 Fiscal YTD Performance Update

- Page 24: Summary – Fiscal Year To Date performance through July 2019 is a positive 2.9%. The policy index is a positive 3.5%. Market Value has dipped some in August.
- Page 25: PFPF Performance Update – Returns are lagging below the benchmark this Fiscal Year. The drag is caused mostly by emerging market equities. This is a challenging area.

3. FY 2019 3Q Executive Summary Report

- Page 40: Performance Comparison – Performance is compared against other plans. Short and long-term rankings are shown. The fund’s investment policy has shown great results. We are performing very well.

Chris Brown asked if the fund’s return is a quarter above the policy over the ten year period.

David Lindberg said yes.

4. Fixed Income Analysis

David Lindberg discussed the Fixed Income portfolio analysis as shown on page 79 of the handout. He said he is not talking about manager performance, but the portfolio structure regarding credit exposure. The fund is heavily allocated to core-plus securities. Core-plus is about 80%, and core is 20% of the fund’s fixed income portfolio. Richard Patsy asked in July to see the portfolio characteristics.

Richard Patsy asked if David Lindberg is suggesting all three of the fund’s fixed income managers are ‘core-plus’ managers.

David Lindberg said yes, to differing degrees. Thompson Siegel Walmsley is the fund’s ‘core’ manager, but they have some core-plus. The two bars on page 80 show each manager’s contribution to risk. This is a practical matter – when markets go down, you would not want to have to take money from these portfolios.

Michael Lynch said we would normally expect this segment to hold in a down market, but it would actually sell off due to the risk.

Timothy Johnson asked if these two bars should be more aligned.

David Lindberg said this is just for awareness – it doesn’t have to match. The takeaway is that the fund’s core manager has some core-plus. In a 2008-style selloff, all three managers would underperform the benchmark.

Richard Patsy asked how risk is defined.

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David Lindberg said this is based on Wilshire's proprietary model – data is loaded into the analytics system, and ex-ante, forward looking risk is analyzed. This is based on the day the model's program is ran. Using the model, the risk's origin is identified. This is on the security level. Hundreds of securities are analyzed.

Alex Ford said page 82 shows the securities level.

Michael Lynch asked if anything is outside the asset allocation policy ranges.

David Lindberg said no.

5. MLP Benchmarking

Alex Ford began discussing the MLP Benchmarking Discussion on page 87 of the handout. The current benchmark used for the fund's MLP managers is the Alerian MLP index 'AMLP'. A lot of companies in this space are converting to C-Corps and falling out of the index. The fund is investing in midstream energy, not just the esoteric MLP tax structure. Wilshire believes a new index would be more appropriate.

Alex Ford said Wilshire recommends adoption of the Alerian U.S. Midstream Energy Index (AMUS) as benchmark for this asset class and each underlying manager. We have talked with the fund's managers, and they are somewhat ambivalent to the change. There are no concerns from that end.

Chris Brown asked if anyone had any issues with this.

Richard Patsy asked if there is any long-term possibility this market segment will go away.

David Lindberg said they don't believe so. He said on the timing standpoint, there is no hurry. This could be changed on October 1.

Michael Lynch said this would be the end of the quarter. He asked when the fund sends the money to the City.

Kevin Grant said the money is sent in the last week in September.

Michael Lynch said we could pull the money, change the benchmark, then be good moving forward.

Chris Brown asked for a motion.

Richard Patsy made a motion to adopt the Alerian U.S. Midstream Energy Index (AMUS) as benchmark for this asset class and each underlying manager. Seconded by Michael Lynch. The vote passed unanimously.

David Lindberg said that Wilshire would work with PFPF staff to be as creative as possible regarding the upcoming large outflows of cash.

Michael Lynch said he would like to have a conversation on the side about this.

Timothy Johnson said he thinks we are maintaining the current schedule of cash flows this year, but next year, we may have a conversation about new methods.

Michael Lynch said he would like to discuss this on the side as well.

Lawsikia Hodges made the official Shade meeting request announcement at this point in the Board of Trustees meeting:

"REQUEST FOR LITIGATION SHADE MEETING

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The attorneys for the Board of Trustees request that the Board schedule a litigation shade meeting and desire advice concerning settlement negotiations and strategy relating to litigation expenditures for the pending state court lawsuit in:

Keane v. Jacksonville Police and Fire Pension Fund Board of Trustees and City of Jacksonville, Case No. 16-2018-CA-005925 (in the Circuit Court, Fourth Judicial Circuit)”

Michael Lynch discussed Firefighter Engineer Brian McCluney who is lost at sea and most likely deceased. He asked if survivor’s benefits could be prospectively approved prior to the conclusion of the legal process of declaring the member deceased. This is a very unusual circumstance.

Chris Brown agreed. He asked for legal advice.

Bob Sugarman said the Board of Trustees would pass a motion delegating to the Executive Director the authority to review, approve, and commence benefits pending ratification by the Board of Trustees.

The Board of Trustees discussed additional employee benefit considerations the City will need to make regarding this employee.

Michael Lynch made a motion to delegate to the Executive Director the authority to review, approve, and commence survivor benefits for the widow of Brian McCluney pending ratification by the Board of Trustees. Seconded by Richard Patsy. The vote passed unanimously.

Michael Lynch said he has discussed the likelihood that the fund’s asset allocation will not meet its 7% return assumption going forward. He said he is interested in methods of lowering the return assumption similar to those of CalPERS and Georgia ERS. These methods lower the return assumption during years the fund exceeds its target return.

Chris Brown said that it makes sense to have this discussion because the plan is closed.

Richard Patsy said Pete Strong and the City should be included when we officially have this discussion.

Michael Lynch said this should be a big conversation – in the last actuarial valuation, it was shown that our debt was impacted by the City lowering its return assumption.

Chris Brown agreed.

David Lindberg said Wilshire can provide educational data on this subject as well.

Timothy Johnson congratulated Chris Brown on his appointment to the rank of Assistant Chief.

Chris Brown thanked Timothy Johnson. He said he was appointed Assistant Chief over Zone 2 last Saturday. This area covers Arlington to the Beaches neighborhoods of the city.

Timothy Johnson informed the Board of Trustees that two PFPF employees are ill. Troy Scherbinski, PFPF Building Services Manager was in a motorcycle accident and is badly injured, but is recovering well and expected to make a full recovery and return to work in November. Chuck Hayes is also ill, and we are unsure of his ailment. Please keep both in your prayers.

Timothy Johnson informed the Board of Trustees that Willard Payne’s term as trustee expires in February. He has asked to be replaced before the end of his term. He wishes to serve through December 2019.

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Richard Patsy said the confirmation process is lengthy.

Chris Brown said the Board of Trustees votes on the fifth member.

Lawsikia Hodges said she thinks the fifth member still has to be ministerially approved through City Council. She said she would confirm this.

Chris Brown asked to place this item on next month's agenda.

Michael Lynch said he has some suggestions.

Michael Lynch said that Kevin Grant informed the Board that the chapter money has been credited to the account. The unions will ask for it. He said that Timothy Johnson said he would send the 'what do you want to do' letter today.

Michael Lynch asked if the Board could give Timothy Johnson the authority to grant the unions' same request as last year.

Lawsikia Hodges said the Board could pass a motion granting Timothy Johnson that authority contingent upon the unions' request meeting the code requirements.

Michael Lynch said the unions will most likely request that the Board of Trustees pay the retiree bonus, and request the remainder of the money be transferred to the health care trust.

Lawsikia Hodges worded the motion as: Timothy Johnson to be authorized to disburse the chapter funds for both unions, police and fire, contingent upon code requirements and OGC reviewing the request for legality.

There were no requests for public comment.

Michael Lynch made a motion to authorize Timothy Johnson to disburse the chapter funds for both unions, police and fire, contingent upon code requirements and OGC reviewing the request for legality. Seconded by Nawal McDaniel. The vote passed unanimously.

IX. Council Liaison Update
Aaron Bowman

X. Old Business
None.

XI. New Business
None.

XII. Adjournment
10:10 A.M.

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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: 08/27/2019

To be Approved: 09/24/2019