



SUMMARY TO THE REGULAR BOARD OF TRUSTEES MEETING

Friday, May 19, 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

Board of Trustees

Lt. Richard Tuten III, Chair
Richard Patsy, Secretary
Lt. Chris Brown, Trustee
William Scheu, Trustee

City Representatives Invited

Anna Brosche, City Council Liaison
Joey Greive, Fund Treasurer
Randy Reaves, FOP
Michael Lynch, JFRD, Advisory Committee
Mark Muchowicz, FOP
Randy Wyse, Jacksonville Association of Firefighters

Staff

Timothy H. Johnson, Executive Director –Plan Administrator
Steve Lundy, Pension Benefit Specialist
Lawsikia Hodges, Office of General Counsel
Dan Holmes, Summit Strategies
Bob Sugarman, Fund Attorney
Denice Taylor, AAA Reporters

Excused

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 9:02AM.

II. Pledge of Allegiance

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III. A moment of silence will be observed for the following deceased members:

James W. Black, Retired Fire District Chief
Carroll Dyal, Retired Police Officer
Anthony R. Rodgers, Retired Police Officer

IV. Public Speaking

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

V. Consent Agenda Items 2017-05-(01-11)CA

2017-05-01CA - Meeting Summary and Final Transcript Approved

1. Final Transcript of the Board of Trustees Meeting held April 10, 2017. Copies held in the meeting files.
2. Final Transcript of the Board of Trustees Meeting held April 17, 2017. Copies held in the meeting files.
3. Meeting Summary of the Board of Trustees Special Meeting held April 21, 2017. Copies held in the meeting files.

2017-05-02CA 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 available upon request.

DISBURSEMENTS A

4-1-2017 thru 4-30-2017

1. Baker Gilmour Cardiovascular	\$ 3,400.00
2. Summit Strategies	\$ 61,466.00
3. Comercia Bank / Wedge	\$ 133,403.58
4. Sugarman & Susskind	\$ 14,077.09
5. The Northern Trust Company	\$ 40,073.70
6. Tortoise Capital Advisors	\$ 101,889.51
7. ACCESS	\$ 1,242.07
8. Pension Board Consultants	\$ 4,750.00
9. Klausner Kaufman Jensen & Levinson	\$ 627.00
10. Sawgrass Asset Management	\$ 46,460.83

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11. Gabriel, Roeder, Smith & Company	\$	23,974.00
Total	\$	431,363.78

DISBURSEMENTS B

4-1-2017 thru 4-30-2017

1. Accounts Payable Distributions	\$	28,533.76
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2017-05-03CA Pension Distributions

April 7, 2017

1. Regular Gross	\$	5,270,013.06
2. Regular Lumpsum	\$	11,013.35
3. Regular Rollover	\$	0.00
4. Regular DROP Gross	\$	1,051,295.59
5. DROP Lumpsum	\$	0.00
6. DROP Rollover	\$	0.00
Total	\$	6,332,322.00

April 21, 2017

1. Regular Gross	\$	5,350,688.83
2. Regular Lumpsum	\$	0.00
3. Regular Rollover	\$	0.00
4. Regular DROP Gross	\$	1,086,657.51
5. DROP Lumpsum	\$	422,314.24
6. DROP Rollover	\$	337,856.70
Total	\$	7,197,517.28

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

The following Consent Agenda items 2017-05-(04-05) were verified with supporting documentation and approved at the Advisory Committee meeting held on May 10, 2017. Vote was unanimous.

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[2017-05-04CA](#)

Applications for Membership

[2017-05-05CA](#)

Applications for Survivor Benefits

The following Consent Agenda items 2017-05-(06-11) were verified with supporting documentation and received as information at the Advisory Committee meeting held on May 10, 2017.

[2017-05-06CA](#)

Application for Time Service Connections

[2017-05-07CA](#)

Refund of Pension Contributions

[2017-05-08CA](#)

Share Plan Distributions

[2017-05-09CA](#)

DROP Participant Termination of Employment

[2017-05-10CA](#)

Drop Distributions

[2017-05-11CA](#)

Drop Distributions for Survivors

A motion was made by Richard Patsy to approve the Consent Agenda items 2017-05-(01-11CA), seconded by William Scheu. The vote was unanimous.

VI. Executive Director's Report

Timothy H. Johnson

Timothy Johnson said that Steve Lundy has been doing an outstanding job updating the books used for the Board of Trustees, the Financial Investment and Advisory Committee (FIAC), and the Advisory Committee. The cover has been updated to show a nice picture of the PFPF building. All Board actions are now highlighted in red, and the font is easier to read.

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Timothy Johnson said that nothing too exciting is happening this month – in contrast to the busy month of April – and that we are on pace for the year.

1. Ordinance 2017-348

Timothy Johnson said that the ‘Becton Bill’ affects the 2017 pension reform ordinance. There will be a meeting in City Hall in June. Timothy Johnson said he will discuss the bill in greater detail with the Board in the future.

2. Devin Carter Resignation Letter

Timothy Johnson referred the Board to Devin Carter’s resignation letter, and informed the Board that he had formally resigned.

3. Board of Trustees Comment to Ordinances – Fiscal Impact

Timothy Johnson described the Fiscal Impact chart briefly to the Board, and noted that it was the Chairman’s intent to discuss next month.

Richard Tuten asked what the average liquidity ratio is among most pension plans and if there is a ‘standard’.

Timothy Johnson said that he has gotten that question before, and that typically at 80% funding, plans will have enough money to pay all benefits.

William Scheu said that Pew should be able to provide more insight.

William Scheu asked about the transfer of the Senior Staff Voluntary Retirement Plan (SSVRP) to the City.

Timothy Johnson described the proposal to move the administration of the SSVRP to the City. He said that there were incidents of Cost-Of-Living Adjustments (COLAs) not being applied for members of the SSVRP, errors on a 1099, and other tax form change errors. Timothy Johnson said that the PFPF staff was ‘locked out’ of the pension administration system and could not apply changes. Timothy Johnson said that the General Employees’ Pension Plan would administer the SSVRP.

Richard Tuten asked if the PFPF exposes itself as a plan if this responsibility is delegated to the City. He also asked if this was in the best interest of the Board.

Bob Sugarman said that the Board is ultimately liable. Delegation of administrative duties does not let the Board ‘off the hook’.

Lawsikia Hodges said that the charter allows the Board to delegate this duty.

William Scheu said that he asked the Mayor’s Office if they would like to invite Pew to assist in the administrative development and implementation of the 2017 pension reform, however there was no interest from the Mayor’s Office.

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VII. Counsel Reports
Lawsikia Hodges

Lawsikia Hodges said, answering Chris Brown's question from the last Board of Trustees Meeting, that if an employee is a full time court bailiff, then he should be able to connect time. Lawsikia Hodges said she recommends that some clarification to the Ordinance be made regarding Time Service Connections.

Chris Brown asked if there will be an outlined process ready by the next Board meeting.

Lawsikia Hodges said that the process should go through the benefits committee first.

Timothy Johnson said he would like an opinion before any action is taken.

Lawsikia Hodges said that an opinion will be issued, including draft language for the ordinance changes.

Timothy Johnson said that we need to be clear on what the law is now before we change it.

Lawsikia Hodges said that there is State legislation in the works relating to public records requests, which will give protection against frivolous cases. The law would make plaintiffs pay for the other party's attorney's fees should their case be deemed frivolous.

Bob Sugarman described progress on the Loomis Sayles contract. He said that their product is new to the Florida market, and must comply with Florida law if we are going into a comingled Fund with the City.

Bob Sugarman said that he and John Sawyer of the Office of General Counsel (OGC) have both put language in the contract, and that it is good that they are working together. He said that Dan Holmes is following the progress. He said that Loomis will have to make a judgment whether it should be a separate account. He said that Loomis loses about \$6,000 a week in fees until a contract is approved.

Bob Sugarman described progress on the official reclamation policy. He said that the process for reclamation would start in the PFPF office, and then move to OGC for collection. Bob Sugarman said he and OGC will jointly present the policy to the Board for approval when it is written.

VIII. Investment Consultant Reports
Dan Holmes

1. Economic & Capital Market Update – April, 2017

Richard Tuten asked Dan Holmes to skip the Economic & Capital Market Update.

2. Flash Report – April, 2017

Dan Holmes said that the total market value at the end of April was almost \$1.9 billion – the largest value in the Fund's history.

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Dan Holmes described the Fund asset allocation range, and said that it is within policy ranges, however the Fund is underweight in real estate, and that the FIAC is looking at this.

Dan Holmes said that calendar and fiscal year return are good, and that we are over the policy index by 1.3%. He said the drivers of performance are international equity and emerging market returns. He said Baillie Gifford as a manager is a good driver.

Dan Holmes said that fixed income returns have come down.

3. Watch List – Q1 2017

Chris Brown said that Sawgrass is having issues; they have performed poorly over the past three months.

Dan Holmes said that the FIAC has had the same conversation. He said that Sawgrass is still performing within the world of expectation in our eyes. They have low beta – when the market goes down, they protect; on the upside, growth outperforms value.

Dan Holmes said that Sawgrass will make a presentation to the FIAC at their next meeting in June, and that he will report to the Board.

Dan Holmes said that MLPs are up 5.7% above the benchmark, and that Real Estate is up as well.

Richard Tuten asked if the Fund's money managers are defensive, in case this 'wave' goes down. He said a market correction may be looming.

Dan Holmes said that according to the VIX, a forward looking indicator of volatility, the markets are not anticipating a correction. When the VIX falls below a 10-15% level, the market does very well for around 12 months. Dan Holmes said that if another 2008 style correction happens, it doesn't matter if managers are defensive or not – everybody goes down.

Richard Patsy said that the Fund is finally benefitting from being overweight in international equity.

William Scheu asked Dan Holmes to describe Pinnacle's key man risk.

Dan Holmes briefly described Pinnacle's three man team, and that the leader of which has recently had some health issues. Dan Holmes said that if something bad were to happen to this man, then he would recommend that the Fund pull out of Pinnacle. He said that Pinnacle is more of a boutique shop.

4. Investment Performance Review

Dan Holmes directed the Board to page 14 of the report. He said that the overweight in international equity has driven very good performance of the Fund, putting it into the top third percentile of the peer universe of other pension funds. He said that the Fund is experiencing very good absolute performance and very good peer performance.

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IX. Old Business

X. New Business

Richard Patsy said that as the pension reform takes effect on October 1st, an asset allocation study may be appropriate.

Timothy Johnson said that the closing of the plan puts it in a unique situation. He asked if the Fund should take on more risk and try to make as much money as possible because the future is uncertain, or go completely passive since the future is certain. He said that the GEPP is in the same situation, and that both plans should choose the same outlook instead of going in separate directions.

Timothy Johnson said that an asset liabilities study should take Dan Holmes around 2-3 months, and that he would like to be done by the end of the year.

Richard Tuten said that Pete Strong should be involved.

Timothy Johnson noted that advisory committee member Michael Lynch is going to the training in Tallahassee. Timothy Johnson said that he and Chris Brown recently attended training in Orlando.

Bob Sugarman said that he would be on the agenda for the training opportunity, but he will be celebrating his 70th birthday with his wife.

Timothy Johnson reminded the Board that the Fund would reimburse expenses should any members choose to attend the training.

Bob Sugarman encouraged the Board to attend the training, noting that it is a very educational environment, and that many state policymakers will be attending.

William Scheu asked Steve Lundy to inform the Board of Linda Honea's passing.

Steve Lundy informed the Board of the passing of Linda Honea, a member of KBLD LLC, the firm which the Fund has used for auditing services over the past few years. Steve Lundy said that she had been fighting breast cancer, and passed away from complications unexpectedly on Sunday, and that the staff of the Fund will miss her.

XI. Adjournment

Richard Tuten adjourned the meeting at approximately 10:05AM.

Richard Patsy, Board Secretary

To be approved at the Board of Trustees Meeting on June 16, 2017