
JACKSONVILLE POLICE AND FIRE PENSION FUND
FINANCIAL INVESTMENT AND ADVISORY COMMITTEE
MEETING SUMMARY – JUNE 8, 2018 – 3:30PM

PRESENT

Eric "Brian" Smith Jr., Chair
Tracey Devine
Rob Kowkabany
Rodney Van Pelt

STAFF

Timothy H. Johnson, Executive Director – Plan Administrator
Steve Lundy, Assistant Plan Administrator
Kevin B. Grant, Finance Manager
Dan Holmes, Summit Strategies – via Webex
Hector Sanchez, Carr, Riggs & Ingram – via Webex
Pete Strong, Fund Actuary – via Webex

EXCUSED

Craig Lewis Sr., Secretary
Joey Greive, Fund Treasurer

GUESTS

Meeting Convened:

3:32PM

Meeting Adjourned:

5:07PM

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.

I. PUBLIC SPEAKING PERIOD

None.

II. MEETING SUMMARY TO BE APPROVED

Motion to approve: VAN PELT; Second: DEVINE; APPROVED UNANIMOUSLY.

1. FIAC Meeting – May 18, 2018

III. NEW BUSINESS

1. External Audit

Motion to accept: VAN PELT; Second: KOWKABANY; APPROVED UNANIMOUSLY.

Hector Sanchez

Hector Sanchez thanked Timothy Johnson and the PFPF Staff for their help during the audit.

Hector Sanchez discussed the audit as attached. The audit gives the highest assurance for financial statements accuracy.

Hector Sanchez discussed the one deficiency found in the member census data sent to the actuary. Some changes made to members' pay codes during the year were not captured by the census data report sent to the actuary. This was materially inaccurate – it resulted in the actuary calculating an inaccurate, lower pension liability. This error has been corrected – the correct data has been sent to the actuary, and numbers have been updated.

Hector Sanchez thanked the FIAC for the opportunity to present the audit report.

Tracey Devine asked what the term 'unaudited' meant on the top of page 5.

Hector Sanchez said it means it is independent of management discussion and analysis. The audit scope covers the financial statements.

Brian Smith asked for Timothy Johnson's input on the audit before the FIAC votes to accept.

Timothy Johnson said that it is the PFPF's first year working with Carr, Riggs & Ingram (CRI). The PFPF is 'piggybacking' with the GEPP and COJ on the contract with CRI. It was a 'big assignment and a wonky ride'. The audit should have been complete in March. It was delayed partly due to multiple auditors being assigned to it. CRI wrote a letter which was presented in April giving an explanation of the delay. The material weakness on the census report was identified, uncovered, analyzed, and reconciled. The updated salary data resulted in a higher liability and an increased ADEC.

Timothy Johnson said he is comfortable with the audit. The PFPF is dependent on ITD to produce reports. Kevin Grant has done a great job developing a correction plan to make sure ITD's reports that are sent to the actuary are accurate in the future.

Brian Smith asked if this was Timothy Johnson's first audit.

Timothy Johnson said this is his second audit, and Kevin Grant's first at the PFPF.

Brian Smith asked if the City and Union negotiations to close the PFPF to new entrants has impacted the auditors' work.

POLICE AND FIRE PENSION FUND
FINANCIAL INVESTMENT AND ADVISORY COMMITTEE
MEETING SUMMARY – JUNE 8, 2018 – 3:30 PM
Page 3

Timothy Johnson said that CRI has been pretty adept at understanding the impact of the pension reform ordinances. He said he thinks the job was bigger than CRI anticipated.

Kevin Grant said that CRI had to understand the relationship and moving parts between the PFPF and the City. The error in data reported from ITD originated from changing (pensionable) incentive pay from monthly to biweekly. When JFRD, ITD, and the City held meetings to make this change, they did not include the PFPF.

Rodney Van Pelt said CRI should know that Hector Sanchez was difficult to understand over the phone. If he presents in the future, he should do so in person.

Timothy Johnson said that Rob Lemmon presented to the Board of Trustees live on May 25th. Rob wanted to attend the FIAC meeting today but was unable. The Board has not approved the audit report yet as they would like the FIAC's feedback.

Tracey Devine asked for clarification of the timing of the ADEC payment to the audit report.

Pete Strong said there is a Fiscal Year delay – the contribution requirement from the October 1, 2017 valuation determines the Fiscal Year 2019 payment.

Rodney Van Pelt made a motion to accept the External Audit. Seconded by Rob Kowkabany. Discussion:

Rob Kowkabany asked if there are any management recommendations.

Timothy Johnson said he responded to about a dozen recommendations.

The vote passed unanimously.

2. Revised 10-1-2017 Actuarial Valuation Report

Motion to accept and approve: DEVINE; Second: KOWKABANY; APPROVED UNANIMOUSLY.

Pete Strong

Pete Strong discussed the items which have changed on the Actuarial Valuation Report since he originally presented it to the FIAC in January. The error in the missing pay codes did not affect prior valuations. This is good news – the 2014, 2015, and 2016 valuations used correct data. This error was caught soon.

Pete Strong said that this error in data reporting resulted in an initial estimate of an increase of 5% in liability and normal cost. This exceeds the materiality limit and would result in a changed actuarial valuation.

Pete Strong said there was another change to the Actuarial Valuation Report which helped to offset the increase in liability. Assets have increased because January's assets were understated by about \$7.4 million.

Kevin Grant added that the \$7.4 million was remaining monies the City owed the Fund.

Pete Strong, in response to a question by Rodney Van Pelt, said that there is always a one-year lag between the Actuarial Valuation Report date and the year of contribution.

Tracey Devine made a motion to accept and approve the Actuarial Valuation Report. Seconded by Rob Kowkabany. The vote passed unanimously.

Tracey Devine said she was trying to understand what the term 'hedge equity' meant as reported on the external audit.

Kevin Grant said that as he sorted the Fund's investments on the Northern Trust system, that was the term used for the category. It does not mean a 'hedge fund'.

IV. EXECUTIVE DIRECTOR'S REPORT

Timothy Johnson

Brian Smith asked Timothy Johnson how the Board received the FIAC's recommendation on the Asset – Liability Study.

Timothy Johnson said that he was pleased with the Board's response – the Board is waiting to approve the Asset – Liability Study this Friday. Dan Holmes has spoken with each Trustee individually to answer any of their questions on the Study.

1. FIAC Work Plan

Timothy Johnson said he has adjusted the FIAC Work Plan to move activities to when they actually occurred, and to account for the FIAC's desire to hold quarterly Investment Performance Reviews.

Brian Smith said he is very comfortable with the updated FIAC Work Plan.

Timothy Johnson said that there will be a Manager Update with Neuberger Berman on June 28th at 11:00AM. FIAC and Board attendance is optional. Additional optional Manager Updates will be held in August and September.

Steve Lundy said that FIAC members and Trustees may call in to the meetings by conference call if they wish.

Brian Smith asked about the Summer Social.

Timothy Johnson said that the Summer Social will be an opportunity for everyone on the PFPF's Board and Committees to eat and drink for a couple of hours – but they may not speak about Fund business. The Summer Social will be held at the restaurant across the street from the PFPF – 20 West Adams (both the address and name of the restaurant).

POLICE AND FIRE PENSION FUND
FINANCIAL INVESTMENT AND ADVISORY COMMITTEE
MEETING SUMMARY – JUNE 8, 2018 – 3:30 PM
Page 5

Tracey Devine asked about the State and Local Law training.

Timothy Johnson said that OGC wants to put this training together, and he will work with them to get this done.

Timothy Johnson said that there is an FFPTA conference in Orlando from June 20-24. This will count towards the FIAC's continuing investment education requirement.

Brian Smith said it would be appropriate for the FIAC to revisit the verbiage used in the Investment Policy Statement once the Board of Trustees approves the Asset – Liability Study.

Rodney Van Pelt asked if Dan Holmes had made any changes to the IPS.

Timothy Johnson said yes, he has, and the FIAC will see the IPS again soon.

Brian Smith added that the Board would need to approve the updated IPS after an FIAC recommendation.

Brian Smith mentioned previous joint meetings with the Board of Trustees.

Timothy Johnson said that the optional Manager Updates are noticed for the Board of Trustees and the FIAC. He anticipates the State and Local law training will be offered jointly. He said the previous joint meetings were awkward considering the very controversial disagreement between the City and the Board regarding the 2015 agreement.

Timothy Johnson said that the Trustees School published a 500-page book, and he would email it out to members of the FIAC.

Tracey Devine asked when the FIAC would discuss the new IPS.

Brian Smith said that Timothy Johnson would add it to the FIAC Work Plan.

Timothy Johnson said that Dan Holmes is finalizing his edits to the new IPS. It will be on the July FIAC agenda.

Timothy Johnson, in response to a request by Tracey Devine, said that the FIAC would look at Fund performance and Manager performance in the quarterly investment performance reviews.

Brian Smith asked Tracey Devine for an update on the Request For Information (RFI) to Summit Strategies.

Tracey Devine said that she and Timothy Johnson reviewed her re-typed and refreshed RFI to Summit Strategies. This RFI could be used as a template every 3 years. She re-typed all the original questions that were asked of Summit Strategies years ago in the original RFI. Additionally, she said that either semiannually or annually, a piece will be sent to Summit Strategies with 5 or so questions verifying the firm's soundness and health (material loss of clients, management turnover, etc...). This piece will be

POLICE AND FIRE PENSION FUND
FINANCIAL INVESTMENT AND ADVISORY COMMITTEE
MEETING SUMMARY – JUNE 8, 2018 – 3:30 PM
Page 6

standardized. She is hoping to send the updated RFI by the end of next week, and Summit Strategies should send it back by mid-July.

Timothy Johnson said that September 30 is the deadline to extend Summit Strategies' contract. He is hoping that in September the FIAC will have a recommendation on what to do regarding the contract.

Brian Smith said that the piece regarding the health of Summit Strategies should be sent annually, not semiannually. It is extra work for them and the FIAC to review.

Tracey Devine said there are pros and cons to each schedule – in her experience, this exercise is done quarterly. It is not a 'heavy lift' for Summit Strategies. She is receptive to sending it on an annual basis.

Timothy Johnson updated the FIAC on their recommendation to the Board regarding the Procurement Chart. The Board requested an expanded financial services procurement procedure. He found a copy of Joey Greive's procedures, and updated it for the PFPF with OGC. This handout is a draft. If the Board makes a change, it does not have to come back to the FIAC.

V. INVESTMENT CONSULTANT REPORTS

Dan Holmes

1. **Flash Report – May 31, 2018 – Handout**
Received as information
2. **Economic & Capital Market Update – May 31, 2018**
Received as information

VI. OLD BUSINESS

None.

VII. UPCOMING MEETINGS

1. **Optional Board of Trustees & FIAC Manager Update**
Neuberger Berman Group LLC – THURSDAY, June 28, 2018 at 11:00AM
2. **FIAC Meeting**
MONDAY, July 16, 2018 at 3:30PM

Steve Lundy, Assistant Plan Administrator
Posted 06/13/2018

POLICE AND FIRE PENSION FUND
FINANCIAL INVESTMENT AND ADVISORY COMMITTEE
MEETING SUMMARY – JUNE 8, 2018 – 3:30 PM
Page 7

Craig Lewis Sr., Secretary
To be approved at the FIAC Meeting on July 16, 2018.

The next regular meeting will be held Monday, July 16, 2018 at 3:30PM.