



SUMMARY TO THE REGULAR BOARD OF TRUSTEES MEETING

Friday, April 21, 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
Willard Payne, Trustee
William Scheu, Trustee
Craig Lewis Sr., FIAC, Secretary
Tracey Devine, FIAC
Rob Kowkabany, FIAC

Staff

Timothy H. Johnson, Executive Director –Plan Administrator
Bob Sugarman, Fund Attorney – via Webex
Dan Holmes, Summit Strategies
Devin Carter, Chief Financial Officer
Steve Lundy, Pension Benefit Specialist
Pete Strong, Fund Actuary – via Webex
Denice Taylor, AAA Reporters

Guests

David Altman, HS Management
David Bauerline, Times Union
Anna Brosche, City Council Liaison
Bart Buxbaum, HS Management
Bill Gassett
Joey Greive, Fund Treasurer
Lawsikia Hodges, Office of General Counsel
Joe Kolanko, Sustainable Growth Advisers
John Meyer, Loomis Sayles
John O'Shea, Loomis Sayles
Rob Rohn, Sustainable Growth Advisers
John Sawyer, Office of General Counsel
Maya Saxena, Saxena White

Excused

Eric "Brian" Smith Jr., FIAC, Chairman
Rodney Van Pelt, FIAC

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

City of Jacksonville Police and Fire Pension Fund
Summary to the Regular Board of Trustees Meeting of
Friday, April 21, 2017
9:00 A.M.

I. Call To Order

Chairman Richard Tuten called the meeting to order at 1:35PM.

II. Pledge of Allegiance

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

William E. Anderson, Retired Firefighter
Larry T. Hester, Retired Firefighter Engineer
Warren B. Jennings, Retired Police Officer
Michael B. Johnson, Active Police Officer
Claude E. Midget, Retired Police Officer
Gene Parker, Retired Police Officer

IV. Public Speaking

Public speaking from Bill Gassett. No further requests. Public Speaking Period closed.

V. Consent Agenda Items 2017-04-(01-10)CA

2017-04-01CA - Meeting Summary and Final Transcript Approved

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

2017-04-02CA 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

3-1-2017 thru 3-31-2017

- | | | |
|---------------------------------|----|----------|
| 1. Baker Gilmour Cardiovascular | \$ | 3,050.00 |
| 2. KBLD LLC | \$ | 4,465.00 |

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3. ACCESS	\$ 402.57
4. J.P. Morgan	\$ 329,933.99
5. Pinnacle Associates LTD	\$ 127,663.00
Total	\$ 465,514.56

DISBURSEMENTS B

3-1-2017 thru 3-31-2017

1. Accounts Payable Distributions	\$ 30,478.88
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2017-04-03CA Pension Distributions

March 10, 2017

1. Regular Gross	\$ 5,264,203.61
2. Regular Lumpsum	\$ 1,561.07
3. Regular Rollover	\$ 0.00
4. Regular DROP Gross	\$ 1,050,206.94
5. DROP Lumpsum	\$ 0.00
6. DROP Rollover	\$ 0.00
Total	\$ 6,315,971.62

March 24, 2017

1. Regular Gross	\$ 5,270,546.91
2. Regular Lumpsum	\$ 0.00
3. Regular Rollover	\$ 0.00
4. Regular DROP Gross	\$ 1,051,207.22
5. DROP Lumpsum	\$ 0.00
6. DROP Rollover	\$ 0.00
Total	\$ 6,321,754.13

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

The following Consent Agenda items 2017-04-(04-05) were verified with supporting documentation and approved at the Advisory Committee meeting held on April 12, 2017. Vote was unanimous.

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[2017-04-04CA](#)

Applications for Survivor Benefits

[2017- 04-05CA](#)

Applications for Vested Retirement

The following Consent Agenda items 2017-04-(06-09) were verified with supporting documentation and received as information at the Advisory Committee meeting held on April 12, 2017.

[2017-04-06CA](#)

Application for Time Service Connections

[2017-04-07CA](#)

Share Plan Distributions

[2017-04-08CA](#)

DROP Participant Termination of Employment

[2017-04-09CA](#)

Drop Distributions

[2017-04-10CA](#)

Educational Opportunities

1. May 31 – June 2, 2017 - FL Division of Retirement – 38th Annual Police Officers’ and Firefighters’ Pension Trustees’ School – Tallahassee, FL

A motion was made by Bill Scheu to approve the Consent Agenda items 2017-04-(01-10CA), seconded by Richard Patsy. The vote was unanimous.

VI. Executive Director’s Report

Timothy H. Johnson

1. FY2016 PFPF Annual Report
2. Agenda and Book enhancements

Timothy Johnson directed the Board of Trustees to the Annual Report. Tim told the Board that it has been many years since the PFPF has issued an Annual Report. Tim said the Annual Report will be issued each year going forward. Tim said

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he is pleased with Steve Lundy's work on the Annual Report, in addition to his enhancements to the Agendas and the Board Book.

Steve Lundy thanked Tim and the Board for the recognition.

Timothy Johnson outlined the Annual Report to the Board.

Bill Scheu noted there is no mention of the Unfunded Accrued Actuarial Liability (UAAL) on the 'Balance Sheet' on page 6. Bill asked, from an 'accounting perspective', how do we describe the UAAL?

Timothy Johnson directed the Board to look at page 9 of the Annual Report, where the UAAL is calculated.

Bill Scheu asked how this should be shown on the balance sheet.

Chris Brown noted that this representation is standard practice.

Joey Greive said that he can understand the lack of clarity on page 6 of the Annual Report, noting that this representation is due to a new GASB rule. Joey suggested putting a footnote at the bottom of the page referring to page 9 for a more comprehensive look at the Fund's position.

Anna Brosche noted that you cannot amend audit reports.

Devin Carter said that we are allowed to add footnotes.

Anna Brosche said that we should inform our auditors of changes to the report.

Timothy Johnson showed the Board that page 5 of the Annual Report already includes a footnote example.

Timothy Johnson asked if Board action would be necessary to approve the Annual Report.

A motion was made by Willard Payne to approve the Annual Report as amended, seconded by Richard Patsy. The vote was unanimous.

Timothy Johnson moved discussion to the updated Actuarial Statement, which illustrates the impact of the 4.25% Surtax Growth Rate assumption and the 1.25% Payroll Growth Rate assumption.

Joey Greive and Pete Strong discussed revisions to the Actuarial Impact Statement, including changes to Surtax Revenues due to the Beaches, resulting in \$2 million in savings to the City due to a lower Actuarially Determined Employer Contribution (ADEC).

Timothy Johnson asked for a motion to replace the old Actuarial Impact Statement with this updated version.

A motion was made by Chris Brown, seconded by Richard Patsy to approve the updated Actuarial Impact Statement. The vote was unanimous.

Pete Strong briefly discussed the new actuarial projections with the Board. He noted that by the year 2056, the Fund will be fully funded.

Richard Tuten asked Pete Strong how hard it would be to prepare alternate projections with different assumed rates of return.

Pete Strong said he could do differing iterations, at about 2-3 hours per iteration.

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Richard Tuten said he will follow up with Timothy Johnson.

Bob Sugarman asked if the minimum payment is in addition to the Surtax Revenue.

Joey Greive said the Surtax is separate.

VII. *Counsel Reports*
Bob Sugarman

1. *DaVita Securities Litigation*

Bob Sugarman said that the PFPF is updating the securities litigation policy. However, the old policy is still in effect. Bob Sugarman said that Saxena White has identified DaVita as a good case for the PFPF to pursue Lead Plaintiff status.

Timothy Johnson introduced Maya Saxena, of the firm Saxena White.

Maya Saxena told the Board that Saxena White has been the Board's securities litigation advisor for a few years, and that they monitor the Fund's securities trading. Maya Saxena said that this DaVita case is a unique case in that the PFPF and Georgia Peace Officers are the only public pensions which bought DaVita stock. Maya Saxena said that if the Board were to get involved, they could recover some of the Fund's \$290 thousand loss, and increase the Fund's asset value.

Maya Saxena briefed the Board on the particulars of the DaVita case. DaVita, a health care company, would encourage its patients on Medicare and Medicaid to get private insurance, because private insurance reimbursements are much higher. Maya said that the Department of Justice (DOJ) got involved in this case. She also said that cases like this can take years to complete. She said that Saxena White will periodically update the Board on the case's progression.

A motion was made by Chris Brown for the Fund to seek Lead Plaintiff status in the DaVita case, seconded by Willard Payne. The motion was moved to discussion.

Richard Patsy asked, as the DOJ gets involved in this case, if there any chance of bankruptcy to DaVita.

Maya Saxena answered that she doubts there is any chance of bankruptcy, as DaVita is a multi-billion dollar company.

Richard Patsy asked if DaVita is pushed into bankruptcy, if the PFPF would have any benefits in bankruptcy court due to its Lead Plaintiff status.

Maya Saxena said that the Fund would be in the same boat as all the other investors.

Bill Scheu asked if Bob Sugarman can rebate fees spent on this case.

Bob Sugarman said fees cannot be rebated, however PFPF staff should record their hours spent on the DaVita case research, as that can be pursued in court for reimbursement.

The vote passed unanimously.

Timothy Johnson introduced Lawsikia Hodges, the PFPF's representative from the Office of General Counsel.

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The Personnel Resolution was passed out to the Board by Lawsikia Hodges, which states:

“[...] the Board hereby delegates to the Executive Director-Administrator the power to investigate and discipline employees of the Board, up to and including termination, should the Executive Director-Administrator in his or her judgment, after consultation with the Office of General Counsel, believe such action is in the best interest of the Board.”

Chris Brown asked if Civil Service protection is still in effect for affected employees.

Lawsikia Hodges confirmed that it still applies.

A motion was made by Bill Scheu to approve the Resolution, seconded by Richard Patsy. The vote was unanimous.

VIII. Old Business

1. **2017-02-02CA – APPLICATION FOR MEMBERSHIP**

GRAY Jr., David B.

Previously approved under Trustee Rule 13.3 – amended to cleared

2. **2017-03-04CA – APPLICATION FOR MEMBERSHIP**

HILL, John D.

Previously approved under Trustee Rule 13.3 – amended to cleared

3. **2017-03-04CA – APPLICATION FOR MEMBERSHIP**

RAMSEY, Airaka A.

Previously approved under Trustee Rule 13.3 – amended to cleared

Richard Tuten asked for clarification on the process to amend the Application for Membership to ‘cleared’ status.

Steve Lundy clarified that the recruits had received a second medical review concerning possible pre-existing conditions, and the ‘cleared’ status has been amended by the Fund’s Medical Director for Trustee approval.

A motion was made by Bill Scheu to approve the Old Business, seconded by Richard Patsy. The vote was unanimous.

Chris Brown brought up discussion of an issue regarding the ambiguity surrounding Court Bailiff’s eligibility to make Time Service Connections.

Lawsikia Hodges said that a motion is not required, and that her office will investigate the issue.

IX. Board of Trustees Break

A break was held at 10:07AM. The meeting resumed at 10:18AM.

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X. Investment Consultant Reports

Dan Holmes

3. Silchester – Additional Contribution- Taken out of order

A motion was made by Richard Patsy to move \$65 million from the EAFE index to Silchester, seconded by Chris Brown. The vote was unanimous.

1. Economic & Capital Market Update – March, 2017

Dan Holmes skipped the Economic & Capital Market Update in the interest of time.

2. Flash Report – March, 2017

Dan Holmes highlighted a few items from the Flash Report, noting the 5.7% gross return of the Fund on the Fiscal Year to Date basis.

4. Large Cap Growth Manger Interviews

Timothy Johnson asked if Maya disclosed which managers held DaVita stock.

Chris Brown said that it was disclosed in Saxena White’s letter.

Lawsikia Hodges said that a quorum and recommendation by the FIAC is necessary before the Board chooses a new money manager.

Rob Kowkabany arrived at 10:29AM, which gave the FIAC a quorum.

Craig Lewis called the FIAC meeting to order at 10:29AM.

XI. New Business

1. **HS Management Interview**

David Altman & Bart Buxbaum

10:30AM – 11:00AM

After the presentation by HS Management, questions were asked by Dan Holmes, Tracey Devine, Craig Lewis, Chris Brown, Richard Patsy, and Bob Sugarman (refer to transcript).

A motion was made by Rob Kowkabany to approve the FIAC’s meeting summaries, seconded by Tracey Devine. The vote passed unanimously.

2. **Loomis Sayles Interview**

John Meyer & John O’Shea

11:05AM – 11:35AM

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After the presentation by Loomis Sayles, questions were asked by Dan Holmes (refer to transcript).

3. Sustainable Growth Advisers Interview

Joe Kolanko & Rob Rohn

11:40AM – 12:10PM

After the presentation by Sustainable Growth Advisers, questions were asked by Chris Brown, Richard Tuten, Craig Lewis, Bob Sugarman, Tracey Devine, and Dan Holmes (refer to transcript).

Bob Sugarman asked the FIAC and Board of Trustees to make a first and second choice for the new money manager.

Timothy Johnson said that Joey Greive already has Loomis Sayles in the General Employees' Pension Plan's (GEPP) portfolio.

Joey Greive said that the GEPP had the same discussion to terminate Brown, and that the GEPP picked Loomis Sayles to replace them. Joey Greive said that HS Management and Loomis Sayles are very close in style; however Loomis Sayles' fee is much less. Loomis Sayles would honor aggregated fees. Joey Greive told the Board to not make their decision on the fee basis alone.

Dan Holmes said that Loomis Sayles was the highest on the upside capture, and all managers protected well on the downside. Dan Holmes said that Loomis Sayles' flexible process and fees are very attractive. Dan Holmes said that over the years, Loomis Sayles's flexibility has allowed them to consistently keep them above the benchmark.

Craig Lewis said he likes Loomis Sayles' long-term focus.

Tracey Devine said she sees Loomis Sayles as the most appropriate choice.

A motion was made by Rob Kowkabany to recommend Loomis Sayles as the Large Cap Growth Manager to the Board of Trustees (no second selection was made), seconded by Tracey Devine. The vote was unanimous.

A motion was made by Chris Brown to accept the FIAC's recommendation and hire Loomis Sayles as the Large Cap Growth Manager (no second selection was made), seconded by Richard Patsy. The vote was unanimous.

XII. Adjournment

Craig Lewis adjourned the FIAC meeting at 12:28PM.

Richard Tuten adjourned the Board of Trustees Meeting at 12:28PM.

Richard Patsy, Board Secretary

To be approved at the Board of Trustees Meeting on May 19, 2017