



SUMMARY TO THE REGULAR BOARD OF TRUSTEES MEETING

City of Jacksonville Police and Fire Pension Fund
“Annual Members’ Meeting”
Thursday, April 22, 2021
9:00 A.M. – 10:15 A.M.

Meeting Location: Jacksonville Public Library – Main Street Entrance
324 N Main Street, Jacksonville, FL 32202

The next regular Board of Trustees meeting will be held Friday, May 21, 2021 at 9:00 A.M.

Board of Trustees

Assistant Chief Chris Brown, Chair
Nawal McDaniel, Secretary
Cpt. Michael Lynch
Richard Patsy
Terry Wood

Kevin Grant, Finance Manager
Chuck Hayes, Pension Benefits Manager
Randall Barnes, Fund Treasurer
Jordan Cipriani, RVK, Investment Consultant
Kevin Schmidt, RVK, Investment Consultant
Jim Voytko, RVK, Investment Consultant
Frank Mason, CRI, Fund Auditor
Hector Sanchez, CRI, Fund Auditor
Pete Strong, GRS, Fund Actuary
Lawsikia Hodges, Office of General Counsel
Bob Sugarman, Fund Counsel

City Representatives

Michael Boylan, City Council Liaison

Staff

Timothy H. Johnson, Executive Director – Plan Administrator
Steve Lundy, Deputy Director

Guests

List of attending guests held in the meeting file.

Notice

Meeting Agendas and Summaries are available on our website at jaxpfpf.coj.net. For additional meeting documents, please contact Steve Lundy, Custodian of Public Records for the City of Jacksonville Police and Fire Pension Fund at 904-255-7373 or SLundy@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. 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. Pledge of Allegiance

II. Invocation

Timothy Johnson read the invocation.

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III. Moment of Silence

A moment of silence was held for all members who passed away in 2020 and 2021.

IV. Public Speaking

None.

V. Introduction – Asst. Chief Chris Brown, Chair

a. Board of Trustees, FIAC, Benefits Advisory Committee

Chris Brown introduced the Board of Trustees, FIAC members, and Advisory Committee Members:

Board of Trustees:

- Nawal McDaniel – Secretary
- Captain Michael Lynch, JFRD
- Richard “Rick” G. Patsy
- Terry Wood

Financial Investment and Advisory Committee:

- Eric “Brian” Smith Jr. – Chair
- Rodney Van Pelt – Secretary
- Erwin Lax
- Kendall Park

Advisory Committee:

- James A. Holderfield, JSO – Chair
- Asst. Chief Richard Reichard, JFRD – V. Chair
- Thomas Lumpkin, Retired JSO
- Lt. Jean Paravisini, JFRD
- Michael Pelletier, JSO
- Lt. Michael B. Shell, JSO
- Cpt. Christopher Stover, JFRD

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VI. Consent Agenda Items 2021-04-(01-13)CA

Richard Patsy made a motion to approve the Consent Agenda. Seconded by Michael Lynch. The vote passed unanimously.

2021-04-01CA Meeting Summaries to be Approved

1. Summary to the Board of Trustees Meeting of March 19, 2021
2. Summary to the Board of Trustees & FIAC Manager Update of April 1, 2021
3. Summary to the Board of Trustees Mid-Career Workshop Review of April 1, 2021

2021-04-02CA 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 attached.

DISBURSEMENTS A

03-01-2021 thru 03-31-2021

1. The Northern Trust Company	\$	21,927.09
2. JP Morgan Chase	\$	391,525.10
Total	\$	413,452.19

DISBURSEMENTS B

03-01-2021 thru 03-31-2021

1. Accounts Payable Distributions	\$	65,666.66
2. Accounts Receivables	\$	37,351.34

2021-04-03CA Pension Distributions

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

March 5, 2021

1. Regular Gross	\$	6,619,665.90
2. Regular Lumpsum	\$	0.00
3. Regular Rollover	\$	0.00
4. Regular DROP Gross	\$	1,341,838.48
5. DROP Lumpsum	\$	39,791.47
6. DROP Rollover	\$	0.00
Total	\$	8,001,295.85

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March 19, 2021

1. Regular Gross	\$	6,623,798.38
2. Regular Lumpsum	\$	0.00
3. Regular Rollover	\$	19,560.35
4. Regular DROP Gross	\$	1,342,634.11
5. DROP Lumpsum	\$	23,254.73
6. DROP Rollover	\$	0.00
Total	\$	8,009,247.57

The following Consent Agenda items 2021-04-(04-08CA) were verified with supporting documentation and approved at the Advisory Committee meeting held on April 14, 2021. Vote was unanimous. Meeting Summary attached.

[2021-04-04CA](#)

Application for Membership Under 121.102(e)(1)(A)

[2021-04-05CA](#)

Application for Disability Retirement

[2021-04-06CA](#)

Application for Survivor Benefits

[2021-04-07CA](#)

Application for Vested Retirement

[2021-04-08CA](#)

Application for Time Service Connections

The following Consent Agenda items 2021-04-(09-13CA) were verified with supporting documentation and received as information at the Advisory Committee meeting held on April 14, 2021. Meeting Summary attached.

[2021-04-09CA](#)

Refund of Pension Contributions

[2021-04-10CA](#)

Share Plan Distributions

[2021-04-11CA](#)

DROP Participant Termination of Employment

[2021-04-12CA](#)

DROP Distributions

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[2021-04-13CA](#)

DROP Distributions for Survivors

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VII. Executive Director's Report

a. Presentation of 2020 Annual Report (Letter from the Executive Director)

Timothy Johnson gave his Executive Director's Report:

Stewardship is at the heart of everything we do at the Police and Fire Pension Fund. It centered the Board, committees, staff and service providers as we worked through 2020 - a year of unprecedented uncertainty.

This year's annual report includes highlights of a fiscal year marked by a global pandemic, civil unrest, market volatility, funding policy changes, benefit corrections, and legal challenges.

- Notwithstanding COVID-19 and its dynamic effect on the workforce, staff administered every payroll (nearly \$175 million to more than 3,000 retirees) record numbers of retirements and sadly record deaths. Whether working remotely or in-office, staff met the call for extraordinary service.
- Our real estate team took a proactive approach to safeguarding PFPF property ensuring continuity of operations during a time of great strife within our community.
- Despite headwinds, including the worst single-day Dow Jones point drop ever; the PFPF posted net investment income of \$159,759,700 and 7.98% net return on assets, exceeding targets.
- The PFPF Board of Trustees approved assumption changes (lowering the discount rate to 6.9% and adopting new mortality tables) which caused a \$3.1 million increase in the employer contribution, improving solvency and retirement security for our members.
- The PFPF Board of Trustees approved procedures that made former Bailiffs eligible to purchase additional time service. The Board also convened a subcommittee to re-examine Ordinance Code relating to benefits paid to minor children of deceased members who have no eligible surviving spouse. A dozen children were affected and received approximately \$944,000 in retroactive benefits. Also, the Board endorsed Ordinance 2020-219, allowing re-employment of PFPF retirees to assist in the emergency response associated with COVID-19. These actions ensure members receive their entitled benefits.
- Two legal settlements resulted in 1) the clarification of the Board's fiduciary authority to operate the Fund and 2) the resolution of a dispute involving members of color. In *Keane vs. City of Jacksonville and PFPF*, Judge Eric C. Roberson ruled that the Board has authority to fix employee compensation as written in Jacksonville Charter Section 22.04. In addition, through the *Department of Justice vs. City of Jacksonville (JFRD) Consent Decree*, fifty-eight members (or their survivors) received bi-weekly pension adjustments averaging \$107.41 per member.

The challenges faced by our nation in 2020 were unprecedented. Although we are still in the midst of uncertainty, we continue to uphold our mission to serve our members, beneficiaries, and all stakeholders at the highest level of integrity and professionalism.

VIII. Auditor's Report

a. Statement of Fiduciary Net Position

b. Statement of Changes in Fiduciary Net Position

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Frank Mason and Hector Sanchez of the firm Carr, Riggs & Ingram covered the Fiscal Year 2020 Audit Report. They noted that there were no audit findings, and this was a clean audit.

Terry Wood made a motion to accept the Fiscal Year 2020 Audit Report. Seconded by Richard Patsy. Discussion:

Michael Lynch noted a typo to be corrected.

Frank Mason said the typo would be corrected and a revised report would be sent to the Trustees.

The vote passed unanimously.

IX. Actuary's Report

- a. *Calculation of City Minimum Required Contribution*
- b. *Actuarial Value of Benefits and Assets*

Pete Strong, Fund Actuary, of the firm Gabriel, Roeder, Smith & Company gave the Actuary's Report, covering Highlights of the 10/1/2020 Valuation Results:

- Actual Net Money-Weighted Return on Assets, 10/1/19 to 9/30/20 = 7.98%
- Average Return, past 5 years = 8.6%
- Average Return, past 10 years = 8.1%
- Required City Contribution (payable in December 2021) = \$157.4 million
 - Increase from \$148.5 million last year
 - Increase due to Experience Losses (mostly decline in surtax revenue and change in surtax allocation) and Assumption Changes (including 7.0% to 6.9%)
- Assumption Changes Made as of 10/1/2020 After Completion of Experience Study:
 - Revised Assumed Annual Salary Increase Rates
 - Revised Assumed Retirement Rates
 - Revised Assumed Rates of Separation/Termination
 - Revised Assumed Rates of Disability
 - Revised Mortality Rates (to match new FRS rates)
 - Revised Survivor Assumptions/Age Differences
 - Investment Return Assumption lowered to 6.9%
 - Net Impact: \$3.1 Million Increase in Contribution
- Actuarial Accrued Liability = \$4.25 billion (vs. \$4.04 billion last year)
- Net Market Value of Assets = \$2.02 billion (vs. \$1.90 billion last year)
- Net Actuarial Value of Assets = \$2.04 billion (vs. \$1.95 billion last year)
 - Market Value Gains/Losses are being smoothed in over 5 years (starting with FY 2018 return)
- Funded Ratio = 48.0% (47.5% based on MV)
 - Was 48.2% (47.0% based on MV) as of 10/1/2019
- Present Value of Pension Liability Surtax = \$909.2 million (up from \$900.3 million last year)
 - Expected to be \$984.6 million this year (using 6.9%)
 - (2.15%) Actual change vs. + 4.25% expected

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- “Slice of the total surtax pie” decreased from 59.3% to 58.3%
- Net unfunded liability subject to amortization (=UAAL – PV of Surtax) = \$1.303 billion (up from \$1.190 billion last year)

The Trustees discussed the surtax growth rate assumption and the impact of recessions on forecasting future growth rates.

Richard Patsy made a motion to accept the Fiscal Year 2020 Actuarial Valuation. Seconded by Michael Lynch. The vote passed unanimously.

X. Investment Consultant’s Report

a. *Market Commentary for Fiscal Year 2020*

Fund Investment Consultants Jordan Cipriani and Kevin Schmidt of the firm RVK Inc. gave the Market Commentary for Fiscal Year 2020:

- The first quarter of Fiscal Year 2020, which began on October 1, 2019, was a strong quarter for global equity markets, with US, developed non-US, and emerging market indices all adding gains. Increases appeared directly tied to investor optimism around international trade. Bilateral negotiations between the US and China finally resulted in an announced “Phase One” trade agreement. The S&P 500 Index posted a return for the quarter of 9.1%, while the MSCI EAFE Index returned 8.2%, and the MSCI Emerging Markets Index led the way with a return of 11.8%. Credit markets also finished in positive territory, as supportive financial conditions and a general risk-on market sentiment drove spreads to tighten across the quality spectrum.
- The second quarter of Fiscal Year 2020 was dramatic, as a local outbreak of a previously unknown coronavirus in China morphed into a global pandemic. Governments around the world closed down huge portions of their economies, imposing travel restrictions, cancelling social gatherings, shutting down non-essential businesses, and locking down entire cities to reduce the spread of the virus. In response, the Federal Reserve announced several expansionary monetary policy measures, including two emergency rate cuts, open-ended Quantitative Easing, as well as a host of other liquidity enhancing programs. Markets did not begin heavily discounting the economic risks associated with the COVID-19 outbreak until the last week of February 2020. In the next three weeks, after reaching all-time highs earlier that month, the S&P 500 closed in bear market territory, finishing the quarter with a return of -19.6%. This represented the fastest 20% drawdown from an all-time high in the history of the index. The credit markets were not spared, and also experienced significant selloffs and volatility during the quarter, with the Bloomberg US Corporate Index returning -3.6% for the quarter.
- The disconnect between investor risk appetite and on-the-ground economic conditions reached staggering levels during the third quarter of Fiscal Year 2020, fueled in large part by a myriad of fiscal relief and liquidity reinforcing programs implemented by governments and global central banks. The S&P 500 returned 20.5%, as price/earnings ratios reached levels not seen since the dot-com era tech bubble. In general, the funding pressures global markets experienced in the first quarter abated, as various programs enacted by the Federal Reserve proved successful in restoring normal capital markets activity amid the unprecedented economic shutdowns. The NASDAQ (+30.6%) and Dow Jones Industrial Average (+17.8%) experienced their best quarters since 2001 and 1987, respectively, while US equity issuance hit a record of \$184 billion. At the same time,

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developed international and emerging markets equities also experienced strong quarters, but lagged US markets. The MSCI EAFE returned 14.9% for the quarter while the MSCI EM returned 18.1%.

- The end of Fiscal Year 2020 was positive for most major asset classes, but after strong results in the first two months of the quarter, returns reversed in September 2020 due to growing concerns over a staggering recovery and reduced confidence that the US Congress could agree to enact further fiscal stimulus. In addition, the upcoming US presidential and congressional elections offered another source of uncertainty when building expectations for the ongoing economic recovery. The Federal Open Market Committee (FOMC) maintained its accommodative stance and boosted sentiment further by announcing it will use an average inflation target indicating that it could accept levels above its stated 2% target in future periods. Market participants largely saw this as an indication that monetary policy could remain supportive for longer than expected with a fixed inflation target.
- Fiscal Year 2020 will be remembered as an unprecedented time both for financial markets and economies worldwide. The COVID-19 pandemic, which led to extreme bouts of volatility in the markets and global economic shutdowns changed life as we know it, with few left unaffected. While governments and central banks around the world took steps to prop up economies, the effects will be long-lasting with some industries unlikely to ever fully recover to the heights previously experienced. Yet, amidst all of the turmoil, full fiscal year performance for nearly all major asset classes was positive. In equity markets, the S&P 500 finished Fiscal Year 2020 up 15.2%, while developed international equities, as measured by the MSCI EAFE, were up 0.49% and emerging markets equities (MSCI EM) were up 10.5%. Similarly, credit markets were a contributor with the Bloomberg US Agg Bond index up 6.7%, while real estate, as measured by the NCREIF ODCE Index, returned 1.4% for the fiscal year.

XI. [Legal Counsel Report](#)

Bob Sugarman of the firm Sugarman & Susskind and Lawsikia Hodges of the Office of General Counsel introduced themselves as counsel for the Fund.

XII. [City Council Liaison's Report](#)

Councilmember Michael Boylan introduced himself as the City Council Liaison for the Fund. He discussed economic growth in the northeast Florida region.

XIII. [What's in Store for 2021?](#)

a. [Tim Johnson: Allocation to Alternatives](#)

Timothy Johnson discussed the Fund's new allocation to alternative investments: Non-Core Real Estate and Private Credit. He also discussed the Fund's Emerging Manager and Broker policy.

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b. Steve Lundy: Unprecedented DROP Enrollments

Steve Lundy discussed the unprecedented number of DROP enrollments, noting that he expects the October 2021 to be the largest DROP class in the history of the Fund.

c. Chuck Hayes: Online Portal Enhancements

Chuck Hayes discussed new capabilities of the online portal for PFPF retirees and DROP enrollees, including access to DROP phase 1 and 2 statements, among others.

d. Kevin Grant: PFPF Building

Kevin Grant discussed operations at the PFPF office and parking garage as they relate to COVID-19 protocols.

XIV. Old Business

XV. New Business

XVI. Next Meeting: Friday, May 21, 2021 at 9:00 A.M.

XVII. Adjournment
10:15 A.M.

Nawal McDaniel, Board Secretary

Summary Prepared By:

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

Posted: 05/03/2021

To be Approved: 05/21/2021