

**OFFICE OF THE CITY COUNCIL**

**CHERYL L. BROWN** 117 WEST DUVAL STREET, SUITE 425

DIRECTOR 4TH FLOOR, CITY HALL

OFFICE (904) 630-1452 JACKSONVILLE, FLORIDA 32202

FAX (904) 630-2906

E-MAIL: CLBROWN@coj.net

**Finance Subcommittee on PFPF Subpoenas Meeting Minutes - amended**

**January 26, 2016**

**9:00 a.m.**

**Topic:** Finance Subcommittee on Police and Fire Pension Fund Subpoenas

**Location:** Conference Room A, City Hall – St. James Building; 117 West Duval Street,

Suite 425

**In attendance:** Council Members Anna Lopez Brosche (Chair), Danny Becton, John Crescimbeni (arr. 9:05)

Also: Kirk Sherman and Brian Parks – Council Auditor’s Office; Paige Johnston and Stephen Durden – Office of General Counsel; Jeff Clements – Council Research Division; Jessica Morales – Legislative Services Division; Joey Greive – City Treasury; Mike Weinstein – CFO; Ali Korman Shelton – Mayor’s Office

See attached sign-in sheet for additional attendees

**Meeting Convened**: 9:03 a.m.

Chairwoman Brosche called the meeting to order and asked the attendees to introduce themselves for the record. She reviewed the subcommittee’s actions at the last meeting and reported that PFPF Interim Executive Director Beth McCague had called her after the last meeting to describe what additional documents were available to meet the subcommittee’s requests. Bill Scheu of the PFPF Board conveyed a suggestion from Ms. McCague about how to proceed in an expeditious but realistic manner, given that full production of all requested documents would probably take several months. Ms. McCague suggested that the Council Auditor review one investment management contract and all associated documentation of fee recaptures (deposit slips, bank statements) for that company over a period of years as a sample. The PFPF provided copies of the board’s investment management policies and minutes of board meetings at which investment policies and investment management contracts were approved. She recommends that the Council Auditor select which investment manager to audit, and the PFPF will work with the investment company to give the Auditor the necessary access to the records, including authorization to communicate with such companies to request direct confirmation of commission recapture payments made by such companies to the PFPF. The committee generally agreed that they wanted the Auditor to review at least some records from all of the contracted companies (3 or 4 companies over the past 20 years), perhaps one in greater detail and the others via smaller random samples, and that the committee would be amenable to concentrating on the most recent years first and the earliest years of the requested data (back to 1987) later if that is determined to be necessary.

Chief Deputy General Counsel Stephen Durden reviewed the state regulations regarding records retention, which vary widely depending on the type of record in question. Financial records are generally required to be retained for 5 to 10 years, depending on the document.

Chief Financial Officer Mike Weinstein questioned how much enforcement or regulatory power the City has over the operations of the Police and Fire Pension Fund, and what end the subcommittee hoped to achieve by its investigations. Council Member Crescimbeni suggested that if the Auditor’s investigation turns up evidence of, for example, rebate checks from investment managers not being properly deposited into the PFPF’s account, the Council should refer the matter to an appropriate investigatory agency for further work. Chairwoman Brosche felt that the City is asked each year to fund the PFPF’s administrative expenses with little or no control over what those expenses are, so the Council has a vested interest in ensuring that the PFPF is operating properly and that the taxpayers are not being asked to bear unreasonable or unnecessary costs because of poor management.

**Motion** (Crescimbeni): the Council Auditor is directed to gain an understanding of the commission recapture arrangements employed by the PFPF by choosing the contract of one of the PFPF’s investment managers to ~~audit~~ review for all types of management fee returns to the City (rebate checks, credits, or other) in the context of the investment management contract with that company and the PFPF’s investment policies and to report its findings back to the subcommittee – **approved 3-0**.

Mr. Scheu said that he does not believe that anything untoward has happened in the PFPF’s operations and hopes that the work of the subcommittee will clear up any clouds of suspicion and that the PFPF with its new board members and new interim executive director will be able to move past recent controversies and start with a clean slate for the benefit of both the fund and the City.

Robert Klausner subpoena

Chairwoman Brosche reviewed the documents received from Mr. Klausner in response to the subpoena and the committee discussed its sufficiency as a response. Council Member Crescimbeni questioned how much the PFPF realized in returns as a result of Mr. Klausner’s representation of the fund in several class action lawsuits regarding investment management fees. Council Auditor Kirk Sherman suggested a list of items of information that should be requested with regard to the class action suits, their costs, and the ultimate impacts to the PFPF resulting from the settlement of the cases. Mr. Scheu agreed that, although this information was not requested in the Council’s subpoena, the PFPF is willing to provide whatever information it has available. Michael Lockamy of the Bedell law firm representing Mr. Klausner explained how the finances of class action lawsuits work and how the court apportions costs and benefits among the various parties. Mr. Durden explained that sometimes class action suits do not result in monetary awards to the plaintiffs.

Mr. Scheu explained that he made a motion which the PFPF board approved to have the General Counsel’s Office provide all of the PFPF’s non-pension-specific legal services, and he will recommend at a future meeting that the PFPF and the General Counsel develop an RFP for special counsel for pension-specific legal services for the PFPF. In response to a question about the history of private legal representation of the PFPF, Mr. Durden explained that former General Counsel James Harrison issued an opinion in the 1980s approving the use of outside counsel. The City Charter has been amended several times over the years to clarify the requirement that all legal services be provided by the General Counsel or by outside legal counsel approved by the General Counsel.

Mr. Weinsten informed the committee that Mayor Curry’s pension funding proposal had cleared its first committee (of three) in the Florida Senate and would be heard by its first House committee (of two) tomorrow.

**Meeting Adjourned**: 10:10 a.m.

Minutes: Jeff Clements, Council Research

1.26.16 Posted 3:00 p.m.

Tapes: Finance Subcommittee on PFPF Subpoenas meeting– LSD

1.26.16