

**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 – twice amended**

**February 26, 2016**

**~~9~~10:00 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,

**Excused:** Council MemberJohn Crescimbeni

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; Beth McCague – Police and Fire Pension Fund; Joey Greive – City Treasurer

See attached sign-in sheet for additional attendees

**Meeting Convened**: ~~9~~10:00 a.m.

Chairwoman Brosche called the meeting to order and asked the attendees to introduce themselves for the record.

Investment management commission recapture

Council Auditor Kirk Sherman distributed and discussed a document describing his office’s review of investment management commission recaptures relating to management of the Police and Fire Pension Fund’s assets. The Auditor’s Office performed a detailed analysis of the recaptures processed through Convergex, which processed nearly 90% of the transactions. The Office also reviewed three other smaller recaptures for the same three-year period. The review (not an audit) identified some timing discrepancies in amounts (offsetting over- and under-statements), credits of recaptures across fiscal years and recording of one deposit, but found overall that the recaptures were properly verifiable between company records and PFPF financial records.

Beth McCague, Interim Executive Director of the PFPF, has proposed that recapture deposits be made via the Automated Clearing House (ACH) process rather than by paper checks, which the PFPF had mandated for many years. Electronic transfer is the standard business practice today.

Ms. McCague then reported on the PFPF’s receipt of settlement checks from a number of class action lawsuits over corporate securities fraud. She reported that she did not find specific references in the PFPF board’s minutes to the board approving participation in every class action lawsuits where the Fund took a lead position or to receiving settlement payments. The board approved a securities litigation policy and authorized its audit committee along with the Executive Director to handle securities litigation matters, and reports were received by the board from the committee, Director or attorney from time to time that updated the Board on status and settlement. Once settlement occurred, the settlement checks from individual cases were received over a period of years rather than in one lump sum. She discussed the process by which attorney fees in those cases were determined and how the fund received its payment for attorney fees from the settlements. She noted that different board members over the years have had different opinions about whether the PFPF should be involved in these lawsuits and whether it should be the lead plaintiff or a member of the class. There are some advantages to being the lead plaintiff with regard to shaping the settlement of the case and determining attorney’s fees. The PFPF board will have a workshop on March 14th to discuss securities litigation and investment commission recapture policies.

City Treasurer Joey Greive described how investment trades on behalf of the City’s pension funds are handled by Convergex as the City’s broker, and the recordkeeping is done by Northern Trust, one of the Big 3 management firms in the country handling large institutional accounts.

Klausner law firm legal fees

Ms. McCague reported that the PFF board had working knowledge of at least the maximum legal fees that could be paid to the Klausner firm for work performed in relation to securities litigation, and noted that his only real involvement with class action suits on behalf of the PFPF would be in cases where the PFPF was the lead plaintiff. There are documented retainer agreements in several of the files in which the Fund has been lead plaintiff.

In response to a question from Chairwoman Lopez Brosche about comments made by PFPF board member Bill Scheu at a previous meeting, Ms. McCague reported that the board has decided to review its professional services contracts (legal services, accounting, consulting, etc.) every three years. The contracts with many of the providers have been in place for many years and the time is right for an overall review. The first professional service RFP to be issued will be for legal services and the Office of General Counsel will be involved in helping to develop that RFP. The Office of General Counsel provides services to the PFPF for many of its legal needs (procurement, contracts, personnel issues, etc.), and the outside counsel handles specialized pension matters. She did give the caveat that should the PFPF and the City be involved in litigation against each other in the near future, the board may not wish to have the General Counsel’s Office involved in the RFP development.

The Chairwoman thanked Ms. McCague, the Council Auditor’s Office and other participants for their work on the committee and said that the work of the subcommittee had come to an end and there would be no further meetings. She will report the subcommittee’s findings to the Finance Committee for their consideration.

**Meeting Adjourned**: 10:49 a.m.

Minutes: Jeff Clements, Council Research

 2.29.16 Posted 1:30 p.m.

Tapes: Finance Subcommittee on PFPF Subpoenas meeting– LSD

 2.26.16