



SUMMARY TO THE REGULAR F.I.A.C. COMMITTEE MEETING

Tuesday, April 18, 2023

3:33 P.M. – 5:06 P.M.

City of Jacksonville Police and Fire Pension Fund
1 West Adams Street Suite 100, Jacksonville, FL 32202

The next Financial Investment and Advisory Committee (F.I.A.C.) meeting will be held Tuesday, May 16, 2023 at 3:30 P.M.

Financial Investment and Advisory Committee

Eric “Brian” Smith Jr., Chair
Erwin Lax, Secretary
Steve Glenn

Excused

Kendall Park
Brian Chappell

Fund Staff

Timothy H. Johnson, Executive Director – Plan Administrator
Steve Lundy, Deputy Director
Kevin Grant, Finance Manager

Guests

*Jordan Cipriani, RVK, Investment Consultant
*Spencer Hunter, RVK, Investment Consultant
*Frank Mason, CRI, Fund Auditor
*Hector Sanchez, CRI, Fund Auditor
*Bob Sugarman, Fund Counsel

*Gar Chung, FIN NEWS
*Joe Ebisa, With.Intelligence

*Asterisk denotes virtual meeting attendance via the ZOOM application.

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, or email your request to KLMcDan@coj.net. 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.

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Agenda

I. Public Speaking

None.

II. Meeting Summaries – *action requested*

a. *March 14, 2023 FIAC Meeting Summary*

Erwin Lax moved to approve the March 14, 2023 FIAC Meeting Summary, seconded by Steve Glenn. The vote passed unanimously.

Frank Mason and Hector Sanchez of Carr, Riggs and Ingram, presented their draft Fiscal Year 2022 audit of the Police and Fire Pension Fund. The covered the following sections of the report:

- Management’s Discussion and Analysis (page 3-5)
- Combined Statement of Fiduciary Net Position (page 8)
- Combined Statement of Changes in Fiduciary Net Position (page 9)
- Notes to Combined Financial Statements (page 10)
- Schedule of Changes in Net Pension Liability and Related Ratios Last 10 Fiscal Years (page 27)
- Schedule of City Contributions (page 28)
- Schedule of Investment Returns: Annual Money- Weighted Ratio of Return, Net of Investment Expenses (page 29)
- Combining Schedules of Fiduciary Net Position (page 32)

Brian Smith and Timothy Johnson discussed the history of the Senior Staff Voluntary Retirement Plan (SSVRP).

Steve Glenn suggested the Board of Trustees could take the SSVRP ‘off the books’ via a pension risk transfer to a third party like Metro Life, US Life, or Principal.

Hector Sanchez continued discussing the audit results, noting that there were no findings or deficiencies, which is the highest form of assurance a CPA firm can provide in an audit. This is a clean opinion and report, with no material misstatements.

Steve Glenn moved to approve the draft audit report, contingent on any material changes after its current state, and to authorize the Chair to schedule a special meeting if there were any material changes, seconded by Erwin Lax. The vote passed unanimously.

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III. Investment Consultant Reports

a. Investment Policy Statement – action requested

Jordan Cipriani presented the Investment Policy Statement changes to the FIAC. She noted that the only additional change since the last time the document was presented to the FIAC was the review watch list language on page 24.

Timothy Johnson discussed the performance metrics in RVK's fund performance reports. He said Brian Chappell made the point that performance should be reported on a rolling basis in addition to the trailing basis.

Jordan Cipriani said that the rolling 3-year and rolling 5-year metrics are included in the quarterly reports. RVK ensures providing consistent compliance with the IPS. There is no change in the language related to the rolling metrics, but affirmation that the PFPF has been and will continue to receive this metric in the quarterly reports.

Steve Glenn noted that he feels page 25 of the Investment Policy Statement limits RVK's ability to be tactical, and hampers the Fund to be invested in asset classes that we know will lose money.

Jordan Cipriani said that at the end of the day, RVK is not tactical.

Spencer Hunter said that these ranges are very common in the industry. Risk tolerance should line up with liabilities, and the need for a certain return. Ranges keep the investor centered around some point of risk in the target portfolio. Looser policy bands are uncommon.

Steve Glenn asked about a potential category of natural resources or commodities in the asset allocation.

Spencer Hunter said this would be good feedback in the upcoming asset allocation review.

Steve Glenn moved to approve the Investment Policy Statement as written and recommended by RVK, seconded by Erwin Lax. The vote passed unanimously.

a. Monthly Investment Performance Analysis – March 31, 2023

Spencer Hunter covered the general market commentary of the Monthly Investment Performance Analysis:

- Market price action, investor sentiment and headlines were, in large part, driven by the failure of three US banks, the most prominent being Silicon Valley Bank (SVB) which represented the second largest bank failure in US history. Concerns around liquidity spread causing sharp declines in market value for other US regional banks and some European banks with sentiment around Credit Suisse sinking most acutely. Ultimately, investors lost confidence in Credit Suisse which sought liquidity from the Swiss National Bank before agreeing to an acquisition by UBS.
- Most broad equity indexes shook off negative returns in February and delivered a positive result in March. However, there was significant dispersion between style and market cap with growth-oriented stocks providing positive returns. Conversely, US value, US small cap and European value indexes each depreciated sharply during the month given the heavier exposure to the failed banks and other banks perceived to be at-risk. Broad bond markets delivered positive returns amid the heightened volatility within equity markets.

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- Following the bank failures, the Federal Open Market Committee selected to increase the federal funds rate to a target range between 4.75% - 5.00%. This represents the second straight monthly increase of 0.25% following a string of 0.50% increases. This continues a pattern of rising rates to combat inflationary pressures although data released by the FOMC indicated the majority of officials expect only one more rate hike in 2023. This most recent increase was preceded by a Consumer Price Index report pointing to year-over-year inflation of 6.00% in February, which met market expectations, and stronger than expected US payroll growth.
- Equity markets posted positive returns in March as the S&P 500 (Cap Wtd) Index returned 3.67% and the MSCI EAFE (Net) Index returned 2.48%. Emerging markets returned 3.03%, as measured by the MSCI EM (Net) Index.
- The Bloomberg US Aggregate Bond Index returned 2.54% in March, outperforming the 2.45% return by the Bloomberg US Treasury Intermediate Term Index. International fixed income markets returned 4.46%, as measured by the FTSE Non-US World Gov't Bond Index.
- Public real estate returned -2.54% in March and 6.02% over the trailing five-year period, as measured by the FTSE NAREIT Eq REITs Index (TR).
- The Cambridge US Private Equity Index returned 2.60% for the trailing one-year period and 17.17% for the trailing five-year period ending September 2022.
- Absolute return strategies returned 0.14% for the month and -1.10% over the trailing one-year period, as measured by the HFRI FOF Comp Index.
- Crude oil's price fell by 1.79% during the month and has decreased by 24.54% YoY.

Spencer Hunter also covered the Total Fund Asset Allocation by Asset Class on page 3, and the Asset Allocation and Performance Net of Fees on page 5.

b. Pacing Study Analysis: Real Estate and Private Credit

Jordan Cipriani briefly covered the Pacing Study Analysis: Real Estate and Private Credit. The Real Estate proposed commitment schedule was decreased from \$40 million annually from 2022-2026, to \$20 million annually, from 2023-2027. The Private Credit proposed commitment schedule was also decreased, from \$60 million annually from 2022-2026, to \$20 million annually from 2023-2027.

Steve Glenn said that the driving metric seems to be the Fund's recent negative -20% return. He asked if the pacing would be revised if the Fund experienced a significant increase this year.

Jordan Cipriani said yes. The reason why the commitments dropped was due to the negative market experience.

c. MWBE & SDVOB Broker / Dealer Utilization Report

Jordan Cipriani briefly presented the MWBE & SDVOB Broker / Dealer Utilization Report. 7% of total trading commissions were paid to MWBE-SDVOB brokers & dealers. Northern Trust and Pinnacle have stated targets, and met them.

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IV. Executive Director's Report

Timothy Johnson said that the FIAC should send over any questions regarding the asset allocation study.

V. General Discussion

a. Asset Allocation Study / July Hiatus

Timothy Johnson said that the July hiatus is something to consider – if the FIAC would like to take the summer break as it did last year.

b. Reschedule October FIAC Meeting

Brian Smith informed the FIAC that he would be out of town on the regularly scheduled October FIAC Meeting.

The FIAC rescheduled their October meeting to October 10, 2023 at 3:30 P.M.

c. FPPTA October 1-4 / Continuing Education

Timothy Johnson said that the PFPF would cover the cost of all three courses of the FPPTA Certified Public Pension Trustee certification for any interested FIAC members.

Brian Smith asked if any members are certified.

Timothy Johnson said no, however Trustees and PFPF Staff members hold the NCPERS certification. He said that the certification is not necessary, and members of the FIAC could attend the courses for general knowledge if they are interested.

Bob Sugarman noted that this certification is popular, and a good idea for anyone with fiduciary responsibility.

Timothy Johnson updated the FIAC on the Board of Trustees' progress in replacing its fixed income manager, Thompson Siegel and Walmsley. The Board has not accepted the FIAC's recommendation to hire Baird as a replacement manager, as there was not a consensus.

VI. Counsel Reports

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VII. Old Business

VIII. New Business

IX. Upcoming Meetings

a. FIAC Meeting – Tuesday, May 16, 2023 at 3:30PM

b. Manager Update Workshop – Tuesday, May 23, 2023 at 12:00PM

X. Adjournment

5:06 P.M.

Erwin Lax, FIAC Secretary

Summary Prepared By:

Steve Lundy, Deputy Director

City of Jacksonville Police and Fire Pension Fund

Posted: 04/27/2022

To be Approved: 05/16/2023