SUMMARY TO THE REGULAR BOARD OF TRUSTEES MEETING

Friday, May 21, 2021
9:00 A.M. – 11:39 A.M.

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

The next regular Board of Trustees meeting will be held Friday, June 18, 2021 at 9:00 A.M.

Board of Trustees

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

Staff

Timothy H. Johnson, Executive Director – Plan Administrator
Steve Lundy, Deputy Director
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
Justin Outslay, RVK, Investment Consultant
Bob Sugarman, Fund Counsel
Lawsikia Hodges, Office of General Counsel
Tiffiny Pinkstaff, Office of General Counsel

Guests

Indihra Arrington, Ares Management Corporation
Joel Holsinger, Ares Management Corporation
Sonya Lee, Ares Management Corporation
Will Lee, Ares Management Corporation
Josh Jobs, Ares Management Corporation
Gerald Anderson
Chuck Baldwin
Gar Chung
Erin
Luchen Galicia
Gregg Gosch
James Holderfield
Jabuel
JAFF Local 122
Cris Maturana
Mark Muchowicz, JSO
Randy Wyse

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.

City of Jacksonville Police and Fire Pension Fund
Summary to the Regular Board of Trustees Meeting of
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Agenda

I. Pledge of Allegiance

II. Invocation

Timothy Johnson gave the invocation.

III. Moment of Silence

Leroy C. Chavez, Retired Police Officer
James W. Heard, Retired Police Captain
William Hodges, Retired Police Officer
Fred G. Johnston, Retired Fire Captain
Leslie E. McCormick Jr., Retired Police Officer
Arthur G. Tyler Jr., Retired Fire Captain

IV. Public Speaking

None.

V. Consent Agenda Items 2021-05-(01-10)CA

Nawal McDaniel made a motion to approve the consent agenda. Seconded by Terry Wood. The vote passed unanimously.

2021-05-01CA Meeting Summaries to be Approved

1. Summary to the Board of Trustees Meeting of April 22, 2021
2. Summary to the Board of Trustees & FIAC Joint Meeting of April 30, 2021
3. Summary to the Board of Trustees & FIAC Manager Update of May 10, 2021

2021-05-02CA 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.

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DISBURSEMENTS A
04-01-2021 thru 04-30-2021

1.	Harvest Fund Advisors	$	60,469.23
2.	Loomis, Sayles & Company, L.P.	$	101,627.15
3.	Sawgrass Asset Management	$	69,758.29
4.	R.V. Kuhns & Associates, Inc.	$	45,000.00
5.	Loomis, Sayles & Company, L.P.	$	140,608.26
	Total	**$**	**417,462.93**

DISBURSEMENTS B
04-01-2021 thru 04-30-2021

1.	Accounts Payable Distributions	$	61,334.00
2.	Accounts Receivables	$	53,581.92

2021-05-03CA Pension Distributions

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

April 2, 2021

1.	Regular Gross	$	6,630,018.86
2.	Regular Lumpsum	$	0.00
3.	Regular Rollover	$	0.00
4.	Regular DROP Gross	$	1,343,330.83
5.	DROP Lumpsum	$	0.00
6.	DROP Rollover	$	0.00
	Total	**$**	**8,128,292.16**

April 16, 2021

7.	Regular Gross	$	6,652,460.96
8.	Regular Lumpsum	$	0.00
9.	Regular Rollover	$	0.00
10.	Regular DROP Gross	$	1,356,331.19
11.	DROP Lumpsum	$	0.00
12.	DROP Rollover	$	100,000.00
	Total	**$**	**8,108,792.15**

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April 30, 2021

1.	Regular Gross	$	6,655,003.00
2.	Regular Lumpsum	$	0.00
3.	Regular Rollover	$	0.00
4.	Regular DROP Gross	$	1,357,300.72
5.	DROP Lumpsum	$	0.00
6.	DROP Rollover	$	0.00
	Total	**$**	**8,012,303.72**

The following Consent Agenda items 2021-05-(04-06CA) were verified with supporting documentation and approved at the Advisory Committee meeting held on May 12, 2021. Vote was unanimous. Meeting Summary attached.

2021-05-04CA
Application for Survivor Benefits

2021-05-05CA
Application for Vested Retirement

2021-05-06CA
Application for Time Service Connections

The following Consent Agenda items 2021-05-(07-10CA) were verified with supporting documentation and received as information at the Advisory Committee meeting held on May 12, 2021. Meeting Summary attached.

2021-05-07CA
Share Plan Distributions

2021-05-08CA
DROP Participant Termination of Employment

2021-05-09CA
DROP Distributions

2021-05-10CA
DROP Distributions for Survivors

VI. New Business

Michael Lynch made a motion to:

"Direct the Executive Director – Plan Administrator to prepare a letter of engagement for independent legal counsel to the Board as authorized by Article 22.04(e), Charter of Jacksonville, Section 121.118, City of Jacksonville Ordinance Code, and Chapters 175.071(7)(a) and 185.06(6)(a) of the Florida Statutes.

The Executive Director will follow the established Board practices and procedures utilized to amend the letter of engagement between the City of Jacksonville Office of General Counsel and Sugarman & Susskind to a letter of engagement between the Jacksonville Police and Fire Pension Fund Board of Trustees and Sugarman & Susskind.

The Executive Director will present this letter of engagement for independent legal counsel at the next Board meeting."

Terry Wood seconded the motion. Discussion:

Michael Lynch said he thinks his motion speaks for itself and should be formalized. He thinks this is the direction the Board is going based on communications with Executive Director Timothy Johnson over the past few months. Items on today's agenda may require independent counsel. The time to do this is now, as opposed to waiting months for the correct answers.

Timothy Johnson said that Michael Lynch referenced communication he sent to the Trustees, and that he stands by the recommendation he sent, and that the motion speaks for itself.

Lawsikia Hodges asked for the intent of this motion and asked if it was the same issue that comes up every four years. The Office of General Counsel (OGC) has issued a binding opinion on the matter: OGC's opinion is that the Board of Trustees cannot have independent counsel outside of the OGC. She said the Charter is very clear, and that voters approved a referendum by over 70 percent saying OGC has to oversee outside counsel with a determination of need. She said that independent legal counsel pursuant to the Charter is not possible.

Terry Wood said he was on the City Council when the Board of Trustees was established. The City Council did not vote to establish the Board. The Board was established and given its powers by the legislature. The General Counsel at the time was Jim Harrison who came from the bench, became General Counsel, and then returned to the bench. He was the one who said the Board of Trustees needed an independent legal counsel – we questioned it back then. Jim Harrison said that the Board of Trustees has responsibilities that are different from the responsibilities his office would be representing. For many years, the Board of Trustees had independent legal counsel. He said that the City Council used to tell the joke, "The General Counsel is the Mayor's best friend". Opinions have changed over time. Judge Harrison realized the Board of Trustees would have different issues than the City's issues.

Chris Brown said that of course, there have been years of problems with that.

Michael Lynch said on September 15, 2017 and June 3, 2019, in a motion to disqualify the Office of General Counsel, judges stated, "If the Board decides the effectiveness of the OGC is compromised, the law makes it clear the Board can hire new counsel". He said he understands and has read OGC's statement.

Chris Brown said that we have all collectively said what our opinions are on this matter. He said he believes there is a need – for two reasons – to have access to independent counsel. OGC does a fantastic job in many areas. Two reasons are in cases of a specialized pension matter, and in times of potential conflict. In order for the Board of Trustees to truly be an independent authority – an independent Board, independent of the City of Jacksonville – we have to be able to access counsel at times there is an inherent conflict with the City's position.

Lawsikia Hodges said, addressing Terry Wood's point, that she has a binding OGC opinion from 2016 saying Harrison's prior opinion is obsolete and has been overruled pursuant to the 2016 opinion.

Chris Brown asked how an attorney's legal opinion is more binding than a judge's decision.

Lawsikia Hodges said General Counsel Harrison issued the opinion Terry Wood is referencing. In 2016, General Counsel Jason Gabriel overruled that opinion. Jason Gabriel's opinion is very clear and the Board is familiar with it. She said Article 7 is very clear on this point: you have a chief legal officer. The public approved a referendum saying the general counsel must determine the necessity of hiring outside counsel. That is in the Charter.

Nawal McDaniel said she thinks, based on this opinion, that the Board of Trustees does have the authority to hire independent counsel. As Chris Brown said, OGC does a great job, but this is for limited circumstances where there may be a specialized issue or a conflict and the Board needs its own independent advice. We've seen this play out.

Lawsikia Hodges asked if the Board intended to get Jason Gabriel to certify that there is a need, pursuant to the Charter, and Article 7.

Chris Brown said the intent is as Trustee Michael Lynch presented. This is our motion.

Richard Patsy said his take on this matter comes from the John Keane case. The Board of Trustees got involved in the John Keane case because of actions taken by the City. We were defended by OGC. He said that he was left with a bad taste in his mouth because OGC ultimately charged the Board for associated expenses. He said he does not believe the Board should have been charged, or brought into the suit to begin with. The City did not stand up and reimburse the Board for the expenses. He said he knows this is not an appropriate way for attorneys to behave, irrespective of whether it was their call or not. The Board has a fiduciary obligation to do what is in the Plan Participants' best interests. He said he sees times, like the John Keane case, where the Board will have to do things that are not consistent with what the City deems to be in their best interests in order to do what is in the Plan Participants' best interests. He said he believes in order to do that, the Board needs independent counsel.

Chris Brown said he completely agrees. He asked if any members attending in person or on ZOOM had any comment before the Board of Trustees votes.

There were no requests for public comment.

The vote passed unanimously.

VII. Executive Director's Report

a. Pension Administrative Specialist

Timothy Johnson discussed the Pension Administrative Specialist position, which would act as the PFPF's new receptionist with added duties. The job posting received 60 applications. He said he and the senior management team reviewed all 60 applications and interviewed the top 20 candidates. The team settled on Cathryn Lively, and recommends a $40,000 starting salary. Ms. Lively is currently a loan officer at the Jacksonville Firemen's Credit Union.

Chris Brown asked if there were no additional expenses to the PFPF due to Debbie Manning's retirement.

Timothy Johnson said that is correct – Debbie Manning's duties were redistributed among staff, and to the new Pension Administrative Specialist position.

Michael Lynch made a motion to approve Cathryn Lively as the Pension Administrative Specialist. Seconded by Richard Patsy. The vote passed unanimously.

b. Hire RVK as Non-Discretionary Consultant

Timothy Johnson discussed the carryover item from the Board's joint meeting with the Financial Investment and Advisory Committee on April 30 to hire RVK as the PFPF's non-discretionary consultant for private credit and non-core real estate with an $85,000 fee.

Richard Patsy made a motion to approve RVK as the PFPF's non-discretionary consultant. Seconded by Terry Wood. Discussion:

Bob Sugarman said that RVK's contract has a subsection covering alternative assets. This service was anticipated to be part of RVK's mandate. This will require an additional document detailing services and fees.

The vote passed unanimously.

c. Fiscal Year 2022 PFPF Budget – Kevin Grant

Kevin Grant covered the $13,884,830 Fiscal Year 2022 PFPF Budget. He discussed the Revenue line items, including Trust Fund, Building Rental, and Parking Rental revenues. He also discussed the Expenditure line items, including Personnel, Professional Services, Operating, Investment, Building, and Parking expenses. He noted the change between this year's and next year's budgets for these line items.

Timothy Johnson highlighted the "NCPERS & PFPF Selected Metrics" page, showing PFPF data and NCPERS survey data from pension funds across the country. The PFPF's total expense is 47 basis points, versus the NCPERS average of 60 basis points. The PFPF earned an 8.0% investment return versus an 8.1% average investment return, but with a 6.9% assumed return versus a 7.3% average assumed return.

Chris Brown thanked Kevin Grant and Timothy Johnson for a fantastic job as always.

Nawal McDaniel made a motion to approve the Fiscal Year 2022 PFPF Budget. Seconded by Terry Wood. The vote passed unanimously.

Timothy Johnson added that City Council approved Jim Mattera to join the FIAC.

VIII. Investment Consultant Reports

a. Monthly Investment Performance Analysis – April 30, 2021

Kevin Schmidt covered the general market commentary as contained in the monthly investment performance analysis:

- Global equity markets experienced another positive month, logging a third consecutive monthly gain. All major indices posted low to mid-single digit returns, with large cap and growth indices generally outperforming their small cap and value counterparts.
- Despite the upward trend in lockdown measures and COVID-19 cases worldwide, strong private sector activity and an improvement in labor market conditions led to market optimism and a positive economic outlook.
- Even while acknowledging an improving economy and rising inflation, the Federal Reserve once again confirmed it will keep short term interest rates anchored near zero, and will continue with its current pace of bond purchases, stating that the US economic recovery is far from complete.
- Equity markets posted positive returns in April as the S&P 500 (Cap Wtd) Index returned 5.34% and the MSCI EAFE (Net) Index returned 3.01%. Emerging markets returned 2.49% as measured by the MSCI EM (Net) Index.
- The Bloomberg US Aggregate Bond Index returned 0.79% in April, outperforming the 0.38% return by the Bloomberg US Treasury Intermediate Term Index. International fixed income markets returned 1.36%, as measured by the FTSE Non-US World Gov't Bond Index.
- Public real estate, as measured by the FTSE NAREIT Eq REITs Index (TR), returned 8.06% in April and 7.50% over the trailing five-year period.
- The Cambridge US Private Equity Index returned 22.93% for the trailing one-year period and 15.59% for the trailing five-year period ending December 2020.
- Absolute return strategies, as measured by the HFRI FOF Comp Index, returned 2.31% for the month and 22.54% over the trailing one-year period.
- Crude oil's price increased by 7.47% during the month, and has increased by 237.47% YoY.

b. Investment Policy Statement Updates

Kevin Schmidt discussed the revisions to the Investment Policy Statement, which would allow the buildout of the Fund's Private Credit and Non-Core Real Estate allocations easier to track and monitor on an ongoing basis. There was concern the Fund would be out of target ranges during the buildout, and these revision will solve that issue.

Richard Patsy made a motion to approve the Investment Policy Statement Updates. Seconded by Michael Lynch.
Discussion:

Timothy Johnson added that the FIAC recommended these updates.

The vote passed unanimously.

c. *Exiting Master Limited Partnerships Memo*

Jordan Cipriani covered the Exiting Master Limited Partnerships Memo with the Board of Trustees:

- Background
    - Over the course of the 2020 Summer and Fall months, RVK collaboratively worked with Staff to provide the FIAC and Board with capital market and asset allocation education, which culminated in a formal asset allocation study and review. This asset allocation study provided the FIAC and Board the opportunity to review the current, target, and alternative asset allocation scenarios, in the context of current long-run asset class assumptions. The collective work completed by all parties, eventually led to the Board approving a new asset allocation in November 2020. One significant change included in the approved asset allocation was the decision to eliminate the target to Master Limited Partnerships ("MLP's").
    - The purpose of this memo, will be to explore the varying approaches and processes available to the PFPF for exiting MLP's, along with recommended next steps to ensure the transition is a smooth and cost effective one.
- Exit Approach
    - When thinking about the timing of exiting MLP's it's important to first recall the impetus behind the decision to bring the asset class to a 0% target. RVK made the recommendation from a standpoint of relative attractiveness and opportunity set, given the shrinking universe of investable pipelines as a result of numerous disadvantageous tax reforms over the past five years. At the time of recommendation there were no short-term concerns with the space, nor do we believe that to be the case at this point in time. Additionally, the MLP allocation continues to provide the benefit of added diversification, albeit at a smaller percentage of the total Fund. So, while a quick exit is certainly viable, it should not be based on the idea that there is structural risk to the asset class in the near term. Relatedly, there are no fundamental concerns with either of the mandates that PFPF are currently invested in.
    - The second aspect to consider is where the proceeds of an exit would be deployed. As of the end of the first quarter, the current allocation sees an overweight to target for every asset class except fixed income and the recently approved Private Credit and Non Core Real Estate allocations. RVK views Private Credit in particular as a potential landing spot for any assets raised from the sale of the two MLP mandates given the possibility for a near term investment. However, we are also cognizant that it may take more time than anticipated for capital to be called and are therefore reluctant to raise cash too soon. While proceeds could certainly be reallocated to something like an equity index fund that has strong liquidity, it's worth noting that equities are already meaningfully overweight their target and further addition of dollars only increases the risk of any potential drawdown event. Additionally, utilizing this type of stepping stone scenario brings with it the related cost of an extra transition that could otherwise be avoided by transitioning the proceeds directly to their final intended destination.
- Transition Management Overview
    - Once decisions have been reached on when to exit the asset class and where the proceeds are headed, the next step in the process is to determine how exactly to transition those assets. RVK sees two

possible options, namely allowing the investment manager to sell the assets on behalf of PFPF, or utilizing the services of a Transition Manager.
    - Transition management refers to the engagement of a third party to facilitate liquidation or funding of assets. A standard goal of transition management is to facilitate the desired transition with reduced overall costs and the risk of gaps in market exposure. Understanding that transitions can become operationally complex and potentially costly with unforeseen volatility in the markets, a transition manager can be extremely valuable as they will develop, and then execute, a strategy to move assets in a way that effectively manages these risks and costs of the transition, particularly when exiting an entire portfolio as opposed to a partial cash raise. Further, at the conclusion of any transition, the transition manager will provide the client with a final report which provides Staff and Boards transparency such that they can view the different methodologies used, determine any beneficial savings and ultimately quantify the success of the transition.
    - As previously mentioned, clients can opt to give the investment manager the authority to sell the assets, but this would not be RVK's favored approach in a scenario where the mandate is being fully terminated/exited.
    - Should PFPF decide to utilize a transition manager, RVK and Staff would execute a bid review and solicitation process whereby we would review bids from transition managers which provide a cost estimate and timeline for the transition. Of note, is the ability of PFPF to leverage existing City relationships as a means to accelerate the process.
- Next Steps
    - With support from the FIAC and Board, RVK and Staff will seek to develop a plan for transitioning out of MLP's at a time that coincides with the potential funding of the PFPF's first Private Credit mandate.

Richard Patsy and Michael Lynch discussed their reservations with hiring a transition manager versus directing the existing money manager to liquidate their holdings.

Jordan Cipriani discussed the benefits and risks to hiring or not hiring a transition manager, noting the benefit of oversight, and best execution. RVK is not asking for a decision today, but permission to explore the possibility of hiring a transition manager. RVK would bring a recommendation to the Board of Trustees at the next meeting.

d. Ares Pathfinder Core Fund & Recommendation Memo

Jordan Cipriani introduced Justin Outslay of RVK who would share RVK's recommendation to hire Ares and invest in the Ares Pathfinder Core Fund.

Justin Outslay discussed RVK's recommendation:

- Given the PFPF's desire to quickly expand an allocation to private credit and limit the administrative requirements of this asset class without the incursion of incremental fees, RVK recommends that the PFPF augment the early stages of its private credit portfolio build-out with a 2021 commitment of $100 million in an evergreen private credit fund. We believe this investment will serve as a useful stop-gap to allow the PFPF to more quickly and efficiently bring its private credit exposure levels to the desired targets, and can, if desired, later be sized down to free capital for a more traditional series of closed-end fund investments if additional administrative capacity becomes available.

- After an in-depth review of the institutional quality evergreen options currently available to large institutional investors, RVK has highlighted the Ares Pathfinder Core Fund as a top-tier evergreen fund candidate and recommends the PFPF make an initial commitment of $100 million in 2021 to the Fund. This offering focuses on asset-backed specialty finance opportunities, and represents both exceptional risk-adjusted relative value compared to the majority of its peer group, as well as the potential to further augment future portfolio diversification in an overall asset class that is heavily weighted toward loans backed by corporate cash flows.

Guests from Ares Management Corporation joined the meeting via ZOOM. These guests included Indihra Arrington, Joel Holsinger, Sonya Lee, Will Lee, and Josh Jobs.

Will Lee began the presentation of Ares Management Corporation and covered the following topics:

- Overview of Ares Management (page 4)
  - With approximately $207 billion in assets under management, Ares Management Corporation is a global alternative investment manager operating integrated groups across Credit, Private Equity, Real Estate and Strategic Initiatives.

Indihra Arrington discussed Ares's Diversity, Equity & Inclusion Framework as shown on page 6 of the presentation:

- Our DEI framework & strategy aspires to harness the power of difference to be a force for good and contribute to the long-term success of Ares, the companies in which we invest and the communities in which we operate.

Joel Holsinger continued the presentation, covering the following topics:

- Ares Alternative Credit Capabilities (page 8)
- Overview of Pathfinder Core (page 12)
  - We invest in large, diversified portfolios of assets that generate contractual cash flows and have demonstrated stable performance throughout cycles. These asset pools generally consist of Loans, Leases and Receivables.
  - We approach asset investing with a flexible approach, seeking to provide a tailored capital solution. The format of our investments is typically Lending, Liquids, or Asset Acquisition.
  - Asset-Focused, Evergreen Income Strategy:
    - $1.5 billion+ initial target seeking to deliver 8-10% net returns with a 90%+ income distribution rate
    - Diversified portfolio of at least 50 investments (with significant collateral diversification), with ~1-3% average position sizes
    - Investing with purpose: At least 5% of Pathfinder Core's carried interest will be donated to support health and education charities and initiatives
- Ares Pathfinder Core Team (page 9)
- Ares Alt Credit Track Period (page 10)
  - Since 2011, Ares has invested ~$15.0 billion across 1,615+ investments with an annualized loss rate of 1.3bps.
- Ares Alt Credit Track Record (cont'd) (page 11)
  - The team has a track record of identifying investments with downside protection and upside optionality

        - For example, while few of our investments have delivered low returns, a substantial percentage have delivered better than expected performance
        - Over 85% of realized investments achieved returns greater than 7.5%
- Comparing Investment Cash Flow Profiles (page 13)
    - The typical Alternative Credit investment has a cash flow profile that is very different from typical private equity or corporate debt investments
    - We believe such a profile provides a number of risk mitigation benefits, including:
        - No reliance on a realization event for a return of capital
        - High volumes of cash flows can quickly reduce risk exposure
        - Relatively short investment duration
- Designing Investments for Stressful Times (page 15)
    - Focused on assets that generate resilient cash flows.
    - Designed to withstand an economic downturn.
    - Designed with structural features to ensure a full recovery.
- Alt Credit Is Focused on Downside Protection (page 16)
- Our Approach (page 18)
    - An emphasis on current income, downside protection and market inefficiencies
- Ares' Differentiated Platform in Action (page 21)
    - While we expect that there will be many advantages to Pathfinder Core, we believe being integrated within the Ares platform is its single biggest advantage and one that can't be replicated.
- Pathfinder Core Pipeline (page 22)
- Correlation Analysis: Private Asset-Focused Investments (page 23)
- Case Study: Healthcare Receivables Facility (page 30)
    - $150 million debt investment backed by a portfolio of 135,000+ guaranteed patient healthcare receivables
    - The facility attaches at 95% of the Company's cost basis in receivables (approximately 83% on the unpaid principal balance) that are fully guaranteed to be repaid by investment grade hospital systems
    - Structure provided breakeven loss coverage (to 0% IRR) of 7.3x the base case cumulative net loss expectation on the junior debt tranche, providing what we believe to be ample cushion for volatility in loss rates in a wind-down scenario

Justin Outslay and Jim Voytko asked Ares to clarify their timeline for capital calls.

Joel Holsinger said that the fund is closing in the end of June. The fund can receive capital in March and September. There would be a capital call quarterly.

Jim Voytko said that if the commitment was approved, the first time to transfer would be in September. This would be a part of the initial commitment, and the remaining parts over the subsequent quarters.

- Key Economic Terms (page 26)
    - Founders +
        - Base Fee: 1.000%
        - Fee Holiday: 12 months
- Investing With Purpose (page 27)

- Ares and Pathfinder Core's Portfolio Managers will together donate at least 5% of carried interest to health and education charities

Jordan Cipriani said that it would be unlikely to find another private credit opportunity such as this one. This would save the PFPF hundreds of thousands of dollars considering the fee holiday.

Richard Patsy made a motion to accept RVK's recommendation to hire Ares Management Corporation and invest $100 million in the Pathfinder Core Fund. Seconded by Nawal McDaniel. Discussion:

Terry Wood asked if the Board had made a decision to get out of the MLPs.

Chris Brown said not yet. He said he recommends a vote, and then revisit the MLP discussion.

The vote passed unanimously.

The Board of Trustees discussed ideas on how to get out of the MLP space.

Richard Patsy suggested asking RVK to return in June and present a couple recommendations regarding transition managers, and to evaluate whether the Board wants to go that route.

Michael Lynch agreed and said he would like to see a cost-benefit analysis of hiring the transition manager.

IX. Counsel Reports

a. Opinion on Employment of Retired PFPF Members by JEA

Lawsikia Hodges said that OGC looked at this opinion. It is simple and consistent with the opinion she and Bob Sugarman gave in 2017, 2018, 2020 and 2021. A pensioner asked questions most recently in October 2020. The question was whether a JFRD retiree could work for JEA without having his pension cut off. She said her and Bob Sugarman's response was he could work for JEA because JEA is not the City. If you look at the PFPF's charter and Plan, the Plan specifically prohibits reemployment with the State. The City is a defined term in the PFPF charter, in the City's Charter, and in the ordinance code. There is a two-step approach. She said when this question was raised by the Advisory Committee in 2017 regarding annual affidavits, Bob Sugarman spent a lot of time looking at all the independent authorities. Reemployment was a topic of the Board of Trustees in 2017 – the Board asked OGC and Bob Sugarman's office to come up with an answer to this question.

Lawsikia Hodges said, to preface this, as recent as June 2, 2020, in an email from Bob Sugarman, we concluded long ago, our retirees who work for independent authorities can still work and still receive their pension. This is very consistent with this opinion coming from Jim Linn, who is the City's pension counsel. This is a two-step analysis. The first step is, has the particular retiree had a bona fide separation. In the two cases of PFPF retirees trying to work for JEA before us, there needs to be a bona fide separation, which means they have truly retired – they have followed the Plan terms, reached retirement age, and properly separated. That is the only IRS question we have to answer. The second question is, looking at the Plan itself, and finding if there are any restrictions in the Plan. In Section 121.105 of the Plan, the prohibition on reemployment is to be reemployed with the City. The City is a separate and distinct corporate body of the independent authorities.

Lawsikia Hodges said she had a meeting with Chris Brown, Timothy Johnson, and James Holderfield to give the courtesy that this opinion would be issued. This is nothing new – it is consistent with the counsel given by OGC and Bob Sugarman. The retiree who asked this question in 2020 withdrew his question because PFPF Staff told him that his pension would get cut off, which was inconsistent with the prior advice given to the pension office. This opinion has been reviewed by the OGC, so this is the OGC opinion on this issue.

Richard Patsy said that in the past, we have always dealt with these on a case by case basis. He said he thought the last case was when JSO wanted to hire someone who was in animal control.

Chris Brown said that when JSO goes to hire a retired JSO employee, there would need to be an exception built in to the ordinance code. A section in the ordinance code lists these exceptions. This case, a JSO retiree was hired by animal control – the City – and that was determined he was acting as an employee and was in violation of the ordinance.

Richard Patsy asked if this was a case by case situation.

Chris Brown said there are still a set of rules to follow in the ordinance. Lawsikia Hodges is saying that her office is rendering this opinion based on a specific example of someone who came forward and said he wants to be employed by JEA. Obviously there is a question as to – it is confusing in the ordinance that the City is defined in some areas as all-inclusive of everything, including the independent agencies, and others with a clear distinction of the City from the independent agencies, like the PFPF, the School Board, and JEA.

Michael Lynch said that in the long term legislative history of this issue, in chapter 121, originally some wire tappers, or logistical support officers, were getting ready to retire, and were the only ones certified to perform wiretapping duties. So the Sheriff's Office goes to the City and says the ordinance code needs to be changed to allow JSO to keep these employees after retirement. Chapter 121 was revised to allow this. Moving forward, this same issue is repeated with JSO employees who manage helicopters, "the Horse Whisperer", "the Preacher", some bailiffs, and others. We have maintained JEA is part of the City for over 20 years, consistent with 121, 120, the Charter – it has always come down to pensions. JEA employees are in the General Employees' Pension Plan. That was a large part of the problem.

Michael Lynch said these other agencies – the School Board, JTA, Port Authority, Aviation Authority – are on the Florida Retirement System. Those are State and local agencies. He said that his wife is in FRS as a School Board employee – she is not a City Employee. The guy doing line work is in the General Employees' Pension Plan. Those two employees are distinctly different. He suggested that in order for this to be done in the most appropriate way, the City changes – through legislation – 121 and 120 to make it clean and what it is supposed to be. Last year, during the COVID-19 emergency, the City did this. They wanted to be able to rehire Police and Fire retirees. The City got the blessing of the unions to be able to do this in a short-term capacity.

Michael Lynch said his advice would be for the City of Jacksonville, consistent with chapter 447 of the Florida Statutes, to bargain these with FOP 5-30 and Local 122. The Fund Actuary would provide an impact statement like we are supposed to do, and they can make the changes to chapter 121. It will be clean. If the City wants to rehire people, let them rehire people.

Michael Lynch said that currently, he believes that this is inconsistent with chapter 121. If not, there would be no risk.

Richard Patsy said he agrees with that, because that would formalize the process and we would not end up with this amalgam of patchwork.

Lawsikia Hodges said, to clarify a couple of things, every time the City has put forth legislation to add additional positions to the exceptions, those were all City positions. She said she wants to be crystal clear on that. The prohibition is in 121.105, which says, "Except as otherwise provided in this Section, any pensioner of the pension funds created by this Chapter who is retired or elects to retire under the provisions of his respective fund for time-service retirement or vested retirement and who has been or is thereafter reemployed by the City". The reason why so many JSO officers are working at the School Board and the airport – without us ever putting forth legislation allowing them to do that – is because we do not have to because there is no prohibition. The prohibition is on being reemployed with the City. The people working at JEA do not get a paycheck from Diane Moser. They get a paycheck from JEA as a separate and distinct body corporate – same with the other independent authorities.

Lawsikia Hodges said that Chris Brown stated that in some places, "City" means all independent agencies. She said Chris Brown is partly correct – in the General Employees' Pension Plan, which is a different plan from the PFPF. When the unions bargain for PFPF, they are bargaining for PFPF members. She said she can not look at the GEPP when she is trying to interpret the PFPF's Plan. These are two different plans. For GEPP, there is a definition for "City" which can be used for that part of the ordinance code, which includes JEA, JHA, PFPF, and other City agencies.

Lawsikia Hodges said she thinks part of the confusion was that PFPF Staff – and when Michael Lynch states "historically, this is what we've done", historically, the annual affidavit does not ask if the retirees are working for independent authorities. The affidavit only asks the retirees if they are working for the City. The reason for that is the prohibition is on the City.

Lawsikia Hodges said that Nawal McDaniel, as a lawyer – who opined on an earlier issue, in disagreement with OGC – knows that there are corporate distinct entities. The Children's Commission is part of the City. The City can't sue the Children's Commission, because that is suing the City. When the PFPF was sued, it was sued as an independent agency.

Richard Patsy asked if there was a way to formalize the process so that whenever another situation like this occurs, we would not have to go through an act of congress.

Chris Brown said the ordinance could be cleaned up, and it should be cleaned up.

Lawsikia Hodges said the benefit would have to be bargained. Benefits are prospective. The retirees working for JAA, the School Board, and now JEA, those retirees would continue to be working for those agencies without their pension checks cut off. It can be bargained.

Chris Brown said a member could get rehired, and their pension is either suspended because they are working full time, or, if they come back on a non-retirement benefit basis.

Richard Patsy said the process should be memorialized – it is feasible.

Michael Lynch said he agrees. He said he appreciates Lawsikia Hodges reiterating his statements from when he was in the Advisory Committee in 2017 when he said that the School Board, JTA, and JAA are completely different.

Lawsikia Hodges said Michael Lynch is misconstruing what she said.

Michael Lynch said this is the problem; in a recent lawsuit, we had this same question, and we were told that paychecks are not what dictate what being a City employee or not means. We were told that we were not allowed to rehire people. We even countersued somebody – without the Board's permission – to pay back pension benefits under the exact opposite argument OGC is making now to rehire somebody. The other piece is, Lawsikia Hodges said "prospective", and included the assumed hire of this JEA person. He said he does not think this is right. He said he thinks the Board's stance is that there is case law where we could interpret our rules. Currently, our rules say you cannot work for JEA.

Michael Lynch asked Bob Sugarman if the Board has a legal standing as an independent agency to interpret our rules as long as they are not inconsistent with the law.

Bob Sugarman said that the code of ordinances says the Board has the authority, given by the legislature, to construe or interpret the provisions of the Plan – the ordinance – as long as they are in good faith. However, the question of whether JEA is part or distinct from the City, has been definitively decided this month in a case that says that they are distinct body politic and its employees are distinct. This case came out 8-9 days ago. If the Board were to make an interpretation contrary to this black and white letter of the law, it would be subject to challenge because it was not in good faith. The court spoke very clearly.

Michael Lynch asked Bob Sugarman if he would advise the Board that changing 121 to read more consistently is the cleanest and best way to move forward on rehiring anybody in whatever this week's definition of "The City" is.

Bob Sugarman said definitely, yes. He says he stands by the opinion Lawsikia Hodges quotes before. He said that as a lawyer, his job is to take the complicated areas of law and present them to his client in a way so that they can make an informed decision. He said that when he writes an ordinance, he gives it to the client, and although he knows what it means, he asks them if they know what it means. The client is the one who will have to administer it. He said that if the client says no, it is his job to make it clearer. He said he thinks the very fact, as Lawsikia Hodges said, that this question has come up four times in the last five years. Although we know the answer to this one question regarding JEA, by looking at different portions of the code and charter, as Jim Linn and Lawsikia Hodges did, and the court, this is not the best way to do it because the question keeps coming up. He said he believes it would serve everyone to have, in one paragraph like now, whatever it is you can do. List the agencies, or the jobs. That doesn't mean that the answer isn't there now, but the answer had to be given four times in the last five years. Apparently it is not clear enough for those who have to work with it every day, and to those who are affected by it. We need to create something that everybody can understand.

Chris Brown said that he agrees, and it would be appropriate for our motion to recommend to the Committee for Timothy Johnson to get that presented.

Michael Lynch said he believes the first step would be negotiating with the Unions.

Chris Brown said taking steps to get this clarified, although you can get to an answer through looking at court opinion, it would be clearer if the code just said what it needs to say.

Lawsikia Hodges said that another place in chapter 121 says "The City shall contribute a sum equal to" for the ADEC. She asked Michael Lynch if he reads this to mean JEA, JAA, and JTA. She said she is trying to understand how one line in 121 is interpreted to mean "The City" includes all independent authorities, yet "City" is mentioned throughout this whole chapter.

Michael Lynch said he does not believe he ever said "City" means all independent authorities. He said he believes he said that the finances that work behind the scenes that make the Duval County Public School System different than JEA, are above his pay grade. He said he can tell you that those two agencies are distinctly different, because JEA employees have traditionally, up until the closing of the GEPP to new entrants, JEA employees were GEPP employees. Duval County School Board employees are Florida Retirement System employees.

Lawsikia Hodges said that Chris Brown and Michael Lynch are members of the union, so it is more appropriate for this to be bargained. It is not the place of this Board to make suggestions on the things to be bargained by the unions.

Chris Brown said he agrees things should be bargained, but by looking at the code, it is very unclear. That is why we continuously have to revisit this point.

Michael Lynch said he believes we are on the same page. However, Lawsikia Hodges referenced the opinion being asked a year ago and then withdrawn. He said the individual case here, who he is aware of, withdrew his request and joined a temp firm. If it was so unclear and unambiguous, why did he ask? If it was that easy, why didn't he just do it?

Lawsikia Hodges said, in all fairness, Timothy Johnson spoke to the pensioner Michael Lynch is talking about. When we went through the process of making the affidavits clearer for members, part of what you also told your members – in the customer service way as you're used to doing – was to, before you become reemployed, come to the office and see us so that you are not in a position that your pension check could get cut off. That is what you pushed out to your members. We were on multiple calls where you said that, and the whole goal of that was that you would protect your pensioners from a scenario where you would cut off their pension because they were moving forward into employment which was against the code. This pensioner went to Timothy Johnson in October 2020. They asked the question and your staff said they could not do it.

Lawsikia Hodges said that when Michael Lynch says that the pensioner withdrew his question, she thinks he is leaving out some accurate facts; he withdrew his question because he was told by the office that he could not do it without having his pension check cut off, which would be inconsistent with her counsel, and Bob Sugarman's counsel.

Chris Brown said let's pause on this as it is getting heated.

Lawsikia Hodges said she is correcting your misinterpretation and misconstructions. She said she has a right to do that.

Michael Lynch said he would be happy to forward any emails.

Chris Brown said he does not think we need a motion, but in the spirit of clarification, this is needed.

Bob Sugarman said that he appreciates the continued confidence in his firm. He acknowledged Lawsikia Hodges's devoted attention to the Board. She works late at night, and during her Childrens' soccer practice.

Bob Sugarman said that fund money manager Thompson Siegel and Walmsley was acquired, and requires Board action in the form of consent. RVK is doing due diligence to determine if the acquisition will affect the level of service. He asked that either the Chair, or Tim Johnson be authorized to sign the consent on behalf of the Board, should RVK give us a positive recommendation.

Terry Woods made the motion to accept Bob Sugarman's recommendation. Seconded by Nawal McDaniel. The vote passed unanimously.

Bob Sugarman said that Pedro Herrera would be working on the Ares Management Corporation contract, and that the deadline to file the Form 1 is approaching in 40 days.

X. Council Liaison Update

XI. Old Business

XII. Next Meeting: Friday, June 18, 2021 at 9:00 A.M.

XIII. Adjournment

11:39 A.M.

Nawal McDaniel, Board Secretary

Summary Prepared By:
Steve Lundy, Deputy Director
City of Jacksonville Police and Fire Pension Fund

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