



## SUMMARY TO THE REGULAR BOARD OF TRUSTEES MEETING

Friday, June 18, 2021

9:00 A.M. – 10:38 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, August 20, 2021 at 9:00 A.M.

### Board of Trustees

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

### Guests

Michael Boylan, City Council Liaison  
Gar Chung, FIN-News (via ZOOM)  
Mark Muchowicz, JSO  
Tom Stadelmaier, GEPP (via ZOOM)  
Randy Wyse, President, Local 122

### Staff

Timothy H. Johnson, Executive Director – Plan Administrator  
Steve Lundy, Deputy Director  
Kevin Grant, Finance Manager  
Chuck Hayes, Pension Benefits Manager  
Cathryn Lively, Pension Administrative Specialist  
Randall Barnes, Fund Treasurer (via ZOOM)  
Jordan Cipriani, RVK, Investment Consultant (via ZOOM)  
Kevin Schmidt, RVK, Investment Consultant (via ZOOM)  
Jim Voytko, RVK, Investment Consultant (via ZOOM)  
Jonathan Kowolik, RVK, Investment Consultant (via ZOOM)  
Lawsikia Hodges, Office of General Counsel  
Bob Sugarman, Fund Counsel (via ZOOM)

### Notice

Meeting Agendas and Summaries are available on our website at [jaxpfpf.coj.net](http://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](mailto: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.

### Summary

Chair Chris Brown convened the meeting at 9:00 A.M.

#### I. Pledge of Allegiance

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II. Invocation

Timothy Johnson gave the invocation.

III. Moment of Silence

Glen C. Ewing, Retired Fire Captain  
Joan Hay, Retired Police Officer  
Thomas J. Hohorst Jr., Retired Fire Lieutenant  
William E. Moore, Retired Firefighter  
Jimmy L. Walls, Retired Fire Lieutenant

IV. Public Speaking

None.

V. Consent Agenda Items 2021-06-(01-12)CA

**Richard Patsy made a motion to approve the Consent Agenda. Seconded by Nawal McDaniel. The vote passed unanimously.**

*2021-06-01CA Meeting Summaries to be Approved*

1. Summary to the Board of Trustees Meeting of May 21, 2021
2. Summary to the Board of Trustees & FIAC Manager Update of June 2, 2021

*2021-06-02CA 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**

05-01-2021 thru 05-31-2021

1. Acadian Asset Management, LLC	\$	265,016.00
2. Tortoise Capital Advisors, LLC	\$	49,198.14
3. Thompson, Siegel & Walmsley, LLC	\$	39,838.38
4. Jacksonville P&F	\$	169,810.26
5. Pinnacle Associates LTD	\$	176,706.00

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**Total**                    \$            **1,269,996.55**

**DISBURSEMENTS B**

05-01-2021 thru 05-31-2021

- |    |                                |    |           |
|----|--------------------------------|----|-----------|
| 1. | Accounts Payable Distributions | \$ | 65,602.45 |
| 2. | Accounts Receivables           | \$ | 24,669.29 |

*2021-06-03CA Pension Distributions*

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

**May 14, 2021**

- |              |                    |    |                        |
|--------------|--------------------|----|------------------------|
| 1.           | Regular Gross      | \$ | 6,654,469.73           |
| 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                   |
| <b>Total</b> |                    |    | <b>\$ 8,011,770.45</b> |

**May 28, 2021**

- |              |                    |    |                        |
|--------------|--------------------|----|------------------------|
| 7.           | Regular Gross      | \$ | 6,651,566.70           |
| 8.           | Regular Lumpsum    | \$ | 0.00                   |
| 9.           | Regular Rollover   | \$ | 0.00                   |
| 10.          | Regular DROP Gross | \$ | 1,355,586.46           |
| 11.          | DROP Lumpsum       | \$ | 211,358.27             |
| 12.          | DROP Rollover      | \$ | 0.00                   |
| <b>Total</b> |                    |    | <b>\$ 8,218,511.43</b> |

The following Consent Agenda items 2021-06-(04-08CA) were verified with supporting documentation and approved at the Advisory Committee meeting held on June 9, 2021. Vote was unanimous. Meeting Summary attached.

*2021-06-04CA*

Application for Time Service Retirement

*2021-06-05CA*

Application for Vested Retirement

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[2021-06-06CA](#)

Application for DROP

[2021-06-07CA](#)

Application for Survivor Benefits

[2021-06-08CA](#)

Application for Time Service Connections

The following Consent Agenda items 2021-06-(09-12CA) were verified with supporting documentation and received as information at the Advisory Committee meeting held on June 9, 2021. Meeting Summary attached.

[2021-06-09CA](#)

Refund of Pension Contributions

[2021-06-10CA](#)

Share Plan Distributions

[2021-06-11CA](#)

DROP Distributions

[2021-06-12CA](#)

DROP Distributions for Survivors

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VI. Executive Director's Report

Timothy Johnson gave his Executive Director's report to the Board of Trustees. He said he is requesting a meeting hiatus in July. The Board retroactively approves benefits, so the PFPF Staff will continue to administer benefits through July, and the Board would approve in August.

Timothy Johnson briefly discussed items from his report:

- The Investment Consultant contract with RVK has been broadened to include alternative assets.
- Attorneys are reviewing the documents with the Fund's newly approved private asset manager, Ares, for investment in the Ares Pathfinder Core Fund.
- We are reviewing internal procedures regarding reemployment as discussed in the Jim Linn legal opinion.
- We received an engagement letter from Sugarman & Susskind regarding independent counsel. We have reviewed this and sent back to Bob Sugarman.

Timothy Johnson said he met with Chris Brown, Bob Sugarman, Mike Boylan, Jason Gabriel, and Lawsikia Hodges. At this meeting, we decided to attempt to find another way to build confidence with the Board of Trustees. The recommendation was to wait a month, work on it, and come back in August with more input. Lawsikia Hodges is diligently working on new procedures.

*a. Cathryn Lively Introduction*

Timothy Johnson introduced Cathryn Lively, the newest member of the PFPF Staff who was approved for hire by the Board of Trustees in May. The PFPF management team received 60 applications, and interviewed 20 candidates. Cathryn Lively came out on top. She comes from the Jacksonville Firemen's Credit Union, and many of our members already know her. She is familiar with many of our processes already, like the annual affidavits.

*b. DROP Enrollment 2021 – Steve Lundy*

Timothy Johnson said the PFPF is expecting a record number of DROP applicants for the October 2021 quarterly DROP date. October will mark 2 years since the last collectively bargained raise and the full amount of this raise will be included in members' pension average calculations.

Steve Lundy showed the '2021 DROP Enrollment Projections & Actual' page. The PFPF identified all members who would be eligible to enroll in the DROP in 2021, and surveyed them, asking which quarterly DROP class they intend to enroll in, or if they do not intend to enroll. 309 members were identified, and 171 responded. The responses were extrapolated, and predictions were made for each DROP class. Three out of the four quarterly DROP classes have been finished, and 92 members were predicted to enroll. 92 members actually enrolled. 175 members are expected to enroll in the October DROP class, and 42 are expected to not enroll in the DROP.

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VII. Investment Consultant Reports

*a. Monthly Investment Performance Analysis – May 31, 2021*

Jordan Cipriani discussed the Monthly Investment Performance Analysis with the Board of Trustees:

- US equity markets yielded mixed results in May, experiencing a sell-off mid-month before rallying in the second half of the month to finish relatively flat. Value indices significantly outpaced their growth counterparts as technology stocks did not fare well during the month, finishing with a negative return for May. Inflation concerns combined with disappointing job growth contributed to the mid-month sell-off. Per the Department of Labor, only 266,000 new jobs were added in April compared to expectations of over 1 million, and the unemployment rate was little changed at 6.1%.
- The Federal Open Market Committee's minutes from their April meeting were released on May 19th, which aided the US equity market's rally late in the month. The Fed continued to project interest rates remaining low for years to come, but there has been some discussion regarding tapering the pace of asset purchases to keep inflation from rising too rapidly. The Fed also noted that they believe the current rise in inflation is transitory, though the 3.1% increase in PCE and 4.2% jump in CPI on a year-over-year basis led many investors to believe near-term inflation may be higher than initially projected by the Fed.
- International equity markets recorded their 4th consecutive monthly gain, finishing with low single digit returns. Strong economic data and accommodative monetary policy contributed to the strong performance for the month. COVID-19 cases have begun falling globally and countries have begun to reopen for tourism, adding to optimism for the international equity market going forward.
- Equity markets posted positive returns in May as the S&P 500 (Cap Wtd) Index returned 0.70% and the MSCI EAFE (Net) Index returned 3.26%. Emerging markets returned 2.32% as measured by the MSCI EM (Net) Index.
- The Bloomberg US Aggregate Bond Index returned 0.33% in May, outperforming the 0.32% return by the Bloomberg US Treasury Intermediate Term Index. International fixed income markets returned 1.23%, 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 1.02% in May and 7.20% 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 0.48% for the month and 20.39% over the trailing one-year period.
- Crude oil's price increased by 4.31% during the month, and has increased by 86.87% YoY.

Jordan Cipriani showed pages 3-4, which outline the Total Fund's asset allocation by Asset Class versus legacy and current targets.

Jordan Cipriani updated the Board of Trustees on Total Fund performance through June 17:

- Month-to-Date Returns: 0.93%
- Calendar Year-to-Date: 10.3%
- Fiscal Year-to-Date: 24.1%

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*b. Eagle Capital Large Cap Value Analysis*

Jim Voytko covered the Eagle Capital Large Cap Value Analysis. RVK was tasked to take a deeper dive into Eagle, and to look at the degree to which they are engaged in active management. RVK looked at a variety of metrics associated with portfolio management:

- RVK was tasked by the Executive Director and a member of the Board to produce an analysis which seeks to explore varying characteristics of the PFPF's current active equity managers in order to evaluate elements such as desired holding periods, differences in holding weight between a fund and its stated benchmark, and ultimately the value add on a net of fee basis.
  - Using the Eagle Capital Large Cap Value portfolio as an agreed upon example, RVK has, on the following slides, calculated the below data points which seek to address those areas of request:
  - Average Number of Holdings
  - Annual Turnover
  - Active Share
  - Fees
  - Performance vs. the Benchmark
- Average Number of Holdings
  - Historically, Eagle Capital has consistently held between 25 and 35 names, placing them at the low end of the active Large Cap manager peer group (e.g. the strategy is more concentrated than many of its peers).
- Annual Turnover
  - Over the long term, Eagle turnover has averaged between 20% and 25%. Said another way, the average historical holding period for any name in the portfolio is between four and five years.
    - Generally, value funds tend to have lower turnover rates as a result of the investment philosophy. Managers seek securities that are undervalued relative to the market and hold them until they appreciate to a targeted stock price.
    - Additionally, we expect portfolios with a lower number of holdings to have lower turnover, as managers rely more on long-term fundamental research which focuses on trends that don't change significantly over time (the highest quality companies typically stay high quality for quite a while).
- Active Share
  - Active share is a measure of the percentage of stock holdings in a manager's portfolio that differs from the benchmark (higher is better).
    - Typically, within large cap, an active share of below 60% is considered low (closet indexers), 60-75% is average, and above 75% is high.
  - Eagle has historically had an active share in line with the highest quartile in the universe.
- PFPF Active Equity Managers
  - Compared to the PFPF's seven other active equity managers, Eagle ranks as having:
    - The lowest average number of holdings
    - Fourth lowest average annual turnover
    - Fifth highest active share

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Jim Voytko said the fundamental question is, ‘what does it mean to be an active manager’? In finance, being ‘active’ means investing assets in a manner different from the passive index over time. This could be in different stock exposure, or weights.

Jordan Cipriani said that it is impossible to draw a correlation line between the Fund’s different managers when plotted on a graph showing Average Annual Turnover vs. Active Share (shown on page 7). The Fund has managers with lower turnover, lower active share, and higher active share and higher turnover. There is diversity in terms of philosophical or methodological implementation of their portfolios. This is a good thing for the Fund as a whole. We do not want all of the Fund’s managers to be doing the same thing at the same time.

Jim Voytko said diversity is important to sustained performance over time – whether it is diversification of geography, capitalization, styles, and methodologies.

Chris Brown and Michael Lynch thanked RVK for this presentation and their work.

Michael Lynch said that many of his questions from discussions with RVK have been unaddressed. He said he was concerned with Eagle’s ownership of ‘FANG’ stocks. FANG stocks are growth stocks, and Eagle is a value manager. We are paying Eagle a high fee to hold growth stocks. Much of their outperformance is due to holding growth stocks. If you carved out the growth stocks from their portfolio, their performance would look different. He asked if Eagle held a Canadian oil company stock, would the Board be mad?

Richard Patsy said the FANG stocks that Eagle owns were considered value stocks when they were purchased. He said Michael Lynch was ‘cherry picking’ and has the benefit of hindsight.

Michael Lynch said he is asking these questions because this did not look right. He asked if Amazon is such a value, why did Eagle not purchase more when the stock fell 30%?

Chris Brown said Eagle is outperforming the index and the S&P 500.

Michael Lynch said this is because Eagle is owning stocks they shouldn’t own. He asked what Eagle’s performance would look like over the past 5 years if they did not own FANG stocks. He said the Board should look at the amount of money Eagle has been paid to hold equities they shouldn’t have owned.

Richard Patsy said Eagle has earned the high fee.

Michael Lynch asked why the Board shouldn’t tell Eagle to just buy whatever they want.

Chris Brown asked Michael Lynch if he had a proposal.

Michael Lynch said he had nothing to propose. He said he had asked questions, and he thought RVK would explain ‘style drift’, but they did not address it. However, this presentation contained a lot of good information.

Chris Brown asked if RVK could bring back answers to Michael Lynch’s specific questions in August.

Jim Voytko said absolutely. He said RVK did not feel that Eagle’s holding of stocks for too long was a concern, and it is RVK’s advice which still stands. Michael Lynch’s concern today is different but is legitimate: is the portfolio not at all the portfolio the Board thinks it is? Is it style drift or something different? We look at value and growth as distinct – but in the eyes of asset managers, their view is that value and growth are more questions of whether a stock is cheap or not. RVK will be happy to take a deeper dive.



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Michael Lynch said he would appreciate those answers in an email or at the August meeting.

The Board of Trustees discussed Eagle's fee, and RVK indicated they would be willing to discuss a lower fee arrangement with Eagle for the PFPF along with the GEPP.

*c. Transition Management Recommendation*

Jordan Cipriani discussed the Transition Management Recommendation. RVK was tasked with analyzing transition management in the context of liquidating the Fund's MLP assets managed by Tortoise and Harvest. The Ares Pathfinder Core Fund anticipates closing in the beginning of July, and the first capital call sometime in September. They anticipate a capital call of between 5-15% of the commitment. The Fund has committed \$100 million, so we expect a call of between \$5-15 million. Looking at historical trading costs, RVK expects superior execution through utilization of a transition manager.

Jordan Cipriani said today's recommendation would be to use Northern Trust as transition manager to liquidate approximately the full \$76 million of MLP assets, and transfer that cash to the Northern Trust Aggregate Bond Index as a holding place. In the event that the Board of Trustees does not meet in July, RVK recommends giving authority to Timothy Johnson to execute, using the proceeds of the MLP liquidation, held in the Northern Trust Aggregate Bond Index, or potentially from another asset class based on market conditions, to make the funding of the capital call.

Jonathan Kowolik discussed RVK's recommendation, and the process, bids, and analysis leading to it. Three transition managers provided bids, State Street, Loop, and Northern Trust. RVK's recommendation is Northern Trust, based on cost, risk management, product management, and operational factors.

**Chris Brown entertained a motion to approve RVK's recommendation of using Northern Trust as transition manager, and to authorize the Executive Director to fulfill the initial Ares Pathfinder Core capital call, anticipated in September 2021, with the proceeds from the MLP liquidation, which will be held in the Northern Trust Aggregate Bond Index Fund, or another liquid asset class and vehicle, as he deems appropriate, based on market conditions and Fund positioning at that time.**

**Terry Wood so moved the motion. Seconded by Nawal McDaniel. Discussion:**

Michael Lynch asked for an explanation of the three lines of comparison on page 7.

Jonathan Kowolik discussed the lines on page 7. He described the explicit costs, and implicit costs. The explicit costs are easy to predict – they are the costs of commissions and taxes. The implicit costs include bid-ask spread and market impact, which are harder to estimate. He also covered opportunity costs of an appreciating or depreciating portfolio value on the day of trading.

Timothy Johnson asked for a clearer estimate of the cost of the transition manager.

Jordan Cipriani said the explicit cost is know: it is the approximate explicit cost of \$26,000 with Northern Trust. The other implicit costs are dependent on market movements on the day of trading.

**The vote passed unanimously.**

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VIII. Counsel Reports

- a. *Ares Contract Update*
- b. *Form 1 2020: Statement of Financial Interests*

Lawsikia Hodges reminded the Board of Trustees to complete their Form 1: Statement of Financial Disclosure before July 1, return to Steve Lundy, and he will file at the Supervisor of Elections office.

Lawsikia Hodges said there were very productive discussions with Jason Gabriel, Chris Brown, Timothy Johnson, and others as Timothy Johnson noted earlier. OGC is working on a protocol to address the Board's concern, and will bring back.

Bob Sugarman said the Ares contract is still in the works.

Michael Lynch said the Board has accepted Ares, and Timothy Johnson can execute the contract without further Board action.

IX. Council Liaison Update

Mike Boylan thanked the Board of Trustees for the opportunity of being the City Council Liaison to the Board. Council President Newby has selected Councilman Salem to be the new Liaison.

Chris Brown thanked Mike Boylan for his service, and welcomed him to share donuts with the Trustees at future Board meetings.

X. Old Business

None.

XI. New Business

None.

XII. Next Meeting: Friday, August 20, 2021 at 9:00 A.M.

- a. *Cancellation of July 23<sup>rd</sup> Board of Trustees Meeting*

Timothy Johnson said he would like Board action to cancel the July meeting.

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**Terry Wood so moved. Seconded by Richard Patsy. Discussion:**

Michael Lynch said he would like to have an abbreviated report in the meantime from Timothy Johnson, updating the Board of Trustees of progress on the Chapter Funds, Sugarman & Susskind engagement letter, and other items.

**The vote passed unanimously.**

Kevin Grant updated the Board on the Chapter Funds: the State has approved the PFPF's application for the monies.

Terry Wood said he hopes that the outcome of the meetings between OGC and the Board of Trustees reflects the fact that the State Legislature created the consolidated government – they can amend the charter, and they did that when they created the Board of Trustees. We had a lawsuit that established that those authorities and the authority of this Board. That needs to be reflected in our relationship.

Chris Brown said that we are meeting to discuss a potential proposal. The next thing to happen will be to discuss this again in August.

XIII. **Adjournment**  
10:38 A.M.

Nawal McDaniel, Board Secretary

**Summary Prepared By:**

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

**Posted:** 06/21/2021

**To be Approved:** 08/20/2021