



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

Tuesday, October 10, 2023

3:30 P.M. – 4:52 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, November 14, 2023 at 3:30 P.M.

### Financial Investment and Advisory Committee

Eric “Brian” Smith Jr., Chair

\*Brian Chappell

\*Steve Glenn

Kendall Park

### Excused

Erwin Lax, Secretary

### Fund Staff

Timothy H. Johnson, Executive Director – Plan Administrator

Steve Lundy, Deputy Director

Kevin Grant, Finance Manager

### Guests

Jordan Cipriani, RVK, Investment Consultant

\*Bob Sugarman, Fund Counsel

\*Ed Zablan, RVK, Investment Consultant

\*Kevin Balaod, Journalist with.Intelligence

\*904-607-1895

\*Asterisk denotes virtual meeting attendance via the ZOOM application

### 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, or email your request to [KLMcDan@coj.net](mailto: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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## Summary

### I. Public Speaking

None.

### II. Meeting Summaries – *action deferred*

#### *a. September 19, 2023 FIAC Meeting Summary*

Action item deferred due to the lack of quorum.

### III. Executive Director's Report

Timothy Johnson informed the FIAC that while the original agenda was slated to cover the equity structure study, the Board of Trustees redirected attention to a special project assigned to RVK, which would be discussed during the FIAC meeting today.

Expressing gratitude, Timothy Johnson thanked the FIAC members for their attendance at the Annual Trustee Breakfast held last month. He also extended appreciation for their active participation in the 2023 PFPF Engagement Survey. The results of the survey, to be tallied by Steve Lundy, are anticipated to be presented in November.

### IV. Counsel Reports

#### *a. House Bill 3 Update*

Bob Sugarman provided an update to the FIAC regarding the ongoing efforts to revise the Investment Policy Statement (IPS) to align with the changes mandated by House Bill 3. He informed the committee that a draft reflecting these alterations would be prepared for approval in November.

Brian Smith sought clarification on whether any existing language in the IPS would need removal due to these changes.

Timothy Johnson and Steve Lundy confirmed that indeed, some language would require removal, specifically the provision of the 'Rooney Rule' concerning the selection of investment managers.

Bob Sugarman further discussed his collaborative efforts with other legal firms in Florida to establish a common standard for the State's mandated bi-annual reporting requirements, as stipulated by the new law.

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V. Investment Consultant Reports

*a. September 2023 Performance Update*

Jordan Cipriani provided a concise overview of the current performance status of the fund. As the Financial and Investment Advisory Committee (FIAC) meeting occurred early this month, the figures for September are still pending finalization. Nevertheless, she shared a preliminary performance update, emphasizing that slight variations might occur in the finalized numbers.

As of the current month, the total fund witnessed a -2.5% loss in September due to a selloff in both equities and fixed income. This brings the year-to-date performance for the 2023 calendar year to +9.3% and for the fiscal year to date to +15.2%. The Board of Trustees can expect to receive the official performance numbers at the meeting scheduled for October 20.

*b. Short-Term Investment of Employer Contribution Discussion*

Jordan Cipriani and Ed Zablan covered the Pension Payroll Contribution and Repayment: Short Duration Fixed Income Scenario memorandum with the FIAC:

“At the September 22, 2023 Board Meeting, the PFPF Board tasked RVK with exploring an alternative scenario to housing the annual advance payroll contribution, to be received by the PFPF from the City of Jacksonville, in December 2023, which is eventually trued up and reimbursed back to the City of Jacksonville the following September (2024). RVK and Staff estimate this inbound contribution in December 2023 to be approximately \$180 million.

Historically, the Board has allocated the advanced payroll contribution to the Pension Fund, utilizing the asset allocation policy targets and ranges as guiding framework for this process. The same approach is then taken the following September to raise the necessary funds for reimbursement. However, unlike in recent years, yields, particularly at the short end of the curve, are high relative to history. For example, the yield on the 1-year treasury as of the end of September 2023 stood at 5.46%. Considering that the date the funds need to be reimbursed is known in advance and where short-term yields currently sit today, there is merit in considering investing the funds received from the City of Jacksonville in ultra-short duration government issued securities, locking in an expectation for a given yield, rather than investing the funds into the diversified asset allocation of the total Pension Fund, where outcomes over the next year are less certain.

If the Board were to take such action, after considering the possible approaches in which the Board may wish to execute this investment scenario, we believe it would be most prudent to engage the expertise of an investment manager, given their market knowledge, trading expertise, and ability to oversee / monitoring the securities, as needed. As such, the following pages of this memo summarize RVK's findings regarding a select group of enhanced cash or ultra-short duration managers ready to accept a \$180 million mandate for approximately nine months. These managers would invest primarily in high-grade credit issuers, with a preference for treasuries and agencies to minimize net asset value (“NAV”) volatility. The expectation being that the portfolio will be fully redeemed after nine months, most likely through the simple maturity of bonds rather than the sale of any securities.”

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Timothy Johnson highlighted that the current discussion marks the third occasion the Board has addressed this topic. Previous negotiations with the City aimed at altering the process fell short of expectations.

Jordan Cipriani then delved into the contents of page 2 of the memo, detailing each investment manager solicited by RVK for a short-term vehicle to accommodate the annual advance payroll contribution, along with proposed fees. Should the Board choose this method, RVK recommends PFM Asset Management's (PFMAM) passive strategy.

Brian Smith expressed concern that such a short-term investment, as suggested by PFMAM, might push the PFPF over its fixed-income target allocation. He also raised the issue of potential negative effects on the portfolio's asset class returns.

Kendall Park proposed considering an institutional money market vehicle matching the expected 5.46% return.

Ed Zablan cautioned against the suggested approach's inherent risk due to investing in T-bills, commercial papers, or repo papers. RVK proposed a customized approach, holding to maturity with a redemption rate in December 2024, primarily in treasuries for enhanced capital preservation.

Brian Smith voiced concern about deviating from the 6.5% return assumption target, given the expected 5.46% rate of return.

Jordan Cipriani acknowledged this concern but noted the potential marginal premium relative to the core fixed income expected return of 3.5-4%.

The FIAC discussed potential edits to the Investment Policy Statement (IPS) to accommodate the new strategy, considering reporting it as a separate line item.

Jordan Cipriani mentioned the rarity of clients employing the current payroll funding mechanism.

Kendall Park inquired about overweight asset classes, and Jordan Cipriani highlighted slight overweights in US Equity and International Equity, suggesting possible sources.

Brian Smith clarified that no voting would occur during this session, aiming to gather feedback and discuss ideas. He favored the passive approach, expressing reluctance to alter the IPS and emphasizing the PFPF's long-term investment nature.

Jordan Cipriani concurred, considering the short-term investment vehicle a departure from the fund's long-term, diversified approach.

Brian Smith underscored the obligation to think long-term, favoring reopening negotiations with the City.

Steve Glenn echoed concerns about selling in a down market and investing below the target rate.

Brian Chappell advocated for a highly liquid, reserved investment for the short term but cautioned against pricing risks.

Kendall Park disliked selling good long-term fixed income in a down market for a short-term fixed income vehicle.

Timothy Johnson referenced Pete Strong's prediction of worsening funding policy and payroll due to the surtax, with the ADEC payment expected to grow annually.

Brian Smith concluded that the discussion was a valuable exercise.

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VI. Old Business

None.

VII. New Business

Brian Smith provided the FIAC with an overview of his recent participation in the Florida Public Pension Trustees' Association conference. He shared that the conference offers a certification spread across three events, and he plans to attend the remaining two conferences to complete the certification. Emphasizing the educational value, he recommended that other FIAC members attend any future conferences, noting that it significantly enhances understanding of the broader aspects of pension fund administration.

VIII. Upcoming Meetings

- a. FIAC Meeting – Tuesday, November 14, 2023 at 3:30PM*
- b. Manager Update Workshop – Sawgrass Asset Management – Thursday, October 12, 2023 at 12:00PM*
- c. Manager Update Workshop – Pinnacle Associates – Wednesday, November 8, 2023 at 12:00PM*
- d. Manager Update Workshop – JP Morgan – Wednesday, November 15, 2023 at 12:00PM*

IX. Adjournment

4:52PM

Erwin Lax, FIAC Secretary

**Summary Prepared By:**

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

**Posted:** 10/11/2023

**To be Approved:** 11/14/2023