

**JACKSONVILLE POLICE AND FIRE PENSION FUND  
FINANCIAL INVESTMENT AND ADVISORY COMMITTEE (FIAC)  
SPECIAL MEETING WORKSHOP SUMMARY – NOVEMBER 10, 2016  
RICHARD “DICK” COHEE BOARD ROOM**

**PFPF MISSION STATEMENT**

*To provide long term benefits to participants and their beneficiaries*

**PRESENT**

Eric “Brian” Smith Jr., FIAC Chair  
Craig Lewis Sr., FIAC Secretary

**STAFF**

Timothy H. Johnson, Executive Director – Plan Administrator – *conference call*  
Dan Holmes, Summit Strategies  
Beth McCague, Consultant  
Devin Carter, Chief Financial Officer  
Steve Lundy, Economic Research Analyst

**CITY REPRESENTATIVES INVITED**

Joey Greive, City Treasurer

**EXCUSED**

Rob Kowkabany, FIAC  
Rodney Van Pelt, FIAC  
Debbie Manning, Executive Assistant

**NOTE:** Any person requiring a special accommodation to participate in the meeting because of disability shall contact the Executive Assistant at (904) 255-7373, at least five business days in advance of the meeting to make appropriate arrangements.

**I. CALL TO ORDER**

Chairman Smith called the meeting to order at 3:45PM

**II. PUBLIC SPEAKING PERIOD**

There were no requests for public speaking. The public speaking period was closed.

**III. APPROVAL OF OCTOBER 14, 2016 FIAC MEETING SUMMARY AND OCTOBER 12, 2016 SPECIAL MEETING SUMMARY OF THE FIAC AND BOARD OF TRUSTEES**

Deferred to next month's meeting as there was no quorum.

**IV. EXECUTIVE DIRECTOR'S REPORT** – *Timothy H. Johnson*

- Fifth FIAC Member - Resume for Tracey A. Devine

Tim Johnson deferred to Chairman Smith.

Chairman Smith said that he had a meeting with Tracey Devine. She stated that she must get approval of her nomination to the FIAC from SunTrust Bank's compliance department. She is interested in becoming a Member on the Committee.

Tim Johnson said that Tracey Devine has stated that she is willing to go through the City Council's "arduous confirmation process." Tim is hopeful that she will be approved by SunTrust's compliance department, and that he would like her recommendation to go to the FIAC as soon as possible.

- Pension Plan Comparison

As requested by Rodney VanPelt, Steve Lundy discussed the Pension Plan Comparison chart he created for the Committee. Van Pelt previously stated he would like to see a comparison of the PFPF's benefits to other Pension Plan benefits across the state in order to see 'how generous' the PFPF Plan is. The chart shows calculations of pension benefits under three PFPF plans, the Tampa Fire & Police Plan, and the Florida Retirement System Plan.

Chairman Smith said that he is very pleased with Steve's work and that he looks forward to reviewing it further.

- Draft for News Releases
  - PFPF Announces New Actuary
  - PFPF Reports Preliminary 2015-2016 Fiscal Year Investment Returns

Tim Johnson explained to the FIAC the two draft press releases that he had written. Tim hopes to 'rebuild public confidence in the PFPF' in part through publishing press releases, which according to Tim 'helps transparency'.

**Tim Johnson discussed his Fiscal Year 2016 Investment Returns press release, which shows positive gains for the Fund's investments. He said that he wanted to run it by the FIAC before publishing it.**

**Chairman Smith stated that he would like his name spelled as follows in all future press releases:**

**Eric "Brian" Smith Jr.**

- 2017 PFPF Calendar

**Chairman Smith noted that the calendar is very colorful.**

**Tim Johnson said that the calendar will be presented next week at the Board of Trustees' meeting, and that it will be published in December 2016.**

**Tim Johnson asked the FIAC if any meeting dates need to be rescheduled.**

**Chairman Smith said no changes seem necessary.**

**Craig Lewis said that the calendar looks good; however they cannot make a motion to approve it since there is no quorum.**

**Chairman Smith then gave the floor to Dan Holmes.**

#### **V. INVESTMENT CONSULTANT REPORTS – Dan Holmes w Summit Strategies**

**Dan Holmes asked the FIAC to recommend any changes to future presentation materials that they felt are necessary, as the materials that he presents are highly customized.**

- Investment Performance Review – Third Quarter – September 30, 2016

**Dan Holmes stated that domestic stocks were up over Fiscal Year 2016, emerging markets were up over 16%, and MLPs and High-Yield were up over 14%. Exposure in these areas contributed to the total Fund success.**

**Dan Holmes then discussed the Asset Allocation vs. Target Allocation as presented on page 12. He said we were close to target in all categories but real estate. Also, capital market assumptions for real estate are changing.**

**Chairman Smith asked if there are any specific criteria concerning when adjustments are made in order to bring allocations back to the target.**

Dan Holmes answered that when an allocation is around plus or minus 5 percent off target, a readjustment will be made. Dan Holmes assesses the allocations at monthly intervals. Dan said he doesn't want to make readjustments too often as to avoid driving up transaction costs.

Chairman Smith asked if rebalances are made about twice per year.

Dan Holmes answered that rebalancing occurs more often, typically around 4 to 5 times per year, on an as-needed basis according to policy.

Dan Holmes directed attention to page 13, which shows how the PFPF's allocation compares to the 'universe of plans'.

Dan Holmes directed attention to page 14, which shows that total fund performance was almost 11 percent, which is in the 13<sup>th</sup> percentile – ranked near the top of the peer sample.

Chairman Smith asked if the 1-year, 3-year, 5-year data is on a calendar or fiscal year basis. He said he likes calendar year better.

Dan Holmes answered that it is on a calendar year basis.

Dan Holmes directed attention to page 21, which shows that all parts of the Plan allocation are working well except domestic equity, due to manager underperformance.

Dan Holmes said he may want to move to a more passive allocation eventually, but not in the near future.

Craig Lewis asked what Dan's ideal range for passive core was.

Dan Holmes said that he likes to let risk drive some allocation decisions, and this translates to a 50% active and 50% passive allocation in large cap exposure.

Craig Lewis added that 'passive beta is more rich'.

Dan Holmes directed attention to pages 23-24, which show rolling 3-year returns are performing above the benchmark and median historically, until recently, corresponding with the start of Quantitative Easing. The benchmark is now abnormally high, and underperformed the last 3 years.

Dan Holmes directed attention to page 45, which shows the international portfolio. Dan wishes allocation to Silchester was higher, but noted that they are closed to new business. Silchester is overweight to emerging markets, by design, and this helped this year's performance.

**Dan Holmes said that active management is the way to go in international, and that over time, he would like to deploy more assets into active international.**

**Chairman Smith directed attention to the rolling 3-year returns on page 48. He asked what happened in 2014.**

**Dan Holmes answered and said that we replaced two managers.**

**Chairman Smith noted that it resulted in ‘a nice bump’.**

**Dan Holmes said that one of those two managers are no longer in business.**

**Craig Lewis asked if there is any way to see the weightings by country.**

**Dan Holmes directed attention to page 58, which shows the weightings of Baillie Gifford, and the other managers’ weightings are shown in the booklet as well. He noted that Silchester ‘loves Japan’.**

**Dan Holmes directed attention to pages 80-81, which shows that real estate managers have done very well, and that Principal has daily liquidity.**

**Dan Holmes directed attention back to pages 6-7. Sawgrass and Brown are experiencing performance issues. He stated that whenever one does well, the other does less well, and vice versa. Pinnacle also experienced choppy performance, but was in the 8<sup>th</sup> percentile.**

**Dan Holmes said that the bottom line for the quarter was that we experienced very good performance, and that the point is that it pays to be patient and give managers time to do well.**

- Eagle and Brown Advisory Review

**Dan Holmes said Eagle has a concentrated portfolio. Eagle makes sense and can add performance above the benchmark, but must be sized appropriately. Eagle isn’t broken.**

**Dan Holmes said, “Is Brown Broken?”. He said a more appropriate question is, “Is large cap growth broken?”. He said we should watch them closely in relation to other managers. He said we may be losing out on fees now, but he doesn’t expect it for the future, and that we must be patient.**

**Chairman Smith asked Dan Holmes if it was his recommendation to not change the manager.**

**Dan Holmes replied that for now, his answer is yes, and given the risk tolerance of the Board of Trustees and FIAC, now is not the time.**

- Approval of Investment Guidelines for Neuberger Berman & Loomis

**Chairman Smith stated that the “Investment Manager Instructions” for Loomis Sayles & Co. and Neuberger Berman Trust Company needs to be on next month’s FIAC Meeting Agenda.**

**Dan Holmes reviewed and discussed the Investment Manager Instructions for Neuberger Berman, and the handout for Loomis Sayles. He recommended that these guidelines be shown to the Board of Trustees.**

**Craig Lewis said that he is comfortable with Dan’s recommendations.**

**Chairman Smith said that although the FIAC cannot vote on this yet because they do not have a quorum, he and Craig Lewis feel comfortable with Dan’s recommendations, especially since Dan Holmes has confirmed that these investment managers are complying with the statutory investment requirements.**

- Net Fee Performance by Asset Classification
- Watch List Discussion

## **VI. NEW BUSINESS**

## **VII. ADJOURNMENT**

**Chairman Smith reiterated that no votes were taken during the meeting, as there was no quorum.**

**Chairman Smith adjourned the meeting at 5:06PM.**

**NOTE:** 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.

**TO BE APPROVED AT THE FIAC MEETING  
HELD ON DECEMBER 9, 2016**

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Craig Lewis, FIAC Secretary