

**JACKSONVILLE POLICE AND FIRE PENSION FUND
BOARD OF TRUSTEES AND
FINANCIAL INVESTMENT ADVISORY COMMITTEE (FIAC)
WORKSHOP SUMMARY – APRIL 11, 2016
RICHARD “DICK” COHEE BOARD ROOM**

PFPP MISSION STATEMENT:

To provide long term benefits to participants and their beneficiaries

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.

PRESENT

Chief Larry Schmitt, Board Chair
Richard Tuten III, Board Secretary – *briefed prior to meeting, had to leave early.*
Bill Scheu, Trustee

Eric “Brian” Smith Jr., FIAC Chair
Rob Kowkabany, FIAC
Michael Lukaszewski, FIAC
Rodney Van Pelt, FIAC

STAFF

Beth McCague, Interim Executive Director – Plan Administrator
Dan Holmes, Summit Strategies
Devin Carter, Chief Financial Officer
Debbie Manning, Executive Assistant
Steve Lundy, Pension Benefits Specialist / Economic Research

CITY REPRESENTATIVES INVITED

EXCUSED

Richard Patsy, Trustee
Willard Payne, Trustee
Craig Lewis Sr., FIAC Secretary
Tommy Hazouri, City Council Liaison
Jenny Busby, Asst. to City Council Liaison
Joey Greive, City Treasurer

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.

CHAIRMAN SCHMITT CALLED THE MEETING TO ORDER AT 2:03PM

PUBLIC SPEAKING PERIOD

CHAIRMAN SCHMITT ASKED IF THERE WERE ANY REQUESTS FOR PUBLIC SPEAKING. NO REQUESTS. PUBLIC SPEAKING PERIOD WAS CLOSED.

CHAIRMAN SCHMITT WELCOMED EVERYONE TO THE WORKSHOP.

FIAC CHAIRMAN, BRIAN SMITH JR., ASKED THE FIAC MEMBERS FOR APPROVAL OF MARCH 11, 2016 FIAC MEETING MINUTES. MOTION WAS MADE BY RODNEY VAN PELT TO APPROVE THE FIAC MEETING MINUTES. SECONDED BY MIKE LUKASZEWSKI. VOTE WAS UNANIMOUS

BETH MCCAGUE, INTERIM EXECUTIVE DIRECTOR UPDATED THE BOARD AND FIAC MEMBERS REGARDING MAYOR CURRY'S PENSION REFORM PROPOSAL. MIKE WEINSTEIN, DIRECTOR OF FINANCE, SPOKE WITH THE BOARD AT THE LAST MEETING ADVISING THAT THE GOVERNOR SIGNED OFF ON THE BILL. IN AUGUST, THERE WILL BE REFERENDUM. MIKE WEINSTEIN ASSURED THE BOARD THAT THE CITY WILL TALK TO THE BOARD ABOUT SPECIFICS AFTER THE AUGUST REFERENDUM.

CHAIRMAN SCHMITT THANKED THE BOARD AND FIAC MEMBERS FOR TAKING TIME OUT OF THEIR BUSY SCHEDULES TO SHARE THEIR TALENTS FOR THIS IMPORTANT WORK.

SUMMIT STRATEGIES MEETING MATERIALS, PRESENTED BY DAN HOLMES:

THERE WILL BE NO VOTE TODAY BY THE BOARD OF TRUSTEES. FIAC MEMBERS CAN MAKE RECOMMENDATIONS TO THE BOARD.

- **PORTFOLIO REALLOCATION CHANGES APPROVED BY THE BOARD OF TRUSTEES ON MARCH 18TH WERE REVIEWED**
- **MANAGER TERMINATION DISCUSSION – LARGE CAP EQUITY**
- **ON PAGE 2 OF THE CHANGES TO TARGET ALLOCATIONS, DAN HOLMES NOTED LARGE CAP WOULD BE ALLOCATED - 1/3 ACTIVE VALUE – 1/3 ACTIVE GROWTH – 1/3 PASSIVE LARGE CAP**

EAGLE HAS DONE A GREAT JOB.

BROWN AND SAWGRASS HAVE BOTH DONE WELL. BROWN DIVERSIFIES EAGLE BETTER. BROWN HAS REDUCED THEIR FEES.

SMALL CAP: DEPRINCE, RACE & ZOLLO (DRZ), LONGEST RUNNING MANAGER WITH THE FUND. ONLY HOLDS DIVIDEND PAYING STOCKS. DAN HOLMES ANTICIPATES THIS STYLE WILL NOT PERFORM AS WELL IN THE FUTURE. OTHER SMALL CAP FUNDS OFFER BETTER OPPORTUNITIES.

INTERNATIONAL EQUITY: NO RECOMMENDATIONS, NO CHANGES

FIXED INCOME: NEUBERGER WAS RECOMMENDED AS THE NEW CORE PLUS FUND MANAGER

REAL ESTATE: HOPE TO ADD A NON CORE REAL ESTATE MANAGER

DAN HOLMES WITH SUMMIT SAID OUR INVESTMENT POLICY LIMITS MAXIMUM AMOUNT MANAGED BY ONE MANAGER IS 10%.

RECOMMENDATION WAS MADE TO TERMINATE GAMCO LARGE CAP VALUE. REDISTRIBUTE FUNDS INTO EAGLE & NORTHERN TRUST S&P 500.

ACTIVE MANAGERS PROTECT ON THE DOWNSIDE. COULD DO 1/3 PASSIVE, 2/3 ACTIVE.

PAGE 8 – SECOND OPTION 1/3, 1/3, 1/3.

TRYING TO BECOME MORE EFFICIENT AND COME UP WITH THE BEST PORTFOLIO PERFORMANCE FOR THE FUND. DON'T WEIGH TOO HEAVILY ON PUBLIC PERCEPTION OF FEES, LOOK AT THE TOTAL PERFORMANCE PICTURE SO THAT THE FUND ATTAINS THE BEST RETURNS.

EAGLE IS A ONE PRODUCT SHOP.

DAN HOLMES AND FIAC MEMBERS RECOMMENDED THE FOLLOWING TO THE BOARD:

A RECOMMENDATION WAS MADE BY RODNEY VAN PELT TO ELIMINATE GAMCO. SECONDED BY ROB KOWKABANY. VOTE WAS UNANIMOUS.

DAN HOLMES WITH SUMMIT RECOMMENDS THE BOARD ELIMINATE SAWGRASS. DAN ALSO RECOMMENDS TO CREATE CORRELATION WITH EAGLE.

FIAC MEMBER, MIKE LUKASZEWSKI, MADE A RECOMMENDATION TO RETAIN BOTH MANAGERS, SAWGRASS AND BROWN, FUNDS BALANCED EQUALLY. SECONDED BY RODNEY VAN PELT. VOTE WAS FOUR TO ONE TO APPROVE (*ROB KOWKABANY OPTED OUT OF DISCUSSION AND VOTING ON SAWGRASS*).

A RECOMMENDATION WAS MADE BY RODNEY VAN PELT TO ANALYZE THE SAWGRASS FEE OPTIONS. PERFORMANCE BASED U.S. FIXED FEE. ANALYSIS TO BE SENT TO FIAC MEMBERS AND TO APRIL BOARD MEETING. SECONDED BY MIKE LUKASZEWSKI. VOTE WAS UNANIMOUS.

A RECOMMENDATION WAS MADE BY DAN HOLMES TO TERMINATE DRZ, AND SEEK A REPLACEMENT MANAGER. DAN PRESENTED PERFORMANCE INFORMATION ON SMALL CAP MANAGERS.

A RECOMMENDATION WAS MADE BY RODNEY VAN PELT TO TERMINATE DRZ AS A MONEY MANAGER FOR THE JACKSONVILLE POLICE AND FIRE PENSION FUND. SECONDED BY MIKE LUKASZEWSKI. VOTE WAS UNANIMOUS.

A RECOMMENDATION WAS MADE BY RODNEY VAN PELT TO INTERVIEW SMALL CAP MANAGERS AJO, WEDGE, AND WILLIAM BLAIR (ALSO USED BY THE CITY OF JACKSONVILLE GEPP). EACH INTERVIEW WILL BE SCHEDULED FOR 30 MINUTES. SECONDED BY ROB KOWKABANY. VOTE WAS UNANIMOUS.

THE GROUP DISCUSSED CORE PLUS FIXED INCOME: TAB 4, PG 38.

NEUBERGER IS A NICE FIT WITH THE LOWEST FEE SCHEDULE. THE FUND WILL SEEK A CO-MINGLED FUND STRUCTURE RATHER THAN HAVE A SEPARATELY MANAGED ACCOUNT.

A RECOMMENDATION WAS MADE BY MIKE LUKASZEWSKI TO COLLAPSE EMERGING MARKET DEBT AND SENIOR BANK NOTES ASSET CLASSES INTO A CORE PLUS FIXED, AND HIRE TWO CORE PLUS MANAGERS. ROB KOWKABANY SECONDED. VOTE WAS UNANIMOUS.

A RECOMMENDATION WAS MADE BY ROB KOWKABANY TO HIRE NEUBERGER AND BLACKROCK AS CORE PLUS MANAGERS. SECONDED BY RODNEY VAN PELT. VOTE WAS UNANIMOUS.

DAN HOLMES WILL NOT DISCUSS REAL ESTATE AT THIS WORKSHOP.

BETH MCCAGUE THANKED EVERYONE AT TODAY'S MEETING.

FIAC IS STILL A NEW COMMITTEE. BETH ASKED IF THE BOARD AND FIAC MEMBERS WERE COMFORTABLE MEETING TOGETHER. EVERYONE FELT THE DISCUSSION WAS VALUABLE AND MORE EFFECTIVE WITH EVERYONE TOGETHER.

CHAIRMAN SCHMITT ADJOURNED THE MEETING AT 4:48PM.

Richard Tuten III, Board Secretary

Craig Lewis Sr., FIAC Board Secretary