
**JACKSONVILLE POLICE AND FIRE PENSION FUND
FINANCIAL INVESTMENT AND ADVISORY COMMITTEE
MEETING SUMMARY – AUGUST 11, 2017 – 3:30PM**

PRESENT

Eric “Brian” Smith Jr., Chairman
Craig Lewis Sr., Secretary
Tracey Devine
Rob Kowkabany
Rodney Van Pelt

STAFF

Timothy H. Johnson, Executive Director – Plan Administrator
Steve Lundy, Assistant Plan Administrator
Dan Holmes, Summit Strategies – via Webex

I. CALL TO ORDER

Chairman Brian Smith called the meeting to order at 3:32PM.

II. PUBLIC SPEAKING PERIOD

There were no requests for Public Speaking. Public Speaking Period closed.

III. MEETING SUMMARY TO BE APPROVED

1. Meeting Summary of the FIAC Meeting held July 14, 2017.
Copies held in the meeting files.

A motion was made by Rodney Van Pelt to approve the summary of the FIAC meeting held on July 14, 2017, seconded by Tracey Devine.

Rodney Van Pelt moved to amend the motion, editing the summary; adding the phrases ‘voiced and alleviated’ and ‘contingent on OGC’s approval’ to the document and moving the last paragraph up seven paragraphs. Craig Lewis seconded the amendment. The amendment passed unanimously.

The overall motion to approve the July 14, 2017 meeting summary, as amended, passed unanimously.

IV. OLD BUSINESS

Timothy Johnson said that he made the recommendation to the Board of Trustees to approve Carr, Riggs, & Ingram (CRI) as the external auditor at the last Board of Trustees meeting. He said that he met with the City's chief purchasing officer in order to align the PFPF's purchasing policy with the City.

Timothy Johnson said that he is confident the process was followed correctly in hiring CRI.

V. EXECUTIVE DIRECTOR'S REPORT

Timothy H. Johnson

Pension Reform Administration Discussion

1. Ordinance to Stagger Terms

Timothy Johnson and the FIAC discussed the Advisory Committee and FIAC terms. He said that in the past, terms were based on dates of appointments. He said that for this committee, terms should be consistent, defined, and disciplined. He said that these aren't indefinite terms; the FIAC members are elected to specific terms.

Timothy Johnson read the language from the ordinance as it relates to the FIAC.

Brian Smith and the FIAC discussed when they were originally appointed by the City Council.

Rob Kowkabany asked if the ordinance would alter their original term lengths.

Timothy Johnson said that the attorney may alter a couple of the FIAC members' terms.

Rodney Van Pelt said that the initial terms would stagger future terms, and future terms are all 3 years in length.

Brian Smith discussed start dates versus approval dates.

Timothy Johnson said he will propose a starting date for all terms.

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Brian Smith said that if the starting date is in the future, everybody would begin on an even playing field.

The FIAC took some time to read the draft ordinance. They compared the staggered terms of the Advisory Committee, the FIAC, and the Board of Trustees (which is governed by the Charter).

Brian Smith entertained a motion to ask Timothy Johnson to make recommendation to the Council Committee that January 1, 2018 be the prospective date, or begin date for the FIAC terms to start. Rodney Van Pelt so moved. Rob Kowkabany seconded. The vote passed unanimously.

Brian Smith asked the FIAC for term preferences. Rodney Van Pelt and Rob Kowkabany volunteered for one-year terms. Tracey Devine and Craig Lewis volunteered for two-year terms. Brian Smith volunteered for the three-year term.

2. Reform Administration Working Group

Timothy Johnson said that the working group meeting was great. As a result of new pension reform, the PFPF will have to administer the pension reform effective October 1st. He said that the conversation was detailed, and the biggest thing that came out of it relative to the FIAC was how to view the present value of the surtax. He said that this could potentially change the asset allocation.

Timothy Johnson said that this posed some questions: Is it a fixed promise of the City to pay? It is assured? He said that others that look at it another way and say the plan should be de-risked, because it is a liability.

Timothy Johnson said that at the working group, the consensus was that the present value of the surtax should not be viewed as an asset.

Timothy Johnson said that the asset-liabilities study will be made with GASB rules, considering conventional assets and liabilities. He said that Dan Holmes will work on the asset-liabilities study as soon as the actuarial valuation is done.

Brian Smith discussed the chapter funds, and how they are now going to be paid to the unions as a result of the pension reform. He said that at the working group meeting, there was a lot of discussion on how the money would be paid to the unions.

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Rodney Van Pelt said that the FIAC has to consider the present value of the surtax revenues. He said that we can't just stick our heads in the sand and ignore it, and hope that the money will eventually come. He said that at some point in time, maybe 2025, the Fund could afford to be more risky in its investment strategy.

Brian Smith said that Rodney Van Pelt's point was an important one, and that Timothy Johnson's intention was that for right now, the present value of the surtax shouldn't be considered, however in the future it may or may not be considered or looked at more closely.

Rodney Van Pelt said that the revaluing of the asset is very important every year.

Tracey Devine said that no matter how the surtax is valued, everyone has the knowledge in the back of their minds that these revenues will be coming, and it may influence future decisions.

VII. NEW BUSINESS

Taken out of Order

1. General Planning Discussion (2017-2018 Work Plan)

Brian Smith asked Timothy Johnson to discuss the new business (out of order).

Timothy Johnson said that last month, the FIAC had a discussion on the work plan for the upcoming Fiscal Year, starting with August, even though the Fiscal Year begins in October.

Timothy Johnson outlined the attached Work Plan to the FIAC.

Timothy Johnson said that the plan is a work in progress and that he's open to changing the schedule however the FIAC would like.

Brian Smith asked Timothy Johnson to add discussion of the present value of the surtax to the schedule for November's meeting.

Rodney Van Pelt said the asset allocation should be reevaluated annually.

Tracey Devine said that the FIAC should review the Investment Policy Statement (IPS) each year.

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Dan Holmes said that once the asset liability study is done, every year thereafter it will be reviewed with capital market assumptions, and built into the process going forward.

Brian Smith asked what time of year would be best to review the asset allocation and IPS.

The FIAC and Dan Holmes discussed when to schedule the annual review of the asset allocation. They decided that April would be the best month, and directed Timothy Johnson to add it to the work plan.

Dan Holmes recommended that the review of the IPS and the asset allocation be split into two meetings.

Craig Lewis agreed, and said that the IPS, asset allocation, and money manager selections are big decisions.

Brian Smith and Rodney Van Pelt said that they would prefer longer, half-day style meetings. Brian Smith directed Timothy Johnson to look at possible dates and put on a future agenda.

VIII. NEXT MEETING

Taken out of Order

The FIAC decided that a meeting date of September 8th, 2017 would not work due to scheduling conflicts.

A motion was made by Craig Lewis to schedule the next FIAC meeting for September 14th, 2017 at 3:30PM, seconded by Rob Kowkabany. The vote passed unanimously.

VI. INVESTMENT CONSULTANT REPORTS

Taken out of Order

3. Investment Performance Review

Dan Holmes reviewed the attached Investment Performance Review with the FIAC.

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Dan Holmes said that overall, the Fund has experienced very strong absolute returns. He said that over the quarter, the Fund performed in the 11th percentile (1=best, 100=worst) of peer public plans.

1. Flash Report – July 31, 2017

Dan Holmes reviewed the attached Flash Report with the FIAC.

2. Economic & Capital Market Update – July 31, 2017

Dan Holmes reviewed the attached Economic & Capital Market Update with the FIAC.

Craig Lewis asked Dan Holmes what the yield profile is on MLPs.

Dan Holmes said it is around 7 percent.

Craig Lewis asked if the Fund's MLP managers have much commodity exposure.

Dan Holmes said there is no direct commodity link; MLPs are driven by flow of the commodity, the use of the underlying assets such as pipelines and storage facilities. He said that since commodities are volatile, people are pulling capital away.

Tracey Devine asked about Eagle Capital's strategy in relation to Amazon and Google stock.

Dan Holmes said that Eagle is a relative value manager, not deep value. He said that they are in line with or slightly above benchmark, but below S&P.

Tracey Devine asked if there has been progress in Loomis Sayles's contract.

Timothy Johnson said that the process is nearing completion, and the document just requires signatures.

Tracey Devine said she feels Eagle as a value manager is slipping too far into the growth strategy, and feels the Fund needs to be careful not to get too far into growth sector. She said Eagle is not a traditional value manager. She said that the Fund is tilted and that she wants more balance.

IX. ADJOURNMENT

Brian Smith adjourned the meeting at 5:11PM.

NOTES:

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

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.

SL

Craig Lewis, FIAC Secretary

To be approved at the FIAC Meeting on September 14, 2017