

**JACKSONVILLE POLICE AND FIRE PENSION FUND
FINANCIAL INVESTMENT AND ADVISORY COMMITTEE (FIAC)
MEETING SUMMARY – DECEMBER 9, 2016 @ 3:30PM
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
Rob Kowkabany, FIAC
Rodney Van Pelt, FIAC

STAFF

Timothy H. Johnson, Executive Director – Plan Administrator
Matt Jelinek, Summit Strategies – *via conference call*
Craig Coleman, Summit Strategies – *via conference call*
Debbie Manning, Executive Assistant

CITY REPRESENTATIVES INVITED

EXCUSED

Craig Lewis Sr., FIAC Secretary
Dan Holmes, Summit Strategies
Joey Greive, City Treasurer
Devin Carter, Chief Financial Officer
Steve Lundy, Economic Research Analyst

GUESTS

Tracey Devine
Beth McCague

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 3:30PM.

II. PUBLIC SPEAKING PERIOD

THERE WERE NO REQUESTS FOR PUBLIC SPEAKING. PUBLIC SPEAKING PERIOD WAS CLOSED.

III. APPROVAL OF THE FIAC MEETING SUMMARY FOR NOVEMBER 10, 2016, FIAC MEETING SUMMARY FOR OCTOBER 14, 2016, AND SPECIAL MEETING SUMMARY OF OCTOBER 12, 2016 OF THE FIAC AND BOARD OF TRUSTEE'S

A MOTION WAS MADE BY RODNEY VANPELT TO APPROVE THE FIAC MEETING SUMMARY FOR NOVEMBER 10, 2016. SECONDED BY ROB KOWKABANY. VOTE WAS UNANIMOUS.

A MOTION WAS MADE BY ROB KOWKABANY TO APPROVE THE FIAC MEETING SUMMARY FOR OCTOBER 14, 2016. SECONDED BY RODNEY VANPELT. VOTE WAS UNANIMOUS.

A MOTION WAS MADE BY RODNEY VANPELT TO APPROVE THE SPECIAL MEETING SUMMARY OF OCTOBER 12, 2016 OF THE FIAC AND BOARD OF TRUSTEE'S. SECONDED BY ROB KOWKABANY. VOTE WAS UNANIMOUS.

IV. OLD BUSINESS

- Fifth FIAC Member - Resume for Tracey A. Devine

TRACEY DEVIN WAS INTRODUCED TO THE COMMITTEE MEMBERS IN ATTENDANCE, AND WOULD BE LISTENING IN ON TODAY'S MEETING.

CHAIRMAN SMITH SAID HE AND TIM JOHNSON MET WITH TRACEY DEVINE AFTER REVIEWING HER APPLICATION AND RESUME TO BECOME A MEMBER OF THE FINANCIAL INVESTMENT AND ADVISORY COMMITTEE. SHE CAME HIGHLY RECOMMENDED BY BETH McCAGUE, OUR FORMER INTERIM EXECUTIVE DIRECTOR.

A MOTION WAS MADE BY ROB KOWKABANY RECOMMENDING THAT TRACEY DEVINE BECOME THE FIFTH MEMBER OF THE FINANCIAL INVESTMENT AND ADVISORY COMMITTEE. SECONDED BY RODNEY VANPELT. VOTE WAS UNANIMOUS.

THE FIAC RECOMMENDATION WILL NOW GO TO THE BOARD OF TRUSTEES FOR APPROVAL AND A RESOLUTION TO CITY COUNCIL.

- Pension Plan Comparison

RODNEY VANPELT PREVIOUSLY REQUESTED THIS PENSION PLAN COMPARISON FOR REVIEW AND TO PROVIDE A CLEARER UNDERSTANDING ABOUT THE DROP. CHAIRMAN SMITH ASKED IF THIS COMPARISON OFFERED THE INFORMATION HE WAS LOOKING FOR.

FURTHER DISCUSSION AND QUESTIONS REGARDING THE DROP WERE ASKED BY RODNEY VANPELT AND STEVE LUNDY WAS ASKED TO STEP INTO THE MEETING TO ANSWER THESE QUESTIONS. TIM JOHNSON PROVIDED A CHART WITH A DROP ILLUSTRATION WHICH HE EXPLAINED IN DETAIL.

AFTER STEVE LUNDY LEFT THE MEETING, MORE QUESTIONS AROSE REGARDING AN EXPLANATION OF THE BACK DROP. WE CONTINUED ON WITH THE AGENDA UNTIL WE COULD BRING STEVE BACK INTO THE MEETING TO DISCUSS FURTHER.

- Discussion regarding investment guidelines for Neuberger Berman & Loomis

CHAIRMAN SMITH SAID LAST MONTH THE COMMITTEE HAD A DISCUSSION WITH DAN HOLMES REGARDING INVESTMENT GUIDELINES FOR NEUBERGER BERMAN AND LOOMIS. FIAC WAS UNABLE TO MAKE A RECOMMENDATION TO THE BOARD AS THEY DID NOT HAVE A QUORUM. CHAIRMAN SMITH AND CRAIG LEWIS FELT COMFORTABLE WITH DAN HOLMES RECOMMENDATIONS, AND AS A RESULT OF THIS DISCUSSION, DAN HOLMES WENT TO THE BOARD WITHOUT FIAC'S OFFICIAL RECOMMENDATION WHICH WAS APPROVED BY THE BOARD.

NO FURTHER ACTION NEEDS TO BE TAKEN BY FIAC AT THIS TIME. RECEIVED AS INFORMATION.

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

TIM JOHNSON ADVISED THE COMMITTEE THAT NEXT MONTH WE WILL HAVE A REVISED ANNUAL CYCLE OF WORK TO REVIEW.

IN 2017, WE WILL HAVE DISCUSSION REGARDING AN RFP FOR CUSTODY AND AN INVESTMENT CONSULTING FIRM.

RODNEY VANPELT ASKED HOW ARE WE FUNDING THE PENSION? TIM JOHNSON ADVISED THE \$144 MILLION FROM THE CITY, IS RECEIVED ONCE A YEAR IN DECEMBER. THE ACTUARIAL REPORT SHOWS THE BREAKDOWN AND PERCENTAGES.

IN 2017, THERE WILL BE \$202 MILLION FROM THE CITY, 11.6 MILLION FROM EMPLOYEES.

STEVE LUNDY WAS BROUGHT BACK INTO THE MEETING TO BRIEFLY EXPLAIN THE BACK DROP AND HOW IT WORKS FOR MEMBERS. MEMBERS WORK LONGER THAN 30 YEARS, SUBTRACT NUMBER OF YEARS (MEMBERS CAN GO BACK UP TO FIVE YEARS) YOU GET A LUMP SUM AMOUNT MINUS TAXES.

RODNEY VANPELT STATED MEMBERS REALLY HAVE TO PLAN FOR RETIREMENT.

V. INVESTMENT CONSULTANT REPORTS – Matt Jelinek / Craig Coleman w Summit

DAN HOLMES WAS UNABLE TO JOIN US FOR THIS MEETING. MATT AND CRAIG WITH SUMMIT WILL BE REVIEWING THIS INFORMATION TODAY.

A PRELIMINARY FLASH REPORT WAS PROVIDED TO THE COMMITTEE FOR REVIEW.

- Economic & Capital Market Update – November, 2016

SUMMIT SAID THE ELECTION OF TRUMP CAUSED A BIT OF A PANIC BUT THEN THE MARKET STABALIZED. INTEREST RATES ARE EXPECTED TO INCREASE IN DECEMBER.

- Revised Eagle and Brown Advisory Review

SUMMIT STATED THAT NOTHING IS BROKEN WITH EAGLE AND BROWN. THIS IS A DISCUSSION OF ACTIVE VS PASSIVE, AND A LAYOUT OF THE PLAN FOR THE FUND.

RECOMMENDATION TO KEEP EAGLE, TRIMMING EAGLE BACK TO 20%, ELIMINATING BROWN AND SAWGRASS.

TRACEY DEVINE ASKED WHY DOES THE FUND WANT TO MOVE INTO PASSIVE NOW? SHE WOULD LIKE TO SEE A MORE DETAILED REPORT. SUMMIT IS USING DFA PRODUCTS WHICH WORK, BUT THERE ARE OTHER WAYS TO IMPLIMENT.

CHAIRMAN SMITH SAID HE TALKED WITH DAN HOLMES AND BASED ON THEIR CONVERSATION, LOOKING TO DO THIS THRU PROCESS OVER A PERIOD OF TIME, APPROVE RECOMMENDATION TO REDUCE EAGLE AS MANAGER AND REMOVE BROWN AND SAWGRASS.

RODNEY VANPELT ASKED HOW LONG? DO THIS THRU REBALANCING OVER TIME? RODNEY FELT WE NEEDED A LOT MORE DISCUSSION BEFORE MAKING ANY RECOMMENDATIONS TO THE BOARD. COME BACK WITH A MORE CONCRETE TIMELINE PROCESS. RODNEY IS NOT COMFORTABLE WITH RECOMMENDATIONS TODAY.

- Net Fee Performance by Asset Classification
- Watch List Discussion

SUMMIT COMBINED THESE TWO REPORTS – TWO DIFFERENT APPROACHES.

RODNEY VANPELT STATED OUR TARGET IS 7%. WE ARE UNDERPERFORMING. WHERE WE CAN ZERO IN ON ISSUES, WE ARE NOT HITTING THE MARKET. THE WATCH LIST IS MORE ON MANAGER SIDE. WE HAVE TO PROVIDE RECOMMENDATIONS TO ALLOCATE FOR MORE RISK.

TRACEY DEVIN HAS A HANDFUL OF MANAGERS. SHE LOOKS AT HISTORICAL RETURNS. A LOT OF INTIVATORS OUT THERE. WE ARE ON THE CUSP OF CHANGE, EVOLUTION IS ON THE HORIZON. WHY NOW?

TRACEY DEVIN WANTS TO LEARN MORE FROM READING DOCUMENTS. ANY QUESTIONS SHE WILL CONTACT TIM JOHNSON.

RODNEY VANPELT'S QUESTIONS:

- 1. WHY WE CAN'T MEET MARKET? LOOK AT COMPOSIT RETURNS. IF WE CAN'T BEAT COMPOSIT, WE NEED TO RE-STRUCTURE. IN FIVE YEARS, WE HAVEN'T BEAT COMPOSIT.**
- 2. WE'RE GOING UNDER MARKET AND STILL PAYING FEES.**

CHAIRMAN SMITH CONFIRMED THE COMMITTEE WAS NOT READY TO RECOMMEND TODAY. THE COMMITTEE TOOK NO ACTION. IN 2017, RE-THINK.

- Trumponomics

RECEIVED AS INFORMATION

VI. NEW BUSINESS

VII. ADJOURNMENT

CHAIRMAN SMITH ADJOURNED THE MEETING AT 5:13PM

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

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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 FIAC MEETING
ON JANUARY 13, 2017**

Brian Smith, FIAC Chair