

**BOARD OF PENSION TRUSTEES
FOR THE
CITY OF JACKSONVILLE RETIREMENT SYSTEM
June 27, 2019**

MINUTES

City Hall - St. James Building, Conference Room 3C: 2:00 P.M.

Members Present

Jeffrey Bernardo, Chair
Joey Greive
David Kilcrease
Kent Mathis
Bill Messick
Sam Mousa
Diane Moser
Terry Wood

Members Not Present

Shari Shuman

Staff Present

Randall Barnes, Treasurer
Brennan Merrell, Manager Debt and Investments
John Sawyer, OGC
Tom Stadelmaier, Pension Administrator

Others Present

Jordan Cipriani, RVK (via phone)
Kirby Francis, RVK (via phone)
Kevin Schmidt, RVK (via phone)

1. CALL TO ORDER

Chair Bernardo called the meeting to order at 2:01 PM

2. PUBLIC COMMENT

Chair Bernardo read a resolution acknowledging Mr. Mousa for his service to the City and the Board and presented him with a framed copy. Mr. Mousa thanked the Board for this honor.

3. MINUTES

Mr. Mousa made a motion to approve the minutes. Mr. Wood seconded the motion. The Chair asked for any discussion and there was none. The Chair took a vote and the minutes passed unanimously.

4. NEW BUSINESS

Consent agendas

Mr. Mousa moved to approve the consent agenda. Mr. Greive seconded the motion. The Chair opened discussion. Mr. Kilcrease asked about the time connection for Conyers and Mr. Stadelmaier indicated it was completed and he was inquiring regarding purchase of his time over ten years. Mr. Wood asked about Deligar and Mr. Stadelmaier provided a recap of this case which was also discussed at the PAC. Mr. Greive asked about Helfrich under new deferrals. She previously had disputed the refund option because it only included employee contributions. Mr. Stadelmaier said new deferrals could be from the employee returning paperwork or from pension office staff adding a vested person as deferred if they have not taken a refund. He will research this case and let Mr. Greive know.

The Chair took a vote and the consent agendas passed unanimously.

5. INVESTMENT AND FINANCIAL MATTERS

Mr. Barnes opened the investment section with a summary of staff's work with RVK on today's material.

Mr. Merrell provided a recap of May performance. Market was down sharply mainly due to trade concerns. June however has shown strong recovery on news of the Mexico trade deal, an anticipated China trade deal and a potential fed funds rate cut. Fixed Income and Real Estate were positive in the month, Diversifying assets down with gas and crude down especially. There was also further detail provided on the Trumbull UBS Real Estate fund investing in Jacksonville.

Ms. Cipriani and Mr. Francis covered the material on the pacing study. This was an analysis of when investment in private equity should take place.

Mr. Mathis asked for a clarification on the 1.3% growth rate on page 3. Mr. Francis said that incorporates assets AND net contributions. Ms. Cipriani said the study estimates growth conservatively. It indicates a commitment of about \$35M annually into private equity to reach target percentages. Mr. Francis said spreading out the investment tends to mitigate risk. Mr. Wood pointed out that investment doesn't take place as the money is committed and Mr. Francis agreed. Chair Bernardo asked if RVK would advocate investing in secondary market vehicles to get prior vintage years. Mr. Francis indicated

RVK does like this approach and that picking the right partner is key.

RVK reviewed fund-of-funds, separate accounts, direct fund investments and the hybrid approach starting on page 12. Ms. Cipriani said there is not much flexibility with fund-of-funds and separate accounts are more custom for your needs. Smaller clients often invest as a group so there is less control in this scenario. Chair Bernardo asked what is typical for our size. Mr. Francis replied that our fund is in the middle and both approaches are commonly used. He also said direct can be a bigger drain on staff and committee time. Mr. Francis did indicate there is a slight trend from fund-of-fund to direct as fund-of-funds did underperform especially in the period 2005-2008.

Chair Bernardo asked about what RVK offers and Mr. Francis highlighted the material on page 21. Chair Bernardo asked about advantages of economies of scale in reviewing other clients. Mr. Francis said private equity usually requires a somewhat custom approach for each client and they don't have that many relationships in this space.

There was some further discussion on the fund-of-funds approach and how that offered opportunities for more exposure. RVK also stated our fund is a very desirable investor as a stable, long-term approach governs most institutional investors.

Separate accounts can be more expensive than direct. RVK relayed that they are structure agnostic.

Chair Bernardo felt there are really two possible choices: hybrid or full outsource. Board members agreed with this statement.

Mr. Wood asked for a recap of how private equity will help us move the needle. Ms. Cipriani pointed to companies staying private longer, higher expected returns in private and overall market conditions indicating returns will be down overall based on where we are in the market cycle.

Mr. Kilcrease asked if there would be a separate RFP for direct. Mr. Barnes said likely yes. Mr. Barnes also indicated that secondaries and fund-of-fund investments made more sense as a first step. Mr. Greive concurred and added that separate accounts with direct investments possibly added later was a prudent approach. Mr. Barrett added that liquidity analysis indicates this investment will not be a strain on liquidity needs.

Mr. Greive made a motion to task RVK with a search for consideration of providers in separate accounts space. Ms. Moser seconded the motion. Chair Bernardo opened further discussion. Mr. Greive indicated an RFP for direct managers would be considered later. Chair Bernardo took a vote and the motion passed unanimously.

The approved motion was discussed further with RVK. Mr. Francis relayed that with the small number of separate account providers that search should not take too long. Based on study, Jacksonville is looking at about \$80M-\$100M over a 3-5 year period.

Mr. Greive directed staff to work with RVK on cash-flow considerations given a possible desire to look at an allocation to direct investment in private equity in the future as well. Mr. Francis and Ms. Cipriani indicated that the direction was clear and something they could work with for moving forward.

6. OLD BUSINESS

None

7. ADMINISTRATIVE

None

8. INFORMATION

The next regular BOT meeting will be Thursday, July 25, 2019, at 2 PM.

Chair Bernardo will not be at the July meeting.

9. PRIVILEGE OF THE FLOOR

None

10. ADJOURNMENT

Chair Bernardo adjourned the meeting at about 3:51 PM.