

**BOARD OF PENSION TRUSTEES
FOR THE
CITY OF JACKSONVILLE RETIREMENT SYSTEM
July 25, 2019**

MINUTES

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

Members Present

Joey Greive
Brian Hughes
David Kilcrease
Kent Mathis
Shari Shuman, Chair
Terry Wood

Members Not Present

Jeffrey Bernardo, Chair
Bill Messick
Diane Moser

Staff Present

Randall Barnes, Treasurer
Paul Barrett, Sr. Manager of Debt and Investments
Brennan Merrell, Manager Debt and Investments
John Sawyer, OGC
Tom Stadelmaier, Pension Administrator

Others Present

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

1. CALL TO ORDER

Chair Shuman called the meeting to order at 2:00 PM

2. PUBLIC COMMENT

None

3. **MINUTES**

Mr. Greive 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. Kilcrease moved to approve the consent agendas. Mr. Greive seconded the motion. The Chair opened discussion and it was light with no changes. The Chair took a vote and the consent agendas passed unanimously.

5. **INVESTMENT AND FINANCIAL MATTERS**

Mr. Merrell provided a recap of the June performance. June rebounded from the previous lows, as future rate cuts are priced into the market. The perceived accommodative US Federal Reserve and receding trade tensions caused the S&P 500 to hit record highs in July. The Fund generated returns above their benchmarks in most categories. UBS Trumbull recorded a negative 3.9% quarterly return, primarily due to an 18.3% write down of their retail assets. Retail assets account for 19% of the fund's total holdings and three of their top ten assets are regional malls. Trumbull is in the process of transitioning their portfolio to industrial and apartments assets and moving away from retail assets. The asset transition will take some time to implement. RVK recommends we continue to hold and closely monitor the Trumbull Fund, considering the long redemption queue to redeem assets from the fund (\$2.5B queue). Income is still positive and the fund is in line with peers when last quarter is removed. Staff confirmed the other real estate holdings have less retail exposure and are performing well.

Hancock Timber is planning on liquidating two of our three timber properties in TX/LA and the Pacific NW no later than 12/31/22. The pending liquidation will limit the ability to sell the two properties to current or outside investors. The Hancock Group feels confident the TX/LA and Pacific NW assets will be sold at their current appraised value. The third property based in New Zealand continues to have strong cash flows and timber demand from New Zealand and China. Hancock has no plans to liquidate the New Zealand property.

Ms. Cipriani completed a deeper dive on private equity structure which was covered in the provided material. Separate account providers utilize secondaries and co-investments to minimize early J-curve effect. Mr. Schmidt provided an overview of diversification risk and fee review with the different structures. Mr. Francis described separate accounts as a fund of one with one investor with Board-directed customized holdings and low diversification risk.

Mr. Merrell said staff worked with RVK based on last meetings discussion of separately managed accounts vs direct investments and determined there is not enough committed capital to invest in both strategies at this time. Ms. Cipriani indicated separate accounts are a better use of resources and economies of scale at this point.

Mr. Mathis discussed the potential JEA changes and how the private equity investment decisions could be affected. Mr. Barnes agreed additional analysis is needed but that we should be moving forward on alternative investments either way. Other Board members agreed. Mr. Hughes pointed out both the JEA process and the investment decisions would take time to play out. Chair Shuman reminded the group about RFP differences with the private equity investment decisions and Mr. Hughes added that there was no obligation to commit to a decision at this time. Mr. Greive agreed with the consensus that there was no reason to veer from the path previously selected by the Board and that the JEA process may actually result in more investments in the Fund.

Mr. Wood asked a question about how to measure private equity results and how it is expected to change the overall performance. Mr. Francis pointed out the assumption that private equity will generate returns of 2.75% above expectations for broader US public equity.

Mr. Hughes asked for confirmation that there was room for us to invest in different market sectors. Ms. Cipriani confirmed this was the case, especially when using the separate accounts approach. She also said that the valuing of private equity on a long-term basis can help dampen volatility.

Mr. Kilcrease asked about performance of fund-of-funds vs. separate accounts. Mr. Francis said there is a lot of overlap because they are similar products but that single investors can negotiate lower fees.

Mr. Greive made a motion to direct staff and RVK to work together to provide no more than three private equity separately managed account manager finalists. Mr. Hughes seconded the motion. The Chair took a vote and the motion passed unanimously.

Mr. Wood asked about the possibility of having a separate investment meeting like in the past. Mr. Barnes said they have been covering it in the regular meetings but they are open to what the Board wants to see going forward.

6. OLD BUSINESS

None

7. ADMINISTRATIVE

Mr. Stadelmaier reported the Pension Office is continuing to work on a redline of Chapter 120 for necessary clarifications and will seek PAC and Board input.

8. INFORMATION

The next regular BOT meeting will be moved after the Pension Office reviews member availability. Thursday, August 29, 2019, at 2 PM is a likely time if enough members can attend. Chair Shuman stated she will not be able to make an August 29th BOT meeting.

9. PRIVILEGE OF THE FLOOR

None

10. ADJOURNMENT

Chair Shuman adjourned the meeting at about 3:25 PM.