

**BOARD OF PENSION TRUSTEES
FOR THE
CITY OF JACKSONVILLE RETIREMENT SYSTEM
January 9, 2020**

MINUTES

City Hall - St. James Building, Conference Room 3C: 1:00 P.M.

Members Present

Jeffrey Bernardo, Chair
Julie Bessent
Ann Brackin
Joey Greive, Vice-Chair
Brian Hughes
Patrick Johnson
David Kilcrease, Secretary
Diane Moser
Terry Wood

Members Not Present

NA

Staff Present

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

Others Present

Jordan Cipriani, RVK
Steve Hahn, RVK

Kacy Boyer, Neuberger Berman
Paul Daggett, Neuberger Berman
Mike Savinelli, Neuberger Berman
Amanda Outerbridge, HarbourVest Partners
Fran Peters, HarbourVest Partners
Ed Powers, HarbourVest Partners
Jeff Burgis, Adams Street
Jeff Diehl, Adams Street
Mike Lucarelli, Adams Street

1. CALL TO ORDER

Chair Bernardo called the meeting to order at about 1:00 PM

2. PUBLIC COMMENT

None

3. INVESTMENT AND FINANCIAL MATTERS

Mr. Merrell gave a brief introduction of the agenda for the day. Each finalist will have 30 minutes to present and 15 minutes for questions. There will be time for a brief board discussion after the finalist presentations.

(Presentations from the three finalists are available through the pension office.)

Neuberger Berman (NB)

Mr. Savinelli introduced the firm and stressed their tenure and the importance of continuity in this line of business. Mr. Daggett touted the advantages of being part of a larger firm like NB. Also played up their long and diverse history with private equity and provided detail on their approach. Ms. Boyer reviewed custom capabilities including some case studies and provided a model portfolio which would be a guideline.

The group stressed their customization and the investment committee due diligence process. Their overall goals include capital efficiency and J-curve mitigation with more focus on small and midcap space. Mr. Daggett said co-investment are an important driver for fee efficiency. He said fees are lower in year 1 to help offset the J-curve. Mr. Savinelli said openness and communication are their key traits.

Mr. Greive asked if legal work was included in fund of one. Also asked about other Florida public clients. Mr. Daggett said legal is included and that they have Florida co-mingled clients but not fund-of-one.

Chair Bernardo asked about NB focus relative to competitors. Mr. Daggett said integration across business lines with more checks and balances. Ms. Boyer said competitors tend to have consulting services and NB focuses on investing. Chair Bernardo also asked about potential conflict with direct investment from NB. Mr. Daggett said there is a wall between that business and private equity clients. Ms. Bessent asked about the number of approved funds and Ms. Boyer said hundreds. For the COJ, they would plan on 20-30% invested in co-investments and secondaries, with approximately 4-5 funds each year. Ms. Cipriani asked about the process for limited dollars across clients and Mr. Daggett said it was done pro-rata.

HarbourVest (HV)

Mr. Peters and Mr. Powers presented as the primary contacts with Ms. Outerbridge as senior support. The portfolio construction team includes senior leadership. Ms. Outerbridge stressed they are an independent firm with an integrated platform.

Mr. Powers covered their assets, track record and approach. He said diversification is the key and that vintage year is the most important factor for diversification.

Ms. Outerbridge gave three factors to consider: 1) Their depth and experience 2) Strict investment selection process and 3) customization. She also stressed their team stability. HarbourVest has tied economics across primary, secondary and direct which they say distinguishes them from others and provides superior integration of resources and better results. She highlighted that getting in early is key and that they have a track record as a founding investor to many general partners. They mainly focus on small and mid-cap opportunities.

Mr. Greive asked about legal and operational support and Mr. Peters said they are full service. Chair Bernardo asked about investing mix and Mr. Peters said 80% direct, rest in co-mingled assets. Ms. Outerbridge said the primary has no carry interest. Chair Bernardo asked about private equity firms vs. larger firms. Mr. Powers said larger firms have great resources but provide other corporate pressures that can affect delivery. Ms. Outerbridge said their independence allows for a better long-term view. Mr. Greive asked about amount of funds in private equity vs. opportunities available. Mr. Powers said it's still a great time to get in, especially with a fund the size of COJ. Ms. Outerbridge talked about their focus on buyout and growth managers for the opportunities they pursue.

Adams Street (Adams)

Mr. Diehl is the firm's managing partner, Mr. Burgis is the portfolio manager and Mr. Lucarelli is the main investor relations contact for COJ. Mr. Lucarelli stressed they are independent, and 100% employee owned. Adams Street has never lost money for their clients. They believe in client service focus. Mr. Lucarelli said they actually say no to most clients because they insist on doing a superior job in customer service.

Mr. Diehl said private equity has higher variance across firms. He said Adams Street is not an equity owner in funds because they believe it's a conflict of interest. He also said private firms don't have the same pressures as public and larger firms.

Mr. Burgis said they believe we are late in the cycle and their firm is well positioned for that. They invest mainly in tech, healthcare and consumer revolution. Mr. Burgis said the key to their success is their relationships with managers. They propose 67% primary and 33% secondary.

Mr. Greive asked if they have lost money on individual investments and Mr. Diehl said yes. Mr. Burgis added that diversification allowed them to always mitigate any individual investment losses. Chair Bernardo asked about use of external managers vs. in-house and Mr. Diehl said there is a mix and that's up to client direction. Ms. Bessent asked about access to funds process. Mr. Burgis discussed the firm's weekly review process and about finding investments well in advance. Mr. Barnes asked about the category approach and Mr. Diehl said those categories tend to have the most disruption and change which creates opportunities for growth. Ms. Cipriani asked about the process for cutbacks on an ask. Mr. Burgis said that is very rare because they evaluate ability to take on new clients. They do use a pro-rata process for any limitations.

Board Discussion

Chair Bernardo asked Mr. Hahn for difference among the firms relative to investment mixes. Mr. Hahn said there are blurry differences. He added NB has some shorter lifecycle options available.

Ms. Moser asked about performance. Ms. Cipriani did a comparison from the memo—all firms performed well, and the differences were not significant. Mr. Hughes asked what other factors matter for the decision. Mr. Hahn said the main factor is a cultural fit.

Chair Bernardo asked why Adams Street rose in the phone interview. Mr. Merrell said they had a great approach and their slightly lower returns were related to less leverage. Mr. Hahn added that higher leverage has been cheap in recent years. Ms. Cipriani said Adams Street was a little lower in initial scoring due to fees and slightly lower performance numbers.

Ms. Bessent asked for staff opinion. Mr. Merrell said all three would be great to work with. Mr. Hahn agreed and said HarbourVest was the least consistent of the three. Mr. Greive asked RVK who is winning more among these three. Mr. Hahn said Adams Street is doing better right now. He stressed that cultural fit is key. Ms. Cipriani said it's noteworthy that Jeff Diehl (Adams Street managing partner) showed up for the presentation. Chair Bernardo asked about their relative access to GP's. Mr. Hahn said they are all similar on that—he added Adams Street has venture capital but it's not part of this deal.

Ms. Cipriani said Adams and HV are dedicated independent firms and NB is part of a larger firm. Mr. Hahn said NB is executing private equity very well as part of a larger firm. Mr. Merrell said NB and HV are close to 100% on renewals and Adams Street is at 88% but that was likely due to some unique deals and not necessarily a sign of a problem.

Ms. Cipriani said that the board should consider fee negotiations. The Board has some discussion on this, and Chair Bernardo asked RVK to get final and best fees from each finalist and correctly comparing the finalists on each fee category.

Ms. Bessent asked if the contracts were OK from a legal perspective. Ms. Cipriani and Mr. Merrell said the sample contracts were shared with each firm and the feedback was minor.

4. INFORMATION

The next regular BOT meeting is scheduled for Thursday, January 23, 2020, at 2 PM.

5. PRIVILEGE OF THE FLOOR

None

6. ADJOURNMENT

Chair Bernardo adjourned the meeting at about 4:29 PM.