

**BOARD OF PENSION TRUSTEES  
FOR THE  
CITY OF JACKSONVILLE RETIREMENT SYSTEM  
September 26, 2019**

**MINUTES**

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

**Members Present**

Jeffrey Bernardo, Chair  
Joey Greive  
Brian Hughes  
David Kilcrease  
Kent Mathis  
Bill Messick  
Diane Moser  
Shari Shuman  
Terry Wood

**Members Not Present**

NA

**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  
Amy Hsiang, RVK  
Kevin Schmidt, RVK

**1. CALL TO ORDER**

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

**2. PUBLIC COMMENT**

Chair Bernardo recognized Trustee Messick for his service and he was presented with a plaque in recognition for his time on the Board. This will be Mr. Messick's last meeting.

**3. MINUTES**

Mr. Wood made a motion to approve the minutes. Ms. Moser seconded the motion. The Chair asked for any discussion. Chair Bernardo requested an update to add language regarding the Plan's "ability to service it's" obligations and Mr. Wood indicated he accepted an amendment to his original motion. Mr. Stadelmaier agreed to make these edits.

The Chair took a vote and the minutes passed unanimously.

#### **4. NEW BUSINESS**

##### Consent agendas

Mr. Greive moved to approve the consent agendas. Ms. Moser seconded the motion. The Chair opened discussion and it was noted that a PLOP percentage for Daniels should be added and Mr. Stadelmaier agreed to make the change. Mr. Wood noted that the JEA population was heavy with retirements and time service connections. He also asked about notification to vested members when they take refunds. Mr. Stadelmaier noted the language on the form and how staff address the discussions with the members. The Chair took a vote and the consent agendas passed unanimously.

#### **5. INVESTMENT AND FINANCIAL MATTERS**

Mr. Merrell updated the Board on the latest fund performance, which was down 2.12% in August. Equity and bond markets declined due to global trade concerns. Franklin Templeton had a particularly difficult August.

Ms. Cipriani introduced Amy Hsiang, Director of Fixed Income Research at RVK to discuss the Franklin Templeton fixed income fund. Ms. Hsiang recapped the Franklin strategy as an aggressive, go-anywhere fixed income fund. She concluded their interest rate duration positions and a currency bet in Argentina drove the losses during the month. Franklin is a volatile fund that does not manage to a benchmark. Despite the short-term pain, RVK sees long-term alpha with their approach. Ms. Hsiang recommends keeping the fund as this would be the worst time to sell. Mr. Kilcrease and Ms. Shuman inquired about the risk of holding this fund. Ms. Hsiang stated this is not a conservative investment and Ms. Cipriani relayed that the fund is about 4% of the overall portfolio and has added exceptional alpha over time. Chair Bernardo added this is a bet on a manager with a proven track record and they are especially good at investing in times of market dislocation. Mr. Hughes commented that this is a legitimate level of risk and that the funds downward trend in the Argentina currency position showed a correct understanding. Ms. Shuman commented that while it's appropriate to examine the monthly loss, we should not be overly focused on one month for a fund that makes up 4% of the portfolio.

Mr. Merrell continued with his market update and reported a good market rebound in September so far. He also updated the Board on the completion of the pension

payback discussed last month. Baillie Gifford is moving forward with a fund name change and increasing emerging markets exposure from 20% to 30%. Staff is reviewing with RVK. Ms. Cipriani said BG is willing to work with us and the transition is expected in the next few months, into early next year.

Ms. Cipriani and Ms. Hsiang covered the prepared private credit material provided to the Board. Ms. Hsiang reviewed the growth of this market and the higher expected returns, lower risk than bank loans and reduced liquidity. Private credit is a newer asset class, born after the great financial recession of 2008-2009. Direct fund investments have many advantages but more administrative burden.

Mr. Mathis asked about ways to address a possible end in the credit cycle. Ms. Hsiang noted higher collateral, more income producing assets and being nimble as the best ways to protect a portfolio.

Mr. Greive asked staff if an RFP would be required. Mr. Barnes replied likely yes. Ms. Hsiang indicated RVK has about 15-20 private debt clients today.

Chair Bernardo asked about the creation and growth of the private credit asset class. The Chair inquired about RVK's Private Credit performance. Ms. Hsiang indicated regulations drove the need for private credit with less bank lending. She said RVK is the second quartile for performance.

## **6. OLD BUSINESS**

None

## **7. ADMINISTRATIVE**

Mr. Stadelmaier pointed the Board members to the redlined version of Chapter 120 which includes updates based on comments from the PAC and Board members. It will be voted on at the next PAC and then once approved at the next Board meeting after that.

## **8. INFORMATION**

The next regular BOT meeting is scheduled for Thursday, October 24, 2019, at 2 PM.

## **9. PRIVILEGE OF THE FLOOR**

Mr. Wood said he will be unavailable for the October meeting.

## **10. ADJOURNMENT**

Chair Bernardo adjourned the meeting at about 3:57 PM.