

**BOARD OF PENSION TRUSTEES
FOR THE
CITY OF JACKSONVILLE RETIREMENT SYSTEM
April 25, 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
Shari Shuman
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
Jim Voytko, RVK

1. CALL TO ORDER

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

2. PUBLIC COMMENT

None

3. INVESTMENT AND FINANCIAL MATTERS

Mr. Merrell provided an update on the US Equity Intech transition. The transition is in the final stages. He also provided a brief update on the March flash. QTD is up almost

9% but still slightly down for the fiscal year. Looking forward, April has produced record highs with the S&P 500 and Nasdaq Composite closing at an all-time high on this past Tuesday. The Fund is now slightly positive for the fiscal year as of today.

Chair Bernardo questioned the negative return in Franklin Templeton. Mr. Merrell responded that they hold short positions in currency which can lead to some negative numbers. Ms. Cipriani and Mr. Voytko responded that they would review and provide a more detailed response to staff.

There was brief discussion on benchmarks. Ms. Shuman clarified that in some cases the benchmark was named to reflect the history of the benchmark and not necessarily the current comparison benchmark for the fund.

Ms. Cipriani and Mr. Voytko reviewed the asset allocation study which was completed in conjunction with staff. The goal is to review current allocations to Capital Markets Assumptions (CMA) and determine if we have an appropriate mix. Inputs are asset classes and expected risks and returns. Constraints are long-term focus, small shifts over time and using a passive allocation assumption.

Chair Bernardo asked about the difference between expected return and compound return. Mr. Voytko pointed out that this difference reflects that volatility is the enemy of compound return and that compound return is the key figure.

RVK concluded that the current mix of assets is appropriate and they are not recommending a significant course change. This is in line with analysis performed by Summit prior to their departure. There was discussion regarding efficient frontier and how the fund can slightly improve their return by adjusting the portfolio allocation. This discussion included the importance of liquidity and lack of liquidity from diversifying assets. RVK concluded the Fund has reasonable liquidity for now.

Mr. Mathis inquired on what will change the probability of hitting 7%. Mr. Voytko responded that volatility was the main factor and that you wouldn't want the probability to be too high either.

RVK further concluded that according to their analysis, adding more private equity and diversifying assets does make a meaningful difference. Chair Bernardo inquired about RVK's views on private equity markets given a broader interest among investors. Ms. Cipriani responded that more companies are now private. Mr. Voytko added that there is a lot of space to invest in private equity and the market has grown since the financial crisis. However, crowded trade is a concern and you need to get in line to get the exposure—it takes time to deploy money in diversifying assets.

Ms. Shuman requested to see current allocations vs. current targets in the policy. RVK indicated they can make that update. All agreed these numbers were moving targets and will require ongoing review.

Mr. Wood asked if worst-case scenarios were considered. Mr. Voytko said that was encapsulated in the Capital Market Assumptions analysis. Mr. Wood also asked about the impact of the surtax. Mr. Voytko acknowledged that the surtax adds some volatility since it is based on certain assumptions as well.

There was some discussion on whether any of the diversifying asset allocation changes being contemplated (more money in private markets--debt & equity) will require council review. Mr. Barrett confirmed the current IPS accounts for the changes being discussed and would not require further council approval at this time. Mr. Greive requested input from RVK on how to implement the private equity directive and RVK discussed a few different viable options and said that they would continue to work with staff on next steps. There was also some discussion on hedge funds vs. private investments and the negative correlation between private equity and fixed income. RVK is planning to follow-up with staff on these items.

Finally, there was a brief discussion on reporting on private equity. Ms. Shuman pointed out transparency can be an issue with private equity. Mr. Mousa pointed out that material presented to the Board is public record.

Mr. Merrell concluded the investment section by requesting approval to the authorized signature page update for the pension assets and BNY Mellon.

4. MINUTES

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

5. NEW BUSINESS

Consent agendas

Mr. Greive moved to approve the consent agenda. Mr. Mousa seconded the motion. The Chair opened discussion and there was limited discussion. The Chair took a vote and the consent agenda passed unanimously.

Sprott Disability Application

Mr. Stadelmaier reviewed the summary of the application and provided a copy of the MRO letter as well as making the full file available for review. Ms. Moser commented that the employee really wanted to come to work but was unable due to her medical condition.

Ms. Shuman made a motion to approve the application. Ms. Moser seconded the motion. The Chair opened the motion for discussion. Mr. Greive asked about the PAC

vote and Mr. Stadelmaier reported that it passed unanimously. There was a brief discussion on the fact that the employee was also retirement eligible. The Pension Office did confirm with Mr. Sawyer that it was permissible to offer the higher disability benefit vs. the lower retirement benefit. The Chair took a vote and the motion passed unanimously.

Pryce-Jones Update

Mr. Sawyer summarized the case and reported that the appeals court denied the City's request. Mr. Sawyer advised the Board that the only viable path at this stage is to grant the benefit.

Ms. Shuman made a motion to approve the disability retirement for Ms. Pryce-Jones. Mr. Mathis seconded the motion. There was a brief discussion. Mr. Stadelmaier indicated the office policy on start date for approved disabilities was starting the day after term-date. In this case that would go back to July 2016. The Chair called for a vote and it passed, 8-1. Mr. Kilcrease was the only dissent.

6. OLD BUSINESS

None

7. ADMINISTRATIVE

GEPP SPD Update

Mr. Mousa made a motion to approve the updated SPD. Mr. Mathis seconded the motion. There was a brief discussion. Mr. Stadelmaier reported it was approved by the PAC and that the Pension Office is always open to comments on the SPD going forward. The Chair took a vote and the motion passed unanimously.

Board Rules and Regulations

Mr. Sawyer requested an edit on pages 4 and 6 to reflect that per Chapter 50, the rules should not reflect the advisory committee members naming a new member for a vacancy. Mr. Stadelmaier agreed to make this edit. Mr. Mousa made a motion to approve the updated SPD. Mr. Greive seconded the motion. There was a brief discussion. Mr. Mathis thought the old language regarding "Plan" Advisory Committee should be updated to "Pension." Mr. Mathis also indicated this document went through extensive review with the PAC. Mr. Wood made a comment regarding outside counsel and the group agreed the current language does allow for the Board to go to outside counsel if needed although normal course of action is to use OGC first. The Chair took a vote including a revision to the motion to accept the groups noted comments and the motion passed unanimously.

8. INFORMATION

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

9. PRIVILEGE OF THE FLOOR

None

10. ADJOURNMENT

Chair Bernardo adjourned the meeting at about 3:37 PM.