



SUMMARY TO THE REGULAR BOARD OF TRUSTEES MEETING

Tuesday, October 19, 2021

9:03 A.M. – 10:18 A.M.

City of Jacksonville Police and Fire Pension Fund
1 West Adams Street Suite 100, Jacksonville, FL 32202

The next regular Board of Trustees Meeting will be held Tuesday, November 16, 2021 at 9:00 A.M.

Board of Trustees

Assistant Chief Chris Brown, Chair
Nawal McDaniel, Secretary
Cpt. Michael Lynch
Richard Patsy
Terry Wood

Guests

Randy Wyse, President, IAFF Local 122
Tony Stivers, JFRD, IAFF Local 122
Kelly Dobson, JFRD, IAFF Local 122
Chuck Baldwin, JFRD, IAFF Local 122 – via ZOOM
Kevin Balaod, Pageant Media – via ZOOM
Gar Chung, FIN News – via ZOOM
Luzmarina Lalli, HIG Realty Partners – via ZOOM
David Hirschberg, HIG Realty Partners – via ZOOM
Ira Weidhorn, HIG Realty Partners – via ZOOM

Staff

Timothy H. Johnson, Executive Director – Plan Administrator
Steve Lundy, Deputy Director
Kevin Grant, Finance Manager
Chuck Hayes, Pension Benefits Manager
Jordan Cipriani, RVK, Investment Consultant – via ZOOM
Scott Maynard, RVK, Investment Consultant – via ZOOM
Kevin Schmidt, RVK, Investment Consultant – via ZOOM
Pedro Herrera, SSB&H, Fund Counsel – via ZOOM
Lawsikia Hodges, Office of General Counsel
Pete Strong, GRS, Fund Actuary – via ZOOM

Notice

Meeting Agendas and Summaries are available on our website at jaxpfpf.coj.net. For additional meeting documents, please contact Steve Lundy, Custodian of Public Records for the City of Jacksonville Police and Fire Pension Fund at 904-255-7373 or SLundy@coj.net to file a public records request.

Pursuant to the American with Disabilities Act, accommodations for persons with disabilities are available upon request. Please allow 1-2 business days notification to process; last minute requests will be accepted, but may not be possible to fulfill. Please contact Disabled Services Division at: V(904) 630-4940, TTY-(904) 630-4933. If any person decides to appeal any decision made with respect to any matter considered at this public meeting such person will need a record of proceedings, and for such purpose such person may need to ensure that a verbatim record of the proceedings is made at their own expense and that such record includes the testimony and evidence on which the appeal is based. The public meeting may be continued to a date, time, and place to be specified on the record at the meeting. Additional items may be added / changed prior to meeting.

Summary

Chair Christopher Brown convened the meeting at 9:03 A.M.

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I. Pledge of Allegiance

II. Invocation

Timothy Johnson read the invocation.

III. Moment of Silence

Alphonso Campbell, Retired Firefighter Engineer
Darren F. Valiante, Retired Police Officer
Gary E. Nelson, Retired Police Officer

IV. Public Speaking

None.

V. Consent Agenda Items 2021-10-(01-12)CA

Nawal McDaniel moved to accept the Consent Agenda, seconded by Richard Patsy. The vote passed unanimously.

2021-10-01CA Meeting Summaries to be Approved

1. Summary to the Board of Trustees Personnel Committee Meeting of September 17, 2021
2. Summary to the Board of Trustees Meeting of September 17, 2021
3. Summary to the Board of Trustees & FIAC Manager Update of October 5, 2021

2021-10-02CA Disbursements

The listed expenditures in DISBURSEMENTS A & B have been reviewed and deemed payable. The Police and Fire Pension Fund Finance Manager certifies that they are proper and in compliance with the appropriated budget. Transaction lists attached.

DISBURSEMENTS A

09-01-2021 thru 09-30-2021

1. Harvest Fund Advisors LLC	\$	78,088.14
2. Sawgrass Asset Management	\$	76,068.89
3. JP Morgan	\$	387,888.02

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Total \$ 542,045.05

DISBURSEMENTS B

09-01-2021 thru 09-30-2021

- | | | | |
|----|--------------------------------|----|-----------|
| 1. | Accounts Payable Distributions | \$ | 35,560.74 |
| 2. | Accounts Receivables | \$ | 29,169.90 |

2021-10-03CA Pension Distributions

All calculation and dollar amounts have been reviewed and calculated in accordance with accepted procedures.

September 3, 2021

- | | | | |
|--------------|--------------------|----|------------------------|
| 1. | Regular Gross | \$ | 6,644,534.98 |
| 2. | Regular Lumpsum | \$ | 26,152.88 |
| 3. | Regular Rollover | \$ | 0.00 |
| 4. | Regular DROP Gross | \$ | 1,367,380.42 |
| 5. | DROP Lumpsum | \$ | 128,708.76 |
| 6. | DROP Rollover | \$ | 0.00 |
| Total | | | \$ 8,166,777.04 |

September 17, 2021

- | | | | |
|--------------|--------------------|----|------------------------|
| 7. | Regular Gross | \$ | 6,650,784.06 |
| 8. | Regular Lumpsum | \$ | 0.00 |
| 9. | Regular Rollover | \$ | 0.00 |
| 10. | Regular DROP Gross | \$ | 1,366,426.68 |
| 11. | DROP Lumpsum | \$ | 0.00 |
| 12. | DROP Rollover | \$ | 0.00 |
| Total | | | \$ 8,017,210.74 |

The following Consent Agenda items 2021-10-(04-07CA) were verified with supporting documentation and approved at the Advisory Committee meeting held on October 13, 2021. Vote was unanimous. Meeting Summary attached.

2021-10-04CA

Application for Vested Retirement

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[2021-10-05CA](#)

Application for Survivor Benefits

[2021-10-06CA](#)

Application for Child's Benefit

[2021-10-07CA](#)

Application for Time Service Connections

The following Consent Agenda items 2021-10-(08-12CA) were verified with supporting documentation and received as information at the Advisory Committee meeting held on October 13, 2021. Vote was unanimous. Meeting Summary attached.

[2021-10-08CA](#)

Refund of Pension Contributions

[2021-10-09CA](#)

Share Plan Distributions

[2021-10-10CA](#)

DROP Participant Termination of Employment

[2021-10-11CA](#)

DROP Distributions

[2021-10-12CA](#)

DROP Distributions for Survivors

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VI. Executive Director's Report

Timothy Johnson updated the Board on the FIAC Work Plan. The FIAC has moved their meeting dates from Fridays to Mondays at 3:30PM, in addition to leaning out their annual agenda to only ordinance-required duties.

Timothy Johnson said that the Fiscal Year 2022 Performance Plan is nearing completion and will be presented to the Board of Trustees in November.

a. GRS Contract Renewal

Timothy Johnson said that the contract with Gabriel Roeder Smith & Co., Pete Strong's firm, is about to expire and needs renewal.

Pete Strong said that the new contract replicates the current, with all the same provisions and terms. This would be an initial 3-year contract with two 1-year renewal options. The fees are slightly increased by the CPI adjustment, which is also contained in the current contract.

Timothy Johnson said he would ask the Board of Trustees to consider a motion to approve the terms of the contract renewal.

Richard Patsy moved to approve the GRS contract renewal, seconded by Nawal McDaniel. The vote passed unanimously.

b. Election Update

Steve Lundy updated the Board of Trustees on the Election. The Retired Advisory Committee Member and the Police Trustee seats have been challenged, and there will be an election in early November. Captain Michael Lynch's seat as Fire Trustee was not challenged, nor were the seats of the Police and Fire Advisory Committee Members. An election will only be held for the Police Trustee, currently held by Assistant Chief Christopher Brown, and the Retired Advisory Committee Member, currently held by retired police officer Thomas Lumpkin.

VII. Fund Actuary Reports, Pete Strong, GRS

a. Cash Flow Consolidation Recommendation

Pete Strong discussed his Cash Flow Consolidation Recommendation memo from March 2021. He said after discussions with the City and PFPF Staff, the City said no to option one. The City was open to option two. Option two would delay funding of the Plan by a little, and would be spread out over a few months. After further review, option two would be a little more detrimental to the Fund than the current status quo: the fund has the money in it for the whole year, and then the Fund pays the City back without interest. He said he thinks it is better for the Fund to stay with the status quo.

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The Board of Trustees and Pete Strong discussed the current annual cash flow process between the Fund and the City.

Chris Brown asked if this is 'earnings neutral' over the long term.

Pete Strong said that the average market trajectory is upward sloping, and over the long term, the Fund would be better off having as much money in the Fund as often as possible. Over the past 40-50 years, the good years have more than offset the bad ones. Over the long term, the Fund is better off having the money fully invested throughout the year.

Richard Patsy said that the mechanics of the current process bugs him.

Chris Brown said this topic is always the Board's annual Christmas discussion.

The Board of Trustees did not move to change the annual cash flow process.

VIII. Investment Consultant Reports

a. Monthly Investment Performance Analysis – September 30, 2021

Kevin Schmidt covered the monthly investment performance analysis as contained in the meeting book. He touched on the following topics:

- Global equity markets pulled back in September, with all major US and international indices posting low to mid-single digit losses. In the US, small cap indices outperformed large cap indices, and the S&P 500 posted its first month of negative returns following seven straight months of gains. Across both US and international equity markets, value stocks outperformed their growth counterparts.
- The spread of the coronavirus Delta variant, along with supply-chain bottlenecks, caused many economists to cut global growth projections. Additionally, concerns of high inflation continue to weigh on investors as market participants eye potential Federal Reserve action on asset tapering and interest rate hikes.
- Federal Reserve Chairman Jerome Powell once again confirmed that interest rates would remain near-zero for the next several quarters, though the FOMC indicated that rates could begin to increase in 2022 with the possibility for a total of 6 or 7 rate increases by the end of 2024. Additionally, the FOMC indicated that it expects the US economy to make "substantial further progress" by the end of the year which would initiate a tapering process of the \$120 billion in monthly Treasury and Agency MBS purchases.
- Equity markets posted negative returns in September as the S&P 500 (Cap Wtd) Index returned -4.65% and the MSCI EAFE (Net) Index returned -2.90%. Emerging markets returned -3.97% as measured by the MSCI EM (Net) Index.
- The Bloomberg US Aggregate Bond Index returned -0.87% in September, underperforming the -0.61% return by the Bloomberg US Treasury Intermediate Term Index. International fixed income markets returned - 2.94%, as measured by the FTSE Non-US World Gov't Bond Index.
- Public real estate, as measured by the FTSE NAREIT Eq REITs Index (TR), returned -5.40% in September and 6.83% over the trailing five-year period.
- The Cambridge US Private Equity Index returned 48.11% for the trailing one-year period and 17.51% for the trailing five-year period ending March 2021.

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- Absolute return strategies, as measured by the HFRI FOF Comp Index, returned 0.77% for the month and 15.00% over the trailing one-year period.
- Crude oil's price increased by 9.53% during the month, and has increased by 86.55% YoY.
- The Total Fund Fiscal Year performance, net of fees, was 22.99%.
- Month-to-Date returns for the Fund were 2.33% as of yesterday's close.

b. H.I.G. Realty Fund IV

Jordan Cipriani introduced David Hirschberg, Ira Weidhorn, and Luzmarina Lalli of H.I.G. Realty Partners. They will discuss the H.I.G. Realty Partners IV fund, which would be the PFPF's first Non-Core Real Estate investment opportunity, with a commitment of \$25 million.

Luzmarina Lalli discussed pages 4 and 6 of the HIG presentation:

- Representative Key Terms for the Fund (page 4):
 - Fund: H.I.G. Realty Partners IV, L.P.
 - Commitment Period: 4 years from effective date
 - Term: Eight years from final closing with two, one-year extension options at the discretion of the general partner of the fund
 - Management Fee: 1.50% per annum on committed capital
 - Carried Interest: 20%
 - Preferred Return: 8% preferred return with a 50% general partner catch-up
 - Minimum Investment: \$10 million
 - G.P. Commitment: 4%
 - Auditor: Deloitte LLP
 - Legal Counsel: McDermott Will & Emery LLP
- H.I.G. Capital Family of Funds: H.I.G. manages over \$45bn1 of capital through a number of highly interconnected and synergistic strategies focused on the small-cap market; Real Assets (\$3.9 bn AUM), Private Equity (\$23.1 bn AUM), and Credit (\$17.9 bn AUM) (page 6).

Ira Weidhorn continued the presentation and covered the following topics:

- Fund IV Overview (page 8)
 - Opportunistic Small-Cap Strategy: Significant opportunity in distressed and / or mismanaged and capital starved small-cap assets where H.I.G. can apply its value-add strategy to deliver outsized returns.
 - Inefficient Small-Cap Market: More attractive asymmetric risk-return, driven by a less competitive market
 - Gross Target Return: 17 – 20% IRR, 2.0x+ MOIC
 - H.I.G. Value-Add: Ability to source, diligence, price, rehabilitate, re-develop, re-position and rebrand distressed, capital starved and/or mismanaged assets
 - Target Equity Investment: \$10 – \$50mm
 - Target LTV: 65% - 70%

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- Target GAV: Typically less than \$200mm
- Sector Focus: Nimble, sector agnostic approach capturing the best relative value throughout the inefficient small-cap market while applying moderate leverage
- Geographic Focus: North America – Targeting Top 30 MSAs
- Target Average Holding Period: 4 years
- Diverse Target Portfolio: 30 – 35 transactions
- H.I.G. Realty Status Update; H.I.G. Realty IV Activity Summary (page 12)
 - H.I.G. Realty generated a strong performance across the portfolio in 2020 by capitalizing on COVID-19 related market conditions and investing in resilient assets
 - 2020 and 2021 Investments:
 - Deployed \$165M in 7 equity investments
 - Focused on resilient asset classes including multifamily, industrial, and life science properties
 - Portfolio Performance Update:
 - Generating strong cash-on-cash returns
 - H.I.G. value-add execution well-ahead of schedule, with two investments likely to be fully or partially realized during late 2021
 - Q2 2021 portfolio current mark of a gross 1.4x MOIC (50% gross IRR)
- Princeton R&D Portfolio; Transaction Highlights and Post-Investment Update (page 27)
 - Transaction Overview
 - Large life sciences campus with ~1.1mm SF of lab/office space and 100 acres of land purchased from a publicly-traded pharmaceutical company for under \$40 PSF or ~85%+ discount to replacement cost.
 - 30+ building campus includes a data center and large development parcel.
 - COVID-related disruption resulted in a broken sale process, forcing Seller to make significant concessions.
 - Small-cap, complex execution, leveraging H.I.G.'s BioHealth team's knowledge.
 - H.I.G. Investment Thesis and Unique Approach
 - Seller was facing pressure from shareholders to sell, and original buyer's financing source backed away.
 - Through local NJ relationships, H.I.G. learned of the sale, quickly evaluated the opportunity and through lender relationships, secured the financing for a timely execution.
 - H.I.G.'s BioHealth team helped assess the campus' quality and confirmed the strong leasing demand for pharmaceutical-grade lab space in the area.
 - Diverse campus positioned to be sold in multiple parts, mitigating downside scenarios.
 - Performance Update
 - Executed leases for 30% of the space with top-tier tenants, well-ahead of underwriting projections.
 - Inbound inquiries for space have increased meaningfully post-COVID.
 - Under contract with a pharmaceutical company to purchase half of the land and one building for \$75mm, representing a partial realization that would generate a 2.0-2.5x MOIC without accounting for the remaining portfolio's unrealized value.
 - Investment was marked to 2.2x in Q2 2021.

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Richard Patsy said he has sat through multiple presentations with HIG and he is good with the firm.

Richard Patsy moved to accept RVK's recommendation for a \$25 million commitment to the H.I.G. Realty Partners IV Fund, seconded by Terry Wood. The vote passed unanimously.

Pedro Herrera said we would work on the contract with HIG and will bring it back to the Board Chair for execution.

IX. Counsel Reports

a. Chapter Funds

Lawsikia Hodges said that the direction letters from the police and fire unions were received, reviewed, and determined to be in proper form. The unions request the Fund administer the 175 and 185 2020 chapter funds by paying a Christmas bonus in the amount of 2.7% of base pension, and all remaining funds to go to the JPOFFHIT.

Terry Wood moved to approve the unions' request for administration of the 2020 chapter funds, seconded by Michael Lynch. The vote passed unanimously.

b. Sugarman & Susskind Letter of Engagement

Lawsikia Hodges said she is recommending increasing the Sugarman, Susskind, Braswell & Herrera maximum indebtedness by an additional \$75,000, which would bring the total to around \$400,000.

Michael Lynch asked if Lawsikia Hodges had any updates on the Board's request for a definition of "City" to be included in Chapter 121 of the Ordinance Code.

Lawsikia Hodge said that she has no updates on that request. She said she would defer to the union presidents, and Randy Wyse is present today. She said she had no updates from the City or Unions.

Michael Lynch asked if Lawsikia Hodges was aware if anybody from the City has reached to work on this.

Lawsikia Hodges said as far as she is aware, no. she said Sean Granat of OGC who works on labor negotiations may have more information, but that she did not talk with him before today's meeting.

Michael Lynch asked if OGC has crafted a definition. OGC obviously has an interpretation.

Lawsikia Hodges said that all OGC has done was the opinion that we gave to the PFPF Board of Trustees and to JEA. OGC has done nothing else on the matter. She said she reported to the Board at prior meetings that OGC notified the City of the opinion, but that she is unaware of any City request for documents.

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X. Council Liaison Update

Council Liaison Ron Salem was unable to attend because there is currently a City Council Finance Committee meeting underway.

XI. Old Business

XII. New Business

Timothy Johnson informed the Board of Trustees of a member, William Baer Jr., whose pension should be forfeited. He said he has had conversation with Chair Chris Brown, and have agreed to schedule a forfeiture hearing at the next Board of Trustees meeting, which is currently scheduled for November 19. Based on the Board's forfeiture rules, we need 30 days between giving the member the hearing notice, and the hearing date.

Chris Brown said that this member, William Baer Jr., committed a murder using intelligence he learned through his position as detective. He murdered his victim for money. This was a cold case, and he was caught through DNA evidence. He plead guilty and was sentenced to life in prison. Because he used his position in the commission of this crime, it triggers the forfeiture process.

XIII. Upcoming Meetings

a. Board of Trustees Meeting – November Meeting Date

The Board of Trustees discussed moving the November Board of Trustees Meeting date.

Richard Patsy moved to change the November Board of Trustees Meeting date to Tuesday, November 16, 2021 at 9:00 A.M., seconded by Nawal McDaniel. The vote passed unanimously.

b. Board of Trustees Meeting – December Meeting Date

The Board of Trustees discussed moving the December Board of Trustees Meeting date.

Richard Patsy moved to change the November Board of Trustees Meeting date to Friday, December 17, 2021 at 1:00 P.M., seconded by Terry Wood. The vote passed unanimously.

Michael Lynch discussed 121.113(d) of the Ordinance Code:

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“In addition to the above described pension contributions, the fund shall receive all proceeds from the sale of surplus, lost, abandoned and unclaimed property held by the Office of the Sheriff, 30 percent of fines and court costs from charges of violations heard in County Court and 30 percent of all parking fines.”

Michael Lynch said that over the last few years, the Fund was ‘shorted’ \$5 million because of the way this calculation was performed. This was nothing nefarious, however. This number grows to over \$24 million in over 30 years. He said he discussed this with Timothy Johnson and Pete Strong, and wishes to change the process moving forward, but not retroactively. These fines are ‘tacked on top’ of the ADEC, and not included in addition to it.

Pete Strong said that this method was used by Pension Board Consultants, the Fund’s prior actuary. When GRS took over as Plan Actuary, this practice was left unchanged. The net amount is billed to the City. He said now that this was brought to his attention, he agrees. This should be paid as an additional amount of money.

Timothy Johnson said he would like a motion to direct Pete Strong to incorporate this change into the 2021 Actuarial Valuation.

Chris Brown asked if anyone in the public would like to comment.

Lawsikia Hodges said that because this is an ordinance interpretation, and perusing it herself, it clearly says, “in addition to”. She said that she is not debating that, but this would usually be brought to OGC or SSB&H for consultation beforehand.

Chris Brown said this sounds straightforward.

Michael Lynch moved to direct the Fund Actuary to implement this interpretation of 121.113(d) into future valuations, seconded by Terry Wood. The vote passed unanimously.

Pete Strong said that in practice, he would exclude ‘line H’ from page 12 of the 2020 Actuarial Valuation Report.

Chris Brown commended Michael Lynch on a good catch.

XIV. **Adjournment**
10:18 A.M.

Nawal McDaniel, Board Secretary

Summary Prepared By:
Steve Lundy, Deputy Director
City of Jacksonville Police and Fire Pension Fund

Posted: 10/27/2021
To be Approved: 11/16/2021