



## SUMMARY TO THE REGULAR F.I.A.C. COMMITTEE MEETING

Friday, February 14, 2020

3:33 P.M. – 5:00 P.M.

City of Jacksonville Police and Fire Pension Fund  
1 West Adams Street Suite 100, Jacksonville, FL 32202  
Richard "Dick" Cohee Board Room

The next Financial Investment and Advisory Committee (F.I.A.C.) meeting will be held March 13, 2020 at 3:30 P.M.

### Financial Investment and Advisory Committee

Eric "Brian" Smith Jr., Chair  
Rodney Van Pelt, Secretary  
Rob Kowkabany

### Excused

Craig Lewis Sr.

### Staff

Timothy H. Johnson, Executive Director – Plan Administrator  
Steve Lundy, Deputy Director  
Kevin Grant, Finance Manager  
Jordan Cipriani, RVK, Investment Consultant  
Kevin Schmidt, RVK, Investment Consultant  
Rob Lemmon, CRI, External Auditor  
Bob Sugarman, Fund Counsel (via Webex)

### Notice

Meeting Agendas and Summaries are available on our website at [jaxpfpf.coj.net](http://jaxpfpf.coj.net). For additional meeting documents, please contact Maria Young, Custodian of Public Records for the City of Jacksonville Police and Fire Pension Fund at 904-255-7373 or [MariaY@coj.net](mailto:MariaY@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, or email your request to [KLMcDan@coj.net](mailto:KLMcDan@coj.net). 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 Brian Smith called the meeting to order at 3:33 P.M. – Rob Kowkabany was running late, so the approval of the Meeting Summary was moved to after the audit report.

### I. Public Speaking

None.

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II. Old Business

III. New Business

a. *External Audit – Action Requested*  
Rob Lemmon, CRI

Rob Lemmon presented the Independent Auditor's Report of the Jacksonville Police and Fire Pension Fund for Fiscal Year 2019. He said this was a 'clean audit', with no findings.

Rob Lemmon went through the table of contents page, and summarized each section briefly.

Rob Lemmon discussed the Condensed Statement of Fiduciary Net Position on page 5. There was a decline in assets due to the market dive in late 2018.

Timothy Johnson asked if the \$50 million union payment should be separated from administrative expenses.

Rob Lemmon said the payment was broken out on page 9.

Rodney Van Pelt asked for clarification on the union payment.

Timothy Johnson said that as part of the 2017 pension reform, the unions were given a portion of the reserve account money. They asked for the \$50 million to fund the health insurance trust.

Brian Smith asked what contributed to the increase in benefit payments.

Rob Lemmon said this increase in benefit payments was due to the COLA increase, and the number of retirees.

Brian Smith asked what 'Inactive, non-retired members' means (page 10).

Rob Lemmon said this is a member who has terminated employment prior to normal retirement, vested their pension, but has not yet started to receive payments yet.

Timothy Johnson said he wants to be clear on the classification of the union payment. The way it is shown on page 5 makes it look like an increase in expenses.

Bob Sugarman asked if the money was even 'ours in the first place' to be counted as an expense. It really wasn't an asset – it was just money we were holding for the unions until they requested it.

Rob Lemmon said he would work on that part of the report and make it clearer for the Board of Trustees meeting next week.

Rob Lemmon discussed fair value investments on page 22.

Bob Sugarman asked about the general quality of the PFPF's financial records and accounting.

Rob Lemmon said this is an unmodified opinion, which is the highest standard – the records and accounting are in very good shape. There were no challenges to the numbers. This is a good, solid audit with nothing remarkable to report.

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Bob Sugarman asked if there was good cooperation with the PFPF Staff and the City.

Rob Lemmon agreed, and said he got everything he needed.

Rodney Van Pelt asked if any changes would be made.

Brian Smith said to include in a motion to approve the report, subject to the expense related issue concerning the payment to the unions.

Kevin Grant said another piece would be that the \$582,000 'employee pension expense' should not be part of administrative expense, and should be separated.

Rodney Van Pelt made a motion to approve the external audit, and to separate the payment to the unions and the 'employee pension expense' from administrative expense. Seconded by Rob Kowkabany. The vote passed unanimously.

IV. Meeting Summaries

*a. January 17, 2020 FIAC Meeting Summary*

Rodney Van Pelt made a motion to approve the January 17, 2020 FIAC Meeting Summary. Seconded by Rob Kowkabany. The vote passed unanimously.

V. Investment Consultant Reports

Jordan Cipriani & Kevin Schmidt, RVK

*a. Monthly Investment Performance Analysis – December 31, 2019*

*b. Monthly Investment Performance Analysis – January 31, 2020 – Preliminary*

Jordan Cipriani said RVK has been working with the PFPF Staff, Custodian, and Money Managers to get all relationships in line, and data pipelines established going forward.

Kevin Schmidt said PFPF Staff has been very quick and helpful.

Jordan Cipriani said there are three deliverables today: the performance reports for December 2019 and January 2020, and a Benchmarking Review recommendation. Because of the way the FIAC meeting dates fall during each month, the prior month's performance reviews will always be 'preliminary'. Some data from managers is not yet finalized by the FIAC meeting dates.

Rodney Van Pelt said the FIAC does not need the final numbers every month, just the quarterly numbers. The preliminary numbers are fine.

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*a. Benchmarking Review*

Jordan Cipriani discussed RVK's evaluation of the PFPF's benchmarks for Money Managers. After the evaluation, RVK recommends one change, to the Baillie Gifford International Growth Fund:

- The manager changed its official benchmark for this strategy in 11/2019 to the MSCI ACWI ex US Index to allow the portfolio managers increased flexibility to express their growing and best investment ideas intra emerging markets.
- In order to preserve the benchmark's performance history, but continue to reflect the strategy's growth emphasis, within its expanded universe, RVK recommends creating a blended benchmark linking the old MSCI EAFE Growth Index (through November 2019) to the MSCI ACWI ex US Growth Index going forward and using this as the strategy's primary benchmark.
- In addition, as a secondary benchmark, RVK recommends creating a blended benchmark linking the old MSCI EAFE Growth Index (through November 2019) to the MSCI ACWI ex US Index, to reflect the manager's newly adopted benchmark.

The FIAC discussed how the benchmark would be implemented regarding performance reporting over varying time periods.

**Rodney Van Pelt made a motion to recommend approval of RVK's benchmarking recommendation to the Board of Trustees. Seconded by Rob Kowkabany. Discussion:**

Rodney Van Pelt asked for the difference between the two benchmarks over various time periods.

Jordan Cipriani said the indexes are fairly similar. Over the 3-year basis, the ACWI has returned 9.87%, whereas the EAFE has returned 9.87%. They converge further on the 5-year basis.

Rodney Van Pelt said this is adding more risk for a similar return. He asked if this would be revisited later.

Jordan Cipriani said developed market managers have traditionally had an allowance to make some allocations to emerging markets. The Emerging vs. Developed Markets exposures will be revisited in the Asset Allocation Study.

Kevin Schmidt said RVK estimated the additional risk to plans if the managers were to raise their Emerging Market exposure to the maximum allowed level, and it was found to be incremental.

**The vote passed unanimously.**

The FIAC discussed Private Equity, and the Fund's 10% target allocation to it. However, the Fund has not allocated any money to the asset class. The FIAC asked Jordan Cipriani for her thoughts on the asset class, and how the City's General Employees' Pension Plan has allocated to Private Equity.

Jordan Cipriani said that the GEPP Board decided that a 'Fund of One' route was the desirable method to invest in Private Equity. The annual commitment amount was determined through a pacing study. This method utilizes a separate account to cut down on administrative burden. An RFI was issued, and as of last month's meeting, the GEPP Board selected Adams Street for its Private Equity manager. We will go back for a final structure recommendation in a few weeks.

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Rob Kowkabany asked how long this process has taken from the education session to today.

Kevin Schmidt said the education session was in late Spring or early Summer.

Jordan Cipriani said the RFI was issued to eight firms in the Fall. So this would be a culmination of a five-month process from the RFI, scoring, phone interview, and final interview.

Brian Smith asked what percentage of GEPP's portfolio would be invested with Adams Street.

Jordan Cipriani said 8% would be invested, starting at about \$100 million per year. The investment period is 3 years. This would be drawn down from the domestic equity asset class.

Brian Smith asked if the Fund is missing an opportunity by having no money allocated into Private Equity.

Kevin Schmidt said from a diversification aspect, there are benefits to Private Equity.

Brian Smith said he is in favor of exploring Private Equity at some point. Even if the Board of Trustees doesn't have a taste for Private Equity, the FIAC would have done its job in understanding the asset class through an education session.

Rodney Van Pelt agreed – the education does not necessarily have to be at the next meeting. The FIAC has been tasked with this for some time.

Rob Kowkabany agreed and said it is the FIAC's obligation, and Private Equity is in the investment policy. We need to start the education piece – we have talked about this for a while.

Brian Smith asked Timothy Johnson to add the Private Equity Education Session to the FIAC's Work Plan, and to figure out a good time.

Timothy Johnson said he would do so.

Jordan Cipriani said it could be moved to April.

Timothy Johnson said that RVK will visit the PFPF 10 more times before the end of the year. Five visits will be to the FIAC, and five will be to the Board of Trustees.

Timothy Johnson said that the Board of Trustees wants to review the Assumed Rate of Return assumption in a task force. They want to give the charge to the actuary and the investment consultant to provide research to the FIAC and Board of Trustees in time to begin the next Fiscal Year with a new assumption, if that is the consensus.

Timothy Johnson asked for a brief description on the differences between an Asset Allocation Study and an Asset – Liability Study.

Jordan Cipriani said the Asset Allocation Study is a review of structure. The Asset – Liability Study is more of a tool that helps you evaluate the health of the Plan every 3-5 years. This includes investment policy, benefit policy, and benefit contributions. The Asset Allocation Study is a tier lower than the Asset – Liability Study. This looks at the current asset allocation in the context of capital market assumptions. Other alternatives will also be considered, as opportunities for improvement, either to add another asset class, or make trims around the edges. The Asset Allocation Studies are performed annually.

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VI. New Business (continued)

a. *Rodney Van Pelt Term Reappointment*

Brian Smith said it is time to reappoint Rodney Van Pelt to another 3-year term.

**Rob Kowkabany made a motion to recommend reappointment of Rodney Van Pelt to the FIAC. Seconded by Brian Smith. The vote passed unanimously.**

Rodney Van Pelt said he would be out of town during the next FIAC meeting.

Steve Lundy asked if Erwin Lax would be approved by City Council by the March FIAC meeting.

Timothy Johnson said Erwin Lax should be approved by then.

Brian Smith said that since Erwin Lax should be approved as an FIAC member by March, the March FIAC meeting would not be rescheduled.

Timothy Johnson reminded the FIAC of the Annual Members' Meeting to be held at the Pension Office on March 20, 2020 from 9:00 A.M. to 11:00 A.M.

VII. Adjournment

5:00 P.M.

Summary Approved:

Rodney Van Pelt, Secretary  
Financial Investment and Advisory Committee

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

**Posted:** 02/20/2020

**To be Approved:** 03/13/2020