



## SUMMARY TO THE BOARD OF TRUSTEES AND F.I.A.C. JOINT MEETING

Friday, April 30, 2021

9:05 A.M. – 12:09 P.M.

City of Jacksonville Police and Fire Pension Fund

**Meeting Location:** Jacksonville Public Library – Main Street Entrance  
304 N Main Street, Jacksonville, FL 32202

### Board of Trustees

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

### Financial Investment and Advisory Committee (F.I.A.C.)

Eric “Brian” Smith Jr., Chair  
Rodney Van Pelt, Secretary  
Erwin Lax, via ZOOM  
Kendall Park  
Jim Mattera, via ZOOM, *pending Council approval*

### Excused

Terry Wood

### Notice

Meeting Agendas and Summaries are available on our website at [jaxpfpf.coj.net](http://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](mailto: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.

### Staff

Timothy H. Johnson, Executive Director – Plan Administrator  
Steve Lundy, Deputy Director  
Kevin Grant, Finance Manager  
Jordan Cipriani, RVK, Investment Consultant  
Austin Head-Jones, RVK, Investment Consultant  
Steve Hahn, RVK, Investment Consultant  
Justin Outslay, RVK, Investment Consultant  
Kevin Schmidt, RVK, Investment Consultant  
Jim Voytko, RVK, Investment Consultant  
Bob Sugarman, Fund Counsel  
Lawsikia Hodges, Office of General Counsel

### Guests

Rowen Descallar  
Sarah Geronimo

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Summary

I. Convene Meeting

*a. FIAC*

The FIAC convened at approximately 9:05 A.M.

*b. Board of Trustees*

The Board of Trustees convened at approximately 9:05 A.M.

II. Public Speaking

None.

III. Private Investments Education – RVK

Jordan Cipriani, Kevin Schmidt, Jim Voytko, Austin Head-Jones, and Justin Outsley of RVK gave the Private Markets Presentation:

Over the course of the 2020 Summer and Fall months, RVK collaboratively worked with Staff to provide the FIAC and Board with Capital Market and Asset Allocation Education, which culminated in a formal Asset Allocation Study and review.

This Asset Allocation Study provided the FIAC and Board the opportunity to review the current, target, and alternative asset allocation scenarios, in the context of current long-run asset class assumptions.

The collective work completed by all parties, eventually led to the Board approval in November 2020 of new asset allocation targets.

The approved PFPF asset allocation targets introduced two new asset classes to the Fund: Non Core Real Estate (5%) and Private Credit (8%).

The purpose of this presentation is twofold:

- To further educate and explore the implementation options of these two asset classes with the FIAC and Board.
- To recommend and seek approval of implementation approaches for these two asset classes, such that RVK and Staff can begin our collective work in assisting the FIAC and Board with building out these allocations.

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Key focus areas of the discussion today:

- The implementation options associated with Non Core Real Estate and Private Credit.
- The expected timing (or pacing) associated with these implementation options.
- The amount of future dollars to be allocated to Non Core Real Estate and Private Credit, as well as dollars allocated to underlying strategies/managers.
- The expected number of fund commitments and associated decisions to be considered per year, for each of the implementation options.
- How opportunities would be sourced, diligenced, and pursued.
- The benefits to the Fund of successfully navigating this process.
- How consideration can be given to emerging and diverse managers and/or mandates.

Regarding Non Core Real Estate, RVK discussed the structure, approach, fee analysis, and comparison of the Direct Fund Investments strategy, with a non-discretionary consultant and with a discretionary consultant with the FIAC and Board of Trustees.

RVK discussed the Pacing Analysis of Non Core Real Estate, culminating with the Summary and Recommendation:

**Recommendation**

RVK, in conjunction with the Executive Director, recommend a Direct Fund implementation approach to fulfill the PFPF's Non Core Real Estate allocation.

- While both Discretionary and Non Discretionary approaches are viable, we feel the Non Discretionary option is a superior option given the relatively limited number of fund decisions and manageable anticipated administrative burden on Staff, coupled the higher cost and the higher commitment hurdle for a Discretionary separate account relationship.

**Timing (pacing), Sizing, and Number of Expected Commitments**

Given current pacing projects, RVK anticipates approximately \$40 - \$45M in commitments, across one to two funds, to be made annually to this asset class, in order for the total Fund to reasonably and prudently meet its target allocation by 2025. RVK recommends the commitment pacing plan should be revisited annually to ensure it remains reasonable and in line with the Fund's long term targets and objectives.

**Process and Decision Making**

Funds would be sourced and diligenced, by the Consultant, as they come to market, and narrowed to identify the best positioned opportunities for the PFPF. Consideration would also be given to those funds referred by the Board/Staff. RVK expects the Board would be required to make approximately one to two decisions a year around investment funding for this asset class.

- Where possible, there would be purposeful inclusion of funds managed by emerging and diverse managers in the sourcing process and consideration for potential investment. The ability to invest with emerging and diverse managers, in this space, will be largely driven by the opportunity set of such funds in the marketplace at any particular point in time.

**Benefits of Successfully Navigating the Process**

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PFPF's ability to invest in Non Core Real Estate in a timely manner will serve to improve the overall diversification of the Fund, in addition to helping achieve return and risk targets that align with the long-term investment and policy objectives.

RVK discussed the Private Credit Implementation Review with the FIAC and Board of Trustees, covering the overview, closed-end vs. evergreen structures of direct funds and fund of funds, approach, fee analysis, and comparison.

RVK discussed the pacing study for private credit, covering two options, traditional and evergreen. They compared the commitment schedules, allocation analysis, cash flows, and estimated value creation of both options.

RVK presented their summary and recommendation for private credit:

**Recommendation**

RVK, in conjunction with the Executive Director, recommend either of the following implementation approaches to fulfill the PFPF's Private Credit allocation:

1) Fund of Funds (with Non Discretionary Consultant)

- While this approach can be more costly than a direct fund approach, we find the Fund of Funds structure to be compelling for PFPF for several reasons:
  - Outsourced investment process
  - Immediate access and diversification
  - Reduced administrative burden
- Furthermore, pursuing a Fund of Funds approach as the first foray into the asset class, would allow the Fund to gain exposure more quickly, while not precluding PFPF from seeking to adopt a direct fund approach at a later point in time.

**Process, Decision Making, and Timing**

- A Fund of Funds would be sourced, diligenced, and recommended by the Consultant at the onset. We would expect this process to be complete by year's end, if not sooner. As such, RVK expects the Board would be required to make only one investment funding decision to initially build out this asset class.
- As possible, RVK would seek to identify Fund of Funds providers that seek to incorporate funds managed by emerging and diverse managers for potential investment; however, the ability to customize such a mandate can be limited.

2) Evergreen Fund (with Non Discretionary Consultant)

- Should there be a strong preference for a direct fund approach, we believe an Evergreen Fund option could also offer similar benefits to those listed on the previous slide, under a single fund structure and with lesser fees than a Fund of Funds.
- Diversification would not be as broad as the Fund of Funds approach, but still acceptable in our view.
- Furthermore, as a satellite to a core Evergreen Fund option, PFPF could consider adding a complimentary direct closed-end fund once a year, to add opportunistic diversification. Doing so, could keep administrative and time burdens low as compared to a fully direct, closed-end approach.

**Process, Decision Making, and Timing**

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- An Evergreen Fund would be sourced, diligenced, and recommended by the Consultant at the onset. As such, this would require one initial funding decision by the Board, for an approximate initial commitment of \$100M, followed by the potential for subsequent periodic re-ups.
- Should there be a desire to add an additional complimentary direct closed-end fund annually, this would require one additional funding decision per year.
- Based on our pacing analysis, this approach would allow the Fund to reasonably and prudently meet its target allocation by 2026.
- Where possible, there would be purposeful inclusion of funds managed by emerging and diverse managers in the sourcing process and consideration for potential investment. The ability to invest with emerging and diverse managers, in this space, will be largely driven by the opportunity set of such funds in the marketplace at any particular point in time.

#### **Benefits of Successfully Navigating the Process**

- Under either option, PFPF's ability to invest in Private Credit in a timely manner will serve to improve the overall diversification of the Fund, in addition to helping achieve return and risk targets that align with the long-term investment and policy objectives.

Board of Trustees Chair Chris Brown had to leave early and was not present for the remainder of the meeting.

Rodney Van Pelt made a motion to recommend to the Board of Trustees RVK's non-discretionary consultant recommendation for non-core real estate. Seconded by Kendall Park. The vote passed unanimously (FIAC).

Rodney Van Pelt made a motion to recommend to the Board of Trustees RVK's non-discretionary consultant recommendation for private credit. Seconded by Kendall Park. Discussion:

Timothy Johnson clarified that the recommendation is for the evergreen option, not fund-of-funds.

The vote passed unanimously (FIAC).

Nawal McDaniel asked for a motion to approve the FIAC's recommendations.

Richard Patsy made a motion to accept the FIAC's recommendation on non-core real estate. Seconded by Nawal McDaniel. Discussion:

Michael Lynch said two members of the Board of Trustees are not present, and he would like to hear their thoughts before approving the FIAC's recommendation.

Rodney Van Pelt clarified that his recommendation did not include hiring RVK as the consultant, but to add additional services to their contract to do this work.

Nawal McDaniel tabled Richard Patsy's motion, and the FIAC's second recommendation on private credit.

Michael Lynch said he would like the FIAC's two recommendations in writing prior to the next Board of Trustees meeting.

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IV. Adjournment

*a. FIAC*

*b. Board of Trustees*

The FIAC and Board of Trustees adjourned at approximately 12:09 P.M.

Nawal McDaniel, Board Secretary

Rodney Van Pelt, FIAC Secretary

**Summary Prepared By:**

Steve Lundy, Deputy Director  
City of Jacksonville Police and Fire Pension Fund

**Posted:** 05/10/2021

**To be Approved:** 05/21/2021