
**JACKSONVILLE POLICE AND FIRE PENSION FUND
FINANCIAL INVESTMENT AND ADVISORY COMMITTEE
MEETING SUMMARY – JULY 14, 2017 – 3:30PM
RICHARD “DICK” COHEE BOARD ROOM**

PRESENT

Eric “Brian” Smith Jr., Chairman
Tracey Devine
Rodney Van Pelt

STAFF

Timothy H. Johnson, Executive Director – Plan Administrator
Steve Lundy, Assistant Plan Administrator
Dan Holmes, Summit Strategies – via Webex

EXCUSED

Rob Kowkabany
Craig Lewis Sr., Secretary

I. CALL TO ORDER

Chairman Brian Smith called the meeting to order at 3:31PM.

II. PUBLIC SPEAKING PERIOD

There were no requests for Public Speaking. Public Speaking Period closed.

III. MEETING SUMMARY TO BE APPROVED

1. Meeting Summary of the FIAC Meeting held May 11, 2017. Copies held in the meeting files.
2. Meeting Summary of the FIAC Workshop held June 9, 2017. Copies held in the meeting files.

Rodney Van Pelt briefed Tracey Devine on the Sawgrass Presentation at the June FIAC Workshop. His concerns on the PFPF's use of Sawgrass as part of the portfolio were voiced and alleviated. He said that all in all, they gave a good presentation.

A motion was made by Rodney Van Pelt to approve the summaries of the FIAC meetings held on May 11, 2017 and June 9, 2017, seconded by Tracey Devine. The vote passed unanimously.

V. OLD BUSINESS

VI. EXECUTIVE DIRECTOR'S REPORT

Timothy H. Johnson

Contract Renewal Discussion

1. Investment Consultant (Summit Strategies)
2. Custodian (Northern Trust)

Timothy Johnson said that the two items on his report for this month are a holdover from June's meeting. He said that he's bringing them up again so that the FIAC can make a vote since there is a quorum this month.

Timothy Johnson discussed the rebidding of services that the PFPF uses, such as the legal counsel and actuarial services. He said that Klausner and Jarmon have been replaced, and now, the PFPF is in the midst of pension reform. He said that it is probably not a good idea to make RFPs for the custodian and investment consultant until pension reform is over.

Timothy Johnson requested that the FIAC make a recommendation to extend the contracts for the Investment Consultant and Custodian for one year.

Tracey Devine and Rodney Van Pelt agreed. However, Rodney Van Pelt said that his only reservation was that the custodian and investment consultant have had both of their contracts extended before.

A motion was made by Rodney Van Pelt to make a recommendation to extend the contracts of Northern Trust and Summit Strategies, seconded by Tracey Devine. Discussion:

Tracey Devine asked for clarification on the RFP process, and for it to be explained to the FIAC before the next round of RFPs.

The vote passed unanimously.

Pension Reform Administration Discussion

1. Reform Working Group

Timothy Johnson discussed the Reform Working Group meeting, and its attendees. He said the goal of this working group is to discuss a number of matters relating to the administration of the 2017 pension reforms, and how the PFPF staff will implement the changes necessary. He gave the example of the Chapter Funds, and how the administration of its distribution may change as a result.

VII. INVESTMENT CONSULTANT REPORTS

Dan Holmes

1. Flash Report – June 30, 2017

Dan Holmes said that the Fund's balance is slowly creeping towards the \$2 billion mark. He said that over the Fiscal Year, the Fund's gross return is up over 10%, and up over 9.8% net.

Dan Holmes said that Domestic and International equities are driving the good part of the portfolio's success. However he said that Real Estate sticks out – it is up only about 5% for the Fiscal Year. He estimates that it will finish up around 7-8% at the Fiscal Year End.

Dan Holmes said he expects MLPs to continue their volatility.

Dan Holmes noted that Wedge Capital is below the benchmark, due to their underweight in financials.

Tracey Devine asked Dan Holmes if Wedge Capital is a traditional value manager or a 'deep value' manager.

Dan Holmes said that they're traditional, and that they look at core value.

Dan Holmes said that he would like the Fund's portfolio to gain exposure in new areas, like International Small Cap Value. He said that he wants to make his recommendation after the pension reform.

2. Economic & Capital Market Update – June 30, 2017

Dan Holmes said that US job growth continues to be positive, wage growth is increasing, and GDP was revised upwards from 1.2% to 1.4% for the first quarter. All news is positive for the economic outlook.

Tracey Devine asked for an update on the Loomis Sayles contract.

Dan Holmes said that the Loomis Sayles contract is in Bob Sugarman's office and is nearing completion.

3. Recommended Rebalancing

Brian Smith said that the Board of Trustees has already adopted Dan Holmes's Rebalancing Recommendation, and the FIAC would be making a recommendation on it as a formality, since there was no quorum in June.

Tracey Devine and Dan Holmes discussed asset allocation limits as set forth by the State Law, and the restrictions on investment vehicles such as American Deposit Receipts. They also discussed private equity in real estate.

A motion was made by Tracey Devine to make a recommendation to accept the Recommended Rebalancing, seconded by Rodney Van Pelt. The vote passed unanimously.

4. Sawgrass Review

Dan Holmes said that Rodney Van Pelt did a good job of grilling Sawgrass during their presentation. Dan Holmes said that Sawgrass has typically been a low-beta manager, and that they've stuck with their process consistently. Dan Holmes said that he recommends that the Fund retain Sawgrass.

Rodney Van Pelt, Dan Holmes, and Tracey Devine discussed the risk tolerance of the Fund going forward. They said that the Fund's risk tolerance needs to be assessed from the top-down.

A motion was made by Rodney Van Pelt to make a recommendation to retain Sawgrass, seconded by Tracey Devine. The vote passed unanimously.

VIII. NEW BUSINESS

1. External Auditor (CRI)

Timothy Johnson said that the PFPF's previous external auditor closed business, due to the retirement of a member of its staff and the passing of another. He said that he talked with the City Treasurer, Joey Greive, and received a good recommendation of the City's external auditor, Carr, Riggs, and Ingram (CRI). Timothy Johnson said that CRI will match the City's fee for the PFPF.

Brian Smith asked if the PFPF made a RFP for the external auditor and whether it was legal or not to hire an external auditor without a RFP.

Timothy Johnson said that no RFP was made, and that it would be legal since the PFPF would be using the same external auditor as the City.

Brian Smith said that he would like a legal opinion from the Office of General Counsel (OGC) on whether this is legal without an RFP.

Timothy Johnson agreed, and said that Brian Smith's request was a good move.

A motion was made by Rodney Van Pelt to make a recommendation to hire CRI as the PFPF's external auditor contingent on OGC's approval, seconded by Tracey Devine. The vote passed unanimously.

2. FIAC Meeting Attendance Discussion

Brian Smith said that quite a few FIAC meetings have been postponed or cancelled due to the lack of quorums. He said that FIAC members should do everything they can to attend the meetings. However, he said a few things could be done to improve meeting attendance.

Brian Smith said that PFPF communication with the FIAC could be improved in new ways, such as utilizing an RSS feed to keep members updated on any scheduling changes.

Steve Lundy said that he would contact ITD and ask if that is possible.

Brian Smith said that the regularly scheduled FIAC meeting time could be changed if 3:30PM on the second Friday of the month isn't the best for the members.

Tracey Devine and Rodney Van Pelt said that the current scheduled time works fine for their schedules.

Brian Smith said that perhaps the FIAC could hold fewer scheduled meetings. Tracey Devine disagreed, and said she would prefer more.

Brian Smith asked if a quorum could be held over the phone.

Timothy Johnson answered that at least three FIAC members need to be physically present for a quorum.

Tracey Devine asked for the calendar to be included in the FIAC books in the future.

Steve Lundy said he would include the calendar in the future books.

Brian Smith said that the FIAC could set up an attendance policy, and if members are not consistent, it would provide a method to recommend that City Council appoint a replacement.

Timothy Johnson said that the FIAC should schedule an annual strategy meeting in order to bring new members up to speed on the Fund's asset allocation and prepare them for the following year.

Rodney Van Pelt suggested that Dan Holmes could call in to the FIAC meetings 30 minutes into the meetings, so that the FIAC members would have time to review the book beforehand and prepare their questions.

Rodney Van Pelt asked if the PFPF has hired a new Finance Manager.

Timothy Johnson said that he has received a few applications, and that he will be calling three candidates for interviews. He said that he is pleased with the response so far.

Tracey Devine and Rodney Van Pelt discussed possible ways to structure a 'catch up' meeting to discuss the Statement of Investment Policy and asset allocation.

Brian Smith added that a 'catch up' meeting would be beneficial to new members.

IX. ADJOURNMENT

Brian Smith adjourned the meeting at approximately 5:15PM.

NOTES:

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Any person requiring a special accommodation to participate in the meeting because of disability shall contact Steve Lundy, Assistant Plan Administrator at (904) 255-7373, at least five business days in advance of the meeting to make appropriate arrangements.

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.

SL

Craig Lewis, FIAC Secretary

To be approved at the FIAC Meeting on August 11, 2017