



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

Friday, April 10, 2020

3:37 P.M. – 5:00 P.M.

City of Jacksonville Police and Fire Pension Fund  
1 West Adams Street Suite 100, Jacksonville, FL 32202  
**WEBEX ROOM 5**

The next Financial Investment and Advisory Committee (F.I.A.C.) meeting will be held May 15, 2020 at 3:30 P.M.

### Financial Investment and Advisory Committee

Eric “Brian” Smith Jr., Chair  
Rob Kowkabany  
Erwin Lax

### Guests

Matt McCue, FIN News

### 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  
Jim Voytko, RVK, Investment Consultant  
Lawsikia Hodges, Office of General Counsel  
Bob Sugarman, Fund Counsel

### Excused

Rodney Van Pelt, Secretary

### Notice

#### **WebEx login/access**

Dial: (904) 255-8996

WebEx Meeting Number (access code): **733 373 125**

WebEx Password: **24680**

**NOTE:** For more details on how to attend this meeting via phone or computer, please see separate FIAC Meeting Notice posted on our website at [jaxpfpf.coj.net](http://jaxpfpf.coj.net).

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.

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## Summary

Chair Brian Smith opened the meeting, noting that this meeting is held via Webex in an audio-visual conference – allowed under Governor DeSantis’s emergency order to accommodate social distancing during the ongoing COVID-19 pandemic.

Steve Lundy introduced and read aloud the names of everyone in attendance, including one member of the public (individuals present shown above).

### I. Public Speaking

None.

### II. Meeting Summaries

*a. February 14, 2020 FIAC Meeting Summary*

*b. March 13, 2020 FIAC Meeting Summary*

**Rob Kowkabany made a motion to approve the February 14, 2020 and the March 13, 2020 meeting summaries. Seconded by Erwin Lax. The vote passed unanimously.**

### III. Investment Consultant Reports

RVK, Inc.

*a. Monthly Investment Performance Analysis – March 31, 2020 – Preliminary*

Kevin Schmidt covered the asset allocation versus target allocation, in the context of market volatility due to the ongoing COVID-19 pandemic. The market volatility pushed the fund’s Fixed Income allocation out of bounds during March, but as of Wednesday, it had returned within target range.

Kevin Schmidt covered total fund performance for March on pages 5-7. The fund was down 10.7%, however the fund outperformed the index by 40 basis points. Large cap growth continued to lead in performance relative to other categories. There were large correlations between classes. MLPs suffered losses from a ‘perfect storm’ – resulting from the simultaneous COVID-19 and oil crises. Tortoise and Harvest do not foresee this low price of oil as sustainable in the long term.

*b. COVID-19 & Economic Implication Presentation*

Jordan Cipriani said that RVK wanted to create a presentation to touch on a number of impacts we see from the COVID-19 pandemic, from healthcare to employment.

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Jim Joytko covered page 2, showing the historical view of what has happened in the global equity market. The source is a health crisis, not an economic one. This crisis is different from previous crises like the Great Financial Crisis. This crisis stood out in the market's rapid decline, similar to the 1987 crash.

Jordan Cipriani covered the following pages of the presentation:

- Page 4: COVID-19 US Impact - In the US, cases jumped to approximately 369,000 as of April 7 representing the highest number of reported cases globally within a single country. Although more than half of the United States has imposed lockdown measures and restrictions on social gatherings, the number of cases has continued to increase.
- Page 5: Economic Impact of COVID-19 - The industries hardest hit by COVID-19 around the world to date have been commercial aerospace, air & travel, insurance carriers, oil and gas, automotive and entertainment activities.
- Page 6: Economic Impact of COVID-19: Unemployment - Unemployment claims for the week ended March 28 shattered previous records, coming in at nearly 10 times the highest weekly claims number witnessed during the GFC.
- Page 7: Economic Impact of COVID-19: GDP - The range of GDP estimates is wide in the US as economists estimate that GDP will suffer a 9-40% decline during Q2.
- Page 8: Oil Supply and Demand Shocks - Further exacerbating the global economic picture is oil price volatility due to (a) disputes between Russia and Saudi Arabia over oil production levels and price and (b) a significant and sudden drop in global oil demand.

Brian Smith asked if there are any clues in the international markets pointing to how US markets will respond once we hit the 'peak' of the virus curve.

Jim Voytko said that the markets will not wait until there is a viable vaccine to buy. Markets are historically very forward-looking. They will buy when they feel there is a possibility of a vaccine.

Jordan Cipriani continued to cover the following topics in the presentation:

- Page 9: Risk of Timing the Market
- Page 10: Comparison to 2008-09 GFC and Market Liquidity
- Page 11: Monetary Policy: The Role of the Federal Reserve
- Page 12: Fiscal Policy: CARES Act and Additional Stimulus
- Page 13: Update on Fixed Income Markets
- Page 14: Summary – "Institutional portfolios are designed with a specific purpose and time horizon in mind. Returns this year, although dramatic, are within the range of expected possibilities that we contemplate during our capital market assumption setting and modeling process. Unless something has changed with regards to the purpose or time horizon of a portfolio, it is unlikely that strategic asset allocation changes are advisable as a direct result of recent events."

*c. Capital Markets Primer + Private Asset Education*

Postponed.

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*d. Investment Manager Cash / Liquidity Allowance Review*

Jordan Cipriani covered the Liquidity Review, noting that the PFPF is unique in that at the total fund level, liquidity needs are muted, because benefits are paid by the sponsor, not out of the fund on a regular basis. In today's situation, this is very helpful.

- Total Fund: The need for periodic liquidity to be raised is quite low (unusually so compared to most public pension plans) and should remain so barring significant change in circumstances.
- Asset Class Liquidity Review: The Fund does not have exposure to illiquid, closed end, draw down type vehicles, there is no need to ensure liquidity for capital calls. Should there be a need to raise liquidity to take advantage of market dislocation or rebalancing opportunities, we would not anticipate that this would be difficult.
- Manager Liquidity Review: Most of the Fund's managers have a maximum cash limit of either 5% or 10%, with the vast majority of managers staying fully invested, with cash holdings remaining below 5% as of month end. Note the Fund also had approximately \$8 million in the cash account as of month end. Tortoise Capital asked for a waiver of their maximum 5% cash position in the Fund's portfolio, to increase the allowance to a hard limit of 10%, through 6/15/2020.

Timothy Johnson said that the FIAC Work Plan was created in anticipation of having the discount rate recommendation to the Board of Trustees in June. In the interest of time, the "Capital Markets Primer + Private Asset Education" should be postponed to a later meeting.

Jim Voytko agreed, and said this topic deserves 30-45 minutes to be properly discussed.

*a. Private Real Estate Update*

Brian Smith asked for Kevin Schmidt to briefly discuss the Private Real Estate Update.

Kevin Schmidt directed attention to the attached memo, 'Private Real Estate Update'. He said that in connection with real estate, the effects of the COVID-19 crisis won't be known for some time, over quarters perhaps, because of a lag. There is a lack of price discovery, and it is very tough to mark the assets if no transactions are taking place. It will take some time for property values to be defined. Some impacts will hit harder than others – discretionary retail, malls, and leisure properties will be hit hardest. Senior and student housing will also be hit. On the flip side, medical offices, multifamily homes, industrial, and self storage will perform. The Fund's real estate managers, Principal, and JP Morgan have exposure to all classes.

Jordan Cipriani said that this wraps everything up on the investment side. The capital market primer education will be deferred, and the work plan would be updated accordingly.

Timothy Johnson thanked everyone at RVK for the great job on the work plan, and that they came prepared. A lot has changed in the last 30 days.

Bob Sugarman thanked everyone for adapting to this new method of meeting.

Brian Smith adjourned the meeting at 5:00 P.M.

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IV. Old Business

V. New Business

VI. Adjournment  
5:00 P.M.

Summary Approved:

Rodney Van Pelt, FIAC Secretary

**Summary Prepared By:**

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

**Posted:** 04/23/2020

**To be Approved:** 05/15/2020