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JACKSONVILLE POLICE AND FIRE PENSION FUND  
FINANCIAL INVESTMENT AND ADVISORY COMMITTEE  
MEETING SUMMARY – AUGUST 10, 2018 – 3:30PM

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**PRESENT**

Eric "Brian" Smith Jr., Chair  
Craig Lewis Sr., Secretary  
Tracey Devine  
Rodney Van Pelt

**STAFF**

Kevin Grant, Finance Manager  
Dan Holmes, Summit Strategies – via Webex

**EXCUSED**

Rob Kowkabany  
Timothy H. Johnson, Executive Director – via Webex  
Steve Lundy, Assistant Plan Administrator

**Meeting Convened:**

3:34PM

**Meeting Adjourned:**

5:16PM

NOTICE: 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.

**I. PUBLIC SPEAKING PERIOD**

None.

**II. MEETING SUMMARY TO BE APPROVED**

***Motion to approve: VAN PELT; Second: DEVINE; APPROVED UNANIMOUSLY.***

1. **FIAC Meeting** – July 16, 2018

**III. EXECUTIVE DIRECTOR'S REPORT**

1. **Budget to Actual** – July 31, 2018

*Kevin Grant said the Fund is on track with revenues, including parking revenues. Expenses and Personnel expenses are in line. Some operating expenses are showing 60%, which is due to invoice lag.*

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Rodney Van Pelt asked why the Fund revenues are above budget.

Kevin Grant said the figure is based on the pension contributions made by members, which is slightly higher based on salaries.

Tracey Devine asked if this was due to the raises bargained through pension reform.

Kevin Grant said yes.

## 2. Summit Strategies RFI Discussion

Kevin Grant said he conducted an initial review with Dan Holmes to discuss highlights of the RFI. He shared the points of their conversation:

- Timothy Johnson was concerned with changes at Summit Strategies over the years.
- Dan Holmes said there have been no significant structural changes at the firm, aside from technological progress.
- Contract rates have kept in line with the Consumer Price Index.
- Dan Holmes said trends in the industry point towards the consolidation of smaller consultant firms.

Tracey Devine asked if Dan Holmes shared the impact of the consolidation of other small consulting firms on Summit Strategies.

Kevin Grant said that Dan Holmes indicated there has been no impact.

Tracey Devine asked if Summit Strategies' Assets Under Management has increased or decreased.

Kevin Grant said it has increased.

Tracey Devine asked if Summit's Senior Staff is still in place.

Kevin Grant said yes, although one Senior Staff member reduced his shares in the company which were redistributed among newer staff.

Craig Lewis mentioned that Summit Strategies as well as other consultants have gotten into the money management business with alternatives and other investments. He said that there is a potential for conflicts of interest. If the Fund retains Summit Strategies, it is something to consider as the Fund delves into private investments.

Kevin Grant said he would write up a package for the next meeting, along with additional answers from Dan Holmes.

## 3. PFPF Annual Report to Members

Deferred to September.

Brian Smith said this is a nice document and looks forward to hearing the highlights next month.

## 4. State Report Approval Memorandum

Kevin Grant said that the State has approved the PFPF's submission, and will provide dollar allocation amounts of the Chapter Monies soon.

#### IV. INVESTMENT CONSULTANT REPORTS

Dan Holmes

##### 1. **Economic & Capital Market Update** – July 31, 2018

Dan Holmes said growth continues to be positive for MLPs and Domestic Equities. Negative returns on international assets.

Brian Smith asked for Dan Holmes' assessment of tariffs from Europe and China placed on US goods.

Dan Holmes said that the long-term effect would be inflationary on the US, and in the short term is causing strengthening of the USD and price volatility. This poses a risk to US investments abroad.

##### 2. **Flash Report** – July 31, 2018

Not presented to the FIAC.

##### 3. **Statement of Investment Policy**

**Motion to accept as amended: VAN PELT; Second: LEWIS; PASSED UNANIMOUSLY.**

Dan Holmes discussed updates to the Statement of Investment Policy:

- Page 3, paragraph A. This paragraph was previously a part of paragraph E on previous page.
- Page 4, paragraph E and F have been changed as discussed in the last FIAC meeting. The Treasurer section has been reduced, and the Finance Manager language has been inserted in paragraph F.
- Page 6: Timothy Johnson called earlier this week to insert the language, "Unless otherwise directed" in front of number 6 for voting proxies. A Board member asked Timothy Johnson to edit the IPS to reserve the right for the Board to direct managers to vote in a certain way – should a proxy vote not be in the best interests of the public pension plan world.

Brian Smith asked Dan Holmes to read page 6, number 6 since it was a last minute change.

Dan Holmes read page 6 number 6, "Unless otherwise directed, vote proxies in the economic best interest of the Fund's assets, keep accurate records of such proxy voting and provide written reports to the Fund upon request;"

Brian Smith said he was unsure why this language should be inserted given the fact that no one could think of an instance in which a proxy vote in the 'economic best interest of the Fund's assets' would have a negative effect on the public pension world specifically.

Tracey Devine said this would be a unique process, and that someone would have to monitor every decision for every proxy vote.

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Dan Holmes said most managers follow a standard set of guidelines or proxy voting services. Each manager has their own proxy voting guidelines. He said there would have to be a provision inserted which would cover public pension plans.

Tracey Devine said this provision would reserve the right for the Board to change a specific proxy vote in the best interests of the Fund.

Brian Smith said it does not make sense because the Board would tell managers to vote against the best interest of the Fund's assets. He said it is not good language to have in the Statement of Investment Policy.

Tracey Devine said the tension is that should the proxy vote actually do harm to the public pension world, the vote takes precedence or higher priority than that of the economic best interest of the Fund's assets.

Brian Smith said his argument is that only our Fund takes precedence.

Rodney Van Pelt agreed and said this language does not make sense.

Brian Smith asked Dan Holmes to move on and discuss other changes to the Statement of Investment Policy.

Dan Holmes continued:

- Page 10, moving the asset allocation table to the appendix (page 26) as the FIAC requested last month.
- Pages 17-19, cleaned up language and typos. Tim called to request putting the term 'disabled' (referencing disabled veterans) back into the document. His view was that 'veterans' is too broad a category for defining an emerging manager.

Tracey Devine asked how the FIAC needs to ensure that the Fund is within policy regarding these emerging manager firms.

Dan Holmes said Summit Strategies makes an affirmative effort to include managers that fit these definitions in every manager search.

Rodney Van Pelt said his concern is the conflict with getting the best managers on overall return versus getting emerging managers into the Fund's portfolio. He encouraged Dan Holmes to include the emerging managers in the manager search, however blind the search to that point so that the FIAC and Board makes its decision based on returns. Hopefully, by including emerging managers in the search, the Fund would reach the 10% emerging manager goal, or even higher.

Brian Smith said sometimes the search narrows down to two managers, and the emerging manager aspect would be the tiebreaker. He said he is comfortable with these changes.

**Rodney Van Pelt made a motion to accept the Statement of Investment Policy with the amendment of striking the phrase “Unless otherwise directed” from page 6, number 6. Seconded by Craig Lewis. Discussion:**

Rodney Van Pelt said he thinks there would have been conflicts with managers if this language was inserted.

Brian Smith said the language is cut and dry – votes should be in the economic best interest of the Fund's assets, period. He said this new language would not fit.

Tracey Devine said it does not mean anything would change if the new language were inserted. By adding the language, it is a moot point until someone takes action to develop a new process.

Craig Lewis suggested speaking with Timothy Johnson after approving this motion. Amending the Statement of Investment Policy to reinsert this language would be easy at the next FIAC meeting if deemed necessary.

**The vote passed unanimously.**

#### **4. Investment Performance Review – June 30, 2018**

Dan Holmes discussed his Investment Performance Review with the FIAC as attached. He discussed the following topics:

- The trend of growth assets outperforming value assets continues.
- Asset allocation versus target for the past quarter: there is a slight overweight to International Equities, a larger overweight to US Equities, and an underweight to Real Estate – but all are in line with the policy index.
- Asset allocation versus that of other public pension plans.

Tracey Devine said the new target asset allocation is out of line. She asked when this would be addressed.

Dan Holmes said this would be addressed at the next meeting for two reasons:

- Rebalancing is due to get back to target, and the Fund has to raise capital to pay back the City by the end of September.
- There will be a series of rebalancing recommendations at the next meeting.

Dan Holmes continued to discuss the following topics of his Investment Performance Review with the FIAC as attached:

- 2015-2017 Calendar Year Returns
- Risk & Return in the public pension plan universe
- Relative to total market index, the Fund is not far off in sector weighting. In style weighting, the Fund is overweight to growth.
- Domestic Equity Portfolio
- Sawgrass' performance over the past years
- MLPs up almost 13% for quarter, as expected

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- *Real Estate is up approximately 8% on a rolling 12-month basis.*
- *Fixed Income is rough because of rising interest rates, as expected*
- *Eagle's recent performance*

5. **Target Asset Allocation Implementation Discussion**

*Not discussed.*

6. **International Developed Small Cap Equity Search**

*Not discussed.*

V. **OLD BUSINESS**

VI. **NEW BUSINESS**

*None.*

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Steve Lundy, Assistant Plan Administrator  
Posted 08/16/2018

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Craig Lewis Sr., Secretary  
To be approved at the FIAC Meeting on September 14, 2018.

The next regular meeting will be held Friday, September 14, 2018 at 3:30PM.