



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

Friday, August 14, 2020

3:34 P.M.

City of Jacksonville Police and Fire Pension Fund
1 West Adams Street Suite 100, Jacksonville, FL 32202
ZOOM ONLINE MEETING – NO PHYSICAL LOCATION

The next Financial Investment and Advisory Committee (F.I.A.C.) meeting will be held September 11, 2020 at 3:30 P.M.

Financial Investment and Advisory Committee

Eric “Brian” Smith Jr., Chair
Rodney Van Pelt, Secretary
Erwin Lax

Guests

Ashley Hartman Alson, Northern Trust
Julie Canna, Northern Trust
Gar Chung
Naje George
Nelson McNeil
Kendall Park, FIAC, Pending Confirmation
Richard Patsy, Trustee

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
Pedro Herrera, Fund Counsel
David Robinson, Fund Counsel

Excused

Rob Kowkabany

Notice

Meeting Agendas and Summaries are available on our website at 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 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. 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

FIAC Secretary Rodney Van Pelt convened the meeting at 3:34 P.M.. Chair Brian Smith had not yet joined the meeting, so there was no quorum at this time.

- I. Public Speaking
None.

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II. Meeting Summaries

a. July 8, 2020 FIAC Meeting Summary

Chair Brian Smith joined the meeting at approximately 3:35 P.M.. He noted that this meeting is held via ZOOM in an audio-visual conference – allowed under Governor DeSantis’s emergency order to accommodate social distancing during the ongoing COVID-19 pandemic.

Rodney Van Pelt made a motion to approve the July 8, 2020 FIAC Meeting Summary, with a correction to a typo on the last page. Seconded by Erwin Lax. The vote passed unanimously.

III. Director’s Report

a. Naje George Introduction

Timothy Johnson introduced Naje George, a student at Tuskegee University who is interning with the PFPF. He was recommended by Renzer Bell, who has attended a few FIAC meetings in the past. Mr. George is interested in pension administration, finance, and actuarial sciences, and has spoken with RVK, and will speak with GRS to learn more about the business.

Naje George introduced himself, and thanked the FIAC for the opportunity to learn. He said he wished to implement the knowledge gained through the internship and to pursue a future career in stock trading or asset management.

Timothy Johnson updated the FIAC on the annual ‘true-up’ with the City, when the PFPF reimburses the City for its advance of benefit payments for the year. We have not yet received a bill from the City. To raise the capital, we will need to liquidate assets, which will require Board action. Kevin Grant is working on an estimate of how much this will total. This estimate will be presented to the Board next Friday, and we will ask the Board to grant final authority to the Investment Consultant to generate cash, and present this action to the FIAC in September.

Rodney Van Pelt asked if the FIAC has a say in the rebalancing, because MLPs have underperformed and we are already leaning to moving out of that space and into another.

Timothy Johnson said that if the Board of Trustees gives the FIAC authority to review and act on that recommendation, then the FIAC will have authority to modify or approve it. He said he does not know of any limits.

Jordan Cipriani said that the allocation to MLPs are ‘definitely in play’ and that RVK would consider the total fund before and after the liquidation recommendation.

Kevin Grant updated the FIAC on the 175-185 Chapter Funds. He said he has followed up with the State, and has received no response. Usually the funds total around \$11-12 million each year, and are received in August.

Brian Smith asked if the FIAC has a full committee yet.

Timothy Johnson said there is not a full FIAC yet as Kendall Park is not yet through the City Council ratification process.

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Steve Lundy said that Kendall Park will appear before the City Council Rules Committee on Tuesday, and if approved, will go before the full City Council a week after for final approval. Mr. Park will be a member of the FIAC for the September FIAC meeting if approved. He said he would accompany Mr. Park at the Rules Committee meeting because Timothy Johnson is still at home recovering.

IV. Investment Consultant Reports

a. Monthly Investment Performance Analysis – July 31, 2020 – Preliminary

Kevin Schmidt covered the Monthly Investment Performance Analysis as of July 31, 2020 as attached to the meeting book. He overviewed the strong monthly performance due to optimism of a COVID-19 vaccine, and better corporate earnings. The S&P500 index was up for the fourth consecutive month. Total fund performance is outperforming the policy index. There is extreme volatility in the markets. The fund's Fiscal Year-to-Date return, as of yesterday's close, is 8.8%, which is incredible given everything the markets and economies have gone through this year.

Kevin Schmidt covered monthly performance across all the portfolio's asset classes. This was a strong month for fixed income managers.

Rodney Van Pelt noted that the portfolio's US equity managers should be evaluated given their performance and fees over the past year.

b. Diversity & Inclusion Statistics

Jim Voytko covered RVK's Diversity & Inclusion Statistics as attached to the meeting book. RVK has been an open and equal opportunity employer for its entire 35 year history, and is 55% owned by women and minorities. For the past decade, RVK has been led by a woman, and women are represented at each level of the firm.

Jim Voytko discussed partnerships in diversity across other firms, and RVK's outreach to develop a network of diverse resources among investment managers and universities. RVK is committed to diversity.

c. Asset Allocation Review

Brian Smith asked Jordan Cipriani to overview the three potential portfolio models for the members present today.

Jordan Cipriani discussed the potential portfolios in the Asset Allocation Review, which vary in their allocations to Private Equity, Private Credit, and Non-Core Real Estate. These private investments generally give higher returns than their public asset equivalents; however, there is a higher risk premium to private equity and non-core real estate. A big part of this is significant illiquidity. This must be accounted for in the modelling – there is a bit of art and science to this study.

Jordan Cipriani covered the following pages and topics from the Asset Allocation Review:

- Merits & Considerations (pages 5-6):

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- Private Equity: The primary benefit of the asset class is the potential to generate alpha above public market returns and improve diversification. In addition, investment in Private Equity offers investor access to a growing pool of nonpublic companies that can offer compelling investment theses.
- Private Credit: The primary benefit of the asset class is the potential to generate strong risk-adjusted returns with a lower volatility and limited correlation to publicly traded assets and economic event.
- Non-Core Real Estate: The primary benefit of the asset class is significantly less volatility than publicly-traded alternatives, low correlation with public equities, and an asset class that PFPF already has some experience investing in.

Jim Voytko said that a common theme runs throughout all of these private investments: As fixed income return prospects are not high, there are very few options to pursue, aside from private investments, that will provide the high return assumption of the fund.

Kevin Schmidt covered the Implementation Approaches to Private Equity, Private Credit, and Non-Core Real Estate, showing methods of implementation across a gradient, from direct investing, to investing in 'fund-of-funds' and commingled funds. There are also hybrid methods, which combine direct, and indirect investing approaches. Direct approaches require the most administrative burden.

Jordan Cipriani discussed the Overview of Potential Portfolios on page 14:

- All portfolios contemplate the inclusion and/or combination of the following alternative asset classes to varying degrees: Private Credit, Non-Core Real Estate, and/or Private Equity.
- Potential Portfolio 2 explores the scenario where a Private Credit allocation is introduced to the portfolio and an allocation to Private Equity is maintained, albeit moderately reduced from 10% to 8%.
- Potential Portfolio 3 explores the scenario where no allocation to Private Equity is maintained, while allocations to Private Credit and Non-Core Real Estate are introduced.
- Potential Portfolio 4 explores the scenario whereby Private Credit is only pursued at this time.

Rodney Van Pelt said he leans towards potential portfolios 2 and 3. He had a question about the differing expected return ratios as they relate to Non-Core Real Estate.

Jordan Cipriani said that the difference in expected return is not a perfect 1 for 1, because the allocations are different in the potential portfolios in question.

Brian Smith said Jordan Cipriani should reach out to Rodney Van Pelt offline to discuss his question in more detail.

Kendall Park asked about RVK's other clients, and their experiences with private investments over the past 8-10 years.

Jim Voytko said that he has a lot of clients with private investments, and cannot think of one with a failed private equity portfolio. He said a lot of his clients have regretted not investing in alternatives.

Richard Patsy said he has questions for Jordan Cipriani and Jim Voytko, which he will ask offline. He said he does not think his opinions have changed since the last meeting.

Brian Smith asked the FIAC to be ready to vote on the Asset Allocation Review at their September meeting, unless someone wanted to make a motion today.

There was no motion.

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V. Old Business
None.

VI. New Business
None.

VII. Next Meeting – September 11, 2020 at 3:30 P.M.

Brian Smith said the next meeting is scheduled for September 11 at 3:30 P.M., and will be held virtually.

VIII. Adjournment
5:11 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: 08/20/2020

To be Approved: 09/11/2020