
**JACKSONVILLE POLICE AND FIRE PENSION FUND
FINANCIAL INVESTMENT AND ADVISORY COMMITTEE
MEETING SUMMARY – SEPTEMBER 14, 2017 – 3:30PM**

PRESENT

Eric “Brian” Smith Jr., Chairman
Craig Lewis Sr., Secretary
Rob Kowkabany
Rodney Van Pelt

STAFF

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

EXCUSED

Tracey Devine

I. CALL TO ORDER

Chairman Brian Smith called the meeting to order at 3:35PM.

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 August 11, 2017. Copies held in the meeting files.

A motion was made by Rodney Van Pelt to approve the summary of the FIAC meeting held on August 11, 2017, seconded by Craig Lewis. The vote passed unanimously.

IV. OLD BUSINESS

1. Meeting Summary of the FIAC Meeting held July 14, 2017. Copies held in the meeting files.

Received as information by the FIAC.

V. EXECUTIVE DIRECTOR'S REPORT

Timothy H. Johnson

1. Ordinance 2017-564 – Staggering Terms

Timothy Johnson updated the FIAC on the progress of this legislation through the Council committees. He said that the terms could not be changed as the FIAC had requested at the previous meeting, and that the present legislation would only change two terms.

Rodney Van Pelt said that there is a typo on the third page of the Ordinance.

Timothy Johnson said that the typo was caught by the Council Auditor and has since been corrected.

VI. INVESTMENT CONSULTANT REPORTS

Dan Holmes

Dan Holmes said that the main topic of today's discussion will be the Investment Policy Statement, and he would briefly cover the first two reports.

1. Flash Report – August 31, 2017

Dan Holmes said that the Fund keeps marching towards the \$2 billion mark. He said that for both the Calendar and Fiscal Year to Date periods, all asset classes have outperformed their benchmarks.

Dan Holmes reviewed the report with the FIAC, briefly covering the performance of Domestic Equities, Emerging Markets, Fixed Income, Real Estate, and MLPs.

Craig Lewis asked about the Fund's exposure to the retail sector.

Dan Holmes said that JP Morgan has a 28% exposure to retail, of which 46% is to office space. Principal has a 16% exposure to retail, of which 41% is to office space.

Rodney Van Pelt said that on a high level, he doesn't understand the economics of MLPs, if they have no direct commodity exposure. He asked what causes the crash in the MLP market.

Dan Holmes said that the crash is due to a lack of understanding by retail investors. He said that basically, flow should drive performance. He said that the majority of space is owned by retail investors, and that they equate the price of the MLP sector with the price of oil.

Rodney Van Pelt asked if investors roll out due to higher gains in other markets.

Dan Holmes said that he thinks they just watch the price of oil, see it going down, and just want to get out.

Dan Holmes updated the FIAC on the performance of Neuberger, Loomis Sayles, and Eagle. He noted that the Fund has successfully terminated Brown. He said that the transition cost was estimated to be \$30k, but actually cost \$18k.

2. Economic & Capital Market Update – August 31, 2017

Dan Holmes said that for the big picture, unemployment stayed the same, GDP was revised upwards for the 2nd quarter, and manufacturing industries are expanding at a rate highest since 2008.

Dan Holmes said that the current trend of growth outperforming value continues.

3. Investment Policy Statement Discussion Presentation

Dan Holmes asked what the FIAC would like for him to focus on for this presentation.

Rodney Van Pelt said that he would like to hear some of the history of the IPS, and how the PFPF compares to other pension plans relative to its allocation.

Craig Lewis said he would like to hear what the PFPF could be doing, but isn't.

Brian Smith said he would like to hear about state and local requirements for asset allocation.

Dan Holmes said that the current hot topic for other pension plans is 'alternative investments'. He said that 'alternative investments' is a general term which typically includes private real estate (not REITs). He said they come in two flavors

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of open-end funds: core, and core plus space. He said that there are four sectors: office space, multi family, retail, and industrial.

Rodney Van Pelt asked how this differs from REITs.

Dan Holmes said the difference is that the transaction is private, not public.

Brian Smith asked how much the PFPF could allocate to alternative investments.

Dan Holmes said that the PFPF could allocate up to 10%.

Brian Smith asked if Dan is pleased with the IPS.

Dan Holmes said that he thinks it needs work, and could be trimmed down. He said that there are no provisions in the IPS to say how private equity should be invested. He said he would like to add that language.

Dan Holmes said he would like to trim down the IPS by moving the legislative history. He said that a lot of the IPS is unnecessary from an operational standpoint. He said a lot could be done to streamline the document.

Brian Smith asked what specifically would need to be added regarding private equity.

Dan Holmes said that benchmarking, goals, and performance measures need to be fleshed out.

Dan Holmes said that he would keep the legislative history section by moving it to an exhibit. He said he would get rid of redundancies. He would make it less about the philosophy, and more about operations and limitations.

Timothy Johnson said that when the IPS was created, there was no FIAC, and that it could be rewritten to be a tool for the FIAC to use.

Rodney Van Pelt said that if everything is moved to an exhibit, they will still remain part of the policy, and that the policy wouldn't be trimmed down – it would just be rearranged.

Dan Holmes said that he thinks the legislative history is important because it preserves institutional knowledge. He said it could be taken out as long as it is kept somewhere.

Timothy Johnson said that the Asset Liabilities Study will begin shortly, and that it needs to match the IPS.

Dan Holmes said that the new IPS and the Asset Liabilities Study will be prepared parallel, however it won't be finalized until a target allocation is adopted. He said that the FIAC will see a couple of drafts before it is finalized. He said that Board would see a final Asset Liabilities Study alongside an FIAC recommended IPS.

VII. NEW BUSINESS

Dan Holmes

1. Expiration of Investment Advisory Agreements – Memo

Dan Holmes said that historically, the City and the PFPF kept all money managers on a 2-3 year contract basis, and that the contracts would need to be renewed every few years. He said that the PFPF has a bunch of money manager contracts coming up for renewal. He said that the City has adopted an industry best practice of 'evergreen' contracts which do not require renewal until termination. He said that he recommends that the PFPF adopt this best practice. He asked the FIAC to make a recommendation to the Board of Trustees to adopt.

Timothy Johnson said that he has never worked with a plan that utilizes 2 year contracts, and that he supports this 100% as a way to cut out the administrative hassle.

A motion was made by Craig Lewis to approve Summit Strategies' proposal to evergreen and create one uniform, standardized contract for all money managers, drafted by counsel, seconded by Rob Kowkabany. The vote passed unanimously.

VIII. NEXT MEETING

Friday, October 13th, 2017 at 3:30PM

Timothy Johnson discussed the annual reconciliation of cash between the City and PFPF. He said that the City pays the benefits, and PFPF trues up with the City at the end of the year.

Dan Holmes said that the City advances benefit payments at the beginning of the fiscal year, in order for that cash to earn a better rate of return. He said that the dollar amount that the PFPF has to pay this year is \$122 million. He said that historically, the PFPF uses index funds to pay for the amount. He detailed his recommended allocation used for this year's \$122 million payment as follows:

*\$62 million from the S&P Index Fund
\$18 million from the Northern Trust EAFE Index Fund
\$26 million from the Northern Trust Bond Index Fund
\$16 million from Thompson Siegel account*

A motion was made by Rodney Van Pelt to accept Summit Strategies' plan to liquidize the \$122 million payment to the City, seconded by Craig Lewis. The vote passed unanimously.

IX. ADJOURNMENT

Chairman Brian Smith adjourned the meeting at 5:19PM.

NOTES:

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 October 13, 2017

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