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JACKSONVILLE POLICE AND FIRE PENSION FUND  
FINANCIAL INVESTMENT AND ADVISORY COMMITTEE  
SPECIAL MEETING SUMMARY – SEPTEMBER 24, 2018 – 3:30PM

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**FIAC**

Eric "Brian" Smith Jr., Chair  
Craig Lewis Sr., Secretary – via Webex  
Tracey Devine  
Rob Kowkabany

**STAFF**

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

**GUESTS**

Paul Barrett, COJ  
Theodore Hermann, Wilshire Associates – via Webex  
Dan Johnson, AndCo Consulting – via Webex  
David Lindberg, Wilshire Associates – via Webex  
Brendon Vavrica, AndCo Consulting – via Webex  
Mike Welker, AndCo Consulting – via Webex

**EXCUSED**

Joey Greive, Fund Treasurer  
Rodney Van Pelt

**Meeting Convened:**

3:33PM

**Meeting Adjourned:**

6:59PM

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.

*Chair Brian Smith convened the Special FIAC Meeting at 3:33PM and informed the Committee that the main purpose of today's special meeting was to prepare an official FIAC recommendation concerning the Interim Investment Consulting Services to the Board of Trustees.*

*Timothy Johnson said he has prepared some potential questions the FIAC may want to ask the two candidate Interim Investment Consulting Services firms over conference call (included in meeting file as a HANDOUT).*

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**I. PUBLIC SPEAKING PERIOD**

None.

**II. EXECUTIVE DIRECTOR'S REPORT**

Timothy Johnson

Timothy Johnson informed the FIAC that there are two items the FIAC needs to accomplish in addition to recommending an Interim Investment Consulting Services firm to the Board of Trustees. First, the Northern Trust Custody contract expires on September 30<sup>th</sup>. Secondly, a few Money Manager contracts expire on September 30<sup>th</sup> as well. Kevin Grant has worked on the contract extensions and inserted 'evergreen' language into them – instead of expiring at a set date, the contracts would be valid until terminated by either party.

The FIAC discussed Northern Trust and other large Custodial Bank firms used across the nation. They briefly discussed the 'evergreen' aspect of the contract extensions, noting that the Committee is comfortable with the language.

The FIAC decided to postpone motions on the Custody & Managers Contract Extensions until after the Committee talked with the candidate Interim Investment Consulting Services firms later in today's meeting (summarized immediately below).

**1. Custody & Managers Contract Extensions – HANDOUT**

**Motion to recommend approval of Northern Trust's Custody Contract Extension with 'evergreen' language: DEVINE; Second: KOWKABANY; APPROVED UNANIMOUSLY.**

**Motion to recommend approval of the Managers' Contract Extensions that expire on September 30, 2018 (Eagle Capital Management, Harvest Fund Advisors, Northern Trust S&P 500 Index, Northern Trust AGG BOND Index, Northern Trust EAFE Index, Pinnacle Associates, Sawgrass Asset Management, Thompson Siegel & Walmsley, & Tortoise Capital Advisors) with 'evergreen' language: KOWKABANY; Second: Devine; APPROVED UNANIMOUSLY.**

**III. NEW BUSINESS: Interim Investment Consulting Services**

**Motion to recommend approval of Wilshire Associates to be retained on short term assignment to fulfill consulting services for the Plan: LEWIS; Second: KOWKABANY; AYES: LEWIS, KOWKABANY, DEVINE; NAYS: SMITH. APPROVED 3-1.**

**Motion to recommend payment of a \$225,000 set fee to Wilshire Associates with a contract terminating at one year: DEVINE; Second: KOWKABANY. APPROVED UNANIMOUSLY.**

The FIAC discussed the questions on Timothy Johnson's list and proposed new questions to add.

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*Timothy Johnson described his experience with Wilshire Associates during his time working as Executive Director of the Allegheny County pension fund as positive. He described Wilshire Associates as a skilled, disciplined, and driven firm.*

*The FIAC discussed their confidence in David Lindberg and Ted Hermann of Wilshire Associates as consultants, and the overall experience and skills of the firm.*

*The FIAC discussed their confidence in Brendon Vavrica of AndCo as a consultant and the overall experience and skills of the firm.*

*The FIAC discussed the comparisons and contrasts between the two firms relating to experience in Private Equity, biases to Index Funds, and possible propensities to suggest alteration of the Fund's asset allocation.*

*The FIAC requested to revisit AndCo and Wilshire Associates' responses to question number 28 of the RFI: "Provide a brief critique of the Plan's present asset allocation along with any changes that might be recommended, assuming the present portfolio risk is correct" (included in the meeting file as a HANDOUT).*

*The FIAC reviewed the two firms' answers to question number 28, and decided to invite Dan Holmes of Summit Strategies to call in to the meeting.*

*Once Dan Holmes called in to the meeting, the FIAC asked him questions relating to Summit Strategies' selection process of a successor firm to take on Summit Strategies' public fund clients.*

*Dan Holmes' answered the FIAC's numerous questions with the following points:*

- Summit Strategies knew of AndCo because they approached Summit Strategies in the past seeking the possibility of 'joining forces'.*
- Summit Strategies and AndCo share similar investment philosophies, have overlapping geographic distribution of public fund clients.*
- Most of Summit Strategies' and AndCo's public fund clients are municipal plans.*
- Mike Welker is a 'quality guy', and has put together a strong team at AndCo.*
- Summit Strategies and AndCo use the same database software, and the transition of client data would be essentially 'seamless' – Summit Strategies is confident AndCo can 'absorb' all of Summit Strategies' public fund clients.*
- Summit Strategies considered four investment consulting service firms and ultimately chose AndCo.*
- A small amount of compensation is paid to Summit Strategies to cover 'portfolio transition' – the remaining amount is paid to Mercer.*

*Dan Holmes answered the FIAC's additional questions which required research in an email he sent after he left the call. The FIAC reviewed his email briefly before the meeting's adjournment (included in the meeting file as a HANDOUT).*

*The FIAC briefly discussed Dan Holmes' answers before inviting Brendon Vavrica, Dan Johnson, and Mike Welker of AndCo to call in to the meeting.*

## 1. AndCo Consulting

The FIAC asked AndCo a selection of questions on Timothy Johnson's prepared list of 12 questions (included in the meeting file as a HANDOUT) relating to asset allocation, manager selection, research and monitoring, Assets Under Advisement, client transition and compensation, and AndCo's relationship with Northern Trust and Summit Strategies.

Mike Welker of AndCo responded to the FIAC's questions:

- **Asset Allocation:** No big changes necessary – all parties understand the direction we are going.
- **Manager Selection, research, and monitoring:** AndCo is familiar with all managers in the PFPF's portfolio. Although Wilshire may have a larger, wider business and more service offerings than AndCo, AndCo is big on consulting, and fast to act. AndCo has a key focus on consulting as its sole line of business. All of AndCo's employees support that single line of business.
- **Assets Under Advisement, client transition and compensation:** AndCo has created a robust and sustainable business which allows us to invest heavily in what we do as our sole focus. Trevor Jackson of Summit Strategies will join the AndCo team. He has intimate knowledge in Summit Strategies' public fund clients. Trevor Jackson, along with the fact that the data transition will be 'seamless' due to same database software will ensure a smooth transition of clients. If the client is happy with the service AndCo provides about 3 years after transition, Summit Strategies would be compensated.
- **AndCo's relationship with Summit Strategies and Northern Trust:** AndCo structured a 'client consent' asset purchase agreement for Summit Strategies' public fund clients. AndCo has dealings with about 100 different custodian banks, Northern Trust included.

AndCo was dismissed and left the call.

The FIAC briefly discussed their thoughts following AndCo's responses before inviting David Lindberg and Ted Hermann of Wilshire Associates to call in to the meeting.

## 2. Wilshire Associates

The FIAC asked Wilshire Associates a selection of questions on Timothy Johnson's prepared list of 12 questions (included in the meeting file as a HANDOUT) relating to asset allocation, manager selection, research and monitoring, Assets Under Advisement, client transition and compensation, and Wilshire Associates' relationship with Northern Trust.

David Lindberg and Ted Hermann of Wilshire Associates responded to the FIAC's questions:

- **Asset Allocation:** Not many changes will be recommended in the first year. This is not seen as a problem. Wilshire Associates would 'look thoughtfully' at the PFPF's portfolio.
- **Manager Selection, research, and monitoring:** Many of the PFPF's managers have an above average score. No urgency issues. Wilshire Associates has research on all the PFPF's managers.
- **Assets Under Advisement, client transition and compensation:** The PFPF's size is within Wilshire Associates' core public fund business – clients between the \$1-5 billion range. A \$225,000 fee would be paid to Wilshire Associates for the first year, and typically, a CPI adjustment would be

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added for each following year. During the transition time, Wilshire Associates would attend more of the PFPF's meetings than usual in person.

- **Wilshire Associates' relationship with Northern Trust:** Wilshire Associates has dealings with Northern Trust. Wilshire Associates' preferred custodian banks are Northern Trust, BNY, and State Street. Northern Trust is a 'top tier player'.

Wilshire Associates was dismissed and left the call.

The FIAC briefly discussed their thoughts following Wilshire Associates' responses before moving to recommend extending Northern Trust's Custody contract and the expiring Manager contracts.

**Tracey Devine made a motion to recommend approval of Northern Trust's Custody Contract Extension with 'evergreen' language to the Board of Trustees. Seconded by Rob Kowkabany. The vote passed unanimously.**

**Rob Kowkabany made a motion to recommend approval of the Managers' Contract Extensions that expire on September 30, 2018 (Eagle Capital Management, Harvest Fund Advisors, Northern Trust S&P 500 Index, Northern Trust AGG BOND Index, Northern Trust EAFE Index, Pinnacle Associates, Sawgrass Asset Management, Thompson Siegel & Walmsley, & Tortoise Capital Advisors) with 'evergreen' language to the Board of Trustees. Seconded by Tracey Devine. The vote passed unanimously.**

The FIAC discussed their opinions of the two firms, expressing positive qualities, and noting their concerns with both firms.

Chair Brian Smith asked the FIAC for a motion to recommend one of the two firms to the Board of Trustees for approval as Interim Investment Consultant.

**Craig Lewis made a motion to recommend approval of Wilshire Associates to be retained on short term assignment to fulfill consulting services for the Plan to the Board of Trustees. Seconded by Rob Kowkabany. Craig Lewis, Rob Kowkabany, and Tracey Devine voted in favor. Brian Smith voted against. The vote passed 3-1.**

**Tracey Devine made a motion to recommend payment of a \$225,000 set fee to Wilshire Associates with a contract terminating at one year. Seconded by Rob Kowkabany. The vote passed unanimously.**

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Steve Lundy, Assistant Plan Administrator  
Posted 09/26/2018

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Craig Lewis Sr., Secretary  
To be approved at the FIAC Meeting on October 12, 2018.

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The next regular FIAC meeting will be held Friday, October 12, 2018 at 3:30PM.