
JACKSONVILLE POLICE AND FIRE PENSION FUND
FINANCIAL INVESTMENT AND ADVISORY COMMITTEE
MEETING SUMMARY – NOVEMBER 9, 2018 – 3:30PM

FIAC

Eric "Brian" Smith Jr., Chair
Craig Lewis Sr., Secretary

Rob Kowkabany
Rodney Van Pelt

STAFF

Timothy H. Johnson, Executive Director – Plan Administrator
Steve Lundy, Assistant Plan Administrator
Kevin Grant, Finance Manager
Bob Sugarman, Fund Counsel – via Webex
Lawsikia Hodges, Office of General Counsel – via Webex
David Lindberg, Investment Consultant

Meeting Convened:

3:35PM

Meeting Adjourned:

4:58PM

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.

FIAC Secretary, Craig Lewis Sr. convened the meeting at 3:35PM. Chair Brian Smith was running late.

I. PUBLIC SPEAKING PERIOD

None.

II. MEETING SUMMARIES TO BE APPROVED

1. **FIAC Meeting** – September 14, 2018
Motion to approve: VAN PELT; Second: KOWKABANY; APPROVED UNANIMOUSLY.
2. **Special FIAC Meeting** – September 24, 2018
Motion to approve: KOWKABANY; Second: VAN PELT; APPROVED UNANIMOUSLY.

III. INVESTMENT CONSULTANT REPORTS

David Lindberg

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David Lindberg thanked the FIAC for their vote confirming Wilshire Associates as the Police and Fire Pension Fund's new Investment Consultant. He said he is happy to be here.

1. **Capital Markets Overview**

David Lindberg began the Capital Markets Overview presentation as attached in the FIAC Book. He said he would like to cover a few highlights, and encouraged the FIAC to ask any questions during the presentation.

David Lindberg highlighted the following topics as attached:

- Page 4: Asset Class Performance – the biggest driver of performance in 2018 was US Equities.
- Page 7: Economic Review – Lowest unemployment since 1969 – driving inflation.
- Page 9: Risk Monitor – The yield curve is in an unusual place and exhibiting odd dynamics, although no recession is anticipated as GDP has been increasing.
- Page 11: Return of Volatility – 2017 was one of the least volatile years in nearly four decades.
- Page 24: October Perspectives

Timothy Johnson asked if it is possible to handicap geopolitical risk.

David Lindberg said it is tough. Wilshire believes European markets are better priced than the US market. The challenge is everyone is exhausted with their non-US equities.

Craig Lewis asked about the US equities outlook on page 6.

David Lindberg said 10-year forecasts are shown. US stocks are expected to give a 6.25% compound return.

David Lindberg continued highlighting the following topics as attached:

- Page 26: Funding Study Overview
- Pages 27-30: 2018 City & County Funding Study

Rodney Van Pelt asked when it was not more advantageous to be invested in US Equities.

David Lindberg said on a long-term perspective, Wilshire does not think there would be an advantage to be in European or US equities. US and international equities move similarly through cycles over the long term.

David Lindberg discussed Wilshire's 'bucketing' methodology of categorizing correlated assets such as US and international equities. He said he would be happy to spend time on this sometime in the future.

Timothy Johnson asked if Wilshire would report on Fiscal Year End performance.

David Lindberg said he would, in a similar format as Summit Strategies.

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Timothy Johnson asked if Wilshire had responded to the City of Jacksonville's General Employees' Pension Plan's RFP for investment consultant services.

David Lindberg said Wilshire did respond to the GEPP's RFP, but has not heard back yet. Wilshire would love to work with both the GEPP and PFPF. Wilshire has proposed that if the GEPP and PFPF can coordinate Board Meeting dates, Wilshire would give both plans a \$25,000 discount, assuming Wilshire could make one trip to Jacksonville to cover both monthly meetings.

2. **Economic & Capital Market Update** – September 30, 2018
Received as information.
3. **Flash Report** – September 30, 2018
Received as information.

IV. EXECUTIVE DIRECTOR'S REPORT

Timothy Johnson

1. **FY2018 FIAC Year in Review**

Timothy Johnson described the items on the FY2018 FIAC Year in Review. He asked the FIAC to send him an email if they had any feedback.

2. **FY2019 FIAC (Proposed) Priorities**

Timothy Johnson described the items on the FY2019 FIAC Proposed Priorities. He asked the FIAC to send him an email if they had any feedback. This will be reviewed again next month.

3. **2019 PFPF Calendar**
No action necessary.

Timothy Johnson presented the 2019 PFPF Calendar and reminded the FIAC to save the dates of their meetings to come in the New Year.

3. **Tracey Devine Resignation**

Timothy Johnson said he received a call from Tracey Devine last Friday, and she wanted to know what the FIAC planned to discuss regarding her perceived conflicts of interest. We had two prior discussions about how she feels regarding information she receives from her employer and how she may or may not share it with the FIAC.

Timothy Johnson said he tried to define this conflict with the PFPF's attorneys, and asked Tracey Devine to give an example of her perceived conflict: she feels conflicted at times when the FIAC is discussing

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money managers, and feels there is a better money manager available that the PFPF should choose – but she believes this is proprietary information given to her by her employer, SunTrust. If SunTrust pays her to research this manager, she would not feel comfortable letting the FIAC know. She would not feel comfortable naming a specific manager SunTrust paid her to research.

Timothy Johnson said that soon after his conversation with Tracey Devine on the phone, she sent him an email informing him of her resignation. He said that is as much as he knows.

Bob Sugarman said he struggled with this situation. He said the FIAC is looking at past performance of managers. He said he believes Tracey Devine's resignation is a big loss to the FIAC. She was very qualified, but knowledge provided to her by SunTrust belongs to SunTrust. Not providing certain knowledge – like if a manager was soon to be indicted – to the FIAC could place her in the spot of breaching her fiduciary duty. We need to look at this more closely.

Timothy Johnson said that there are not a lot of definitions regarding the FIAC in the ordinance code. It may be helpful to look at other FIACs in other pension plans to gather insight. He asked the FIAC to think of a new member to fill Tracey Devine's vacancy.

V. OLD BUSINESS

Bob Sugarman

1. Statement of Investment Policy – HANDOUT

Motion to retain the original language as previously recommended by the FIAC: KOWKABANY; Second: LEWIS; APPROVED UNANIMOUSLY.

Steve Lundy said that Lawsikia Hodges texted him, and informed him that she had to leave the conference call early.

Timothy Johnson said that the Statement of Investment Policy went to the Board in October, and the Board accepted the majority of its language, with the exception of the emerging manager and emerging brokerage policies. The PFPF's counsel recommended removal of explicit language related to race, gender, location, and veteran status. Counsel recommended replacing this language with criteria based on the size of assets under management, and number of trades.

Timothy Johnson said that not all criteria has been defined for size relating to the emerging brokerage policy. He said it is very likely the Board will accept Counsel's recommendation.

Bob Sugarman said he Board did not reject the previous language defining race, gender, location, and veteran status based on content, but because Lawsikia Hodges informed him that the City of Jacksonville has an unfortunate history of losing cases of firms challenging similar emerging policies based on minority criteria. We can reach the same goal by defining 'emerging' by size, and not minority owned status. Getting to the same place by different means.

Brian Smith said he doesn't think this is the way it works. It is arbitrary. As fiduciaries, our goal is to pick the best manager to meet our goals. We should not be constrained by size. Minority owned firms could

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fall above the size criteria and missed. He said he was happy with the way it was, but he does not like it now.

Rob Kowkabany asked if the FIAC has a say in the approval of the Statement of Investment Policy.

Timothy Johnson said the FIAC does, but that the Board did not make its change with the intent the FIAC would approve it and send it back. The Board is still listening. If it were not for the Counsel's suggestions, it would have been approved.

Brian Smith said the FIAC was looking for diversity. Diversity of size does not work. It has been watered down so much that there is nothing left.

Rob Kowkabany said this new version assumes all small firms are diverse.

Craig Lewis said it is all over the map. Some emerging managers meeting the first definition could fall outside the second – over the size cutoff. This is mixing apples and oranges.

Timothy Johnson said he did not want to underemphasize the role of the FIAC – the law requires investment allocations and recommendations to come through the FIAC.

Brian Smith said he sees this as all or nothing. He said he would suggest putting forth a motion to keep the original language against Counsel's recommendation, or to take it out altogether. If the FIAC takes it out, it would be up to the FIAC to press the investment consultant to cast a wide net to gather diverse managers and brokers.

Rob Kowkabany said that even with the current language, the FIAC battled enough already over whether this emerging manager and brokerage language was a goal or a requirement. He said he wonders if it is form over substance. The substance is if the FIAC has an appetite to introduce emerging managers to the portfolio – whether it is in the policy or not, it is the FIAC's intent. Having this on paper may not even change the outcome. The FIAC spent a lot of time getting this language in the Statement of Investment Policy, and now it is being removed.

Timothy Johnson said there are diverse managers and brokers in the US which are successful as any other. The size requirement may restrict the PFPF from diverse, large managers and brokers.

Rob Kowkabany made a motion to “retain the original language as previously recommended by the FIAC”. Seconded by Craig Lewis. The vote passed unanimously.

Brian Smith reminded the FIAC to let Timothy Johnson know of any candidates they have in mind to fill Tracey Devine's vacancy.

VI. NEW BUSINESS

None.

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VII. ADJOURNMENT

Chair Brian Smith adjourned the meeting at 4:58PM.

Steve Lundy, Assistant Plan Administrator
Posted 11/16/2018

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

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