
**JACKSONVILLE POLICE AND FIRE PENSION FUND
FINANCIAL INVESTMENT AND ADVISORY COMMITTEE
MEETING SUMMARY – NOVEMBER 9, 2017 – 3:30PM**

PRESENT

Eric “Brian” Smith Jr., Chairman
Tracey Devine – *via webex*
Rob Kowkabany
Rodney Van Pelt

STAFF

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

EXCUSED

Craig Lewis Sr., Secretary

I. CALL TO ORDER

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

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 October 13, 2017.
Copies held in the meeting files.

A motion was made by Rodney Van Pelt to approve the Meeting Summary of the FIAC Meeting held October 13, 2017, seconded by Rob Kowkabany. The vote was unanimous.

IV. EXECUTIVE DIRECTOR'S REPORT

Timothy H. Johnson

1. Kevin B. Grant Introduction

Timothy Johnson said that the PFPF staff is excited to have Kevin B. Grant on board. He said that Kevin was hired after an exhaustive internal and external search. He said that out of seven candidates who were interviewed, Kevin stood out. He said that Kevin has 8 years of service with the City, and has really hit the ground running at the PFPF. He said that Kevin will be attending the FIAC meetings going forward.

Kevin Grant described his professional background to the FIAC. He said that he started as a banker with Barnett Bank, and then went to work with the City. He said that now, he is in his third stint with the City. He said that he's worked with investments, finance, neighborhoods, and GEPP for the City.

Brian Smith welcomed Kevin to the PFPF.

Timothy Johnson discussed some of Kevin Grant's responsibilities as Finance Manager to the FIAC, which include investment administration, compliance, purchasing, accounting, and securities litigation.

1. 12/19/2017 Principal Global Investors Presentation Invitation

Timothy Johnson said that he has been pondering how he could expose the FIAC to managers who want to make presentations. He said that after the ethics training meeting last month, he would start to publish meetings with money managers publically, so that FIAC members could attend without risking sunshine law violations. He said that the meeting would be optional; however it would be posted regardless of who attends.

Brian Smith said that he would like to post these meetings as 'educational workshops' and not as official meetings, as has been done in the past when there was no quorum, and no conducted business.

Rodney Van Pelt asked if the FIAC would still have to approve the meeting minutes. Timothy Johnson answered yes.

Timothy Johnson discussed the scheduled meeting with Principal Global Investors. It will be held on December 19th at 10:45AM.

3. WEDGE Presentation Discussion

Timothy Johnson asked for feedback regarding whether a meeting with Wedge would be necessary, and on what conditions meetings should be scheduled with managers who want to present.

Brian Smith said that he does not want to become inundated and overwhelmed with a parade of managers who want to make presentations. He said that if Dan Holmes recommends a manager who he likes and thinks would add value, then the FIAC should schedule a meeting. He said that if Dan Holmes says a manager isn't performing well, but that their process is solid, then the FIAC doesn't need to schedule a meeting.

Rodney Van Pelt said that members of the FIAC can always talk with Dan Holmes about managers, just not two at a time.

Brian Smith asked the FIAC how often they would like to see managers.

Rodney Van Pelt said that he thinks it should be more of a 'pull' than a 'push'; the FIAC should request managers for meetings, not vice versa.

Rob Kowkabany said that he would be interested to invite managers in the field of alternative investments. Other than that, he said, he goes with Brian Smith's suggestion.

Timothy Johnson said that it doesn't make sense to call Wedge for a meeting since Dan Holmes is still talking with them. He told the FIAC to keep their minds open.

Brian Smith asked Dan Holmes how often the GEPP calls managers for presentations.

Dan Holmes said that the GEPP rarely calls managers for presentations. He said that if the managers' travels bring them to Jacksonville, sometimes they will stop by and meet with the GEPP staff.

1. FIAC Work Plan

Timothy Johnson said that the FIAC put together this work plan at the last Fiscal Year End, and now, we are a couple months into it. He said that the scheduled

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items of General Planning, Investment Policy, and Ethics are done. He said that State and Local Laws, and Records will be discussed after the New Year, and after the Advisory Committee election takes place. He said that at that point, all the Committees and the Board will be brought together for the training. He said that the Asset-Liability Study and the Actuarial Report will not be completed as anticipated in the FIAC Work Plan, and will be pushed back. He asked Dan Holmes when the Asset-Liability Study can be expected.

Dan Holmes said that he has been talking with the Fund Actuary, Pete Strong, and that the evaluation is taking longer than anticipated. He said that once Summit gets the liability information needed from Pete Strong, then it'll take about 3 months to finish the Asset-Liability Study. He said that it will be done as soon as possible once the needed information is received.

Timothy Johnson agreed with Dan Holmes. He added that the actuarial report must be finished in January.

Dan Holmes said that the Asset-Liability Study would be finished probably in March, assuming Summit gets the information from Pete Strong at the end of December, perhaps earlier.

Timothy Johnson said that he would place the Asset-Liability Study in February, but there is no magic deadline, and it could be revised later.

Rodney Van Pelt said that he would like to see the finalized City payment to the PFPF, the cash flow of the Fund, and what the Fund's total disbursements were for the previous year, including pension payments, administrative costs, etc...

Timothy Johnson said that the items Rodney Van Pelt asked for would be part of the reporting component of Kevin Grant's job as Finance Manager.

Brian Smith said the he would be interested to see the yield of the PFPF's building and parking garage. He said that he knows the PFPF has owned real estate in the past, and whether it should expand its holdings. He said that John Keane would ask the City to give the PFPF buildings to reduce its required contribution, and the PFPF would then fix up the buildings and sell them at a high return.

Kevin Grant said that he and Timothy Johnson have discussed looking at property managers in order to maximize rents and efficiencies.

Rodney Van Pelt said he would like to know the history of the PFPF's current building. He asked how long the Fund has owned it.

Steve Lundy said that the PFPF has owned the building since around 1999-2000.

Timothy Johnson said that in the future, real estate opportunities would be presented to the FIAC to vet, including any deals like the ones John Keane used to have an appetite for.

Rodney Van Pelt said that his question for legal counsel is what is in and out of the FIAC's control regarding how it could accept or reject real estate proposals.

Brian Smith said that Rodney's point is well taken, and that the FIAC will cross that bridge when we get there. He said that he wants the same assurances as Rodney.

Timothy Johnson said that the building report was published in the last Board book. He said that the building is 91% leased, which is extraordinary by Downtown Jacksonville standards. He said that the PFPF rents are below market price, which may be the reason for the high occupancy rate. He said that the building expense is under market as well, and that good money is being made on the building, however there is an opportunity for some improvement.

V. INVESTMENT CONSULTANT REPORTS

Dan Holmes

1. Investment Performance Review – September 30, 2017

Dan Holmes began discussion of the Investment Performance Review, noting that the Fund experienced over 14% return for Fiscal Year 2017 ending September 30th. He said that higher business and consumer confidence, economic growth, and central bank accommodation helped make FY2017 a good year for risk assets.

Dan Holmes discussed the Asset Allocation vs. Target Allocation on page 12 – showing which asset classes were overweight and underweight.

Dan Holmes discussed total Fund returns as shown on page 14, noting total returns were up over 14.5%, which is in the top 9th percentile of other pension plans.

Dan Holmes discussed each asset class' performance and the percentiles in which they ranked. He said that the bottom line was that the Fund's specific

asset allocation added greatly to returns, and all asset classes outperformed their benchmarks for the Fiscal Year.

Rodney Van Pelt thanked Dan Holmes for a great year. Dan Holmes replied that it is a team effort.

Rodney Van Pelt asked Dan Holmes to explain the 'Total Fund Policy'.

Dan Holmes said the Total Fund Policy is a policy index, where broad market benchmarks are used for each asset class composite which is weighted by its target.

Dan Holmes said that once the Asset-Liability Study is completed, permissible asset classes need to be considered, and a discussion is needed regarding how to dial back some volatility compared to other public pension plans. He said that one way to reduce volatility is to allocate to alternative assets such as private equity. He said that we need to decide if we want to be in the middle, or have a growth or value tilt.

Dan Holmes said he would like to see the Fund move more to the value side, but it is a discussion for the future.

Dan Holmes discussed the performance of domestic equity on page 20, noting that passive benchmarks were lifted due to quantitative easing. He said that intra-stock volatility has picked up. He noted that Eagle outperformed the benchmark by 7%, and Pinnacle was up 28% this Fiscal Year. He said that both managers underperformed in 2016, and the FIAC chose to hold on to them, which was a good decision.

Dan Holmes discussed Wedge, saying that their stock selection and sector weights have been a drag on their performance. He said that he is going to speak with Wedge on the 20th to discuss. He said that he is not overly worried about their performance, and stressed that the FIAC needs to keep a long-term outlook.

Timothy Johnson discussed the FIAC's proposal of a manager watch list. He asked at what point do managers cross the line into watch list territory.

Dan Holmes said that in a trailing period, performance in the bottom quartile would trigger the watch status for that period.

Dan Holmes discussed the international portfolio on page 23. He discussed the allocation between Baillie Gifford, Silchester, and Acadian.

Rodney Van Pelt asked to consider managers' exposure to the high tech sector during the Asset-Liability Study.

Dan Holmes said that this would not be done. He said that weighting to any economic sector is a residual of bottom-up manager selection. He said that managers have been selected to pursue their styles that they're known for. He said that the Asset-Liability Study forecasts the plan's liability going forward with the assumption that the actuarial assumptions come true.

Rodney Van Pelt said that he would like to protect against another dot com or real estate bubble.

Dan Holmes continued his discussion on international equity, noting that all managers were in the top quartile or better for the year.

Dan Holmes discussed fixed income as shown on page 29. He said that returns for the fiscal year came in at the 31st percentile. He said that credit exposure was a big driving force for returns.

Dan Holmes discussed real estate performance as shown on page 39. He said that the Fund's portfolio performed well before, during, and after the financial crisis. He said that we're seeing core real-estate performance turning from double digit to single digit returns.

Dan Holmes said that he sees JPMorgan being a possible source for a private equity allocation.

Rodney Van Pelt asked why Principal wants to come in to make a presentation.

Timothy Johnson said that the managers read these meeting summaries which comment on the FIAC discussions. He said that these managers have read that the FIAC has discussed private equity, and they want a bigger piece of our pie.

Dan Holmes said that on the day after the FIAC summaries are published, he gets calls from managers wanting to sell their products.

Dan Holmes discussed the MLP segment of the Fund's portfolio as shown on pages 92-93. He said that research predicts double digit returns going forward. He said that insider buying in the MLP space is picking up. He said that his outlook is still constructive on the sector, and believes that it will rebound.

Tracey Devine asked about the acquisition of Tortoise. She asked Dan Holmes if he has vetted the situation and understands the MLP shakeup.

Dan Holmes said that he's known about Tortoise's change in ownership since the beginning of the year. He said he's met with them and discussed it with them. He said that Tortoise needed to find a new strategic owner after their old owner wanted to realize their investment and get back to their core competencies, and Tortoise didn't have enough capital to buy them out. He said that only one of Tortoise's team members is retiring. He said that he will deliver a full report on this.

VI. OLD BUSINESS

1. 2017-564-E Approved & Enacted

Steve Lundy updated the FIAC on their terms shown in exhibit 3 to ordinance 2017-564-E. He noted that Craig Lewis, and Rodney Van Pelt have been reappointed until March 1, 2020, and that Rob Kowkabany and Tracey Devine's terms have been shortened and will expire on March 1, 2018. He said that Brian Smith's term was not changed, and is due to expire on March 1, 2019

VII. NEW BUSINESS

VIII. NEXT MEETING

Friday, December 8th, 2017 at 3:30PM

Brian Smith asked the FIAC December 8th at 3:30PM works for everyone, and everyone indicated that they should be in attendance.

Dan Holmes said that he will be flying back from Chicago on December 8th, and if there are any delays in his travel, he will make sure to have someone from Summit Strategies be on the call for the meeting.

Brian Smith reminded the FIAC that there will be an optional meeting on December 19th at 10:45AM in which Principal will give a short presentation.

IX. ADJOURNMENT

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Chairman Brian Smith adjourned the meeting at 5:08PM.

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 December 8th, 2017