
JACKSONVILLE POLICE AND FIRE PENSION FUND
FINANCIAL INVESTMENT AND ADVISORY COMMITTEE
MEETING SUMMARY – DECEMBER 14, 2018 – 3:30PM

FIAC

Eric "Brian" Smith Jr., Chair
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 – via Webex

EXCUSED

Craig Lewis Sr., Secretary

Meeting Convened:

3:35PM

Meeting Adjourned:

4:41PM

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.

I. PUBLIC SPEAKING PERIOD

None.

II. MEETING SUMMARIES TO BE APPROVED

Motion to approve: KOWKABANY; Second: VAN PELT; APPROVED UNANIMOUSLY.

1. **FIAC Meeting** – November 9, 2018

III. INVESTMENT CONSULTANT REPORTS

David Lindberg

David Lindberg began his update of the Fund's Estimated Performance, making the following points:

- Wilshire received all investment performance data from Summit Strategies earlier this week, and preliminary reports are being ran using this data.*

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- *Wilshire will soon be able to generate 'flash reports' similar to those of Summit Strategies once the data has been integrated into Wilshire's systems.*
- *Today's presentation is an estimate of Fund performance – projecting from October's actual numbers forward to December using index returns for the estimate.*
- *The Fund's performance, year-to-date is estimated to be -2.98%.*
- *Markets are in rough territory with a lot of volatility. No one know what will happen between now and the end of the trading year.*
- *Concerns about trade and growth are causing uncertainty in the market.*

Rodney Van Pelt asked if the EAFE index would be better than the ACWI index to use when projecting the performance of non-US equities.

David Lindberg said EAFE is a good index, but there are some emerging markets in there too. This is less of a small cap issue than a developed – emerging issue.

David Lindberg said the PFPF is not alone in the current high-volatility market territory.

Brian Smith asked Steve Lundy to email the FIAC members the updated Wilshire Performance reports once the data has been uploaded into their system.

Timothy Johnson asked David Lindberg what reports would be ready for the January FIAC meeting.

David Lindberg said he probably wouldn't have all custodial data closed and audited yet, but could show audited data through November, and provide an estimate for December.

1. **Economic & Capital Market Update** – October 31, 2018
2. **Flash Report** – October 31, 2018
3. **Allocation of City Contribution** – No Handout

Kevin Grant said there is no handout for the allocation of the City's contribution yet, because Wilshire's contract has not yet been finalized. The PFPF's attorneys advised Wilshire to not make a recommendation on the contribution's allocation until the contract is signed. The latest draft of the contract was received today, and Lawsikia Hodges inserted her comments this afternoon. The total contribution is about \$117 million.

Timothy Johnson asked Kevin Grant to break down the \$117 million contribution.

Kevin Grant said the Fund Actuary, Pete Strong, had calculated a \$135 million City Contribution. The City made payroll payments up to this point, which account for the difference between the \$135 and \$117 million. Administrative expenses are taken out as well.

Timothy Johnson asked Steve Lundy to show the Fiscal Year 2018 Dashboard from the October Board of Trustees meeting on the screen (HANDOUT).

Timothy Johnson highlighted the total payroll growth from FYE2017 (\$136 million) to FYE2018 (\$150 million).

Timothy Johnson said Wilshire will have an asset allocation recommendation for the Board of Trustees ready in December, and will bring back to the FIAC in January.

IV. EXECUTIVE DIRECTOR'S REPORT

Timothy Johnson

1. New FIAC Member Recruitment – Update

Timothy Johnson discussed how the FIAC might want to begin searching for a candidate to fill Tracey Devine's vacancy on the FIAC. He said he reached out to Joey Greive for any suggestions as well.

Brian Smith said Beth McCague was good at identifying candidates and suggested reaching out to her. He also suggested researching the possibility of posting the opening on the PFPF website for candidates to nominate themselves.

Timothy Johnson said he would see if City Council does something similar, considering how many nominations they make.

Brian Smith asked to see the section of the Ordinance Code which describes the FIAC members' qualifications.

Steve Lundy showed Section 121.503 of the City of Jacksonville Ordinance Code on the screen (HANDOUT).

Rodney Van Pelt, Brian Smith, and Robert Kowkabany discussed their individual skillsets as they relate to the FIAC.

Rodney Van Pelt said Tracey Devine contributed a great skillset to the FIAC. He asked Bob Sugarman to summarize Tracey Devine's perceived conflict of interest.

Bob Sugarman said he did not feel that it was a legal conflict of interest – it is only on her employer's side. Legal conflicts of interest as they relate to the FIAC only deal with personal advantages. Tracey Devine raised a nuanced issue – does knowledge she attains through her employer belong to her employer? Does she have to disclose this knowledge to the FIAC as a fiduciary? She believed this was not fair to her employer, and she made a good point. This is not against the law, but her loyalty to her employer is respected. This issue will need to be discussed with the new candidate.

Brian Smith asked Timothy Johnson to look for someone with a similar skillset as Tracey Devine, and to research posting the position online. This may attract someone we have not thought of.

Rodney Van Pelt suggested searching for someone who has served for a large pension fund – a railroad executive, perhaps.

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Robert Kowkabany said personal relationships are almost needed to reach out to these candidates.

Timothy Johnson said these are good suggestions, and he will bring more information next month.

Brian Smith said he wanted to discuss the 'emerging manager' language of the Statement of Investment Policy (IPS).

Steve Lundy displayed pages 12-13 from the November Board of Trustees meeting on the screen (HANDOUT).

Timothy Johnson summarized the status of the IPS by reading the November Board of Trustees meeting summary. The Board did not vote on approving the IPS after the FIAC voted to reject the attorney's edits (changing the 'emerging manager' language to dollar-thresholds to avoid "reverse" discrimination lawsuits). In its November meeting, the Board wanted to convey to the FIAC that it values diversity.

Timothy Johnson said the IPS is not on the December Board of Trustees agenda, but will be in January.

Rodney Van Pelt asked if Wilshire's recommendation to allocate the City's contribution will be under the old or new IPS.

Timothy Johnson said that is a good question. He said he does not want to speak for Wilshire, but the allocation will most likely be a prorated distribution to asset classes in the current portfolio.

Timothy Johnson said he would like to discuss the City's General Employees' Pension Plan (GEPP) hiring of its new investment consultant, RVK. He said he attended the GEPP's last meeting to hear different candidate investment consultant firms present. He was joined by Rodney Van Pelt and Michael Lynch.

Rodney Van Pelt discussed RVK, noting that the PFPF should consider RVK when it publishes its full RFP once Wilshire's 1-year contract is up. He also discussed another firm, Callan, and their emphasis on 'Multi-Asset Classes'.

Timothy Johnson said he agreed with Rodney Van Pelt's remarks, and that he learned a lot during the firms' presentations.

Rodney Van Pelt discussed RVK's annual fees – they offered a lower than average fee of \$180,000. However, large projects like Asset-Liability studies would be a separate fee of \$45,000. Custodial reviews would cost \$20,000.

Brian Smith said he liked having the same investment consultant for both funds – the PFPF and GEPP. This helped in price negotiations when selecting fund managers.

Timothy Johnson said he was happy with how the FIAC selected the PFPF's new investment consultant, Wilshire. The FIAC heard the firms' presentations, then called the firms back on the phone at a later meeting. Then, the FIAC made its recommendation. This is a less emotional process, as it promotes clear thinking.

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Timothy Johnson said that although the GEPP Board did not follow this same process, it ended in the right place.

Rodney Van Pelt said it would have been nice if the GEPP Board would have picked Wilshire. However, RVK is a good fit for the GEPP.

V. OLD BUSINESS

None.

VI. NEW BUSINESS

None.

VII. ADJOURNMENT

Chair Brian Smith adjourned the meeting at 4:41PM.

Steve Lundy, Assistant Plan Administrator
Posted 12/19/2018

Craig Lewis Sr., Secretary
To be approved at the FIAC Meeting on January 11, 2019.

The next regular FIAC meeting will be held Friday, January 11, 2019 at 3:30PM.