
**JACKSONVILLE POLICE AND FIRE PENSION FUND
FINANCIAL INVESTMENT AND ADVISORY COMMITTEE
MEETING SUMMARY – MAY 11, 2017 – 3:30PM
RICHARD “DICK” COHEE BOARD ROOM**

PRESENT

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

STAFF

Timothy H. Johnson, Executive Director – Plan Administrator
Steve Lundy, Pension Benefit Specialist
Dan Holmes, Summit Strategies – via Webex

EXCUSED

Craig Lewis Sr., Secretary
Joey Greive, Fund Treasurer

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 was closed.

III. MEETING SUMMARY TO BE APPROVED

1. Meeting Summary of the FIAC Meeting held April 21, 2017. Copies held in the meeting files.

A motion was made by Rob Kowkabany, to approve the summary of the FIAC meeting held on April 21, 2017, seconded by Rodney Van Pelt. The vote passed unanimously.

IV. EDUCATIONAL OPPORTUNITIES

1. May 31 – June 2, 2017 - FL Division of Retirement – 38th Annual Police Officers' and Firefighters' Pension Trustees' School – Tallahassee, FL

Timothy Johnson informed the FIAC that one member of the Pension Advisory Committee will be attending the event in Tallahassee. Timothy Johnson said he will email a link to the members of the FIAC with more information on the event. He also informed the FIAC that the PFPF will pay for the trip if they choose to attend.

Timothy Johnson then explained the role of the Pension Advisory Committee to the FIAC.

Rob Kowkabany asked if any staff attend the Pension Advisory Committee meetings, and Timothy Johnson replied that he attends along with Steve Lundy and Chuck Hayes.

Tracey Devine asked if this educational event is national or local.

Timothy Johnson said that it is for the State of Florida. Timothy Johnson said that he recently attended another similar event in Orlando along with Trustee Lt. Chris Brown.

The educational opportunities were received as information by the FIAC.

V. OLD BUSINESS

VI. EXECUTIVE DIRECTOR'S REPORT

Timothy H. Johnson

Timothy Johnson said that there are no big tasks today, in contrast to the busy month of April. He said that Dan Holmes will fill the FIAC in on the Loomis Sayles issue.

Dan Holmes said that the General Employees' Pension Plan (GEPP) and the PFPF both have hired Loomis Sayles as a money manager. A comingled Fund is preferred. The Office of General Counsel has been working with Loomis Sayles' lawyers on a contract that will comply with the requirements of Florida Law. After a long back and forth, separate accounts, instead of a comingled Fund, may be necessary.

Timothy Johnson said that he is encouraged that progress is being made.

Timothy Johnson updated the FIAC on the past couple of weeks regarding the 2017 pension reform. He started to discuss the changes to the ordinance that the Board of Trustees recommended to the City Council.

Timothy Johnson briefly described the minimum liquidity ratio. The Board of Trustees recommended a 7:1 ratio; the Council passed a 5:1 ratio.

Timothy Johnson described the 2015 pension reform and consent decree, and that the Board of Trustees recommended that it be amended to reflect the intention of the 2017 pension reform ordinance to replace them. However, the Council has not made any amendments to the 2015 ordinance or consent decree.

Timothy Johnson updated the FIAC on John Keane's lawsuit against the Board of Trustees.

Timothy Johnson updated the FIAC on the Payroll Growth Rate Assumption. The City Council approved the Board of Trustees' recommendation of a 1.25% assumption.

Timothy Johnson described the monthly agenda review conference call to the FIAC. He also described his intention to hold a strategic planning session with the chairs of the Board and the Committees, counsel, and union leadership to discuss implementation of the 2017 pension reform.

Timothy Johnson also informed the FIAC of many contracts coming up for renewal, and that the 2017 pension reform will close the plan, putting everything under a 'new paradigm'.

VII. INVESTMENT CONSULTANT REPORTS

Dan Holmes

1. Economic & Capital Market Update – April 30, 2017

Dan Holmes covered many current economic factors influencing the global markets, including the French Presidential Election, US hiring trends, wage growth, and the expectation of the Federal Reserve raising rates at their next meeting. Dan Holmes said that US equities are positive, but not as strong as international equities and emerging markets.

Rodney Van Pelt said that the PFPF's asset allocation is heavy in equities, and is positively affecting growth. He asked if there is any way to remain in the current state of 'imbalance'.

Dan Holmes said that this should call into question the plan's asset allocation going forward, and that this needs to be addressed.

Tracey Devine asked if the plan is within its asset allocation limits.

Dan Holmes replied that yes, it is within limits.

Rodney Van Pelt asked if Dan Holmes could add info in current litigation affecting money managers on the watch list.

Tracey Devine said that for large firms, be careful what you ask for. Tracey Devine said that larger firms are involved in many lawsuits; however with smaller boutiques, this addition would be more appropriate.

Dan Holmes said it would be possible to add information about current litigation; however it would add many pages to the document.

Dan Holmes then reviewed the April Flash Report with the FIAC (handout).

The FIAC discussed the asset allocations, benchmarking, weights, and measures used by Summit Strategies for reporting. Dan Holmes gave a hypothetical, simpler example of an allocation calculation in order to explain the methods used.

Rodney Van Pelt asked what indicators are used in various environments in which managers perform well to index, and how allocation is adjusted accordingly.

Tracey Devine explained structural differences between index funds and actively managed funds, and the current trajectory of the market as it is trending.

Rodney Van Pelt asked if Dan Holmes could prepare a presentation on alternatively structured index funds.

Dan Holmes said he will provide one.

Timothy Johnson briefly discussed the asset liabilities study, and that it could take 8 months from the beginning to end.

Dan Holmes said that it could take Summit Strategies about 2-3 months from when they get the information from the actuary.

Rodney Van Pelt recommended that we add a new index fund to the PFPF's toolbox, even if there is \$0.00 allocated to it, in order to have it available rapidly in case it would be needed in the future.

Dan Holmes said that he can bring up the topic at the next Board of Trustees Meeting.

Tracey Devine asked Dan Holmes to provide information for the next FIAC meeting in June.

2. Investment Performance Review – March 31, 2017

Dan Holmes briefly discussed the Investment Performance Review with the FIAC.

3. Watch List – Q1, 2017

Dan Holmes briefly discussed the manager Watch List. He noted that Pinnacle is on the list because of Key Man Risk. One of the three in their team is experiencing health issues. JP Morgan is performing under the benchmark; however Dan Holmes is not overly concerned.

Dan Holmes said that Sawgrass is in the bottom quartile for performance in 1 and 3 year periods. Sawgrass knows this and they want to come to speak at the next FIAC meeting in June.

VIII. NEW BUSINESS

IX. ADJOURNMENT

Chairman Brian Smith adjourned the meeting at about 5:15PM.

NOTES:

Any person requiring a special accommodation to participate in the meeting because of disability shall contact Steve Lundy, Pension Benefits Specialist 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 June 9, 2017