



SUMMARY TO THE REGULAR BOARD OF TRUSTEES MEETING

Friday, March 22, 2024

9:00 A.M. – 10:15 A.M.

City of Jacksonville Police and Fire Pension Fund
1 West Adams Street Suite 100, Jacksonville, FL 32202

Board of Trustees

Chief Chris Brown, Chair
Nawal McDaniel, Secretary
Mia Jones
*Cpt. Michael Lynch
Terry Wood

Fund Staff

Timothy H. Johnson, Executive Director – Plan Administrator
Steve Lundy, Deputy Director
Kevin Grant, Finance Manager
Chuck Hayes, Pension Benefits Manager

Guests

Chris Cicero, Fund Treasurer
Jordan Cipriani, RVK, Investment Consultant
Joelle Dillard, Office of General Counsel
Michael Fackler, Office of General Counsel
Spencer Hunter, RVK, Investment Consultant
*Bob Sugarman, Fund Counsel
*Jim Voytko, RVK, Investment Consultant

*Gar Chung, FIN NEWS
Amber Lehman, COJ
*904-493-5514
*Matt Sturdivan RVK
*“Conference Room”

*Sam Starkey
Mark Muchowicz
Randy Wyse

*Asterisk denotes virtual meeting attendance via the ZOOM application.

Notice

Meeting Agendas and Summaries are available on our website at jaxpfpf.coj.net. For additional meeting documents, please contact Steve Lundy, Custodian of Public Records for the City of Jacksonville Police and Fire Pension Fund at 904-255-7373 or SLundy@coj.net to file a public records request.

Pursuant to the American with Disabilities Act, accommodations for persons with disabilities are available upon request. Please allow 1-2 business days notification to process; last minute requests will be accepted, but may not be possible to fulfill. Please contact Disabled Services Division at: V(904) 630-4940, TTY-(904) 630-4933. 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.

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Summary

I. Pledge of Allegiance

II. Invocation

Timothy Johnson gave the invocation.

III. Moment of Silence

Loyd W. Hogan, Retired Police Officer
Mark W. Keys, Retired Fire Captain
Winston F. Nash, Retired Chief of Fire Training
Clarence R. Pickett, Retired Fire Lieutenant
Charles F. Romine, Retired Police Sergeant
Edward L. Stroud, Retired Firefighter Engineer
James T. White, Retired Fire Lieutenant

IV. Public Speaking

None.

V. Consent Agenda Items 2024-03-(01-13)CA – *action requested*

Terry Wood moved to approve the consent agenda, seconded by Nawal McDaniel. The vote passed unanimously.

2024-03-01CA Meeting Summaries to be Approved

1. Summary to the Board of Trustees Meeting of February 23, 2024
2. Summary to the Board of Trustees and FIAC Manager Update of February 28, 2024

2024-03-02CA Disbursements

The listed expenditures in DISBURSEMENTS A & B have been reviewed and deemed payable. The Police and Fire Pension Fund Finance Manager certifies that they are proper and in compliance with the appropriated budget. Transaction lists attached.

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DISBURSEMENTS A

02-01-2024 thru 02-29-2024

1. Sawgrass Asset Management	\$	190,368.64
2. Acadian Asset Management	\$	207,903.00
3. Eagle Capital Management	\$	489,452.16
4. Northern Trust Company	\$	13,588.90
Total	\$	901,312.70

DISBURSEMENTS B

02-01-2024 thru 02-29-2024

1. Accounts Payable Distributions	\$	52,399.87
2. Accounts Receivables	\$	38,556.17

2024-03-03CA Pension Distributions

All calculation and dollar amounts have been reviewed and calculated in accordance with accepted procedures.

February 2, 2024

1. Regular Gross	\$	7,540,213.95
2. Regular Lump sum	\$	0.00
3. Regular Rollover	\$	0.00
4. Regular DROP Gross	\$	1,483,461.53
5. DROP Lump sum	\$	0.00
6. DROP Rollover	\$	0.00
Total	\$	9,023,675.48

February 16, 2024

1. Regular Gross	\$	7,541,820.78
2. Regular Lump sum	\$	4,093.37
3. Regular Rollover	\$	0.00
4. Regular DROP Gross	\$	1,482,518.76
5. DROP Lump sum	\$	70,702.35
6. DROP Rollover	\$	0.00
Total	\$	9,099,135.26

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The following Consent Agenda items 2024-03-(04-08CA) were verified with supporting documentation and approved at the Advisory Committee meeting held on March 12, 2024. Vote was unanimous. Meeting Summary attached.

[2024-03-04CA](#)

Application for Time Service Retirement

[2024-03-05CA](#)

Application for Vested Retirement

[2024-03-06CA](#)

Application for DROP

[2024-03-07CA](#)

Application for Survivor Benefits

[2024-03-08CA](#)

Application for Time Service Connections

The following Consent Agenda items 2024-03-(09-13CA) were verified with supporting documentation and received as information at the Advisory Committee meeting held on March 12, 2024. Vote was unanimous. Meeting Summary attached.

[2024-03-09CA](#)

Refund of Contributions

[2024-03-10CA](#)

Share Plan Distributions

[2024-03-11CA](#)

DROP Participant Termination of Employment

[2024-03-12CA](#)

DROP Distributions

[2024-03-13CA](#)

DROP Distributions for Survivors

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VI. Executive Director's Report

Chris Brown introduced General Counsel Michael Fackler, who then informed the Board of Trustees about the departure of Lawsikia Hodges from the Office of General Counsel to pursue private practice. He also introduced Joelle Dillard as her replacement.

Timothy Johnson presented a summary of the 2023 Actuarial Valuation Report, highlighting key aspects such as the surtax, funding policy, and pension health metrics. He also addressed recent speculations regarding the pension fund's potential role in funding Jaguars Stadium renovations, emphasizing the absence of formal proposals and the need for rigorous scrutiny. Stressing the fiduciary responsibilities of the FIAC and Board of Trustees, he underscored the importance of due diligence in evaluating investments and assured transparency in all proceedings.

In addition, Johnson acknowledged Steve Lundy, PFPF Deputy Director, for his 10 years of service, and updated the Board on a survivor benefit application received by the pension office, which is under investigation and will be presented at the April meeting.

Timothy Johnson updated the Board of Trustees on the Florida House Bill 7073, which would have put the City budget and PFPF revenue into jeopardy. Luckily, the PFPF dodged a bullet, and the specific threatening language was removed from the final approved legislation.

Timothy Johnson recognized JSO Sergeant Cliff Sames as part of the monthly Member Moment.

VII. Investment Consultant Reports

a. Private Market Pacing Analysis

Jordan Cipriani presented the Private Markets Pacing Analysis, outlining a revised five-year target commitment allocation schedule aimed at bringing the total fund closer to its private market targets, specifically in Non-Core Real Estate and Private Credit.

On page 3, Cipriani detailed the Non-Core Real Estate pacing recommendation summary, proposing annual commitments of \$20 million for 2024-2026, and \$25 million for 2027-2028.

Additionally, on page 5, she discussed the Private Credit pacing recommendation summary, suggesting annual commitments of \$30 million for 2024-2026, and \$25 million for 2027-2028.

Cipriani also delved into page 9, focusing on the Non-Core Real Estate Allocation Analysis, projecting a continued increase in the total fund's allocation to non-core real estate with additional commitments. The analysis included estimated allocation growth totals with and without new commitments.

b. Domestic Equity Structure Review

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Spencer Hunter provided an overview of the Domestic Equity Structure Review, highlighting a strategic initiative of the PFPF to conduct a study on the US Equity composite this year.

The presentation aimed to achieve two main objectives:

1. Educate on the factors essential for evaluating the structure of public equity.
2. Summarize RVK's analysis concerning the PFPF's US Equity structure.

Key points from the presentation included:

- The possibility of restructuring and/or conducting manager searches based on the study's outcomes.
- Considerations such as Style and Capitalization Biases, Active/Passive Management, Structure Efficiency, Selection/Evaluation of Active Managers, and Fees.
- Emphasis on evaluating portfolio exposures, ensuring active management fees yield expected excess returns, assessing portfolio efficiency, aligning managers with mandates, and exploring opportunities for fee savings through mandate consolidation.

Spencer Hunter then delved into the background of asset allocation:

- Over time, the PFPF has actively diversified its asset allocation, notably reducing exposure to public equities since 2016. Additionally, it has introduced and implemented alternative asset classes like Non-Core Real Estate and Private Credit since 2021.
- The current target allocation comprises a blend of capital preservation, capital appreciation, and inflation hedging asset classes. This diversified mix aims to capitalize on various market environments and withstand market fluctuations.
- A notable addition to the target allocation adopted in January 2021 is Private Credit. Its objective is to yield robust risk-adjusted returns with a relatively low correlation to publicly traded assets and economic events. This strategy offers a degree of downside protection coupled with significant upside potential.
- Given this context, the role of the Equity portfolio, while maintaining a focus on growth and capital appreciation, warrants evaluation within the broader asset allocation framework of the total portfolio.

Spencer Hunter proceeded with key takeaways and recommendations of the review:

- **Style and Capitalization:** The current US Equity structure exhibits a well-diversified mix across both style and capitalization. Overall, it does not show significant biases in style and size compared to the Russell 3000 Index. However, there is a noticeable underrepresentation in the mid-capitalization segment of the US equity market, particularly within value. This presents an opportunity to enhance portfolio exposure.
- RVK suggests that the PFPF considers evolving the current active small-cap value mandate to incorporate mid-cap exposure, similar to the approach taken with the SMID-cap growth implementation. Such a strategy not only adds mid-cap exposure but also allows for holding companies that transition from small to mid-cap if deemed beneficial.
- It's worth noting that the current small-cap value manager for PFPF, Wedge Capital, already manages a SMID-cap value strategy, which could be explored. Alternatively, conducting a search to assess a broader range of potential options is recommended.

Spencer Hunter continued with further insights and recommendations:

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- **Active/Passive Management:** The current structure employs a mix of active and passive management. While the percentage of active management within the US equity composite has slightly decreased over the past decade, it remains relatively high compared to peers. Over various time periods, active management has generally been beneficial, particularly in small- and SMID-cap equity, as well as large-cap value equity. RVK suggests considering a greater emphasis on passive management within US large-cap equity.
- **Structure Efficiency:** There is minimal redundancy within the composite structure overall. However, some overlap exists at the manager level, particularly within the large-cap growth segment. RVK recommends streamlining this segment by utilizing a single manager, such as Loomis Sayles, given their all-weather approach and potential for higher market capture. Alternatively, conducting a search for other potential options is advised.
- **Selection/Evaluation of Active Managers:** With few exceptions, the current lineup of active US Equity managers has performed well against their benchmarks and peers over longer-term periods. While performance can vary with market cycles, the focus on longer-term performance trends provides confidence in the current active manager selection.
- **Fees:** Active management fees across the US equity composite are competitive compared to peers, except for Eagle, which falls on the higher end of the spectrum. Despite this, the strategy consistently outperforms its benchmark net of fees. The blended fee for the overall composite is 42 basis points, and adopting alternative portfolio structures would not significantly alter this fee.

Spencer Hunter concluded the presentation by discussing Potential Alternative Structures:

- RVK explored several alternative structures in response to the recommendations made earlier, aiming for modest enhancements to the existing structure. These alternatives are outlined below:
 - Potential Portfolio 1: Increase large-cap passive management and streamline large-cap growth implementation.
 - Potential Portfolio 2: Increase large-cap passive management, streamline large-cap growth implementation, and augment mid-cap value exposure by implementing a SMID-cap value mandate.

Manager	Current Portfolio	Potential Portfolio 1	Potential Portfolio 2
Eagle LCV	28%	24%	24%
NT S&P 500	28%	36%	36%
Loomis Sayles LCG	14%	24%	24%
Sawgrass LCG	14%	--	--
Wedge SCV	8%	8%	--
Placeholder: SMID Value	--	--	8%
Pinnacle SMG	8%	8%	8%
Blended Fee	42 bps	41 bps	41 bps

Spencer Hunter from RVK presented the Equity Structure Review, following which Michael Lynch expressed concerns and requested a discussion with RVK in the upcoming month.

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Chris Brown instructed the PFPF Staff to include the Domestic Equity Structure Review on the Board agenda for April for further discussion.

c. Monthly Investment Performance Analysis as of February 29, 2024

Jordan Cipriani covered the Monthly Investment Performance Analysis as of February 29, 2024:

- Global equity markets posted strong results during February, as most global equity markets posted mid-single digit returns leading to several US market indices reaching all-time highs. Growth stocks outperformed the value segment of the equity market, while in international markets, emerging markets outperformed developed markets.
- Markets were buoyed by strong corporate earnings and a stronger than anticipated labor market. Reports showed that in January, 353,000 new jobs were created, significantly outpacing economists expectations by more than 185,000.
- Higher than anticipated inflation data released in February indicated that it may take several more months before the Federal Reserve begins cutting Federal Funds rates, with Fed futures markets currently pricing in an 80% chance of the first rate cut will occur in June.
- Equity markets posted positive returns in February as the S&P 500 (Cap Wtd) Index returned 5.34% and the MSCI EAFE (Net) Index returned 1.83%. Emerging markets returned 4.76%, as measured by the MSCI EM (Net) Index.
- The Bloomberg US Aggregate Bond Index returned -1.41% in February, underperforming the -1.07% return by the Bloomberg US Treasury Intermediate Term Index. International fixed income markets returned -1.31%, as measured by the FTSE Non-US World Gov't Bond Index.
- Public real estate returned 2.03% in February and 4.41% over the trailing five-year period, as measured by the FTSE NAREIT Eq REITs Index (TR).
- The Cambridge US Private Equity Index returned 7.27% for the trailing one-year period and 14.88% for the trailing five-year period ending September 2023.
- Absolute return strategies returned 1.67% for the month and 7.22% over the trailing one-year period, as measured by the HFRI FOF Comp Index.
- Crude oil's price increased by 3.18% during the month and has increased by 1.57% YoY.

Jordan Cipriani then covered the Asset Allocation & Performance (Net of Fees) on page 5, highlighting that the fund is up 2.25% on a month-to-date basis, 9.95% on a fiscal year-to-date basis, and 14.53% over the past 12 months, primarily driven by US and International Equities.

VIII. *Counsel Reports*

a. Michael Fackler & Joelle Dillard Introduction

General Counsel Michael Fackler highlighted a binding opinion written by previous General Counsel Jason Gabriel, number 16-02, stating that the Board of Trustees must use the Office of General Counsel to approve outside counsel.

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Fackler emphasized the inconsistency between this opinion and a rule in the Board Rules for approval on today's agenda. He expressed a desire to have a conversation with the Board of Trustees to address this issue collaboratively.

Mia Jones suggested putting this topic on a future agenda for discussion, which Chris Brown agreed to.

Michael Lynch stressed the importance of having this conversation "in the Sunshine", citing past instances where individual Trustees received conflicting information from the Office of General Counsel. He expressed difficulty in trusting that all Trustees were provided with consistent guidance.

Chris Brown agreed to schedule a discussion for a future Board of Trustees meeting, ensuring transparency.

Michael Fackler assured his attendance and expressed his commitment to rebuilding trust among Trustees, acknowledging concerns about past inconsistencies in communication.

IX. Council Liaison Report

None.

X. Old Business – Steve Lundy

a. Board Rules – action requested

Deferred – no action taken.

b. Brian Chappell Reappointment – action requested

Steve Lundy informed the Board of Trustees about the FIAC's recommendation to endorse the reappointment of Brian Chappell to the FIAC, as voted by the committee.

Mia Jones moved to recommend City Council reappoint Brian Chappell to the FIAC, seconded by Nawal McDaniel. The vote passed unanimously.

c. Form 1 Reminder

Steve Lundy notified the Trustees that the annual Form 1: Statement of Financial Interests must now be completed online through the state's Electronic Financial Disclosure Management System website. He emphasized that the form remains due by July 1, and Trustees can submit it anytime before then. Lundy also mentioned that he would email the Trustees a link to the website for easy access.

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Timothy Johnson informed the Trustees that the upcoming month's meeting will be the Annual Members' Meeting, featuring a review of the audit. This year marks the seventh consecutive year of clean audits, with James Moore & Co. serving as the new auditor. The meeting will also include an investment performance year in review by RVK and a presentation of the actuarial valuation report by Pete Strong.

XI. New Business

None.

XII. Privilege of the Floor

None.

XIII. Upcoming Events

- a. *Manager Update Workshop – ARES Management – Thursday, March 28, 2024 at 12:00PM*
- b. *Manager Update Workshop – WEDGE Capital Management – Tuesday, April 23, 2024 at 12:00PM*
- c. *Board of Trustees Meeting – Friday, April 26, 2024 at 9:00AM*

XIV. Adjournment

10:15 A.M.

Nawal McDaniel, Board Secretary

Summary Prepared By:

Steve Lundy, Deputy Director
City of Jacksonville Police and Fire Pension Fund

Posted: 03/29/2024

To be Approved: 04/26/2024