



SUMMARY TO THE REGULAR BOARD OF TRUSTEES MEETING

Friday, October 23, 2020

9:01 A.M. – 11:05 A.M.

City of Jacksonville Police and Fire Pension Fund
1 West Adams Street Suite 100, Jacksonville, FL 32202
ZOOM ONLINE MEETING – NO PHYSICAL LOCATION

The next regular Board of Trustees meeting will be held November 20, 2020 at 9:00 A.M.

Board of Trustees

Assistant Chief Chris Brown, Chair
Nawal McDaniel, Secretary
Cpt. Michael Lynch
Richard Patsy
Terry Wood

Guests

Paul Barrett, City of Jacksonville
Renzer Bell
Maja Ben
Bryanna
Gar Chung, FIN News
Mark Muchowicz, JSO

Staff

Timothy H. Johnson, Executive Director – Plan Administrator
Steve Lundy, Deputy Director
Kevin Grant, Finance Manager
Chuck Hayes, Pension Benefits Manager
Randall Barnes, Fund Treasurer
Jordan Cipriani, RVK, Investment Consultant
Steve Hahn, RVK, Investment Consultant
Kevin Schmidt, RVK, Investment Consultant
Jim Voytko, RVK, Investment Consultant
Lawsikia Hodges, Office of General Counsel
Bob Sugarman, Fund Counsel

Notice

Meeting Agendas and Summaries are available on our website at jaxpfpf.coj.net. For additional meeting documents, please contact Maria Young, Custodian of Public Records for the City of Jacksonville Police and Fire Pension Fund at 904-255-7373 or MariaY@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, or email your request to KLMcDan@coj.net. 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.

Agenda

Chair Chris Brown called the meeting to order at 9:00 A.M.

I. Invocation

Timothy Johnson gave the invocation.

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II. Moment of Silence

Donnie Dennison, Retired Firefighter Engineer
John E. Tucker, Retired Police Officer
Wayne J. Woolery, Retired Policer Officer

III. Public Speaking

None.

IV. Consent Agenda Items 2020-10-(01-10)CA

Terry Wood made a motion to approve the consent agenda items 2020-10-(01-10)CA. Seconded by Richard Patsy. The vote passed unanimously.

2020-10-01CA Meeting Summaries to be Approved

1. Summary to the Board of Trustees Special Meeting of September 14, 2020
2. Summary to the Board of Trustees Personnel Committee Meeting of September 16, 2020
3. Summary to the Board of Trustees Meeting of September 18, 2020
4. Summary to the Board of Trustees Personnel Committee Meeting of September 30, 2020
5. Summary to the Board of Trustees Personnel Committee Meeting of October 22, 2020

2020-10-02CA 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.

DISBURSEMENTS A

9-01-2020 thru 09-30-2020

1. Acadian Asset Management	\$	189,534.00
2. Pinnacle Associates, LTD	\$	115,163.00
3. Comerica Bank	\$	114,970.88
4. Tortoise Capital Advisors, LLC	\$	48,477.40
5. Thompson Siegel & Walmsley, LLC	\$	48,874.94
6. J.P. Morgan	\$	384,151.57
Total	\$	899,171.83

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DISBURSEMENTS B

09-01-2020 thru 09-30-2020

1. Accounts Payable Distributions	\$	43,621.55
2. Accounts Receivables	\$	71,481.86

2020-10-03CA Pension Distributions

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

September 4, 2020

1. Regular Gross	\$	6,396,265.81
2. Regular Lumpsum	\$	0.00
3. Regular Rollover	\$	0.00
4. Regular DROP Gross	\$	1,321,231.20
5. DROP Lumpsum	\$	0.00
6. DROP Rollover	\$	0.00
Total	\$	7,717,497.01

September 18, 2020

1. Regular Gross	\$	6,392,262.82
2. Regular Lumpsum	\$	0.00
3. Regular Rollover	\$	0.00
4. Regular DROP Gross	\$	1,318,761.25
5. DROP Lumpsum	\$	238,842.24
6. DROP Rollover	\$	0.00
Total	\$	7,949,866.31

The following Consent Agenda items 2020-10-(04-05CA) were verified with supporting documentation and approved at the Advisory Committee meeting held on October 14, 2020. Vote was unanimous. Meeting Summary attached.

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[2020-10-04CA](#)

Application for Vested Retirement

[2020-10-05CA](#)

Application for Time Service Connections

The following Consent Agenda items 2020-10-(06-09CA) were verified with supporting documentation and received as information at the Advisory Committee meeting held on October 14, 2020. Meeting Summary attached.

[2020-10-06CA](#)

Refund of Pension Contributions

[2020-10-07CA](#)

Share Plan Distributions

[2020-10-08CA](#)

DROP Participant Termination of Employment

[2020-10-09CA](#)

DROP Distributions

[2020-10-10CA](#)

Educational Opportunities

Required Ethics Training – required once every four years for Trustees:

Ethics Virtual Training: November 5, 12:00-1:00 P.M.

Last Ethics Training completed:

Brown	12/06/2018
Lynch	08/23/2018
McDaniel	12/07/2017
Patsy	06/25/2019
Wood	08/10/2017

(NOTE: You must study and complete a self-assessment prior to registering. Contact Steve Lundy at SLundy@coj.net for more information)

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V. Investment Consultant Reports

a. *Monthly Investment Performance Analysis – September 30, 2020*

Kevin Schmidt covered the Monthly Investment Performance Analysis as of September 30, 2020 as attached. He covered the general market commentary, and briefly overviewed fund performance:

- Global equity markets pulled back in September following a strong July and August. All major indices finished in negative territory, with drawdowns in the low to mid-single digit returns. In a reversal of recent trends, technology stocks led the market decline, trading lower off recent all-time highs at the end of August.
- Equity markets posted negative returns in September as the S&P 500 (Cap Wtd) Index returned -3.80% and the MSCI EAFE (Net) Index returned -2.60%. Emerging markets returned -1.60% as measured by the MSCI EM (Net) Index.
- The Bloomberg US Aggregate Bond Index returned -0.05% in September, underperforming the 0.07% return by the Bloomberg US Treasury Intermediate Term Index. International fixed income markets returned -0.42%, as measured by the FTSE Non-US World Gov't Bond Index.
- Public real estate, as measured by the FTSE NAREIT Eq REITs Index (TR), returned -3.26% in September and 3.95% over the trailing five-year period.
- Total Fund Performance on the Fiscal Year-To-Date basis ended at 8.13% net of fees, outpacing the actuarial assumed rate of return.
- Preliminary October performance is positive 2.16%, and 4.37% on the Calendar Year-To-Date basis.

Richard Patsy asked about WEDGE and Pinnacle's performance in September, noting that their performance was not similar to Sawgrass and Loomis.

Kevin Schmidt said that their performance in September was due to their stock picks. Pinnacle's performance was relatively weak due to their top 10 picks. Only 3 out of the 10 outperformed in September, and most of the underperforming stocks were biotech. WEDGE underperformed due to the small cap and value styles not being in favor.

b. *Asset Allocation Study (and Private Market Asset Class Education: Non-Core Real Estate & Private Credit)*

Jordan Cipriani said this presentation is broad education on Non-Core Real Estate (NCRE) and Private Credit (PC). There is also a snapshot of opportunity sets, and analysis on pacing and magnitude. Steve Hahn of RVK will cover the majority of the presentation.

Steve Hahn covered the following pages of the presentation and touched on the following topics:

- Page 2: Why Non-Core Real Estate?
 - Low Correlation, Inflationary Hedge, Liability Matching, Higher Sharpe Ratio, Increased Transparency
- Page 3: Non-Core Real Estate: Overview

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- Focus on Existing Assets That Were Once Core, Non-Core Managers Buy Assets to Maximize Value and Then Sell and/or Try to Make Them Core
- Page 4: Non-Core Real Estate vs. Core Real Estate
 - Private real estate investments can be broken into two “risk” categories:
 - “Core” – strategies focused on stabilized properties characterized by (i) fewer property-level risks, (ii) fewer “problems” that need to be fixed, and (iii) a greater reliance on income, but with lower absolute returns.
 - “Non-Core” – strategies generally focused on creating value by fixing property-level problems, characterized by (i) greater property-level risk, (ii) more reliance on capital appreciation, and (iii) higher total return potential.
- Page 5: Non-Core Real Estate Lifecycle & Cash Flows
- Page 6: Non-Core Real Estate Implementation Approaches
 - Comingled Funds, Joint Venture / Separate Account, Direct Fund Investments
- Page 7: Non-Core Real Estate Summary Merits & Considerations
 - The primary benefit of the asset class is significantly less volatility than publicly-traded alternatives, low correlation with public equities, and an asset class that PFPF already has some experience investing in.
- Page 8: Non-Core Real Estate: RVK’s Current Best Ideas
 - Opportunistic & Value Add types

Richard Patsy asked about distress in NCRE and PC.

Jordan Cipriani said more distressed opportunities are playing out on the PC side.

Steve Hahn said that there have been managers trying to raise large amounts of capital in this COVID-19 economic period. There has not been a big hit to rent collection across the board – only in the retail sector. Managers are raising capital for potential opportunities.

Steve Hahn continued his presentation:

- Page 10: Why Private Credit?
 - The primary benefit of this asset class is the potential to generate strong risk-adjusted returns with a relatively low correlation to publicly traded assets and economic events.
- Page 11: Private Credit Overview
 - Prior to 2008, relatively few institutional credit portfolios included substantial or permanent private credit allocations. Since 2008, the private credit opportunity set has greatly expanded in size, breadth and complexity.
- Page 12: Private Credit Definition
 - Private credit refers to debt financing provided by non-bank institutions that are not traded on the public market. Private credit investments span a wide range of strategies and collateral types.
- Page 13: Private Credit vs. Public Fixed Income
 - Private Credit represents a less efficient investment space, leading to superior risk-adjusted returns than more liquid, widely traded, and well-understood asset classes, such as public fixed income.
 - Features a heavy income component with limited dependence on asset price appreciation, which helps mitigate the “J-Curve” effect and results in a more conservative return profile than private equity.

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- Illiquid fund structures with investor’s capital locked-up for 4-7 years, compared to daily liquidity within public fixed income.
- Page 14: Private Credit Performance: Private Credit Quartile Net Internal Rate of Return by Vintage Year
 - Private credit median performance has been approximately between 8-12% net IRR since 2007.
 - Manager selection within private credit is essential, as the spread between the top and bottom performing private credit funds is significant, with an average differential of 7% since 2007
- Page 15: Private Credit Implementation Approaches
 - Fund of Funds / Fund of One / Separate Account / Multi-Strategy, Hybrid Approach, Direct Fund of Investments
 - There are significant challenges that investors face in the successful implementation of a private credit program, which include a high level of required resources, limited access, low transparency, lack of regulation, and the need to continually deploy capital into new funds due to the drawdown structure used by most managers.
- Page 16: Private Credit Summary Merits & Considerations
 - The primary benefit of the asset class is the potential to generate strong risk-adjusted returns with a lower volatility and limited correlation to publicly traded assets and economic event.
 - The asset class does introduce a unique set of risks, including investment illiquidity and uncertainty around the timing of cash flows, risk of loss given a default, and yield compression.
- Page 17: Private Credit: RVK’s Current Best Ideas
 - US Lower-Middle Market Senior Direct Lending, Private Commercial Real Estate Debt in the US, Asset-Based Specialty Finance in North America

Steve Hahn discussed pacing of investment in the private investment classes as shown on pages 20 and 25.

Chris Brown said that public comment was received by email. He read Mr. Renzer Bell’s question:

“Is the private credit asset class really an hedged fund by another name particularly given three (3) key characteristics commonly associated with hedged funds? Those characteristics are management fee, incentive bonus/fee, and lock-up period of not less than one (1) year.”

Jordan Cipriani said that the primary difference between Private Credit, Non-Core Real Estate, and hedge funds is that hedge funds are comprised of investments in publically traded securities. For example, a hedge fund could be long or short on Google. Private investments are not traded on daily exchanges and accessing the private marketplace is less efficient. There are hundreds of analysts researching Google everyday. Assets in general are different. However, the fee structures between private investments and hedge funds are similar.

Steve Hahn expanded on Jordan Cipriani’s comment relating to fee structures. Hedge fund managers receive fees as a percentage of the market value of investments. Private managers receive incentive fees paid as a ‘success fee’ – the manager takes a portion of profit.

Jordan Cipriani discussed the Asset Allocation FIAC Recommendation on page 30. The FIAC Recommends the Board of Trustees adopt a new asset allocation, reducing the MLP allocation to 0%, reducing the Private Equity target allocation to 0%, and allocating 8% to Private Credit, and 5% to Non-Core Real Estate.

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Timothy Johnson said that this is the second time this recommendation has come before the Board of Trustees. This is an action item today, and the Chair may call a motion if all of the Trustees' questions have been answered. Or, the Trustees may want extra information, and it may be voted on in November.

Chris Brown said his questions have been answered, and he is ready to vote.

Terry Wood asked where the funds to allocate to Private Credit and Non-Core Real Estate would come from.

Jordan Cipriani said that the allocation would come from MLPs, and the overweight to equities. If approved, RVK will present a long term investing plan, including rebalancing, tweaks, and how the private allocations will be funded. This will be a multi-year event.

Timothy Johnson said this asset allocation recommendation is just a policy recommendation, and not authority to transfer funds between managers. That will take some time.

Richard Patsy made a motion to adopt the new asset allocation. Seconded by Nawal McDaniel. VOTES:

AYES: McDaniel, Patsy.

NAYS: Lynch, Wood, Brown.

The motion failed.

Terry Wood said he would like another month to ask RVK questions.

Chris Brown said the Trustees should send questions to RVK to follow up, and the Trustees will discuss at the November meeting.

Michael Lynch said he would like to see the Trustees' questions and RVK's answers prior to the November meeting.

Lawsikia Hodges said this is OK as long as the Trustees do not talk to each other outside the sunshine.

Bob Sugarman said the questions must be posed as questions, and cannot suggest how a Trustee may vote. Leave the intentions out of the question. Include the Trustees' questions in the November meeting book.

Chris Brown asked Timothy Johnson to forward the Trustees' questions to RVK.

VI. Executive Director's Report

a. Governor's Emergency Order Extension & PFPF Social Distancing Plan

Timothy Johnson said that the Governor's order will expire on October 31, allowing public quorums to be held via ZOOM. We anticipate meeting live in November, and will accommodate social distancing for the Trustees by holding the meeting in the PFPF building's atrium.

b. Children's Benefit Lump Sum Payments

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Steve Lundy discussed the Children’s Benefit Lump Sum Payments. The payments to be approved today are to children who have ‘aged out’ of the benefit by turning 18. These children are due the difference in what they should have received and what they actually received following the reinterpretation of the ‘proportionate share of the survivor’s benefit’ language in the ordinance code. The total retroactive payments to these children total \$953,420.85. The payments have been reviewed and verified by fund actuary Pete Strong at GRS.

Steve Lundy said that there are approximately 15 remaining children to be calculated, however they will take longer because the data needed to calculate their payment is on legacy systems.

Chris Brown asked if the same calculation method was used for these children as was used for the current children.

Steve Lundy said that is correct – the same method was used. However, these children today are only paid once, and not prospectively. The current children were paid retrospectively, and their current benefit was updated prospectively.

Chris Brown asked if this \$953,420.85 amount was nominal, not including interest or inflation.

Steve Lundy said there is no interest – this is just the difference between what they actually were paid, and what they should have been paid.

Chris Brown asked if Steve Lundy thought if the remaining 15 children to be calculated would be owed about the same amount as the 9 children being approved today.

Steve Lundy said there is no way to know until they have been calculated. The wide difference between payouts to each of these children is due to two factors – the child’s age at the time of the member’s death, and the member’s salary or pension at the time of death. Some children who were young at the time of the original member’s death are due a higher pension for a longer period of time, for example.

Michael Lynch made a motion to approve the Children’s Benefit Lump Sum Payments. Seconded by Terry Wood. The vote passed unanimously.

c. Audit Follow Up

Timothy Johnson briefly overviewed the three remaining issues on the previous audit conducted years ago by the Council Auditor. Two errors relate to computer programming. The third relates to quality control in COLA administration.

d. City of Jacksonville Beach Chapter Funds

Timothy Johnson explained the City of Jacksonville Beach Chapter Funds issue. When the State sent us the 175/185 funds, they included the City of Jacksonville Beach with the City of Jacksonville. We already sent the overpayment back after notifying Trustees and asking for questions, because time was of the essence. We are asking for a motion to approve the transfer retroactively.

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Michael Lynch made a motion to approve the City of Jacksonville Beach Chapter Funds transfer. Seconded by Richard Patsy. The vote passed unanimously.

The Board of Trustees took a 5-minute break at approximately 10:32 A.M. and resumed the meeting at 10:37 A.M.

VII. Personnel Committee Recommendation

Michael Lynch overviewed the Personnel Committee Recommendations, first covering the PFPF Staff raises. The Performance Plan in place provides a 2.5% base annual raise, with the potential rising to 5%. The recommended percentages for Staff today was based on the combination of evaluations, and extra pieces of work done during the government shutdown.

Richard Patsy asked if this includes all Staff.

Michael Lynch said Timothy Johnson is separate, but this includes everyone else.

Michael Lynch made a motion to accept the PFPF Staff raises, retroactively effective October 1, 2020. Seconded by Nawal McDaniel. The vote passed unanimously.

Michael Lynch discussed Timothy Johnson's updated contract. This updated contract has no major structural changes. If the Board approves this today, it will take effect on December 1, 2020. This is a 5-year contract.

Michael Lynch discussed the changes to the contract. The December effective date change is to better accommodate the evaluation period. The raise language is to better align with the Performance Plan for all PFPF Staff. The severance language was changed to accommodate Florida Statute limitations. The Disability policy would cost between \$5,000-\$5,300. We are mandating an annual physical. Also, the leave accrual has been updated to 32 days, which is what Timothy Johnson actually receives based on Board action.

Michael Lynch said the Personnel Committee's recommendation is to adopt, and to send to Lawsikia Hodges to clean up, and to authorize Chris Brown to execute prior to December 1, 2020.

Michael Lynch made a motion to send the contract to Lawsikia Hodges for formatting, and adopt as the Executive Director contract, and to authorize Chris Brown to execute prior to December 1, 2020, and to terminate the old contract once this new contract is executed. Seconded by Nawal McDaniel. Discussion:

Nawal McDaniel asked if the long term disability insurance premium was \$5,300 annually.

Michael Lynch said he received a quote, and Timothy Johnson received a quote, and it would be between \$5,000 and \$5,300.

Nawal McDaniel thanked Michael Lynch for his a great job on drafting the language and amending the contract.

Chris Brown asked if there was any public comment. There was none.

The vote passed unanimously.

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Michael Lynch made a motion to accept the Executive Director – Plan Administrator’s performance evaluation as outlined, including a 3.5% raise. Seconded by Nawal McDaniel. There was no public comment. The vote passed unanimously.

VIII. Counsel Reports

a. Jason Weathington Disability Application Update

Bob Sugarman updated the Board of Trustees on Jason Weathington’s disability application. The next hearing is postponed until the conclusion of his appeal to the Civil Service Board. Depending on the outcome, his hearing before the Board of Trustees and Advisory Committee may be in November or December.

b. John Keane Settlement Update

Lawsikia Hodges updated the Board of Trustees on the John Keane Settlement. The settlement bill, 2020-629 is before City Council committee. The bill was filed on October 7, and the first reading was on October 13. The public hearing is scheduled for October 27, and final action is expected on November 10.

Terry Wood said he represented the Board of Trustees in the settlement mediation. He said he was asked by Rita Mairs to sit in on briefings with Councilmembers. He said he would attend the next Finance and Rules Committee meetings.

Chris Brown said Scott Wilson, the Board’s Council Liaison was instrumental as well in the mediation, and would like to thank him for his work. Next month, Michael Boylan is replacing Scott Wilson as the Board’s Council Liaison.

Timothy Johnson thanked the Personnel Committee, as there were 3 meetings in the last 2 months.

Chris Brown thanked Timothy Johnson for doing a great job as Executive Director – Plan Administrator.

Michael Lynch said the Board will look at setting the assumed rate in November or December.

Timothy Johnson said the Fund assumes a 6.9% return currently, and it is part of the next Fiscal Year’s strategic goals to continue to lower the rate.

Michael Lynch asked the other Trustees to think of where to go from here. He said he is not sure what the GEPP plans to do. If the Board seriously considers changes to the Asset Allocation, some of these changes will tie up large amounts of money for many years. The question is whether the Board wants to go to 6.8% or 6.75% this year. He asked the Board to consider where they want to be in the next 30-60 days, so when there is an opportunity to make a change, it will be made with good thought.

Chris Brown said the Board will discuss the Assumed Rate in November. The November meeting is scheduled for November 20th, and will be held in person at the PFPF building, unless the Governor’s order is extended past October 31.

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IX. Council Liaison Update

None.

X. Old Business

None.

XI. New Business

None.

XII. Adjournment

11:05 A.M.

Nawal McDaniel, Board Secretary

Summary Prepared By:

Steve Lundy, Deputy Director

City of Jacksonville Police and Fire Pension Fund

Posted: 10/30/2020

To be Approved: 11/20/2020