



SUMMARY TO THE REGULAR BOARD OF TRUSTEES MEETING

Friday, November 18, 2022

9:00 A.M. – 10:38 A.M.

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

The next regular Board of Trustees meeting will be held Thursday, December 22, 2022 at 9:00 A.M.

Board of Trustees

Assistant 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

Paul Barrett, Fund Treasurer
Jordan Cipriani, RVK, Investment Consultant
Lawsikia Hodges, Office of General Counsel
Kevin Schmidt, RVK, Investment Consultant
Bob Sugarman, Fund Counsel
*Jim Voytko, RVK, Investment Consultant
Randy White, City Council Liaison

*Kevin Balaod, With.Intelligence
*Chuck Baldwin, IAFF Local 122
Renzer Bell
*Joe Cannon, Bell Partners
*David Chene, Kennedy Lewis
Bill Gassett
*Doug Logigian, Kennedy Lewis
*Brennan Merrell, Treasury
*"Ronan"
*Ben Schryber, Kennedy Lewis
*Kathryn Wright, Bell Partners
*Randy Wyse, President, IAFF Local 122

*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

Verne E. Foster, Retired Fire Lieutenant
Matthew B. Kemp Jr., Retired Police Sergeant
Paul Lutzen, Retired Fire Lieutenant
Wayne E. Watts, Retired Fire Captain
Johnnie H. Webster, Retired Fire Captain

IV. Public Speaking

V. Consent Agenda Items 2022-11-(01-08)CA – *Action requested*

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

2022-11-01CA Meeting Summaries to be Approved

1. Summary to the Board of Trustees Meeting of October 28, 2022

2022-11-02CA Disbursements

DISBURSEMENTS A

10-01-2022 thru 10-31-2022

1. Silchester	\$	80,863.00
2. Thompson, Siegel & Walmsley	\$	37,261.78
3. Acadian Asset Management	\$	222,240.00
4. Loomis Sayles	\$	216,929.61
5. Sawgrass Asset Management	\$	62,171.39
6. RVK, Inc.	\$	66,250.00

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Total \$ 685,715.75

DISBURSEMENTS B

10-01-2022 thru 10-31-2022

- | | | | |
|----|--------------------------------|----|-----------|
| 1. | Accounts Payable Distributions | \$ | 54,714.34 |
| 2. | Accounts Receivables | \$ | 61,535.18 |

2022-11-03CA Pension Distributions

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

October 14, 2022

- | | | | |
|--------------|--------------------|----|------------------------|
| 1. | Regular Gross | \$ | 7,041,559.92 |
| 2. | Regular Lump sum | \$ | 0.00 |
| 3. | Regular Rollover | \$ | 0.00 |
| 4. | Regular DROP Gross | \$ | 1,459,502.97 |
| 5. | DROP Lump sum | \$ | 0.00 |
| 6. | DROP Rollover | \$ | 0.00 |
| Total | | | \$ 8,501,062.89 |

October 28, 2022

- | | | | |
|--------------|--------------------|----|------------------------|
| 1. | Regular Gross | \$ | 7,043,262.35 |
| 2. | Regular Lump sum | \$ | 0.00 |
| 3. | Regular Rollover | \$ | 0.00 |
| 4. | Regular DROP Gross | \$ | 1,460,727.71 |
| 5. | DROP Lump sum | \$ | 14,670.51 |
| 6. | DROP Rollover | \$ | 0.00 |
| Total | | | \$ 8,518,660.57 |

The following Consent Agenda items 2022-11-(04CA) were verified with supporting documentation and approved at the Advisory Committee meeting held on November 8, 2022. Vote was unanimous. Meeting Summary attached.

2022-11-04CA

Application for Time Service Connections

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The following Consent Agenda items 2022-11-(05-08CA) were verified with supporting documentation and received as information at the Advisory Committee meeting held on November 8, 2022. Vote was unanimous. Meeting Summary attached.

[2022-11-05CA](#)

Refund of Pension Contributions

[2022-11-06CA](#)

Share Plan Distributions

[2022-11-07CA](#)

DROP Participant Termination of Employment

[2022-11-08CA](#)

DROP Distributions

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VI. Investment Consultant Reports

a. *Non-Core Real Estate Recommendation (Bell Partners Value-Add Fund VIII) – action requested*

Joe Cannon of Bell Partners introduced himself, and the Bell Partners Value-Add Fund VIII. He covered the following slides from his presentation:

- We Care. We Deliver. (page 4)
 - Our Purpose: To create communities our residents are proud to call home.
 - Our Mission: To be the apartment company of choice by creating value and honoring commitments to our residents, Partners and associates.
 - Our Core Values
 - Do the Right Thing Every Time
 - Put the Team First
 - Serve Somebody!
 - Outperform
 - Prepare for the Future Today
- The Bell Advantage (page 5)
 - People: 26 Years average senior management industry experience
 - Platform: ~75,000 Units under management (including third-party management)
 - Performance: 2.1x Realized net results across multiple cycles
- Market Selection (page 6)
 - Bell uses a sophisticated, research-driven approach that blends data with local experience to select its markets and create a geographically diverse portfolio to optimize returns.
- Vertically Integrated Operating Platform (page 7)
 - Centralized leadership with decentralized execution, supported by extensive corporate infrastructure
- A Culture of Inclusivity (page 8)
 - Bell embraces diversity, equity and inclusion by creating a work environment that allows associates to feel like they belong, can contribute to their fullest potential and are inspired to make a difference
- Integrity, Transparency & Performance (page 9)
- Investment Performance (page 10)
- Strong Performer Through Multiple Cycles (page 11)
 - Bell has consistently delivered top quartile performance
- Market Opportunity (page 13)
 - Apartments continue to be a compelling long-term investment opportunity

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- Acquisition Criteria (page 14)
- Key Value Add Strategies (page 15)
- Case Study: Bell Salem Station (Realized) (page 17)

Michael Lynch asked what safeguards Bell Partners employs to protect against high inflation growth.

Joe Cannon said that one benefit of being a national investor, versus a regional investor, is being able to invest anywhere. Affordability challenges are playing out on a neighborhood level. For example, Los Angeles is a collection of 10 municipalities. Having ‘boots on the ground’ in all submarkets is an important defensive tactic. Bell Partners has not run into affordability concerns at a high level, as it is something underwritten as the company enters into investments. It is important to ensure you understand the areas you are investing in to avoid unanticipated problems.

Timothy Johnson asked Joe Cannon to highlight holdings in the Jacksonville area.

Joe Cannon highlighted the Bell Riverside property. Bell Partners made many improvements to the property, and then sold it. The new owner asked Bell Partners to stay and continue to manage the property. The location is one of the best in the market. Another local property is Bell Deerwood Park.

Nawal McDaniel moved to accept RVK’s recommendation to allocate up to \$20 million in the Bell Partners Value Add Fund VIII, seconded by Terry Wood. The vote passed unanimously.

Joe Cannon thanked the Board of Trustees for their confidence in Bell Partners.

a. Private Credit Recommendation (Kennedy Lewis Capital Partners Master Fund III) – action requested

Jordan Cipriani said RVK’s recommendation on the Kennedy Lewis Capital Partners Master Fund III is to allocate up to \$30 million, which would fulfill the private credit commitments for the year.

David Chene of Kennedy Lewis Capital Partners introduced himself and the Kennedy Lewis Capital Partners Master Fund III. He briefly discussed the credit strategy, and the seven ‘verticals’, or areas, in which the strategy is deployed: Life Sciences, Power, TMT, Specialty Finance, Homebuilder Finance, Opportunistic Cyclical, and Europe.

David Chene covered page 4 of the presentation, the Executive Summary. He also covered page 5 of the presentation, the Kennedy Lewis Opportunistic Credit Team.

David Chene covered Kennedy Lewis’ ESG initiatives briefly. He noted that each ‘vertical’ has different ESG aspects, and the firm received the highest rating by several platforms for its efforts in the ESG space. Kennedy Lewis has also collaborated with HBCU Morehouse College.

Doug Logigian gave an example of a deal Kennedy Lewis made with Eastman Kodak as the company was dealing with secular disruption.

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Timothy Johnson asked about the firm’s Europe strategy, and how opportunities are discovered.

David Chene discussed the Kennedy Lewis Europe team and the opportunity set Europe provides.

Doug Logigian said that there are incredible energy disruptions in Europe, which present opportunities.

Terry Wood moved to accept RVK’s recommendation to allocate up to \$30 million to the Kennedy Lewis Capital Partners Master Fund III, seconded by Mia Jones. Discussion:

Michael Lynch said that he could not support this investment. He cited the lack of detail on the investment in the Kennedy Lewis presentation materials.

Ben Schryber said that Kennedy Lewis sent a longer, 20-page presentation with full investment detail to Austin Head-Jones at RVK, which could be used at the Board of Trustees Meeting today.

Jordan Cipriani said she had not received the document. She said that throughout the process, Kennedy Lewis has been fully transparent, and RVK is happy to share the full due diligence report. She said that there is some sensitivity to the fact that this is a public meeting.

Ben Schryber said Kennedy Lewis sent the 20-page document to RVK, and has been trying to accommodate RVK and the Board’s preferences.

Michael Lynch said that he understands the concern with sharing proprietary information. He said that if RVK or Kennedy Lewis could schedule a meeting with him so he could see the investment details, and he agrees, then this is a non-issue.

Jordan Cipriani asked if there is enough time before closing to send the updated materials to the Board of Trustees to review, and to revisit the investment again next month.

Chris Brown asked if the Board could take another month to look at the updated presentation, and possibly schedule one-on-one meetings with the Trustees, if that would be a challenge to get the money Kennedy Lewis needs in time before close.

David Chene said there is no problem, and there is enough time. He said Kennedy Lewis has 300 institutional investors and strives to be transparent, and that this was a simple miscommunication. He said he would be happy to go through everything line by line with the Board of Trustees.

Michael Lynch said he would be fine with having a Zoom call with Kennedy Lewis and Timothy Johnson to view the report and answer his questions. He said it would help him defend spending \$30 million.

Nawal McDaniel said this should give the Trustees the information needed.

Terry Wood agreed and noted that having Timothy Johnson arrange the one-on-one meetings reminds him of when City Council negotiated with the Jaguars.

Terry Wood withdrew his motion.

Michael Lynch moved to table the Kennedy Lewis Capital Partners Master Fund III item until the December Board of Trustees Meeting, seconded by Nawal McDaniel. The vote passed unanimously.

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Chris Brown said the Board will make a more informed decision next month, and asked Timothy Johnson to coordinate the one-on-one meetings.

b. Q3 Performance Report

Kevin Schmidt presented the Quarterly Investment Performance Analysis, beginning with the Third Quarter Economic Environment on page 4:

“Investor sentiment and market movements continued to be driven by persistently high inflation levels and a corresponding tightening of monetary policy by most global central banks. Strong consumer demand, combined with supply chain disruptions and energy supply constraints caused by the war in Ukraine, exacerbated the difficulties for policymakers aiming to respond to inflation in an effective yet balanced manner. In its interim September 2022 economic outlook, OECD forecasted that headline inflation among G20 countries would finish 2022 above 8%—and only moderate to 6.6% in 2023. The OECD’s inflation forecasts remain elevated compared to historical levels despite actions by global central banks, including the FOMC. In September, the FOMC increased the federal funds rate to a range of 3.00%-3.25%, which represented a third consecutive 0.75 percentage point hike. Global GDP growth forecasts continued to moderate during the quarter. The OECD forecasted real global GDP growth of 3.0% in 2022 and 2.2% in 2023, representing sharp declines from its December 2021 forecasts of 4.5% and 3.2%, respectively. Overall, economic and inflation forecasts are being impacted by multiple factors. In particular, the ongoing war in Ukraine could lead to sudden shifts in conditions, as global economic impacts could follow modifications to sanctions regimes, changes to external military support, pending NATO membership applications, or extreme energy supply shortages in Europe.”

Kevin Schmidt covered the Total Fund vs. All Public Plans (\$1B to \$5B) Asset Allocation vs. Current Target and Plan Sponsor Peer Group on pages 13-14.

Kevin Schmidt covered the Asset Allocation and Performance (Gross of Fees) on page 17, noting that the fund was down -4.64% for the quarter-to-date.

c. Rebalancing Recommendation – action requested

Jordan Cipriani presented RVK’s plan for allocating approximately \$157M the PFPF is set to receive at the end of 2022 from the City of Jacksonville as part of the annual advance payroll contribution.

Nawal McDaniel moved to accept RVK’s Proposed Rebalance – Annual Payroll Contribution recommendation, seconded by Michael Lynch. The vote passed unanimously.

VII. Executive Director’s Report

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Timothy Johnson said there is nothing left in his report to cover, but highlighted two articles of interest which were included. The first article is about a town in Illinois that is considering a similar plan to fund its Police and Fire Pension with a dedicated surtax. The second article shows that many municipal plans are not well coordinated to handle stress in the marketplace, in contrast to the well-managed PFPF.

Chair Chris Brown recessed the meeting at approximately 10:05 A.M., and reconvened the meeting at approximately 10:15 A.M.

VIII. Counsel Report

a. Smoothing the Pension Liability Surtax Revenue – action requested

Lawsikia Hodges updated the Board on the possibility of smoothing the Pension Liability Surtax Revenue growth rate. She said that the Office of General Counsel has found no legal prohibitions and has given legal clearance to the recommendation from the Fund Actuary.

Paul Barrett offered his perspective as the City and Fund Treasurer. He said he appreciates the Board of Trustees considering this, because the GEPP is also considering the possibility of smoothing the surtax, which can be volatile. He said there is a little pause, because ideally all three pension plans in the City should have the same actuarial practices. There could be complications if there are different actuarial methodologies used between the three pension plans when the surtax begins.

Paul Barrett also informed the Board of Trustees that one of his priorities is to propose a plan to close the Better Jacksonville Plan early, and begin the surtax ahead of schedule. There is no guarantee, but there will be a path to get the surtax funding the pensions before 2030. This would go to City Council, and may affect actuarial calculations.

Bob Sugarman added that his office has also cleared the smoothing of the surtax legally.

Michael Lynch moved to accept the smoothing of the Pension Liability Surtax Revenue recommendation of the Fund Actuary based on legal advice, seconded by Nawal McDaniel. Discussion:

Chris Brown said he is in favor of this motion, and it could take another year if the PFPF waited to coordinate with the City's other two pension plans.

Michael Lynch said the other pension plans may want to do this, or not at all. He said he thinks this is the right thing to do, and is more conservative moving forward.

Chris Brown said this would make the contribution easier to predict, with less volatility.

Nawal McDaniel agreed, and said she does not want to put the decision off for another year. We have the actuary's recommendation.

The vote passed unanimously.

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b. Sugarman SSVRP Governance Plan Recommendation Update

Bob Sugarman said he expects to have the first draft of SSVRP documents ready a week prior to the next Board of Trustees Meeting for review. He also gave the following updates:

- His office will give an opinion letter on the Vercruysse pension adjustment, noting that there is enough information to substantiate the adjustment.
- He has given the pension office advice on the pension options available to the new sheriff.
- The Administrative Law Judge has been assigned in the Joshua Livingood forfeiture issue. Trial dates are being coordinated and discussed with the lawyers.

IX. Council Liaison Update

None.

X. Old Business

a. TSW Termination Recommendation – action requested

Kevin Schmidt discussed the Thompson Siegel & Walmsley termination recommendation, which the Board of Trustees had tabled in October. He noted that RVK's recommendation is to terminate TSW based on its future outlook. The firm has changed ownership twice in the past 24 months, and has undergone a meaningful loss of assets which has affected the strategy in which the PFPF is invested substantially. The assets have dropped by 90%, and the PFPF is the only remaining dedicated investor in the core plus fund. The loss of assets will significantly affect TSW's best execution.

Terry Wood asked about TSW's recent performance.

Jordan Cipriani gave their recent performance numbers, noting their relative performance has not lost.

Terry Wood noted TSW has been above the benchmark.

Kevin Schmidt said that RVK is not concerned with recent performance, as the recommendation is based on the long-term outlook.

Michael Lynch asked if RVK was supposed to talk with the Board of Trustees before today's meeting on this matter.

Chris Brown said he did, and was satisfied with the 10-minute conversation.

Nawal McDaniel said she appreciated RVK being proactive, and there are lots of red flags here. RVK is looking to the future to see problems, and this is why the Board hired RVK.

Mia Jones moved to approve RVK's recommendation to terminate Thompson Siegel & Walmsley, seconded by Nawal McDaniel. Discussion:

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Terry Wood asked how long TSW will be monitored, since they will not be terminated until a replacement manager is selected. He asked for the timeline.

Kevin Schmidt said that RVK would take the time to conduct a proper manager search. There is no concerns with TSW within the next 30-60 days, which would be the window for bringing forward a potential replacement manager.

The motion passed 3-2, with Michael Lynch and Terry Wood voting against the motion.

Kevin Schmidt said that RVK is not going to propose a formal watch list, but on a quarterly basis, RVK could introduce a slide or two providing meaningful updates on managers, highlighting changes in philosophy, investment team changes, and changes in ownership to provide insight in what RVK is evaluating. If RVK brings new recommendations, the Board will see the pathway leading to that recommendation.

Chris Brown said this is an excellent idea.

b. Cy Pres Motion In re CVB – action requested

Timothy Johnson said that there is an option to suggest donation of these monies to a local charity. He recommended the monies be split between the Jacksonville Firefighters' Charities and the FOP Foundation, both of which are 501(c)(3) organizations led by PFPF members.

Michael Lynch moved to recommend the 'Cy Pres Motion In re CVB' monies donation to be split equally between the Jacksonville Firefighters' Charities and the FOP Foundation, seconded by Terry Wood. The vote passed unanimously.

Michael Lynch said he would like to discuss the inconsistencies in billing from the Office of General Counsel. He said he has seen a tremendous amount of errors in the bills he has asked to see, and Lawsikia Hodges has worked through most of those. He said he has followed up, and wants to know the process moving forward to fix the issues.

Timothy Johnson said that although he did not prepare to discuss the billing issues today, he acknowledges that two sets of bills have been corrected, and the third set is on his desk. He said he has responded to Michael Lynch, and he does check in on the progress.

Lawsikia Hodges said that she invites Michael Lynch to review Bob Sugarman's bills for errors as well. Occasional errors are normal. The normal process is to send bills back to the client to review. She said she will not say there will never be errors. She said that her perception is that there were not a tremendous amount of errors. She suggested instead of handling this issue between Michael Lynch alone, the entire Board of Trustees should be given a copy of these 'tremendous errors'. She said corrections are made the minute Timothy Johnson or Kevin Grant brings errors to OGC's attention.

XI. New Business

None.

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XII. Upcoming Meetings

a. Board of Trustees – Thursday, December 22, 2022 at 9:00AM

XIII. Adjournment

10:38 A.M.

Nawal McDaniel, Board Secretary

Summary Prepared By:

Steve Lundy, Deputy Director

City of Jacksonville Police and Fire Pension Fund

Posted: 11/23/2022

To be Approved: 12/22/2022