



SUMMARY TO THE REGULAR BOARD OF TRUSTEES MEETING

Friday, November 20, 2020

9:00 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 December 18, 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

Victoria Adebayo
Renzer Bell
Gar Chung
Julia Dunton
Bryanna Lanier
Mikaylee O'Connor
Brigid Schutsky

Staff

Timothy H. Johnson, Executive Director – Plan Administrator
Steve Lundy, Deputy Director
Kevin Grant, Finance Manager
Michael Boylan, City Council Liaison
Randall Barnes, Fund Treasurer
Jordan Cipriani, RVK, Investment Consultant
Kevin Schmidt, RVK, Investment Consultant
Joseph Delaney, RVK, Investment Consultant
Pete Strong, GRS, Fund Actuary
Jennifer Cagasan, GRS, Fund Actuary
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 9:02 A.M.

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I. Invocation

Timothy Johnson gave the invocation.

II. Moment of Silence

Bobby J. Claxton, Retired Fire Captain

III. Public Speaking

None.

IV. Consent Agenda Items 2020-11-(01-12)CA

2020-11-01CA Meeting Summaries to be Approved

1. Summary to the Board of Trustees Meeting of October 23, 2020

2020-11-02CA 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

10-01-2020 thru 10-31-2020

1. R.V. Kuhns & Associates, Inc.	\$	45,000.00
2. Sawgrass Asset Management	\$	116,955.37
3. Northern Trust	\$	20,605.64
4. Eagle Capital Management	\$	394,369.57
5. Loomis, Sayles & Company	\$	236,001.57
6. Acadian Asset Management	\$	216,302.00
Total	\$	1,029,234.15

DISBURSEMENTS B

10-01-2020 thru 10-31-2020

1. Accounts Payable Distributions	\$	33,428.65
2. Accounts Receivables	\$	39,063.06

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2020-11-03CA Pension Distributions

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

October 2, 2020

1. Regular Gross	\$	6,390,474.37
2. Regular Lumpsum	\$	24,074.05
3. Regular Rollover	\$	0.00
4. Regular DROP Gross	\$	1,317,166.98
5. DROP Lumpsum	\$	195,940.90
6. DROP Rollover	\$	0.00
Total	\$	7,927,656.30

October 16, 2020

1. Regular Gross	\$	6,407,930.40
2. Regular Lumpsum	\$	40,174.42
3. Regular Rollover	\$	0.00
4. Regular DROP Gross	\$	1,322,534.21
5. DROP Lumpsum	\$	356,188.25
6. DROP Rollover	\$	252,860.12
Total	\$	8,379,687.40

October 30, 2020

1. Regular Gross	\$	6,409,962.40
2. Regular Lumpsum	\$	0.00
3. Regular Rollover	\$	19,990.89
4. Regular DROP Gross	\$	1,323,566.56
5. DROP Lumpsum	\$	0.00
6. DROP Rollover	\$	0.00
Total	\$	7,753,519.85

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The following Consent Agenda items 2020-11-(04-07CA) were verified with supporting documentation and approved at the Advisory Committee meeting held on November 10, 2020. Vote was unanimous. Meeting Summary attached.

[2020-11-04CA](#)

Application for Time Service Retirement

[2020-11-05CA](#)

Application for Survivor Benefits

[2020-11-06CA](#)

Application for Vested Retirement

[2020-11-07CA](#)

Application for Time Service Connections

The following Consent Agenda items 2020-11-(08-12CA) were verified with supporting documentation and received as information at the Advisory Committee meeting held on November 10, 2020. Meeting Summary attached.

[2020-11-08CA](#)

Refund of Pension Contributions

[2020-11-09CA](#)

Share Plan Distributions

[2020-11-10CA](#)

DROP Participant Termination of Employment

[2020-11-11CA](#)

DROP Distributions

[2020-11-12CA](#)

DROP Distributions for Survivors

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Nawal McDaniel made a motion to approve the Consent Agenda. Seconded by Richard Patsy. The vote passed unanimously.

V. Counsel Reports (taken out of order)

a. Jason Weathington Disability Application Update

Chair Chris Brown asked to start the meeting with the Counsel Reports item, because Trustee Terry Wood had not yet arrived, and should be present to hear all the investment consultant reports.

Bob Sugarman said that Jason Weathington's termination from the Jacksonville Sheriff's Office was upheld. We will need to hold a joint Advisory Committee – Board of Trustees Meeting to hear his appeal on his Disability Pension Application. The Advisory Committee will make a recommendation, and then the Board of Trustees will act on it at the same meeting.

The Board of Trustees discussed scheduling this meeting, and agreed that the date of the next regular Board of Trustees meeting in December would be preferable. Timothy Johnson will work out the scheduling with the attorneys.

VI. Investment Consultant Reports

a. Quarterly Investment Performance Analysis – September 30, 2020

b. Monthly Investment Performance Analysis – October 31, 2020

Kevin Schmidt covered the general market commentary as attached to the meeting book.

Kevin Schmidt overviewed November month-to-date preliminary performance. The fund was up 7.4% month-to-date, 6.5% fiscal year-to-date, and 8.3% calendar year-to-date. There is an expectation of continued volatility in the markets through the year end.

c. Asset Allocation Recommendation

Jordan Cipriani covered the Asset Allocation Recommendation, beginning with a timeline as shown on page 2 of the 'Asset Allocation Review' in the meeting book:

- At the June FIAC meeting, RVK provided a capital markets assumption education along with an overview and first iteration of an Asset Allocation Study for the Fund.
- At the July FIAC meeting, RVK refined the Asset Allocation Study to focus the Committee's attention on the four potential portfolios highlighted during June's meeting, whereby we examined the key features of each potential portfolio and highlighted the changes as compared to the current and target allocations.
- At the August meeting, RVK prepared an additional educational overview for the Committee, which highlighted various considerations (e.g. benefits, risks, structures, life cycles, fees) associated with those new asset classes being proposed, namely:

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- Private Equity
- Private Credit
- Non-Core Real Estate
- Additionally, RVK put together further analysis on the asset allocation study, which sought to compare and contrast the two potential portfolio's the Committee has shown preference towards.
- At the September FIAC meeting, RVK reviewed the asset allocations scenarios that the Committee has focused in on, with the Committee ultimately voting to approve a new target allocation to send to the Board for consideration.
- At the September Board meeting, RVK reviewed the asset allocation process with Staff and the FIAC to date, as well as the new asset allocation target recommendation, and additional modeling materials.
- At the October Board meeting, at the request of the Board, RVK provided a private markets asset class education, specifically focused on two of the new asset classes being recommended – non core real estate and private credit.
- At today's Board meeting, the aforementioned recommended asset allocation target will be revisited for consideration.

Jordan Cipriani covered page 3, 'Overview of Recommendation', and the key takeaways:

- The recommended portfolio:
 - Introduces allocations to Private Credit and Non-Core Real Estate.
 - Eliminates the current targets to MLPs and Private Equity (note, the latter was never invested).
 - Offers further diversification to the Fund.
 - Increases the long-term expected return of the Fund, decreases the long-term expected risk of increases the 10-year expected probability of the Fund achieving its target 6.9% return.
- Please note, as compared to current allocations, should this new asset allocation be approved, over reductions in Core Real Estate, Equities, and Fixed Income will occur to fund private commitments.

Jordan Cipriani covered two additional slides, showing the key portfolio changes and the decision process for raising cash, "Many factors are taken into consideration when making a proposal on how to raise cash and/or rebalance a fund as a result of a contribution, redemption, manager termination/addition, or change in asset allocation."

Jordan Cipriani said that RVK would seek to maintain any intended style positioning – grown vs value; large vs small; and active vs passive.

Joseph Delaney of RVK discussed various aspects of investing in private asset classes such as Non-Core Real Estate and Private Credit, the two new asset classes which are part of the new asset allocation recommendation. He discussed investment strategies, the COVID-19 challenges and opportunities, and changes in demand as they relate to the asset classes – mostly regarding Non-Core Real Estate.

Michael Lynch asked about the volatile situation posed by the COVID-19 situation, and its effect on rent collection.

Joseph Delaney discussed the challenges and risks posed by the COVID-19 situation, noting that this is a different environment than that of the Great Financial Crisis. The risks are out there. There is concern, but there are also many investment opportunities presented by the COVID-19 pandemic.

Michael Lynch discussed the impact of these private investments on the liquidity of the Fund.

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Jordan Cipriani noted that part of the liquidity risk is exposure on the individual level, and in 20 years, there will be a different conversation regarding liquidity. This is a long-term investment.

Terry Wood said that there is less travel due to COVID-19, and hotels have been affected.

Kevin Schmidt said that managers are eager to travel and meet clients. Once the first manager starts traveling, the others will follow.

Michael Lynch said that the managers do not want to be left behind – if one manager starts travelling, the others cannot afford to delay travelling.

Michael Lynch continued to discuss liquidity, and displayed Chapter 121.113(b)(4) of the Jacksonville Ordinance Code on the screen:

“In any year, beginning with Fiscal Year 2017-18, that the Plan’s liquidity ratio, meaning the market value of assets divided by the annual benefit payments, falls below five, the City shall, subject to annual appropriation, make a contribution or payment in an amount sufficient to restore the Plan’s liquidity ratio to at least five, as determined by the plan actuary.”

Michael Lynch said he wants to make sure we are thinking 1-5 years in the future.

Chris Brown asked if RVK perceives an impact to the liquidity ratio from the adoption of the new asset allocation.

Joseph Delaney said it depends on if these assets are considered in the equation.

Michael Lynch said it is defined by the actuary.

Pete Strong said that this reference in the ordinance code does not delineate assets – it refers to the total assets of the Fund. Some are less liquid than others. If the ratio falls below 5, an additional city contribution is required.

Michael Lynch said that Pete Strong’s statement gives the Board of Trustees cover so that in the future, the City would not be able to easily argue that private assets are ‘non liquid assets’.

Pete Strong reiterated that as an actuary, he looks at this part of the ordinance, and it refers to total market value.

Chris Brown asked the Board of Trustees to entertain a motion on the new asset allocation.

Richard Patsy made a motion to accept the recommended asset allocation. Seconded by Terry Wood. Discussion:

Richard Patsy said that he would not advocate for this asset allocation 10 years ago – taking money from equities would be stupid. He said he has confidence in non-core real estate and private credit in the current environment. Both non-core real estate and private credit are more tactical, and better positioned to take advantages of new opportunities presented by the current environment.

Michael Lynch raised a concern that the Board of Trustees should be sure they are investing in what they think they are investing in. He gave the example of core and non-core fixed income. He said that personally, he does not think the Board of Trustees has looked at all the pieces. This is a big step. He said he is not necessarily against the new asset allocation, he just wants to make sure everything else is correctly in place first.

Richard Patsy said he appreciates Michael Lynch’s comments, and style drift is an issue.

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The Board of Trustees discussed the percentages of the Total Fund market value which would be allocated to total real estate. 15% would be approximately allocated to real estate.

AYES: Brown, McDaniel, Patsy, Wood. NAYS: Lynch. The vote passed 4-1.

The Board of Trustees discussed the timeframe for implementing the new asset allocation.

Jordan Cipriani said that the investment horizon would be a couple of years – regarding vintage year diversification; we do not want to throw in all of the dollars in one year.

Michael Lynch discussed how other asset classes would be overweight as the Fund waits to build its private credit and non-core real estate allocation.

Jordan Cipriani said there would be some asset classes which will be overweight to the target over the next few years. Although they will be overweight, the relative overweights will preserve the relationships commensurate to the long-term targets.

Chris Brown held a 5-minute recess.

The Board of Trustees meeting resumed at approximately 10:39 A.M.

VII. Executive Director's Report

a. Fiscal Year 2021 PFPF Performance Plan

Timothy Johnson said that RVK presented a memo to the FIAC regarding the Annual Payroll Contribution Timing Analysis. We are moving in the right direction, but we do not have a recommendation yet.

The Board of Trustees discussed ideas to improve the sound quality while meeting in the atrium.

Timothy Johnson said we will make accommodations to improve the sound and acoustics by the December meeting.

Timothy Johnson and Terry Wood updated the Board of Trustees on the progress of the Keane settlement legislation. The settlement legislation will be going before City Council on Tuesday night.

Timothy Johnson discussed his Fiscal Year 2021 PFPF Performance Plan with the Board of Trustees. He covered each slide as shown in the meeting book, and spent the most time briefly describing each of his strategic goals for the new Fiscal Year:

- Monitor Pension Reform Ordinances
- Administer Emerging Investment Management and Brokerage Policies
- Assess Employer Reimbursement and Contribution Practice
- Succession planning in anticipation of retirements
- Board's Governance Priorities
- Employee Engagement
- Benefit Administration Priorities
- Plan Solvency

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- Better online tools for members and staff
- Outreach (during and after pandemic)
- Maximize real estate income
- Mid-Career Member Education

Michael Lynch made a motion to approve the Fiscal Year 2021 PFPF Performance Plan. Seconded by Terry Wood.

Discussion:

Michael Lynch said that JFRD had originally planned for a benefit education day, but this was postponed due to the COVID-19 situation. This would be similar, and the PFPF could reach out to firefighter union president Randy Wyse.

Michael Lynch said regarding the judge's order on the Keane case, the Board's independence is not only stated in Article 22 of the Charter, but in Chapter 121 of the Ordinance Code, and Chapters 175 and 185 of the Florida Statutes. This far exceeds any one line item.

The vote passed unanimously.

b. Experience Study – Pete Strong

Pete Strong introduced Jennifer Cagasan of GRS who is joining today's meeting via ZOOM. She is a senior analyst and a behind-the-scenes force working on the plan.

Jennifer Cagasan thanked the Board of Trustees for having her at today's meeting.

Pete Strong discussed the Experience Study, which analyzes the assumptions used for the Actuarial Valuation Report, and compares them to actual experience. This study should be performed roughly every 5 years. If the actual experience deviates from the assumptions, the assumptions need to be revised. This study resulted in recommended assumption changes to every assumption, and the Board of Trustees will vote to approve the changes at their next meeting. He covered each recommended assumption change:

- Salary Increase Assumption: Higher than expected
- Future Retirement Rates: Lower than expected
- Mortality Assumption: Update to reflect FRS's changes as required by FL Statutes
- Assumed Rate of Separation: Higher than expected
- Disability Rate: Lower than expected
- Probability of Surviving Spouse: Higher than expected

Pete Strong said that all of these changes result in an almost net-zero impact on the required contribution. There is a +\$14,782 impact total, which is not significant. The largest impact was the Probability of Surviving Spouse Assumption, but it was offset by the Mortality Assumption.

Pete Strong discussed the diagram on page 18 of the Experience Study: Single Equivalent Cashflow-adjusted Investment Return Forecast. On the short and long term horizons, this tells us that the baseline average expected return is 6.64%, based on an average provided by 20-25 investment consultants. The range of reasonability, GRS believes, is about 50

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basis points above and below this number, ranging from 6.14% to 7.14%. The Plan's assumed rate of 6.9% falls within this range. Even though this number is on the high end of the range, we believe it is prudent.

The Board of Trustees discussed lowering the Plan's Assumed Rate of Return below 6.9%. They discussed when they must vote on lowering the rate in order to affect the City Contribution for 2021. They would have to vote on lowering the rate at the December 2020 meeting.

Michael Lynch made a motion to accept the Experience Study, and to adopt the new assumption beginning with the Actuarial Valuation dated October 1, 2020. Seconded by Terry Wood. The vote passed unanimously.

Randall Barnes said he thinks the PFPF Board of Trustees and the GEPP Board of Trustees both agree that their assumed rates of return should be lowered over time, and that both boards have done a good job taking action to begin that process.

The Board of Trustees continued discussing lowering the Plan's Assumed Rate of Return. They did not vote, but noted that they could vote in December's meeting to affect the 2021 City Contribution.

VIII. Council Liaison Update

Michael Boylan thanked the Board of Trustees for the opportunity to be the City Council Liaison. He said he hopes to be a champ and conduit to the group, and will do the best he can. He said he looks forward to the opportunity, and has already learned a lot today.

IX. Old Business

None.

X. New Business

None.

XI. Adjournment

12:03 P.M.

Nawal McDaniel, Board Secretary

Summary Prepared By:

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

Posted: 12/01/2020

To be Approved: 12/18/2020