



SUMMARY TO THE REGULAR BOARD OF TRUSTEES AND F.I.A.C JOINT MEETING

Friday, January 26, 2024

9:00 A.M. – 10:04 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
Capt. Michael Lynch
Terry Wood

Financial Investment and Advisory Committee (F.I.A.C.)

Eric "Brian" Smith Jr., Chair
Erwin Lax, Secretary
*Brian Chappell
Steve Glenn
Kendall Park

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
*Rob Cook, Harrison Street
*Robert Hulme, RVK, Investment Consultant
John Sawyer, Office of General Counsel
Brennan Merrell, COJ Treasury
*Spencer Hunter, RVK, Investment Consultant
*Jenna Sheehan, Harrison Street
Pete Strong, GRS, Fund Actuary
*Bob Sugarman, Fund Counsel

*904-607-1895
*Cyril Espanol, Journalist

*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.

City of Jacksonville Police and Fire Pension Fund
Summary to the Board of Trustees Meeting and F.I.A.C. Joint Meeting of
Friday, January 26, 2024
9:00 A.M. – 10:04 A.M.

Summary

- I. Convene Meeting
 - a. FIAC
 - b. Board of Trustees

- I. Pledge of Allegiance

- II. Invocation

Timothy Johnson gave the invocation.

- III. Moment of Silence

Stacey L. Adams, Retired Police Sergeant
Milton A. Bowles, Retired Police Officer
Robert J. Gorsuch, Retired Fire Lieutenant
Robert L. Hillis, Retired Police Officer
Asa A. Higgs, Retired Police Sergeant
Giles E. Johnson, Retired Firefighter Engineer
Allen D. Martin, Retired Police Officer
Gregory K. McRoy, Retired Police Officer
Angel D. Principe, Retired Police Lieutenant
Charles J. Scriven, Retired Chief of Police Services
Edward D. Sonnenthal, Retired Fire Captain
William E. Squyars, Retired Police Officer

- IV. Public Speaking

- V. Consent Agenda Items 2024-01-(0108)CA – *Board of Trustees action requested*

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

2024-01-01CA Meeting Summaries to be Approved

- 1. Summary to the Board of Trustees Meeting of December 15, 2023

City of Jacksonville Police and Fire Pension Fund
 Summary to the Board of Trustees Meeting and F.I.A.C. Joint Meeting of
 Friday, January 26, 2024
 9:00 A.M. – 10:04 A.M.

2024-01-02CA 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

12-01-2023 thru 12-31-2023

| | | | |
|----|--------------|-----------|-------------------|
| 1. | J.P. Morgan | \$ | 425,133.39 |
| | Total | \$ | 425,133.39 |

DISBURSEMENTS B

12-01-2023 thru 12-31-2023

| | | | |
|----|--------------------------------|----|-----------|
| 1. | Accounts Payable Distributions | \$ | 68,895.93 |
| 2. | Accounts Receivables | \$ | 29,415.93 |

2024-01-03CA Pension Distributions

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

December 8, 2023

| | | | |
|----|--------------------|-----------|----------------------|
| 1. | Regular Gross | \$ | 10,459,942.50 |
| 2. | Regular Lump sum | \$ | 0.00 |
| 3. | Regular Rollover | \$ | 0.00 |
| 4. | Regular DROP Gross | \$ | 1,497,072.24 |
| 5. | DROP Lump sum | \$ | 0.00 |
| 6. | DROP Rollover | \$ | 0.00 |
| | Total | \$ | 11,957,014.74 |

December 22, 2023

| | | | |
|----|--------------------|----|--------------|
| 1. | Regular Gross | \$ | 7,324,330.07 |
| 2. | Regular Lump sum | \$ | 0.00 |
| 3. | Regular Rollover | \$ | 0.00 |
| 4. | Regular DROP Gross | \$ | 1,480,932.27 |
| 5. | DROP Lump sum | \$ | 0.00 |

City of Jacksonville Police and Fire Pension Fund
Summary to the Board of Trustees Meeting and F.I.A.C. Joint Meeting of
Friday, January 26, 2024
9:00 A.M. – 10:04 A.M.

| | | |
|------------------|-----------|---------------------|
| 6. DROP Rollover | \$ | 0.00 |
| Total | \$ | 8,805,262.34 |

The following Consent Agenda items 2024-01-(04-05CA) were verified with supporting documentation and approved at the Advisory Committee meeting held on January 16, 2024. Vote was unanimous. Meeting Summary attached.

[2024-01-04CA](#)

Application for Survivor Benefits

[2024-01-05CA](#)

Application for Disabled Childrens' Benefits

The following Consent Agenda items 2024-01-(06-08CA) were verified with supporting documentation and received as information at the Advisory Committee meeting held on January 16, 2024. Vote was unanimous. Meeting Summary attached.

[2024-01-06CA](#)

DROP Participant Termination of Employment

[2024-01-07CA](#)

DROP Distributions

[2024-01-08CA](#)

DROP Distributions for Survivors

City of Jacksonville Police and Fire Pension Fund
Summary to the Board of Trustees Meeting and F.I.A.C. Joint Meeting of
Friday, January 26, 2024
9:00 A.M. – 10:04 A.M.

VI. FIAC Meeting Summary

a. November 14, 2023 FIAC Meeting – FIAC action requested

Steven Glenn moved to approve the FIAC Meeting Summary, seconded by Kendall Park. The vote passed unanimously.

VII. Executive Director's Report

a. PFPF Staff Transition to JPOFFHIT – Board of Trustees action requested

Timothy Johnson extended a warm welcome to the Board of Trustees and FIAC members at the joint meeting, emphasizing its necessity due to an absence of a quorum during Tuesday's FIAC meeting. Key approvals were on the agenda, including the Actuarial Valuation Report, the Investment Policy Statement (IPS), and a significant \$15 million Non-Core Real Estate investment in Harrison Street Partners Fund IX.

Timothy Johnson addressed the PFPF Staff Transition to the Jacksonville Police Officers' and Fire Fighters' Health Insurance Trust (JPOFFHIT). He highlighted that the JPOFFHIT Board's unanimous vote offered PFPF staff an option to join the trust, with health insurance coverages mirroring those provided by the City of Jacksonville. This move is anticipated to yield average annual savings of \$293.28 in premiums for most staff. Notably, PFPF Staff and new hires will have a one-time opportunity to opt into this arrangement.

Terry Wood moved to approve the recommendation to allow PFPF Staff to join the JPOFFHIT, seconded by Nawal McDaniel. The vote passed unanimously.

b. Investment Policy Statement – FIAC action requested

Timothy Johnson addressed the modifications to the IPS, acknowledging the usual protocol of presenting changes to the FIAC for approval before the Board of Trustees. However, due to the absence of a December FIAC meeting and the urgency to implement changes and file a compliance report with the State, the Board of Trustees granted initial approval. Now, the IPS changes are being brought back to the FIAC for their endorsement. These changes are crucial for compliance with House Bill 3, which restricts ESG investing.

Specifically, Item J in the IPS has been revised to state, "The Fund does not currently have an Emerging Investment Manager and Brokerage Firm Policy." Additionally, Item K now reads, "The Fund may consider various investment programs, occasionally referred to as economically targeted investments, based on pecuniary factors such as expected return, risk characteristics, and impact on the program's overall success."

Kendall Park moved to approve the changes to the Investment Policy Statement, seconded by Steven Glenn. The vote passed unanimously.

Timothy Johnson, mindful of time constraints, announced the deferral of the discussion on updated Board Rules to the next month's meeting.

City of Jacksonville Police and Fire Pension Fund
Summary to the Board of Trustees Meeting and F.I.A.C. Joint Meeting of
Friday, January 26, 2024
9:00 A.M. – 10:04 A.M.

VIII. Draft Actuarial Valuation as of October 1, 2023 –*F.I.A.C. and Board of Trustees action requested*

Pete Strong covered the highlights of the October 1, 2023 Draft Actuarial Valuation Report:

- Required City Contribution (payable Oct. 2024) = \$178.1 million (vs. \$174.0 million payable Dec. 2023).
- Actual Net Money-Weighted Return on Assets, 10/1/22 to 9/30/23 = 13.7% (vs. -16.78% during FY 2022).
- Recognized (Smoothed) Return on AVA = 4.2% (vs. 4.8% LY).
- Average MV Returns over past 3, 5 and 10 years = 5.2%, 5.3% and 6.5%, respectively.
- Net Impact of the following items on the Required City Contribution:
 - Recognized Investment Losses (4.2% Return on AVA versus 6.5% assumption - phasing in FY 2022 MV loss): +\$3.8 million
 - Demographic Experience Losses (Salary Increases: 6.7% vs. 4.4% assumed); Retirements: 117 vs. 92 expected, Mortality Experience; Data Adjustments): +4.0 million
 - Change in Projected Pension Liability Surtax from 10/1/22 to 10/1/23, reflecting smoothing: (\$2.1 million)
- Actuarial Accrued Liability = \$5.13 billion (vs. \$4.92B LY)
- Net Market Value of Assets = \$2.19 billion (vs. \$1.97B LY)
- Net Actuarial Value of Assets = \$2.30 billion (vs. \$2.26B LY)
 - Market Value Gains/Losses are being smoothed in over 5 years (starting with FY 2018 return)
- Total Unfunded Liability (UAAL) = \$2.84 billion (vs. 2.66B LY)
- Funded Ratio = 44.7% (42.7% based on MV)
 - Was 46.0% (40.1% based on MV) as of 10/1/2022
- Present Value of Pension Liability Surtax (Reflecting Smoothing) = \$1.37 billion (up from \$1.26 billion LY)
 - Was expected to be \$1.34 billion as of 10/1/2023.
 - Smoothed surtax proceeds increased 6.4% (vs. 4.25% assumption) from FY22 to FY23.
 - Actual surtax proceeds increased 9.3% from FY22 to FY23.
 - “Slice of the total surtax pie” increased from 58.9% to 59.0%.
 - Average surtax growth from FY16 to FY23 = 6.4% (average inflation over the same period = 3.53% per year).
- Net unfunded liability subject to amortization (= UAAL – PV of Surtax) = \$2.838 billion - \$1.373 billion = \$1.465 billion (up from \$1.397 billion LY).
- Amortization payment on the net unfunded liability (which is part of the required City contribution) = \$104.6 million (vs. \$97.6 million last year).

Pete Strong covered the new exhibits included in this year’s report:

- ASOP No. 4 requires two new disclosures this year – First is LDRM:
 - LDRM (Low Default Risk Obligation Measure): The liability of the Pension Fund if all assets were invested in a low risk matching bond portfolio.
 - An interest rate of 4.63% was used for this purpose (20-year municipal bond index rate)
 - LDRM liability as of 10/1/2023 = \$6.73 billion (versus a \$5.13 billion AAL using 6.5%).
- Second new disclosure required this year is a Reasonable Actuarially Determined Contribution:

City of Jacksonville Police and Fire Pension Fund
Summary to the Board of Trustees Meeting and F.I.A.C. Joint Meeting of
Friday, January 26, 2024
9:00 A.M. – 10:04 A.M.

- Using reasonable actuarial assumptions/methods, ignoring prescribed assumptions/methods set by law, providing for Fund to accumulate sufficient assets to pay all benefits, avoiding or minimizing negative amortization / deteriorating funded status.
- We used a 20-year level dollar amortization of the total UAAL and recognized some of the projected PLS proceeds, through 2042.
- Reasonable ADC = \$258.3 million (this amount narrowly prevents negative amortization in the near term).

In response to Terry Wood's inquiry, Pete Strong clarified that, without the surtax, the City Contribution would stand at \$275.6 million.

Brian Smith sought clarification on the surtax growth rate, questioning the impact should it fall below the assumed 4.25% rate. Pete Strong explained that they are currently implementing a smoothing strategy for the surtax growth rate, creating a buffer in case it falls below the assumed 4.25% rate. The decision to implement smoothing is proving beneficial.

FIAC: Kendall Park moved to approve the Draft Actuarial Valuation Report, seconded by Steven Glenn. The vote passed unanimously.

Board of Trustees: Nawal McDaniel moved to approve the Draft Actuarial Valuation Report, seconded by Mia Jones. The vote passed Unanimously.

IX. Investment Consultant Reports

a. Harrison Street Real Estate Partners Fund IX – FIAC and Board of Trustees action requested

Jordan Cipriani introduced the Non-Core Real Estate Recommendation Preview of Harrison Street Real Estate Partners Fund IX to both the Board of Trustees and the FIAC. RVK's suggestion entails a \$15 million commitment.

The fund's proposed investment style revolves around a value-add diversified niche within the US non-core real estate sector. Target sectors encompass student housing, senior housing, life sciences, medical office, self storage, data centers, and build-to-rent housing.

The strategic approach involves developing to core, enhancing, renovating, repositioning, and improving the operation of acquired assets. Additionally, the team aims to capitalize on distressed capital structures within the specified sectors. The recommended commitment stands at \$15 million, with a targeted return of a 13-15% Net Internal Rate of Return (IRR) and a Net Multiple of 1.6-1.7x.

In terms of fees, a 1.75% management fee applies to committed capital during the investment period, along with a 1.75% fee on invested capital.

Jenna Sheehan and Rob Cook of Harrison Street presented their Harrison Street Real Estate Partners Fund IX to the Board of Trustees and FIAC. They covered the following pages from their presentation:

- First Mover in Alternative Real Assets (page 2)
- Cycle-Tested Investment Thesis (page 3)

City of Jacksonville Police and Fire Pension Fund
Summary to the Board of Trustees Meeting and F.I.A.C. Joint Meeting of
Friday, January 26, 2024
9:00 A.M. – 10:04 A.M.

- Alternative Sectors Increasingly Liquid (page 4)
- Unprecedented Demand & Supply Tailwinds (page 5)
- Fund IX Profile (page 6)
- Fund IX: Our Best Ideas Across Alternatives (page 7)
- Fund IX: Representative Investments (page 9)

FIAC: Steve Glenn moved to approve the RVK recommendation to invest \$15 million in Harrison Street Real Estate Partners Fund IX, seconded by Erwin Lax. The vote passed unanimously.

Terry Wood moved to approve the RVK recommendation to invest \$15 million in Harrison Street Real Estate Partners Fund IX, seconded by Nawal McDaniel. The vote passed unanimously.

b. Monthly Investment Performance Analysis – December 31, 2023

Jordan Cipriani presented the Monthly Investment Performance Analysis as of December 31, 2023. She began with the General Market Commentary on page 2:

- Global equity markets continued their rebound in December, as most US and international indices posted mid-single digit to low-double digit gains, with small-cap stocks generally outperforming large-cap stocks within the US.
- The bond market also continued its rally in December, posting a 3.83% return as represented by the Bloomberg US Aggregate Bond Index. Both stocks and bonds traded higher on cooling inflationary data, falling yields, and positive economic readings including a robust labor market.
- The Federal Reserve left interest rates unchanged at their December meeting, marking the third consecutive meeting the Fed did not raise interest rates, with rate cuts expected to occur in 2024. Inflationary pressures continued to ease, declining to 3.10% year-over-year as of November, lower than the October reading.
- Equity markets posted positive returns in December as the S&P 500 (Cap Wtd) Index returned 4.54% and the MSCI EAFE (Net) Index returned 5.31%. Emerging markets returned 3.91%, as measured by the MSCI EM (Net) Index.
- The Bloomberg US Aggregate Bond Index returned 3.83% in December, outperforming the 2.10% return by the Bloomberg US Treasury Intermediate Term Index. International fixed income markets returned 4.80%, as measured by the FTSE Non-US World Gov't Bond Index.
- Public real estate returned 9.92% in December and 7.39% 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 2.30% for the month and 6.35% over the trailing one-year period, as measured by the HFRI FOF Comp Index.
- Crude oil's price fell by 5.67% during the month and has decreased by 10.73% YoY.

Jordan Cipriani further delved into the financial details, specifically the Schedule of Investable Assets on page 3. She highlighted a Fiscal Year to Date return of 7.23% as of December 31 and a Calendar Year to Date return of 16.04%.

City of Jacksonville Police and Fire Pension Fund
Summary to the Board of Trustees Meeting and F.I.A.C. Joint Meeting of
Friday, January 26, 2024
9:00 A.M. – 10:04 A.M.

Jordan Cipriani touched upon the Asset Allocation & Performance (Net of Fees) on page 5, emphasizing that all of the PFPF's US equity and International equity managers posted double-digit positive returns for the calendar year.

X. Counsel Reports

John Sawyer and Bob Sugarman had nothing new to report.

XI. Council Liaison Report

None.

XII. Old Business

a. Rules Committee Update

Chris Brown informed the group that the Rules Committee Update has been rescheduled for the February Board of Trustees meeting agenda.

XIII. New Business

None.

XIV. Privilege of the Floor

None.

XV. Election of Officers

a. FIAC Chair – FIAC action requested

b. FIAC Secretary – FIAC action requested

Brian Smith and Erwin Lax said they are willing to serve another year as FIAC Chair and FIAC Secretary.

City of Jacksonville Police and Fire Pension Fund
Summary to the Board of Trustees Meeting and F.I.A.C. Joint Meeting of
Friday, January 26, 2024
9:00 A.M. – 10:04 A.M.

Steve Glenn moved to approve Brian Smith as FIAC Chair, and Erwin Lax as FIAC Secretary for 2024, seconded by Kendall Park. The vote passed unanimously.

- c. Board Chair – Board of Trustees action requested*
- d. Board Secretary – Board of Trustees action requested*

Chris Brown and Nawal McDaniel said they are willing to serve another year as Board Chair and Board Secretary.

Terry Wood moved to approve Chris Brown as Board Chair, and Nawal McDaniel as Board Secretary for 2024, seconded by Mia Jones. The vote passed unanimously.

XVI. Upcoming Events

- a. Board of Trustees Meeting – Friday, February 23, 2024 at 9:00AM*
- b. Manager Update Workshop – Loomis Sayles – Wednesday, February 28, 2024 at 12:00PM*
- c. FIAC Meeting – Tuesday, March 19, 2024 at 3:30PM*

XVII. Adjournment

10:04 A.M.

Nawal McDaniel, Board Secretary

Posted: 01/29/2024

To be Approved: 02/23/2024

Erwin Lax, FIAC Secretary

Posted: 01/29/2024

To be Approved: 03/19/2024

Summary Prepared By:

Steve Lundy, Deputy Director

City of Jacksonville Police and Fire Pension Fund