



SUMMARY TO THE REGULAR F.I.A.C. COMMITTEE MEETING

Friday, June 12, 2020

3:36 P.M. – 5:11 P.M.

City of Jacksonville Police and Fire Pension Fund
1 West Adams Street Suite 100, Jacksonville, FL 32202
WEBEX ROOM 5

The next Financial Investment and Advisory Committee (F.I.A.C.) meeting will be held July 10, 2020 at 3:30 P.M.

Financial Investment and Advisory Committee

Eric “Brian” Smith Jr., Chair
Rodney Van Pelt, Secretary
Rob Kowkabany
Erwin Lax

Guests

Kevin Fenelon, Baillie Gifford
Andrew Murray, Baillie Gifford
Kendall Park

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.

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Agenda

Timothy Johnson convened the meeting at 3:36 P.M. because Chair Brian Smith had not yet joined the call. Rodney Van Pelt, Rob Kowkabany, and Erwin Lax were present at this time.

- I. Public Speaking
None.

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II. Meeting Summaries

a. May 8, 2020 FIAC Meeting Summary

Rodney Van Pelt made a motion to approve the May 8, 2020 FIAC Meeting Summary. Seconded by Erwin Lax. The vote passed unanimously.

Chair Brian Smith joined the call, and read the opening statement, noting that this meeting is being held via Webex in an audio-visual conference – allowed under Governor DeSantis’s emergency order to accommodate social distancing during the ongoing COVID-19 pandemic.

III. Manager Update – Baillie Gifford

Keven Fenelon and Andrew Murray of Baillie Gifford gave their presentation as attached. They covered the following topics:

- Developments at Baillie Gifford: Firm Update (page 1)
- Investment Returns: Performance to April 30, 2020 (page 5)
- Portfolio Resilience – Coping with Coronavirus (page 4)
- Portfolio Holdings (page 2)

Rodney Van Pelt asked if the benefits from the recent move to more automation-based and online companies would continue after the COVID-19 crisis subsides.

Andrew Murray said that Baillie Gifford believes that the good performance will continue – and even if just 10% of the new customers gained during the crisis remain afterwards, this will be a win.

IV. Director’s Report

a. Form 1: Statement of Financial Interests & Form 9: Quarterly Gift Disclosure – Steve Lundy

Steve Lundy informed the FIAC that there is a Jacksonville Code of Ordinances requirement to file “annual public conflict disclosure statements”, also known as Form 1, even though the Florida Statutes do not require this.

Pedro Herrera agreed, and said State Statute requires certain public officers to file Form 1. The FIAC is not required to do so by State Statute. The form is due on July 1, but the FIAC would likely not be held to the penalty for late filling – however, it would be a good idea to file it before July 1 anyways. This will be on record with the Supervisor of Elections in the county of your residence.

Brian Smith asked if there should be a retroactive filing.

Pedro Herrera said, no, he does not think so.

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b. Kendall S. Park – Candidate for appointment to FIAC

Timothy Johnson said that Brian Smith has proposed Kendall Park as a candidate to the FIAC to fill Craig Lewis's seat. This would be a three-year term from March 1, 2020 to March 1, 2023.

Brian Smith said that although he hasn't met Kendall Park in person, he has talked with him on the phone, and he has a long history of working in the financial services industry. He is a Certified Financial Planner, and a qualified individual.

Kendall Park said he graduated from Jacksonville University in 1993, and has worked in finance ever since. He currently manages a \$400 million portfolio with his team. He said he would be happy to be a part of the FIAC.

Erwin Lax made a motion to recommend nomination by the Board of Trustees of Kendall Park to the FIAC. Seconded by Rob Kowkabany. The vote passed unanimously.

c. Report 795A – Follow-up on PFPF Bank Account Audit – Kevin Grant

Timothy Johnson said that the PFPF was customarily audited in 2016, and this is the follow up.

Kevin Grant briefed the FIAC on the audit as attached, its three findings, and the PFPF's responses to them, including procedure changes where necessary.

V. Investment Consultant Reports

a. Monthly Investment Performance Analysis – May 31, 2020 – Preliminary

Kevin Schmidt covered the Fund's performance for the month of May. The rally continued in May, fueled by a better than expected US job report, positive oil prices, and positive fixed income performance. Small Cap is outperforming Large Cap, and Value is outperforming Growth.

Rodney Van Pelt said the Fund's US Equities are underperforming the index, and this is concerning. This should be discussed in the future relating to the asset allocation.

b. Quarterly Investment Performance Analysis – March 31, 2020

Not covered in the interest of time.

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c. Capital Markets Update & Asset Allocation Review

Jim Voytko covered the Capital Markets Update as attached. He made the following points and covered the following topics:

- RVK Capital Market Assumptions (page 4): As a result of significant changes to interest rates, equity valuations and inflation expectations – following the economic repercussions of the COVID-19 outbreak, and the unprecedented monetary and fiscal policy measures that followed, both in the US and abroad - RVK made the decision to update our long-term forecasts as of Q1 2020 to reflect revisions in our outlook.
- What does it mean to get CM Assumptions “right”? (page 5): How volatile will earnings be? How do asset classes move in sync? RVK looks at capital market assumptions each year. We want assumptions to be accurate relative to the gaps between asset classes.
- 2020 Capital Market Assumptions & Themes (page 7)
- RVK Compound Return & Risk Assumptions (page 10): Volatility matters.
- Next Step: Asset Allocation Study (page 12): Judgements are made in the context of constraints.

Jordan Cipriani covered the Asset Allocation Review as attached. She made the following points and covered the following topics:

- Analysis: Efficient Frontier 1 (page 14): Using the inputs described earlier by Jim Voytko, RVK modeled two optimization scenarios. The Constraints are based loosely on the policy constraints of the Investment Policy Statement. We made an ‘efficient frontier’, and pulled 10 hypothetical portfolios.
- Analysis: Efficient Frontier 1 (page 15): We are pretty close to the efficient frontier. It is hard to land right on it.
- Analysis: Efficient Frontier 2 (page 16): Using a similar process as the first frontier, but included additional alternative asset classes, with more flexible asset ranges.

Rodney Van Pelt asked if all four scenarios fall short of the 6.9% target. He asked if that is because the Fund is limited by the Investment Policy Statement.

Jordan Cipriani said it is difficult to hit 7% on a forward basis using a purely beta expectation. This model doesn’t factor in any alpha, or active management outperformance.

Jim Voytko said that the PFPF is doing what every other fund is doing right now – lowering their assumed rate of return at the advice of their actuaries. Everyone takes on actuarial benchmark risk.

Brian Smith asked if the FIAC will meet virtually or in person in July.

Pedro Herrera said that the Governor’s order is set to expire at the end of June. Afterwards, it will be Sunshine Law as we once knew it.

Brian Smith said that the FIAC will meet at the PFPF in person, unless otherwise directed by the Governor.

VI. Old Business

None.

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VII. New Business
None.

VIII. Adjournment
5:11 P.M.

Summary Approved:

Rodney Van Pelt, FIAC Secretary

Summary Prepared By:

Steve Lundy, Deputy Director

City of Jacksonville Police and Fire Pension Fund

Posted: 06/15/2020

To be Approved: 07/10/2020