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JACKSONVILLE POLICE AND FIRE PENSION FUND  
FINANCIAL INVESTMENT AND ADVISORY COMMITTEE  
MEETING SUMMARY – JUNE 14, 2019 – 3:30PM

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**FIAC**

Eric "Brian" Smith Jr., Chair  
Rob Kowkabany  
Priyesh Patel

**STAFF**

Steve Lundy, Assistant Plan Administrator  
Kevin Grant, Finance Manager  
Bob Sugarman, Fund Counsel – via Webex  
David Lindberg, Investment Consultant – via Webex

**EXCUSED**

Craig Lewis Sr., Secretary  
Rodney Van Pelt  
Timothy H. Johnson, Executive Director – Plan Administrator

**Meeting Convened:**

3:38PM

**Meeting Adjourned:**

5:05PM

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**I. PUBLIC SPEAKING PERIOD**

*None.*

**II. MEETING SUMMARIES TO BE APPROVED**

***Motion to approve: KOWKABANY; Second: PATEL; APPROVED UNANIMOUSLY.***

1. **FIAC Meeting** – May 17, 2019

**III. INVESTMENT CONSULTANT REPORTS**

*David Lindberg*

*David Lindberg said May was a difficult month. He discussed the following topics and made the following points from Wilshire's handout:*

**1. May 2019 Wilshire Perspectives (HANDOUT)**

- Page 4: Perspectives – May a selloff for equities, but there has been a bounce back in June so far.
- In each selloff market, certain managers in the Fund's portfolio outperform, but lag in rallies – Sawgrass and Acadian, for example.
- Volatility has returned after being subdued for so long prior to 2018.
- The Fed is talking about backing off interest rate hikes for now.

**2. May 2019 Fiscal YTD Performance Estimate (HANDOUT)**

- Page 6: PFPF Performance Update – The Fund was down -4.3% for May, and off by -0.9% on a value-added basis.
- The Fund is down -2.2% on a Fiscal Year-To-Date basis.

**3. May 2019 Performance Flash Report (HANDOUT)**

David Lindberg discussed manager performance for May, as shown on pages 8-13 of the handout.

David Lindberg discussed challenges to active management in the U.S. Equity space with the FIAC. It is hard to outperform the market in the large cap U.S. Equity space. Some of the Fund's managers may be lagging since inception because they weren't holding the big stocks that led the index through the recovery since 2009.

David Lindberg said it might be good to look at these managers' performance over the past 10 years. He said he would like to bring more statistical analysis for the next meeting.

Brian Smith asked why Wedge is struggling.

David Lindberg said he would need to look through their inception period. Wilshire scored Wedge highly, and Wilshire likes what they do. Wilshire has a lot of conviction in Wedge.

David Lindberg discussed Fixed Income with the FIAC. The Fund has a lot of credit exposure, and is too risky.

Rob Kowkabany said that the Fund has about 80% in Core-Plus, and is exposed to the riskier credit sectors. He asked how the Fund's allocation compares to those of other public funds.

David Lindberg said Core-Plus isn't terribly unusual to public funds – but Wilshire would like to make the Fund's Core component be true Core (Thompson Siegel isn't pure Core, they have some Core-Plus), and take out some credit exposure. Wilshire believes the Fund is light in high-quality Fixed Income.

David Lindberg said there was a MLP selloff in May. Wilshire has discussed indexing the MLP space previously. The MLP universe is changing quite a bit. Many MLPs have changed to C-Corps. We may want to research what is going on in this industry. This is one of a few things Wilshire would like to address soon.

David Lindberg briefly discussed pages 14-15 of the handout, "Cash Flow Summary". Which shows a cash-basis reporting of performance.

David Lindberg said that the bottom line is that May was a tough month, and the Fund underperformed the benchmark. Volatility has been huge this Fiscal Year.

#### **IV. EXECUTIVE DIRECTOR'S REPORTS**

##### **2. Adopted Ordinances 2019-261-A & 2019-262-A**

Steve Lundy updated the FIAC on the progress of Resolutions 2019-261 and 2019-262. Both have been approved: Priyesh Patel is officially a member of the FIAC, and Brian Smith has been reappointed.

##### **1. Investment Consultant RFP – HANDOUT**

Kevin Grant

Kevin Grant overviewed the history of the Fund's investment consultant to Priyesh Patel, the newest member of the FIAC. Summit Strategies had been the Fund's investment consultant for almost 10 years. Late last year, Summit Strategies merged with Mercer, and are now unable to consult for public pension funds. The Fund needed an investment consultant, so an RFI was issued, and ultimately Wilshire was selected to be interim investment consultant for one year. Summit Strategies was also the City's investment consultant, however the City issued a full RFP.

Kevin Grant said the Fund is preparing for a full RFP for a long-term investment consultant contract, and has piggybacked off the City's RFP, and the Fund's previous RFI. This handout is a combination of those two documents. It will be reviewed with the Fund Counsel.

Kevin Grant said 'Outsourced Investment Management Services', or 'OCIO' services has been added to the RFP, just to see if these firms offer this service. Timothy Johnson believes this may be a service worth looking into in the future to save on management fees.

Kevin Grant said that Brian Smith wanted to review the criteria for scoring the RFPs, and the eventual interviews.

Steve Lundy displayed the 'Evaluation Matrix' on the screen (handout). This matrix was used by the City in evaluating the RFP responses from prospective investment consultants.

Kevin Grant said he added to extra columns to the City's evaluation matrix. These columns relate to the interviews.

Brian Smith asked if the RFP draft contains standard language.

Kevin Grant said yes, it is all standard.

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*Brian Smith said he spent a lot of time reviewing the City's RFP documents handed out at last month's FIAC meeting.*

*Brian Smith said he was frustrated at how the City scored the candidates for investment consultant – the City chose RVK, however they scored Segal Marco much higher.*

*Brian Smith asked about the different evaluation criteria. 'Competence' will mean something different to different people. These candidates are all 'competent' – they wouldn't be let in the door otherwise.*

*Kevin Grant said the interviews made all the difference.*

*Brian Smith asked what 'Financial Responsibility' means.*

*Kevin Grant said a candidate scoring high in Financial Responsibility would not have any SEC findings against them, and few pending lawsuits.*

*Priyesh Patel said he thinks there is some inherent bias in the evaluation matrix. The FIAC should do a better job calibrating the matrix. There should be less categories.*

*Brian Smith said he liked the way the FIAC conducted the RFI better than how the City conducted their RFP and interviews. They interviewed the candidates once, and decided right there. The FIAC interviewed the candidates twice for the interim investment consultant contract.*

*Rob Kowkabany said he liked the FIAC's RFI process a lot. The FIAC needed time to digest what it heard during the first interview, and then follow up again at the second interview with new questions.*

*Priyesh Patel said asking the right questions is great – and a narrower focus is better.*

*Brian Smith said he believes the interview should be the most heavily weighted category on the evaluation matrix. It should be at least 50%.*

*Bob Sugarman said he agrees that the interviews are important. He said it would be good to ask for three people to attend the interview from each candidate firm – whoever will talk to us when the Fund has questions, whoever will attend the Fund's meetings, and one decision maker for the firm.*

*Brian Smith asked if 'Proximity to Project' means the geographical distance between the firm and the PFPF.*

*Kevin Grant said yes, from their main office location.*

*Brian Smith said AndCo was in Orange Park, Florida. He said he thought they were great – however ultimately we chose Wilshire. Wilshire is based in Pennsylvania.*

*Kevin Grant said this evaluation matrix is better suited for RFPs for construction projects.*

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*Priyesh Patel said he would prefer 5-6 categories that make a difference.*

*Brian Smith said we don't need the 'Proximity to Project' category if the travel terms are in the contract.*

*Kevin Grant said the two categories, 'Competence', and 'Ability to Design an Approach and Work Plan' always threw him off. All of these firms will be competent.*

*Brian Smith said 'Competence' is too broad.*

*Priyesh Patel said he agrees – this could be measured differently, through the firm's assets under management. We don't need this category, just include it as part of the RFP.*

*Kevin Grant said the RFP could specify minimum standards as well.*

*Bob Sugarman said experience and qualifications should be considered. 'Competence' gets you in the door. Florida's legal environment is unique – we want a firm familiar with Florida's unique laws and politics.*

*Brian Smith suggested renaming the category 'Experience and Qualifications'.*

*Priyesh Patel said he would scratch 'Current Workload' as well.*

*Brian Smith agreed to eliminate the 'Current Workload' category. He asked if we should amend the RFP and look at it again in July.*

*Kevin Grant said the FIAC should take this home, digest it, and let us know at the next meeting what to add or subtract.*

*Priyesh Patel said he thinks 'Financial Responsibility' should stay on, but with a lower weight.*

*Priyesh Patel asked about the 'Ability to Observe Compliance with Plans' category.*

*Rob Kowkabany said that could mean the firm's scope of services.*

*Brian Smith said this is too vague. If these firms weren't capable of providing services, they would've been screened out in the first place.*

*Priyesh Patel suggested placing the OCIO services as another category outside the total. If a firm offers it, they may receive extra points. Other firms would not be penalized if they did not offer the service, however.*

*Brian Smith discussed manager fees – another item missing from the evaluation matrix.*

*Bob Sugarman said fees should be a separate consideration, as they are negotiated.*

*Brian Smith asked about the 'Time & Budget' category.*

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*Kevin Grant said that was used for fees. He said he thinks we need to keep the category. Attachment 'B' to the RFP handout gives a description of each category.*

*Brian Smith said 'Ability to Design an Approach and Work Plan' should be combined with 'Ability to Observe Compliance with Plans'. It is virtually the same category.*

*Priyesh Patel said we need to do the prep work at the front end so that the back end of this process will be easier.*

*Priyesh Patel said the 'Volume of Current and Prior Work for Using Agencies' should be scratched.*

*Brian Smith said he thinks we can develop a better tool.*

*Kevin Grant said that this same evaluation matrix was used by the City in 2003.*

*Priyesh Patel said he likes the way we are going. The FIAC could use the interviews to refine the scores.*

*Brian Smith asked if the City scored the evaluation matrix in the interview process.*

*Kevin Grant said the City's GEPP staff scored the evaluation matrix before the interviews.*

*Rob Kowkabany said it didn't have much of a bearing on the City's final decision.*

*Brian Smith said it is odd that staff scored the matrix. This is very subjective.*

*Kevin Grant said that historically, they would keep these scores in place, then score the firms again in the interviews, then combine the scores.*

*Brian Smith said now that we are drilling down into the City's process, it looks more and more inconsistent.*

*Kevin Grant said the City just selected the firm after the interview. He said he couldn't believe it. He said he didn't know if the Professional Services Committee was even present at the meeting.*

*Brian Smith asked Kevin Grant to make the FIAC's revisions to the draft RFP, and bring it back at July's meeting.*

*Kevin Grant said he would make the changes.*

*Brian Smith said he was concerned that if we receive 10-15 responses to this RFP, and asked on what level the FIAC should rely on PFPF staff to eliminate firms before the interviews.*

*Kevin Grant said the PFPF staff will make sure the candidates meet the minimum requirements.*

*Priyesh Patel said we would be relying on the PFPF staff to rate the first round. Then the top 5 or so would be invited to the interview.*

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*Brian Smith asked who the decision makers would be.*

*Kevin Grant said it would be himself, Timothy Johnson, and Steve Lundy.*

*Brian Smith asked Steve Lundy to make the RFP draft an agenda item for July's meeting.*

*Bob Sugarman suggested that the PFPF staff provide some data in the RFP, in case any of the candidates would like to produce a sample report, showing what they would regularly present to the FIAC and Board of Trustees.*

*Brian Smith said that is a good idea. He said this would be a top priority at the next meeting. In the meantime, FIAC members should provide suggestions to Timothy Johnson.*

**V. OLD BUSINESS**

**VI. ADJOURNMENT**  
5:05PM

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Steve Lundy, Assistant Plan Administrator  
Posted 06/17/2019

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Craig Lewis Sr., Secretary  
To be approved at the FIAC Meeting on July 12, 2019.

The next regular FIAC meeting will be held Friday, July 12, 2019 at 3:30PM.