



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

Tuesday, September 24, 2024

3:30 P.M. – 4:15 P.M.

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

The next Financial Investment and Advisory Committee (F.I.A.C.) meeting will be held Tuesday, September 24, 2024 at 3:30 P.M.

Financial Investment and Advisory Committee

Eric “Brian” Smith Jr., Chair
Brian Chappell, Secretary
Greg Ealey
Steve Glenn
Kendall Park

Guests

*Jordan Cipriani, RVK, Investment Consultant
*Spencer Hunter, RVK, Investment Consultant
*Joe Ebisa, With Intelligence

Fund Staff

Timothy H. Johnson, Executive Director – Plan Administrator
Steve Lundy, Deputy Director
Kevin Grant, Finance Manager

*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.

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.

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.

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Summary

I. Public Comment

None.

II. Meeting Summaries – *action requested*

a. August 20, 2024 FIAC Meeting

Steve Glenn moved to approve the August 20, 2024 FIAC Meeting Summaries, seconded by Greg Ealey. The vote passed unanimously.

III. Executive Director's Report

a. Investment Consultant RFP Update

Timothy Johnson informed the FIAC that the Bell Partners Manager Update Workshop was both educational and a valuable opportunity to hear from one of the PFPF's new non-core real estate managers. Bell Partners manages a non-core real estate allocation for the PFPF and previously owned the Bell Riverside apartments, located across from Publix in Riverside. He encouraged the FIAC to attend future manager update workshops, either in person or via Zoom.

Johnson also announced that Friday's Board of Trustees meeting and Trustee Breakfast have been canceled due to the approaching Hurricane Helene. The agenda items from September's Board meeting will be moved to October. Additionally, all city schools will be closed on Thursday and Friday, and city offices will close on Thursday and likely on Friday as well due to the storm.

Johnson further informed the FIAC that Kevin Grant had published the RFP for investment consulting services a week after last month's Board of Trustees meeting. The RFP process is expected to conclude with a final decision in November. The Board of Trustees has requested that interviews with investment consultant candidates be scheduled during a joint meeting of the Board and FIAC. While a date for this meeting has not yet been set, it will need to be coordinated at a time that works for everyone.

Brian Smith mentioned that he will be out of the country until November 9 and would be available after the 11th. The regular November FIAC meeting is scheduled for the 19th.

Johnson suggested that holding the joint meeting in place of the regular FIAC meeting would be ideal.

Smith then asked what stood out during the Bell Partners workshop. Johnson highlighted Bell Partners' strategy, which focuses on low- and mid-rise developments, specifically purchasing existing properties they believe are thriving and growing. The properties vary in age, and Bell Partners works to secure longer-term lease agreements with tenants. Although they no longer own the Bell Riverside property across from Publix, they continue to manage it.

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IV. Investment Consultant Reports

a. Monthly Investment Performance Analysis – August 31, 2024

Jordan Cipriani reviewed the Monthly Investment Performance Analysis as of August 31, 2024 with the FIAC. She touched on the following topics:

- Global equity markets pulled back to start the month, driven by significant turbulence in Japanese markets, weak economic data, and a slowing labor market. However, stock markets broadly rebounded throughout the rest of August, with most domestic and international equity indices ending the month in positive territory. Markets were once again led by large-cap stocks, whereas small-cap stocks posted negative performance during the month.
- Bonds traded higher for a fourth consecutive month, as rates fell across the yield curve due to continued easing inflation data and resulting rate cut expectations. US inflation, as measured by CPI, continued to moderate with year-over-year inflation slowing to 2.9% as of the end of July. At the Federal Reserve’s meeting in Jackson Hole, Fed Chairman Powell acknowledged inflation risks have subsided, resulting in optimism the Fed would begin cutting interest rates at its September meeting.
- Equity markets posted positive returns in August as the S&P 500 (Cap Wtd) Index returned 2.43% and the MSCI EAFE (Net) Index returned 3.25%. Emerging markets returned 1.61%, as measured by the MSCI EM (Net) Index.
- The Bloomberg US Aggregate Bond Index returned 1.44% in August, outperforming the 1.09% return by the Bloomberg US Treasury Intermediate Term Index. International fixed income markets returned 3.05%, as measured by the FTSE Non-US World Gov’t Bond Index.
- Public real estate returned 6.41% in August and 5.50% over the trailing five-year period, as measured by the FTSE NAREIT Eq REITs Index (TR).
- The Cambridge US Private Equity Index returned 8.41% for the trailing one-year period and 15.41% for the trailing five-year period ending March 2024.
- Absolute return strategies returned 0.32% for the month and 8.59% over the trailing one-year period, as measured by the HFRI FOF Comp Index.
- Crude oil's price fell by 4.22% during the month and has decreased by 12.05% YoY.

Jordan Cipriani reviewed the Total Fund Asset Allocation by Asset Class, Asset Allocation vs. Target, and the Schedule of Investable Assets on page 3 of the report. She confirmed that all asset classes are within their allowable ranges.

She also discussed the Schedule of Investable Assets, noting that the total fund value at the start of the fiscal year was \$2.23 billion. Year-to-date, the fund experienced a net cash flow of \$159 million and investment gains of \$418 million, bringing the total market value to \$2.8 billion, with a fiscal year-to-date return of 17.93%. Overall, the outlook for Fiscal Year 2024 is positive.

b. Discussion of potential re-up with HIG and Victory Park Capital

Jordan Cipriani provided the FIAC with a brief update on two upcoming re-up opportunities: HIG Capital and Victory Park Capital. The PFPF’s first non-core real estate investment was in HIG Capital’s Fund IV, and now the firm is back in the

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market with Fund V. The second opportunity involves private credit with Victory Park Capital's next asset-backed private credit strategy. Cipriani noted that there would be more details to discuss next month.

Timothy Johnson asked how long it typically takes after investing in a private investment manager's fund before considering reinvesting in their next fund.

Cipriani explained that in the private markets, the time periods are generally longer. It usually takes a few years to see meaningful performance data since most managers follow a multi-year investment horizon. Typically, it's about 3-4 years before they begin harvesting returns, which aligns with the fundraising cycle. In real estate, this period is around three years, though it can vary depending on market conditions. If the market is strong, the timeframe might shorten. Furthermore, many funds include clauses preventing fundraising for a new fund until all capital in the previous fund has been fully committed. This ensures managers aren't investing across multiple funds simultaneously. In private credit, the cycle tends to move faster, as was seen during the 2021-2022 period when some managers moved through capital more quickly.

Brian Chappell then asked if the PFPF's strong performance has caused it to bump up against any tolerance bands.

Cipriani responded that the PFPF is in a good position. Page 3 of the report shows that target allocations are within policy ranges, and this is being closely monitored. With US Equity, International Equity, and Fixed Income, the focus remains on maintaining consistent overweights within policy guidelines, especially after the fundraising exercise for the repayment to the City.

Chappell also inquired about the status of the equity structure recommendation.

Timothy Johnson explained that the recommendation is still under review by the Board of Trustees and hasn't been approved yet. It will be reviewed again during the October Board meeting.

Cipriani added that the Board was initially scheduled to vote on the recommendation in August, but the meeting was postponed due to a prior commitment from the Board Chair. The vote was rescheduled for September, but that meeting was canceled due to the hurricane. There has been some hesitation from the Board regarding changes in the large-cap growth structure, and a possible new recommendation could involve conducting a large-cap growth manager search instead of terminating or consolidating existing managers. RVK is prepared to perform this work if needed.

Brian Smith asked about the performance metrics for HIG, pointing out a 30% return since inception on page 8 of the report.

Cipriani confirmed that the numbers are accurate and noted that the PFPF entered the HIG portfolio at a unique time. The capital was called after the portfolio had already been partially committed, and harvesting began shortly after the first capital call. These early commitments helped boost returns and mitigate the typical J-curve effect.

Kendall Park then asked if it was common for a fund to be down 76% in its first year, as was the case with Hammes.

Cipriani explained that while this might seem alarming, it's not uncommon. The figure reflects that the PFPF has been paying fees on committed capital, but Hammes hasn't yet invested much of that capital. This creates a scenario where fees are paid on a small market value, which is a classic example of the J-curve effect.

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V. Old Business

None.

VI. New Business

None.

VII. Upcoming Meetings

a. FIAC Meeting – Tuesday, October 22, 2024 at 3:30PM

b. Manager Update Workshop – Blue Owl Capital – Tuesday, October 29, 2024 at 12:00PM

VIII. Adjournment

4:15 P.M.

Brian Chappell, FIAC Secretary

Summary Prepared By:

Steve Lundy, Deputy Director

City of Jacksonville Police and Fire Pension Fund

Posted: 09/25/2024

To be Approved: 10/22/2024