



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

Tuesday, October 15, 2019

Convened 3:35 P.M. – Adjourned 7:19 P.M.

City of Jacksonville Police and Fire Pension Fund  
1 West Adams Street Suite 100, Jacksonville, FL 32202  
Richard “Dick” Cohee Board Room

The next Financial Investment and Advisory Committee (F.I.A.C.) meeting will be held November 15, 2019 at 3:30 P.M.

### Financial Investment and Advisory Committee

Eric “Brian” Smith Jr., Chair  
Craig Lewis Sr., Secretary  
Rob Kowkabany  
Rodney Van Pelt

### Staff

Timothy H. Johnson, Executive Director – Plan Administrator  
Steve Lundy, Deputy Director  
Kevin Grant, Finance Manager  
Dave Robinson, Fund Counsel (via Webex)  
David Lindberg, Wilshire, Investment Consultant (via Webex)

### Guests

LouAnn Eisenhut, Wilshire (via Webex)  
David Lindberg, Wilshire (via Webex)  
Ted Hermann, Wilshire (via Webex)  
Jeffrey Boucek, Segal Marco (via Webex)  
Robert Hungerbuhler, Segal Marco (via Webex)  
J. Keith Reynolds, Segal Marco (via Webex)  
Jordan Cipriani, RVK (via Webex)  
Kevin Schmidt, RVK (via Webex)  
James Voytko, RVK (via Webex)

### Notice

Meeting Agendas and Summaries are available on our website at [jaxpfpf.coj.net](http://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](mailto: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](mailto: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

- I. Public Speaking  
None.
- II. Meeting Summaries
  - a. *September 18, 2019 FIAC Meeting Summary*

Rodney Van Pelt asked to insert the word “if” before “Farah & Farah” on the second paragraph from the bottom of page 2.

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Rodney Van Pelt made a motion to approve the September 18, 2019 Meeting Summary as amended. Seconded by Rob Kowkabany. The vote passed unanimously.

III. Investment Consultant Reports  
a. *Capital Market Review*

David Lindberg discussed the Capital Market Review for the fourth quarter of Fiscal Year 2019 with the FIAC. He covered performance of the Fund's various asset classes in detail. Performance for the Total Fund for Fiscal Year 2019 is estimated to be a positive 2.5%. The Policy Index return was 3.4% over the same period, for a value add of -0.9% over the same period.

After the Investment Consultant Reports, David Lindberg was dismissed so the FIAC could discuss the upcoming conference calls with the finalist candidates for investment consulting services.

IV. Old Business – Follow-Up Calls with Investment Consulting Services Finalists

The FIAC discussed the top three firms, Wilshire, Segal Marco, and RVK, and their goal today to recommend their top pick to the Board of Trustees. They discussed their thoughts on the first three firms following their first interview on October 2<sup>nd</sup>, and how they would proceed to evaluate the firms during the conference calls, and what additional questions they would ask the firms (HANDOUT).

a. *Wilshire Associates*

David Lindberg, LouAnn Eisenhut, and Ted Hermann were present on the conference call, and answered the FIAC's questions:

Timothy Johnson asked what distinguishes Wilshire from Segal Marco and RVK.

David Lindberg said the experience Wilshire has with public funds is distinguishing. Wilshire has been 'top-tier' for public funds since its inception in the 80s with a high level of personalization. This is a huge part of Wilshire's DNA.

Ted Hermann said Wilshire has been acknowledged to catering to public funds – every client, irrespective of size, is treated with a customized approach.

Timothy Johnson asked about the Client – Consultant ratio at Wilshire.

Ted Hermann said it is between 5-6: 1 for the firm as a whole.

David Lindberg said he will focus on 7 clients as lead consultant for Jacksonville in 2020.

Brian Smith asked if David Lindberg is lead, or co-lead on all of his clients.

David Lindberg said he is co-lead on some – other seniors work day-to-day.

Brian Smith asked if the figure of 33% of Wilshire's consulting clients are public funds is accurate.

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David Lindberg said yes.

Timothy Johnson asked David Lindberg how often he would come to Jacksonville in person. The FIAC wants to see the investment consultant more.

David Lindberg said he would come to Jacksonville whenever the FIAC or Board wants him to attend – no problem.

Timothy Johnson said Segal Marco reduced its fee. He asked what Wilshire is willing to do.

David Lindberg said Wilshire is offering a slight reduction. The fee of \$225,000 was offered in the RFP response. We do not think our fees are high, but we will take \$20,000 off, and commit to \$205,000 per year for all services as outlined in the RFP response, as adjusted by inflation going forward.

Timothy Johnson said the FIAC's takeaway is that Wilshire is satisfied in terms of its size, but has no strategy for growth. He asked for clarification.

David Lindberg said he wouldn't say Wilshire doesn't have a growth strategy – Wilshire is selective in its clients. This business model prevents Wilshire from having 200-250 clients. Wilshire has an ownership structure and is not in the consolidation business. A lot of Wilshire's competitors grow through acquisition. Wilshire cares about high quality growth.

Rodney Van Pelt asked about Wilshire's top line growth strategy.

David Lindberg said Wilshire has grown through improved business and services over time – new services. For example, Private Equity is a specialized service. There is a positive sense among stakeholders of Wilshire – we are happy with our business.

Brian Smith asked about the process for implementing a Private Equity allocation through Wilshire.

David Lindberg said he would take the lead, and Wilshire has a group dedicated to Private Equity work. He and LouAnn would present options – 'Fund of funds', a full advisory process, or a discretionary fund.

Rob Kowkabany asked about the fees for these services.

David Lindberg said it would be a flat fee, unless Wilshire was hired to manage a discretionary fund. That would be based on asset size.

Timothy Johnson asked how progress with emerging managers is measured.

David Lindberg said that at least 1 diverse firm is included in every manager search Wilshire conducts, if possible. Many firms have been identified across many asset classes. A diverse firm will be included in every search unless a client advises otherwise. Wilshire hosts a 'Welcome to Wilshire' event, in which managers can introduce themselves to Wilshire.

Timothy Johnson asked what three things Wilshire wants to accomplish with the PFPF in the first year.

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David Lindberg said that Wilshire was asked by the Board of Trustees to not do any big things in the first year – we held back. First, structural items, cash flow issues, and an Asset-Liability study by February. This study will have the Private Equity answer. Other things can be accomplished simultaneously, like Fixed Income and Equity structure.

Timothy Johnson asked for three police and fire clients as references for Wilshire.

David Lindberg mentioned the State of Ohio Police & Fire, the City of Detroit, and New York City Police.

David Lindberg said he would love to have the PFPF's business over the long term, and hopes the PFPF selects Wilshire.

*b. Segal Marco Advisors*

Jeffrey Boucek, Robert Hungerbuhler, and J. Keith Reynolds were present on the conference call, and answered the FIAC's questions:

Timothy Johnson asked if Segal Marco's reduced fee includes an Asset-Liability study.

Jeffrey Boucek said yes, it includes everything the PFPF needs to have done.

Timothy Johnson asked if there is an inflation increase in that fee.

Jeffrey Boucek said he cannot remember that detail, but will keep the fee flat for a while.

Rodney Van Pelt asked if there would be any fees associated with a Private Equity allocation.

Jeffrey Boucek said the only way there would be an additional fee would be if Segal Marco had a discretionary role. There would be no fee in consulting roles.

Brian Smith asked if a plan liquidity analysis is included in the fee.

Jeffrey Boucek said yes.

Brian Smith asked about the process for implementing a Private Equity allocation through Segal Marco.

Jeffrey Boucek said the implementation would start with an extensive, educational discussion. A comfort level would be developed. Different ways to maneuver into the asset class would be discussed – either fund-of-funds, or through diversified strategies. We may recommend overcommitting to compensate for the J-curve.

Brian Smith asked if there would be an advisory fee for ongoing management.

Jeffrey Boucek said there would be none.

Rodney Van Pelt asked if the discretionary service would be more expensive than a fund-of-funds.

Jeffrey Boucek said no, if Segal Marco took a discretionary role, there would be liability risk. It would be under the umbrella of the OCIO product.

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Keith Reynolds said Segal Marco would be making the manager picks and decisions in this role. The Board of Trustees is removed from the decision making process.

Brian Smith said that it sounds like the discretionary route isn't what the PFPF wants based on the model we have.

Timothy Johnson asked how the transition from Wilshire to Segal Marco would occur.

Jeffrey Boucek said that Segal Marco would reach out to Wilshire for data points, and to the PFPF to get access to the custodian. Also, Segal Marco would need access to the actuary in order to perform the Asset-Liability study. Then, Segal Marco would look at the money manager lineup for any immediate issues. After the Asset-Liability study, we would identify mandates which may be new to the portfolio like Private Equity. The goal is to make the transition as smooth and seamless as possible for the Board of Trustees and PFPF staff. We will look to refine the Investment Policy if needed.

Rodney Van Pelt asked about the completion timelines for the Asset-Liability study, Investment Policy Statement review, and liquidity study.

Jeffrey Boucek said performance measurement would be right away, after the transition of information from Wilshire and the custodian. The liquidity study would be within 3 months, and the Asset-Liability study within 6 months. Any new mandates, searches, and education sessions would take place soon after, and all should be done within 10-12 months.

Timothy Johnson said that Jeffrey Boucek commented on a unique funding strategy based on funded status at the last interview.

Jeffrey Boucek said special funding can take on lots of dimensions. The City of Pittsburgh is a client of Segal Marco's. They were under pressure, and had to get creative. Many scenarios were proposed, and they went with revenue sharing with parking. This is really a conversation, and a fact finding mission. There is a lot of experience, and brainstorming opportunities.

Timothy Johnson asked how Segal Marco measures progress regarding diversity initiatives.

Keith Reynolds said Segal Marco has a diversity working group, which identifies client demands on diversity. They help clients add diversity into their manager lineup. From an investment perspective, Segal Marco thinks it promotes adding value to portfolio diversification discipline. There are different ways to set up an emerging manager program. Everything we do is customized, and individually based on the client's needs.

Timothy Johnson asked for other police and fire plans for references.

Jeffrey Boucek mentioned Springfield Police and Fire. He said page 17 of the RFP response lists several other references. Jeffrey Boucek mentioned the Greenwich study – Segal Marco has been ranked number one of all consulting firms in the country for the last 3 years.

*c. RVK, Inc.*

Jordan Cipriani, Kevin Schmidt, and James Voytko were present on the conference call, and answered the FIAC's questions:

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Timothy Johnson asked what three things RVK wishes to accomplish in its first year.

Jordan Cipriani mentioned an Asset-Liability study, an asset allocation review, and an investment policy review. Also, underlying managers in each asset class should be reviewed. All of this could be done in 90 days, but the Asset-Liability study could take longer based on the actuary.

James Voytko said it will be startling how insightful the Asset-Liability study will be – and RVK would like to reduce the price of the first Asset-Liability study from \$45,000 to \$25,000.

Rodney Van Pelt asked how long the Asset-Liability study would take.

Jordan Cipriani said it typically takes between 8-10 weeks. This involves coordination with the plan's actuary and staff, with regards to investment strategies, liabilities, and contribution policies.

Timothy Johnson asked what RVK has accomplished at the City's GEPP during its first year of engagement.

Jordan Cipriani said it was important to establish a work plan with GEPP. There was a lot of data gathering, and an asset allocation study using the 2019 capital market assumptions. This led to an evaluation and a deeper dive into the US Equity allocation, followed by a rebalancing. Also, targets were established with regards to private credit. Once these targets were established, we delved deeper into the US Equity problem area. There was a structural analysis and manager search. Regarding private credit and equity, parameters were established along with private equity education. Regarding the establishment of the strategy to invest into this asset class, the GEPP Board of Trustees will decide next week. We have accomplished everything in the first year.

Kevin Grant asked if RVK performed a new Asset-Liability study for the GEPP.

Jordan Cipriani said no. GEPP provided it to RVK in advance. We analyzed it, and ultimately determined GEPP was comfortable, and we had the data we needed.

Jordan Cipriani said that a new Asset-Liability study for the PFPF would be different from the one performed at GEPP. In contrast, this will be a very fresh study.

Brian Smith asked about the process for implementing a Private Equity allocation through RVK, and about its fees.

Jordan Cipriani said this is something RVK has talked about extensively with the City. GEPP opted for a 7% allocation to Private Equity. It is important to look at annual commitment – you can't allocate all at once. RVK wouldn't likely recommend a fund-of-funds approach. This would be included in the fee. If we were to do a separate buildout, where RVK would source all individual Private Equity funds, then these funds would carry a fee.

James Voytko said the fund-of-funds and separately managed account approaches would be included in the fee. If RVK is asked to go out and find individual funds for a buildout, then RVK would be the advisor and would get the full due diligence document. This would be a separate fee, as it is quite a bit of work.

Brian Smith asked if this would be a flat fee, or basis points.

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Jordan Cipriani said RVK would propose an a la carte scenario – a pay-as-you-go for each fund due diligence. This would be an annual fee. If you allocated \$250 million, you would build out 2-3 commitments a year at about \$25,000 - \$30,000 each. It would be somewhere under \$100,000 a year a la carte. On a retainer basis, it would be less, somewhere around \$50,000 - \$75,000.

Timothy Johnson asked how many visits the GEPP contract calls for, and if RVK would be able to attend both the monthly FIAC and Board of Trustees meetings at the PFPF.

Jordan Cipriani said she would like to attend as much as possible in the beginning, and 12 times a year in person. This may be more or less, whatever is reasonable and prudent.

James Voytko said this is one reason RVK works in teams – sometimes there is a scheduling conflict, and Kevin is always engaged. He said he is engaged as well.

Jordan Cipriani said the whole RVK team is excited to work with the PFPF.

RVK left the conference call at 6:47PM.

Brian Smith asked for a motion.

**Rodney Van Pelt made a motion to recommend RVK as investment consultant. Seconded by Rob Kowkabany. The vote passed unanimously.**

Brian Smith said he would like to give Timothy Johnson the FIAC's rationale for choosing RVK;

- RVK's fee structure;
- RVK's accomplishments with the City's GEPP;
- RVK's meeting commitment of at least 12 meetings a year;
- RVK's robust first year plan;
- RVK's energy and team spirit.

Brian Smith asked about Trustee Michael Lynch's concern of a conflict of interest, due to the City's GEPP and PFPF potentially sharing the same investment consulting firm.

David Robinson said there may be some discomfort, but from a legal standpoint, the Board of Trustees will be signing an agreement exclusively between themselves and RVK. The Board of Trustees acts in the interest of the fund. He said he believes there isn't any legal conflict. From a political perspective, it may be more complicated.

Brian Smith said that the argument was more from the actuarial side. He said he sees no potential for conflict on the investment consulting side.

Brian Smith said next month, there will be an action plan for 2020 for the FIAC. We will discuss alternative meeting date arrangements to bring the Board of Trustees and FIAC closer together. He asked the FIAC to keep their eyes open for new members of the committee, as Priyesh Patel has resigned, and Craig Lewis will not be running for another term.

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V. New Business

VI. Adjournment  
7:19 P.M.

Summary Approved:

Craig Lewis Sr., Secretary  
Financial Investment and Advisory Committee

**Summary Prepared By:**

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

**Posted:** 10/21/2019

**Revised:** 10/22/2019

**To be Approved:** 11/15/2019