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**JACKSONVILLE POLICE AND FIRE PENSION FUND  
FINANCIAL INVESTMENT AND ADVISORY COMMITTEE  
WORKSHOP SUMMARY – JUNE 9, 2017 – 3:30PM  
RICHARD “DICK” COHEE BOARD ROOM**

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**PRESENT**

Rob Kowkabany  
Rodney Van Pelt

**STAFF**

Timothy H. Johnson, Executive Director – Plan Administrator  
Steve Lundy, Pension Benefit Specialist  
Dan Holmes, Summit Strategies – via Webex

**EXCUSED**

Eric “Brian” Smith Jr., Chairman  
Tracey Devine  
Craig Lewis Sr., Secretary

**GUESTS**

Chris Greco, Sawgrass Asset Management  
Marty LaPrade, Sawgrass Asset Management

**I. CALL TO ORDER**

*Timothy Johnson called the workshop to order at 3:40PM.*

**II. PUBLIC SPEAKING PERIOD**

*There were no requests for Public Speaking. Public Speaking Period closed.*

**III. MEETING SUMMARY TO BE APPROVED**

1. Meeting Summary of the FIAC Meeting held May 11, 2017. Copies held in the meeting files.

*Timothy Johnson informed the Committee that since there are only two FIAC members present, thus there is no quorum, and no votes may be made. May's meeting Summary approval has been deferred to July's regularly scheduled meeting. Today's FIAC meeting will be classified as a workshop.*

**V. OLD BUSINESS**

**VI. EXECUTIVE DIRECTOR'S REPORT**

*Timothy H. Johnson*

**Contract Renewal Discussion**

1. Investment Consultant (Summit Strategies)
2. Custodian (Northern Trust)

*Timothy Johnson told the FIAC that two contracts are up for renewal this September: the Investment Consultant, Summit Strategies, and the Custodian, Northern Trust. Timothy Johnson said that he would like for the Board of Trustees to extend these two contracts for one more year. He said that it may not be the best time to change partners right now, given the fact that the Fund is undergoing pension reform.*

*Rodney Van Pelt asked what the original duration of these contracts was.*

*Steve Lundy said that the contracts are included in the workshop book.*

*Dan Holmes said that Summit Strategies' contract had already expired and was extended until this September.*

*Timothy Johnson noted that Summit Strategies has had a relationship as Investment Consultant with the PFPF for more than 10 years.*

*Timothy Johnson said that he would ask the FIAC to extend the contracts in the July FIAC meeting, assuming there will be a quorum.*

3. External Auditor (CRI)

*Timothy Johnson said that the PFPF's contract for an external auditor has also expired. The PFPF's previous external auditor, KBLD, has retired. Timothy Johnson contacted the City, and has been in contact with the City's external auditor,*

*CRI. CRI has responded to the PFPF and has matched KBLD's fees. Timothy Johnson said that the PFPF would be able to 'piggyback' on the City's contract with CRI.*

*Rodney Van Pelt asked if CRI performs the City's annual audit.*

*Timothy Johnson said that yes, they do, and they also provide audit services for the General Employees' Pension Plan.*

### **Pension Reform Administration Discussion**

#### **1. Asset Liabilities Study**

*Timothy Johnson said that he has gathered insight from Dan Holmes on the asset liabilities study, and that there is a difference now in respect to the closing of the plan, because there is a dedicated funding source.*

*Timothy Johnson said that the plan is expected to be 100% funded in 2056. If the plan is not fully funded by then, the surtax can be extended until fully funded status is reached.*

*Timothy Johnson said that there are two views on investment strategy for the future. First, the plan could take a conservative strategy: low risk, low return. Secondly, the plan could value the surtax as an investment and afford to consider investing in riskier assets in pursuit of higher returns.*

#### **2. Oct. 1 2017 Actuarial Valuation**

*Timothy Johnson informed the FIAC that since the PFPF's last Actuarial Valuation, the PFPF has a new actuary, and new pension reform. He said this means that there is a 'new guy counting the beans, and new rules on how our beans should be counted'.*

*Rodney Van Pelt said that he would like to know how a closed plan impacts the actuarial valuation concerning how assumptions are assessed – how impacts are calculated and how they are derived, like the Surtax Growth Rate Assumption.*

*Rodney Van Pelt said that although the FIAC cannot dictate what the Surtax Growth Rate Assumption is, we can officially say what we think it should be.*

*Timothy Johnson said that the actuary would present to the FIAC around October or November.*

*Rodney Van Pelt discussed the rates of return for the PFPF as they relate to assessing the Assumed Actuarial Rate of Return for future years.*

*Dan Holmes said that it would be difficult to predict what the rates of return will be on a 30-year horizon. Summit Strategies uses a 10-year horizon at maximum.*

## **VII. INVESTMENT CONSULTANT REPORTS**

*Dan Holmes*

1. Flash Report – May 31, 2017

*The Flash Report was received as information by the FIAC.*

2. Economic & Capital Market Update – May 31, 2017

*The Economic & Capital Market Update was received as information by the FIAC.*

3. Recommended Rebalancing

*The Recommended Rebalancing was received as information by the FIAC. A vote could not be taken because there was no quorum.*

4. Sawgrass Manager Review

*Dan Holmes said that since the plan has so much invested in high risk assets, Sawgrass is useful because they provide downside protection.*

*Rodney Van Pelt said he feels that the plan should avoid trying to micromanage its asset allocation. He reminded Dan Holmes that he mentioned a new index fund last month.*

*Dan Holmes said that the alternate index fund will be presented to the FIAC next month. The new index fund would utilize 'smart beta', which relates to reweighting on alternative factors such as valuation and momentum.*

*Rodney Van Pelt added that the real test would be if the index could outperform over time.*

*Dan Holmes said that it would be hard to tell, as the index does not have a long history.*

## **VIII. NEW BUSINESS**

### 1. Sawgrass Asset Management Presentation

*Chris Greco gave a quick summary on Sawgrass. He noted that the firm has had a 2.5 year relationship with the PFPF, is a local firm in Jacksonville Beach, and that 2/3 of its clients are municipal pension funds. He said that the firm is 100% employee owned, and that it grew out of Barnett Bank.*

*Marty LaPrade asked the FIAC for questions, given the short amount of time available.*

*Rodney Van Pelt asked about Sawgrass' low volatility approach, and how it affects their ability to outperform the index.*

*Marty LaPrade said that the strategy of Sawgrass isn't exactly to be low volatility. He said that Sawgrass' strategy is to look at companies that are mispriced with low volatility. He said that he believes this strategy is superior to highly emotional growth strategies.*

*Marty LaPrade continued the presentation, highlighting in detail the performance of Sawgrass in many different historical market situations.  
(refer to the Sawgrass Presentation attachment for greater detail)*

*Rodney Van Pelt asked how qualitative factors influence Sawgrass' investment strategy, such as CEO changes.*

*Marty LaPrade said that all situations are unique, and are considered. He used the example of Steve Jobs and Apple's stock.*

*Rodney Van Pelt asked if Sawgrass considers any companies to be the 'gold standard' as industry leaders, such as Apple.*

*Marty LaPrade said that Apple is a good example of a 'gold standard', although Sawgrass recently trimmed their holding in Apple. He said that Apple is a more emotional product, and that Sawgrass' strategy is to trade around that. Sawgrass is always looking at fundamentals.*

*Chris Greco thanked the FIAC for allowing them to present, and invited everyone at the workshop to visit Sawgrass' office in Jacksonville Beach whenever they would like.*

**IX. ADJOURNMENT**

*Timothy Johnson adjourned the workshop at 5:08PM.*

**NOTES:**

Any person requiring a special accommodation to participate in the meeting because of disability shall contact Steve Lundy, Pension Benefits Specialist at (904) 255-7373, at least five business days in advance of the meeting to make appropriate arrangements.

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.

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Craig Lewis, FIAC Secretary

*To be approved at the FIAC Meeting on July 14, 2017*