



## SUMMARY TO THE REGULAR BOARD OF TRUSTEES MEETING

Friday, September 22, 2023

9:00 A.M. – 10:24 A.M.

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

The next regular Board of Trustees meeting will be held Friday, October 20, 2023 at 9:00 A.M.

### Board of Trustees

Chief Chris Brown, Chair  
Nawal McDaniel, Secretary  
Cpt. Michael Lynch  
Terry Wood

### Excused

Mia Jones

### Fund Staff

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

### Guests

Chris Cicero, Fund Treasurer  
Jordan Cipriani, RVK, Investment Consultant  
\*Pedro Herrera, Fund Counsel  
Lawsikia Hodges, Office of General Counsel  
Nick Howland, City Council Liaison  
Spencer Hunter, RVK, Investment Consultant  
Brennan Merrell, COJ Treasury  
\*Bob Sugarman, Fund Counsel  
Randy Wyse, President, IAFF Local 122

\*Andrew Holm, Ares Management  
\*William Lee, Ares Management  
\*Craig Packer, Blue Owl Capital  
\*Colin Vick, Blue Owl Capital

\*Kevin Balaod, with.Intelligence  
Chuck Baldwin, JFRD, IAFF Local 122  
Renzer Bell  
Kelly Dobson, JFRD, IAFF Local 122  
Gregory Gosch  
Amy Henderson, JPOFFHIT  
\*Vanessa Cullins Hopkins  
Amber Lehman  
Thomas Lumpkin, Advisory Committee  
Mark Muchowicz, JSO, FOP 5-30  
Andy Robinson, GEPP  
Eric B. "Brian" Smith Jr., FIAC Chair

\*Asterisk denotes virtual meeting attendance via the ZOOM application

### Notice

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

### I. Pledge of Allegiance

### II. Invocation

Timothy Johnson gave the invocation.

### III. Moment of Silence

Wendell Black, Retired Fire District Chief  
William H. Burns, Retired Fire Division Chief  
Charles Fowler, Retired Police Officer  
Wyllie B. Hodges, Retired Undersheriff  
Lelius M. Waddell, Retired Police Sergeant  
Joseph F. Wiggins, Retired Police Officer

### IV. Public Speaking

Renzer Bell, member of the public, expressed his interest in gaining insights into the demographics being targeted in the fund's portfolio manager searches with regard to diversity. He also emphasized the importance of having access to data regarding the number of diverse-owned portfolio managers being considered and evaluated in these searches.

### V. Consent Agenda Items 2023-09-(01-14)CA – *action requested*

**Terry Wood moved to approve the consent agenda, seconded by Nawal McDaniel. The vote passed unanimously.**

#### *2023-09-01CA Meeting Summaries to be Approved*

1. Amended Summary to the Board of Trustees Meeting of June 16, 2023
2. Summary to the Board of Trustees Meeting of August 18, 2023
3. Summary to the Board of Trustees & FIAC Manager Update Workshop of September 13, 2023

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*2023-09-02CA Disbursements*

The listed expenditures in DISBURSEMENTS A & B have been reviewed and deemed payable. The Police and Fire Pension Fund Finance Manager certifies that they are proper and in compliance with the appropriated budget. Transaction lists attached.

**DISBURSEMENTS A**

08-01-2023 thru 08-31-2023

1. Comerica Bank	\$	97,338.07
2. Pinnacle Associates	\$	112,443.00
3. Eagle Capital Management	\$	512,185.60
<b>Total</b>	<b>\$</b>	<b>721,966.67</b>

**DISBURSEMENTS B**

08-01-2023 thru 08-31-2023

1. Accounts Payable Distributions	\$	44,777.68
2. Accounts Receivables	\$	30,098.28

*2023-09-03CA Pension Distributions*

All calculation and dollar amounts have been reviewed and calculated in accordance with accepted procedures.

**August 4, 2023**

1. Regular Gross	\$	7,335,910.27
2. Regular Lump sum	\$	0.00
3. Regular Rollover	\$	0.00
4. Regular DROP Gross	\$	1,508,497.70
5. DROP Lump sum	\$	0.00
6. DROP Rollover	\$	0.00
<b>Total</b>	<b>\$</b>	<b>8,844,407.97</b>

**August 18, 2023**

1. Regular Gross	\$	7,313,074.07
2. Regular Lump sum	\$	0.00
3. Regular Rollover	\$	0.00
4. Regular DROP Gross	\$	1,497,549.75

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5. DROP Lump sum	\$	0.00
6. DROP Rollover	\$	0.00
<b>Total</b>	<b>\$</b>	<b>8,810,623.82</b>

The following Consent Agenda item 2023-09-(04CA) were verified with supporting documentation and approved at the Advisory Committee meeting held on August 8, 2023. Vote was unanimous. Meeting Summary attached.

[2023-09-04CA](#)

Application for Time Service Retirement

The following Consent Agenda items 2023-09-(05-09CA) were verified with supporting documentation and approved at the Advisory Committee meeting held on September 12, 2023. Vote was unanimous. Meeting Summary attached.

[2023-09-05CA](#)

Application for Membership Under 121.102(e)(1)(A)

[2023-09-06CA](#)

Application for Vested Retirement

[2023-09-07CA](#)

Application for Survivor Benefits

[2023-09-08CA](#)

Application for DROP

[2023-09-09CA](#)

Application for Time Service Connections

The following Consent Agenda items 2023-09-(10-14CA) were verified with supporting documentation and received as information at the Advisory Committee meeting held on September 12, 2023. Vote was unanimous. Meeting Summary attached.

[2023-09-10CA](#)

Refund of Contributions

[2023-09-11CA](#)

Share Plan Distributions

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[2023-09-12CA](#)

DROP Participant Termination of Employment

[2023-09-13CA](#)

DROP Distributions

[2023-09-14CA](#)

DROP Distributions for Survivors

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VI. Executive Director's Report

Timothy Johnson informed the Board about an ongoing securities litigation settlement involving Wells Fargo, which has resulted in losses of approximately \$2.5 million for the PFPF. However, it is essential to note that the settlement has not yet received final approval from the court, leaving the exact amount the PFPF will receive uncertain at this time.

Timothy Johnson provided the Trustees with a briefing on proposed Ordinance 2023-307. This bill has encountered multiple deferrals pending the appointment of a new general counsel. Mr. Johnson expressed that he has already initiated discussions with five council members to bring them up to speed on the bill's particulars. He assured the Board that he would continue to keep them informed of any further developments on this matter.

Additionally, Mr. Johnson stressed the significance of completing the anonymous engagement survey, highlighting its role in aiding the PFPF Staff in assembling performance plans for the upcoming Fiscal Year.

Finally, Mr. Johnson reminded the Board of Trustees about the forthcoming Manager Update Workshops, which are scheduled through March 2024.

a. *Resolution in Recognition of Randy Wyse – action requested*

Timothy Johnson read the Board Resolution in Recognition of Randy Wyse:

*“A RESOLUTION OF THE JACKSONVILLE POLICE AND FIRE PENSION FUND BOARD OF TRUSTEES IN RECOGNITION OF RANDY WYSE’S EXCEPTIONAL SERVICE*

*WHEREAS, Randy Wyse has served as a dedicated and committed member of the Jacksonville Association of Fire Fighters, having been installed as its 14th President on January 1st, 2008, and subsequently re-elected by acclamation, exemplifying steadfast leadership;*

*WHEREAS, Randy Wyse's unwavering dedication and passion for his profession led to his appointment as the 1st District Vice-President of the Florida Professional Firefighters in June of 2018, representing the collective interests of all union members in Northeast Florida, thereby contributing significantly to the welfare of firefighters in the region;*

*WHEREAS, Randy Wyse's 32-year career within the Jacksonville Fire and Rescue Department has been marked by his commitment to service at some of the department's most demanding stations, demonstrating his exceptional work ethic and commitment to the safety and wellbeing of the Jacksonville community;*

*WHEREAS, Randy Wyse, during his tenure as a firefighter, advanced through the ranks with dedication and diligence, culminating in his role as a District Chief assigned to the Jacksonville Fire and Rescue Special Operations Team at Station 4, where he consistently exhibited leadership and professionalism in the most challenging of circumstances;*

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*NOW, THEREFORE, BE IT RESOLVED that the Police and Fire Pension Fund Board extends its deepest appreciation and heartfelt gratitude to Randy Wyse for his extraordinary service, leadership, and commitment to the Jacksonville Fire and Rescue Department, the Jacksonville Association of Fire Fighters, and the broader firefighting community;*

*BE IT FURTHER RESOLVED that a copy of this Resolution be presented to Randy Wyse as a token of our gratitude and esteem, and that it be made a permanent part of the records of the Police and Fire Pension Fund Board of Trustees as a testament to his remarkable career and impact on the firefighting profession.”*

Michael Lynch moved to approve the resolution in recognition of Randy Wyse, seconded by Terry Wood. The vote passed unanimously.

Terry Wood, in response to Renzer Bell's previous public comment, sought clarification regarding the State Law that prohibits the consideration of diversity in certain contexts.

Timothy Johnson provided clarification, noting that, indeed, under the provisions of State House Bill 3, only pecuniary factors can be taken into account. This compliance requirement necessitates biannual reporting, a responsibility managed by Kevin Grant, PFPF Finance Manager. It is worth noting that the PFPF had previously initiated a comprehensive diversity plan, which included reporting on the allocation of brokerage services based on race, gender, and veteran status. However, this plan must now be discontinued to align with the requirements of the State Law.

Following this discussion, Michael Lynch proposed moving the Counsel Reports and Council Liaison Report higher on the agenda for consideration.

## VII. Counsel Reports

Lawsikia Hodges announced to the Board of Trustees that the Mayor had appointed Michael Fackler as the next General Counsel.

## VIII. Council Liaison Report

Nick Howland expressed his appreciation for Timothy Johnson's excellent presentation to the City Council Finance Committee in August. He emphasized his confidence that the PFPF operating budget should receive approval, and all related processes should proceed smoothly.

## IX. Investment Consultant Reports

Jordan Cipriani presented the Ares US Real Estate Opportunity Fund IV (AREOF IV) to the Board of Trustees, highlighting key details and insights. The proposed commitment stands at \$15 million (although the FIAC recommends “up to \$20 million”), with a lofty target size of \$3.0 billion. The fund's investment style leans toward opportunistic ventures within

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the US non-core real estate sector. AREOF IV boasts a versatile approach, allowing opportunistic investments across various sectors, including Multi-Family, Industrial, Hospitality, NNN Lease, and specialized areas like Student Housing and Life Sciences. Their strategy encompasses the enhancement, renovation, and repositioning of existing assets, the completion of development projects, and seizing opportunities in distressed and special situations. The target return is substantial, with a Gross IRR range of 18% to 20% and a Net IRR of 15% to 17%. The fund operates on an 8-year term, extendable by two 1-year periods, with an investment window of 3 years from the final closing. Maximum leverage is set at 75%, and the fee structure comprises a 1.0% management fee on uncalled committed capital during the investment period, rising to 1.525% on invested capital after that period. A preferred return of 9% and a 20% carry with a 40/60 catch-up mechanism complete the fee arrangement.

*a. Non-Core Real Estate Recommendation – action requested*

William Lee introduced Ares Management, a global alternative investment manager with approximately \$378 billion in assets under management. Ares operates across five business groups: Credit (\$250.1 billion AUM), Real Assets (\$64.8 billion AUM), Private Equity (\$35.5 billion AUM), Secondaries (\$23.0 billion AUM), and Other Businesses (\$4.2 billion AUM).

Andrew Holm then began the presentation on AREOF IV, highlighting Ares Real Estate, a global real estate investment manager with a vertically integrated operating platform focused on generating compelling risk-adjusted performance through market cycles. The key advantages of Ares Real Estate include a scaled platform with experience across all sectors, a specialized industrial-focused platform with over 170 professionals, a cycle-tested and collaborative team with strong local networks, and access to real-time corporate and market insights.

Holm also covered Ares' extensive U.S. real estate equity team, consisting of over 200 professionals in 12 offices, emphasizing their local sourcing and management capabilities, as well as their centralized business infrastructure.

The presentation then delved into the track record of Ares' U.S. Opportunistic Real Estate investments, with a demonstrated history of meeting or exceeding target returns across market cycles. As of June 30, 2023, the AREOF Series achieved a blended gross IRR of 20% (net IRR of 14%) across \$2.2 billion of invested capital. AREOF III achieved a gross IRR of 22% (net IRR of 15%) at fair values as of the same date, with substantial commitments of approximately \$1.6 billion. Predecessor vehicles AREOF II and AREOF generated proceeds of approximately \$1.3 billion, representing 146% of invested equity, demonstrating the success of larger fund sizes and their ability to unlock unique opportunities. The portfolio maintained leverage at 62% loan-to-value (LTV).

Holm went on to outline Ares' U.S. Opportunistic Real Estate Strategy, which is designed to capitalize on changing market conditions. The strategy includes pursuing distressed and special situations, enhancing and repositioning assets and portfolios, and developing core-quality assets.

Holm also discussed the portfolio construction of AREOF IV, highlighting the fund's dynamic allocation across property types and strategies, including Multifamily, Industrial, Hospitality, and NNN.



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*b. Private Credit Recommendation – action requested*

Spencer Hunter presented a Private Credit Recommendation, suggesting a \$20 million commitment to the Blue Owl Diversified Lending Fund. The fund's target size ranges between \$2.5 billion and \$3 billion, and it currently stands at \$1.4 billion. The closing schedule for this fund is evergreen, with monthly closing opportunities.

In terms of investment style, the fund specializes in Direct Lending within the Private Credit sector. It targets senior secured loans with floating rates, aiming for an allocation of approximately 75 to 100 loans in total. The fund's primary focus is on privately-owned, sponsor-backed middle market companies in the US, with an EBITDA ranging from \$10 million to \$250 million.

Regarding expected returns, the fund targets a Net IRR of 10% over the Cross Market Cycle and 13% in the Current Market Cycle. It boasts a track record with an IRR of 13.1% gross and 12.2% net, and an average yield of 12.1%, with an impressively low loss rate of 0.06%.

In terms of structure, the Blue Owl Diversified Lending Fund operates as a Private Fund with General Partner and Limited Partners, maintaining an evergreen status. The fund offers rolling 3-year extensions and allows investors to opt-out with 180 days' notice. The investment period is perpetual, and distributions occur on a quarterly basis. The fund targets a maximum leverage range of 0.9x to 1.25x debt to equity, with a cap at 2.0x total commitments. The fee structure includes a 1.25% fee on invested assets, with a reduced fee of 1.0% on invested assets for RVK clients. Additionally, there is a 10% incentive fee over a 6% hurdle, and this incentive fee is waived through 2025. Notably, there is no management fee on undrawn capital commitments.

Colin Vick introduced Blue Owl, a prominent asset manager that's revolutionizing the world of alternative investments. With a staggering \$150 billion in assets under management, they are divided into three key segments: \$73.8 billion in Credit, \$50.9 billion in GP Strategic Capital, and \$24.8 billion in Real Estate.

Blue Owl is all about providing investors with distinctive investment opportunities, focusing on delivering robust performance, risk-adjusted returns, and the preservation of capital. In the Credit arena, formerly known as Owl Rock, they stand as the preferred partner for privately-owned middle- to upper-middle-market companies seeking innovative and tailored financing solutions across the entire capital structure. Meanwhile, their GP Strategic Capital platform, previously known as Dyal Capital, has been at the forefront of delivering inventive, long-term minority equity and financing solutions for more than a decade. Additionally, their Real Estate platform, formerly Oak Street, is a dominant force in the private equity real estate space, offering flexible and unique capital solutions to investment-grade and creditworthy tenants.

Craig Packer then delved into the Credit Platform Overview, showcasing the scale of Blue Owl's \$73.8 billion in assets under management. This impressive feat is driven by a robust proprietary deal flow, nurtured through an extensive network of sponsors. Backed by sophisticated investors, Blue Owl boasts a seasoned investment team with over 100 professionals. What sets them apart is their alignment with the cause, with \$670 million in capital commitments from Blue Owl employees and affiliates. They invest alongside their clients, emphasizing partnership and collaboration as the core foundation for navigating all market cycles. Their track record speaks volumes, with \$78.3 billion in gross originations since inception. They've demonstrated a remarkable ability to source direct lending investment opportunities, boasting over 675 sponsor relationships and reviewing more than 8,400 deals since their inception. Their

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credit performance is stellar, with below-market payment defaults and a net annual loss rate of just 6 basis points since inception. To top it off, they've earned investment-grade ratings for five of their funds.

Craig Packer continued by breaking down the Credit AUM, where Diversified Lending shines with \$43.1 billion in assets under management. This strategy commenced in March 2016 and successfully raised \$21.8 billion in equity. It focuses on senior secured, floating-rate investments, primarily in first lien and unitranche structures, including second liens.

*c. Monthly Investment Performance Analysis – August 31, 2023*

Jordan Cipriani covered the General Market Commentary of the Monthly Investment Performance Analysis as of August 31, 2023:

- Global equity markets pulled back in August, with most US and international indices experiencing low to mid-single digit losses for the month. In the US, small cap stocks generally underperformed large cap stocks, and internationally emerging markets declined more than developed markets.
- The annual U.S. inflation rate was 3.20% through the end of July, up slightly from 3.00% the month prior. Inflation has moderated considerably since 2022 highs, although still remains higher than the Fed's 2.00% target.
- On August 1, 2023, Fitch Ratings downgraded the US debt rating from AAA to AA+ due to concerns over rising fiscal deficits in the near-term, unsustainable debt and deficit trajectories, increased political dysfunction, and polarization among policymakers in addressing fiscal challenges. The downgrade, along with higher treasury issuance, led to an increase in longer-dated yields during August, as well as heightened bond market volatility.
- China's economic growth concerns also contributed to the pullback in global stocks. Economic and deflation data came in weaker than expected, factory activity continued to decrease, and both consumer and business confidence remain weak. During August, the People's Bank of China lowered interest rates twice in an attempt to address these issues, but China's difficulties continue to weigh on the global economy.
- Equity markets posted negative returns in August as the S&P 500 (Cap Wtd) Index returned -1.59% and the MSCI EAFE (Net) Index returned -3.83%. Emerging markets returned -6.16%, as measured by the MSCI EM (Net) Index.
- The Bloomberg US Aggregate Bond Index returned -0.64% in August, underperforming the 0.05% return by the Bloomberg US Treasury Intermediate Term Index. International fixed income markets returned -2.03%, as measured by the FTSE Non-US World Gov't Bond Index.
- Public real estate returned -3.11% in August and 3.69% over the trailing five-year period, as measured by the FTSE NAREIT Eq REITs Index (TR).
- The Cambridge US Private Equity Index returned -0.36% for the trailing one-year period and 16.18% for the trailing five-year period ending March 2023.
- Absolute return strategies returned 0.08% for the month and 3.49% over the trailing one-year period, as measured by the HFRI FOF Comp Index.
- Crude oil's price increased by 2.24% during the month but has decreased by 6.61% YoY.

Jordan Cipriani provided an overview of the Asset Allocation by Asset Class, Asset Allocation vs. Target, and the new addition, the Schedule of Investable Assets on page 3. It's important to note that all assets are currently well within their

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target ranges. The Schedule of Investable Assets section presents data on Beginning Market Value, Net Cash Flow, Gain/Loss, Ending Market Value, and Percentage Return, both on a Calendar and Fiscal Year to Date basis.

Moving on to page 5, Jordan Cipriani delved into Asset Allocation & Performance (Net of Fees). Notably, she highlighted that the Total Fund saw a -2.13% decline on a month-to-date basis, factoring in fees.

**Terry Wood moved to allocate \$15 million to the Ares Opportunistic Real Estate Fund IV, seconded by Nawal McDaniel.  
Discussion:**

Michael Lynch voiced his concern about adding more and more money managers to the portfolio, although this is not a conversation to have today.

**The vote passed unanimously.**

**Nawal McDaniel moved to allocate \$20 million to the Blue Owl Diversified Lending Fund, seconded by Michael Lynch.  
The vote passed unanimously.**

X. Old Business

None.

XI. New Business

None.

XII. Privilege of the Floor

None.

XIII. Upcoming Events

- a. *Manager Update Workshop – Sawgrass Asset Management – Thursday, October 12, 2023 at 12:00PM*
- b. *Board of Trustees Meeting – Friday, October 20, 2023 at 9:00AM*

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XIV. Adjournment  
10:24AM

Nawal McDaniel, Board Secretary

**Summary Prepared By:**

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

**Posted:** 09/26/2023

**To be Approved:** 10/20/2023