



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

Friday, January 15, 2021

3:30 P.M. – 4:54 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 February 12, 2021 at 3:30 P.M.

### Financial Investment and Advisory Committee

Eric “Brian” Smith Jr., Chair  
Rodney Van Pelt, Secretary  
Erwin Lax  
Kendall Park

### Excused

Rob Kowkabany

### Guests

Renzer Bell  
Trey Jean-Baptiste

### Notice

**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.

### Staff

Timothy H. Johnson, Executive Director – Plan Administrator  
Steve Lundy, Deputy Director  
Kevin Grant, Finance Manager  
Pete Strong, GRS, Fund Actuary  
Jordan Cipriani, RVK, Investment Consultant  
Kevin Schmidt, RVK, Investment Consultant  
Jim Voytko, RVK, Investment Consultant  
Bob Sugarman, Fund Counsel

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## Agenda

### I. Public Speaking

None.

### II. Election of Officers

*a. Chair*

*b. Secretary*

**Kendall Park made a motion nominating Brian Smith as Chair and Rodney Van Pelt as Secretary of the FIAC for 2021. Seconded by Erwin Lax. The vote passed unanimously.**

### III. Meeting Summaries

*a. December 11, 2020 FIAC Meeting Summary*

**Rodney Van Pelt made a motion to approve the December 11, 2020 FIAC Meeting Summary. Seconded by Erwin Lax. The vote passed unanimously.**

### IV. Fund Actuary's Report – Pete Strong

*a. Fiscal Year 2020 Actuarial Valuation Report*

Pete Strong discussed the Fiscal Year 2020 Actuarial Valuation Report with the FIAC, beginning on page 1, the Discussion of Valuation Results. The Required Employer Contribution has increased from \$148.5 million to \$157.7 million, largely due to the lower than expected surtax growth rate for this year. Assumption changes also ultimately resulted in a higher contribution amount. The amount of future surtax proceeds allocated to the PFPF decreased, as the unfunded liability of the PFPF relative to the City's other two pension plans decreased. Also, the smoothed return on assets was lower than the assumed rate – 6.5% versus 7.0%.

Pete Strong covered page 4 – the Funded Ratio. The accrued liability will peak once all members become retirees. The Funded Ratio has remained flat recently.

Rodney Van Pelt said that the total liabilities in today's dollars are about \$4.25 billion. The current market value of assets is about \$2.4 billion, and the net present value of the surtax is \$900 million. He asked where the additional \$1 billion will come from if we are to be expected to be fully funded in 30 years.

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Pete Strong said that the additional \$1 billion comes from City Contributions. Page 16 shows the amortization. The annual City Contributions continue even when the Fund receives the surtax.

Brian Smith asked about the difference in the disability amounts in the two columns on page 13. He asked if the decrease from \$26 million to \$19 million was due to changing the assumptions.

Pete Strong said that is correct. The same is correct for vesting.

Pete Strong continued and discussed page 13, the Actuarial Value of Benefits and Assets. He covered the actuarial value of assets, the unfunded liability, and surtax revenue growth, which grew less than expected over the last year.

Pete Strong discussed page 57, the 40-Year Projection of Pension Liability Proceeds and Required City Contributions.

Rodney Van Pelt asked if the PFPF has coordinated raising and lowering the assumed rates of return with the City.

Timothy Johnson said that that coordinating rates has not been discussed, nor is the Board of Trustees obligated to coordinate adjusting rates with the City.

Timothy Johnson discussed the process of approving the Actuarial Valuation. By law, the valuation must be submitted to the City Council within 120 days of the new Fiscal Year on October 1. The report defines the amount required to be paid by the City in December 2021. The FIAC reviews the valuation and recommends to the Board of Trustees to approve. Pete Strong will present it again to the Board of Trustees, who will accept the FIAC's recommendation.

Brian Smith asked if there is a motion to approve the report.

Kendall Park asked about smoothing the market value of assets, and clarification on 2018-2019's returns.

Pete Strong clarified that the annual return percentages are on a fiscal year basis, which is from October through September.

**Rodney Van Pelt made a motion to recommend the Board of Trustees approve the Actuarial Valuation. Seconded by Kendall Park. The vote passed unanimously.**

V. Investment Consultant Reports  
a. *Investment Policy Statement*

Jordan Cipriani summarized the types of updates made to the Investment Policy Statement (IPS) in four categories:

1. Updates reflecting the new targets and permissible ranges to the Asset Allocation;
2. Updates to make terminology consistent (asset class names) throughout the document;
3. Changing a reference to the prior investment consultant by name to the broad term, "Investment Consultant";  
and
4. Effective/amended date changes

Jordan Cipriani noted page 24 is probably the most important, Appendix A. This page shows the new policy targets.

The FIAC discussed where the new percentage allocated to Private Credit and Non-Core Real Estate came from.

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Jordan Cipriani stated a 2% target to developed small cap international equity was never invested.

Brian Smith asked if this allocation limits investments, and if private investments should be grouped together.

Jim Voytko says this allocation doesn't constrain the plan from going into other private investments. This layout is appropriate.

Jordan Cipriani noted that on page 25, the reference to the investment consultant was changed to the broad term, 'investment consultant', rather than naming the current firm.

Rodney Van Pelt said that although the Board does not have to update the IPS every year, it has to be reviewed every year.

**Rodney Van Pelt made a motion to recommend the Board of Trustees approve the IPS. Seconded by Kendall Park. The vote passed unanimously.**

Rodney Van Pelt noted that the asset allocation would be off balance until the targets are fully allocated to. The FIAC needs to communicate to the Board that it will take some time to get to that point.

Jordan Cipriani said that it takes time to build out those targets. A pacing study will be completed with implementation analysis.

Rodney Van Pelt said he was concerned with having duplicate fees, considering the receipt of the City Contribution, and then the payment back to the City. Timing is difficult, especially with this new asset allocation.

Brian Smith said this will be delved into in the pacing study.

*b. Monthly Investment Performance Analysis – December 31, 2020 – Preliminary*

Kevin Schmidt covered the Monthly Investment Performance Analysis as of December 31, 2020. He discussed the market commentary as contained in the meeting book:

- December was a strong month for global equity markets, with all major US and international market indices posting mid to high-single digit returns. Continuing the recent trend, small cap indices outperformed their larger cap counterparts during the month, though the S&P 500 ended the year at an all-time high.
- On December 27th, President Trump signed a \$900 billion pandemic relief bill into law. The coronavirus relief package is intended to bolster the economy and provide relief to many. The bill includes stimulus payments to individuals, enhanced unemployment benefits, relief to small businesses, and funding for COVID-19 testing and the administration of vaccines.
- A COVID-19 variant believed to be significantly more transmittable was detected in the United Kingdom, causing many urban areas to increase lockdown restrictions and leading dozens of countries to impose travel and freight bans on the UK.
- Equity markets posted positive returns in December as the S&P 500 (Cap Wtd) Index returned 3.84% and the MSCI EAFE (Net) Index returned 4.65%. Emerging markets returned 7.35% as measured by the MSCI EM (Net) Index.

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- The Bloomberg US Aggregate Bond Index returned 0.14% in December, outperforming the 0.03% return by the Bloomberg US Treasury Intermediate Term Index. International fixed income markets returned 2.25%, as measured by the FTSE Non-US World Gov't Bond Index.
- Public real estate, as measured by the FTSE NAREIT Eq REITs Index (TR), returned 3.29% in December and 4.77% over the trailing five-year period.
- The Cambridge US Private Equity Index returned 3.35% for the trailing one-year period and 10.33% for the trailing five-year period ending June 2020.
- Absolute return strategies, as measured by the HFRI FOF Comp Index, returned 3.07% for the month and 10.27% over the trailing one-year period.
- December was a strong month for the Fund, which returned over 3.5% on a month-to-date basis. The Fund is up 11.93% Fiscal Year-to-Date, and is up 13.60% Calendar Year-to-Date.

VI. Executive Director's Report

*a. 90-Day FIAC Work Plan Discussion*

*b. FIAC Retention and Recruitment Discussion*

Timothy Johnson discussed the issues the FIAC has had regarding retaining members due to perceived conflicts of interest on behalf of their employers. He said he is developing an informational paper to give to prospective members who may share it with their employer's compliance departments to help mitigate any concerns they may have regarding their service on the FIAC.

Timothy Johnson discussed his 90-day work plan for the FIAC. The work plan includes holding managers accountable for their business with emerging brokers. We are not holding our managers to a target, but encourage them to utilize emerging brokerage firms. The audit will be presented to the FIAC in February. Also, there will be a pacing analysis regarding the new targets to private credit and non core real estate.

Timothy Johnson asked the FIAC members for any ideas or nominations they may have for someone to fill departing FIAC member Rob Kowkabany's seat.

Brian Smith said he and Timothy Johnson worked together with RVK and Bob Sugarman on the 90-day plan, and asked the FIAC for their thoughts.

Erwin Lax said he appreciated the 90-day plan and being able to see down the road.

Kendal Park said the plan is very helpful.

Rodney Van Pelt said he appreciates the plan, and how it dovetails into the 12-month plan.

Brian Smith added that he is interested in seeing the pandemic implications on core real estate – especially the long-term changes to the asset class. He said he thinks the pandemic may have accelerated something which was coming anyways – more people are working from home and less in office space.

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VII. Old Business

None.

VIII. New Business

None.

IX. Next Meeting – February 12, 2021 at 3:30 P.M.

X. Adjournment  
4:54 P.M.

Rodney Van Pelt, FIAC Secretary

**Summary Prepared By:**

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

**Posted:** 01/25/2021

**To be Approved:** 02/12/2021