



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

Friday, July 10, 2020  
3:33 P.M. – 5:06 P.M.

City of Jacksonville Police and Fire Pension Fund  
1 West Adams Street Suite 100, Jacksonville, FL 32202  
**WEBEX ROOM 4**

The next Financial Investment and Advisory Committee (F.I.A.C.) meeting will be held August 14, 2020 at 3:30 P.M.

### Financial Investment and Advisory Committee

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

### Guests

Richard Patsy, Trustee  
Gar Chung  
Nelson McNeil  
Jason Bourgea

### Staff

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

### Excused

Erwin Lax

### 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.

### Summary

Chair Brian Smith opened the meeting, noting that this meeting is held via Webex in an audio-visual conference – allowed under Governor DeSantis’s emergency order to accommodate social distancing during the ongoing COVID-19 pandemic.

City of Jacksonville Police and Fire Pension Fund  
Summary to the Regular F.I.A.C. Meeting of  
Friday, July 10, 2020  
3:33 P.M. – 5:06 P.M.

I. Public Speaking  
None requested.

II. Meeting Summaries

*a. June 12, 2020 FIAC Meeting Summary*

Rodney Van Pelt made a motion to approve the June 12, 2020 FIAC Meeting Summary with an amendment to page 3 to include “MLPs have poor results”. Seconded by Rob Kowkabany. The vote passed unanimously.

III. Director’s Report

Timothy Johnson said that the priority for today’s meeting is the updated Asset Allocation Review. He said he asked RVK to spend less time on the June Performance Analysis to save more time for the Asset Allocation Review. No action is needed on the Asset Allocation Review today, unless the FIAC is so inclined.

Brian Smith said that he spoke with Timothy Johnson about the Asset Allocation Review prior to today’s meeting, and that he is excited to delve into it. This is our first pass, so we may tweak it before taking any action. The FIAC will make that determination as a whole.

IV. Investment Consultant Reports

Jordan Cipriani & Kevin Schmidt, RVK

*a. Monthly Investment Performance Analysis – June 30, 2020 – Preliminary*

Kevin Schmidt briefly covered the June Performance Analysis. June was a strong month for fund performance. U.S. Equities and International Equities performed strongly on an absolute and relative basis. Manager outperformance was mixed – some were laggards resulting to underweights to the big stock names like Amazon and Google.

*b. Asset Allocation Review*

Jordan Cipriani said today’s presentation will be a deeper dive into the Asset Allocation Study. No action is required today, as this is an iterative process. Feedback is welcome.

Rodney Van Pelt asked for clarification regarding the 2016 and 2019 ‘targets’ shown starting on page 4 of the presentation.

Jordan Cipriani said that the 2019 target asset allocation was adopted by the Board of Trustees last year and established a 10% allocation to private investments. This 2019 target hasn’t yet taken effect. The Fund Asset Allocation as it stands

City of Jacksonville Police and Fire Pension Fund  
Summary to the Regular F.I.A.C. Meeting of  
Friday, July 10, 2020  
3:33 P.M. – 5:06 P.M.

today more closely reflects the 2016 target asset allocation decision, because these alternatives are not integrated. The Fund Asset Allocation has not changed much since 2016.

Rodney Van Pelt said that was helpful.

Jordan Cipriani covered pages 5-6, the Potential Portfolios Overview. This analysis casts a wide net, and shows the different outcomes among the blends of potential portfolios.

Jordan Cipriani discussed page 7, 'Potential Portfolios'. This shows the actual allocation as of May 31, and four potential portfolios for consideration. She discussed portfolio liquidity, and differing combinations of allocations across Private Credit, Non-Core Real Estate, and Private Equity.

Rodney Van Pelt asked why the potential allocations to these private investments total 13-15% given the fund target allocation of 10%.

Jordan Cipriani said the model was run to allow the maximum in the aggregate for all three categories. Also, there is some reduction in MLPs.

Kevin Schmidt said the Fund Investment Policy allows a permissible range to 15% in Private Investments. The full range was utilized for this exercise.

Rodney Van Pelt said his concern lies in liquidity – if there is a market downturn, private investments hold value as opposed to public investments.

Jim Voytko agreed, and said that we would not want to find ourselves in a situation in which we would have to sell equities at a low point. The good news is the Fund is starting at a very high level of liquidity.

Brian Smith asked how much time it would take to reach a fully-invested status in private investments as shown in portfolio 3.

Jordan Cipriani said it is not 'turn-key'. We would need to complete a study to determine what the appropriate amount of dollars to allocate each year. There is a risk of 'vintage year diversification' if we allocate all at once. This allocation should be deployed over a multi-year period of at least 3 years.

Brian Smith asked what we could expect to see in 12 months assuming we started investing in private investments today.

Jordan Cipriani said that with 5% allocated to Non-Core Real Estate, somewhere between \$25-40 million could be allocated a year, split across 2 or so opportunities. We could split this amount among more funds at lower allocations, or less funds at higher allocations. It is important to consider diversification's effects on administrative burden as well. We must strike a balance.

Jim Voytko said that this process will take several years to scale into.

The FIAC and RVK continued to discuss the differences among portfolios 1-3, discussing liquidity challenges, and expected risk and return.

Jim Voytko discussed the 'Efficient Frontier' on page 9. This is a tight cluster of reasonable asset allocations. The big difference lies in what asset classes are introduced.

City of Jacksonville Police and Fire Pension Fund  
Summary to the Regular F.I.A.C. Meeting of  
Friday, July 10, 2020  
3:33 P.M. – 5:06 P.M.

Brian Smith said he wants to get an idea of which potential portfolios the FIAC members like most.

Rodney Van Pelt said he leans towards potential portfolio 2. It is the most risky but has the highest return. He said his second pick would be number 3.

Rob Kowkabany said that he also leans towards potential portfolio 2, but his second pick would be number 1.

Richard Patsy said there are questions about how to implement investing in private equity, and how to specifically be allocated. He said he likes Private Investments, but has strong concerns about our ability to execute it effectively. He said he leans towards potential portfolio 3. He said he would like to give this more thought from a risk perspective. Private Equity is very specific – being with the right managers is paramount. He expressed his concern in the structure limitations given the investment size. Private Equity has a great dispersion across managers, more than public fund managers.

Jordan Cipriani said that GEPP decided to make a 7% allocation to Private Equity. This will be about \$150-200 million invested over time. We discussed the manager selection process, trying to mitigate the j-curve effect, and the administrative burden. Ultimately, this translated to education on structure and the asset class. GEPP went with a ‘fund of one’ structure. This is a newer concept.

Richard Patsy asked about the additional expense associated with a ‘fund of one’ manager.

Jordan Cipriani said the fees would range between 20-30 basis points. There are also performance fees which vary across managers.

Brian Smith asked if these fees are factored into the analysis presented today.

Jim Voytko said yes, this analysis shows net of fees numbers.

Brian Smith said he is leaning to potential portfolio 3 as well. There is a lower risk than the current asset allocation, and the expected return is reasonable. There is only a small difference in the expected return between portfolios 2 and 3. He said he thinks it is worth taking less risk. He said the FIAC doesn’t need to make a decision today, but the floor is open in case someone feels strongly.

Rodney Van Pelt said his assumption is that the increased risk relates primarily to liquidity.

Jim Voytko said yes, that is the case. The risk assessment, in terms of volatility, is lower with an allocation to private investments. RVK has to add an illiquidity metric to show the difference. This variance optimization is blind to illiquidity without the metric.

Rodney Van Pelt asked about the projected cash flow between the City and the PFPF in regards to contributions and benefit payments.

Timothy Johnson said the contributions from the City are about \$140 million, and the benefit payments are about the same. The City contribution would have been about \$50 million higher without the pension reform.

Brian Smith asked Timothy Johnson about his experience with private investments in Allegheny County.

City of Jacksonville Police and Fire Pension Fund  
Summary to the Regular F.I.A.C. Meeting of  
Friday, July 10, 2020  
3:33 P.M. – 5:06 P.M.

Timothy Johnson said his pension fund in Allegheny County, Pennsylvania, started with an 8% allocation to Private Equity. Ultimately this was increased to 22% once non-core real estate and private credit was thrown into the mix. A structure similar to the 'fund of one' was adopted.

Timothy Johnson said the FIAC's coalescing towards potential portfolio 3 is encouraging.

Brian Smith asked if there were any motions.

There were no motions made by the FIAC.

Jordan Cipriani said that it seems the FIAC is interested the most in potential portfolios 2 and 3. Based on the feedback, RVK will continue to bring the next steps forward at the next meeting.

Brian Smith said he would like to delve more into potential portfolios 2 and 3. Hopefully Erwin Lax will be able to attend. He asked if Kendall Park would join.

Timothy Johnson said that Kendall park would not be confirmed by City Council by the August FIAC meeting. However, he could join the discussion, but not vote on any motions.

Rodney Van Pelt asked RVK to provide an update on minority managers and brokers at the next FIAC meeting.

Jordan Cipriani agreed, and said she would follow up with Timothy Johnson.

Brian Smith asked for an update on the PFPF building.

Timothy Johnson said that HERTZ filed for bankruptcy, and is no longer a tenant. We are going through the process to collect. Also, Farah & Farah is interested in extending their lease, and expanding into more space on the 3<sup>rd</sup> floor.

V. Old Business  
None.

VI. New Business  
None.

VII. Next Meeting – August 12, 2020 at 3:30 P.M.

Brian Smith said the next meeting will be held in person, unless the governor extends the state of emergency again.

VIII. Adjournment  
5:06 P.M.

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Summary Approved:

Rodney Van Pelt, FIAC Secretary

**Summary Prepared By:**

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

**Posted:** 05/28/2020

**To be Approved:** 06/12/2020