



## SUMMARY TO THE REGULAR BOARD OF TRUSTEES MEETING

Friday, September 17, 2021

9:00 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 Tuesday, October 19, 2021 at 9:00 A.M.

### Board of Trustees

Assistant Chief Chris Brown, Chair  
Nawal McDaniel, Secretary  
Cpt. Michael Lynch  
Richard Patsy  
Terry Wood – via ZOOM

### Guests

Mark Muchowicz, JSO, FOP 530  
Kelly Dobson, JFRD, IAFF Local 122  
Joey Greive – via ZOOM  
Pete Strong, GRS, Fund Actuary – via ZOOM  
Nate Monroe – via ZOOM  
Brennan Merrell – via ZOOM  
Chuck – via ZOOM

### 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.

### Summary

- I. Pledge of Allegiance
- II. Invocation

Rowen Descallar, Journalist, PageantMedia

### Staff

Timothy H. Johnson, Executive Director – Plan Administrator  
Steve Lundy, Deputy Director  
Kevin Grant, Finance Manager  
Chuck Hayes, Pension Benefits Manager  
Ronald Salem, City Council Liaison  
Randall Barnes, Fund Treasurer – via ZOOM  
Jordan Cipriani, RVK, Investment Consultant – via ZOOM  
Joe Delaney, RVK, Investment Consultant – via ZOOM  
Kevin Schmidt, RVK, Investment Consultant – via ZOOM  
Jim Voytko, RVK, Investment Consultant – via ZOOM  
Lawsikia Hodges, Office of General Counsel  
Bob Sugarman, Fund Counsel – via ZOOM

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III. Moment of Silence

Walter H. Bechem, Retired Police Officer  
Charles Dorsey, Retired Police Sergeant  
Mario J. Moya, Active Fire Lieutenant  
Raymond B. O'Dwyer Jr., Retired Firefighter Engineer  
George A. Rhoden, Retired Fire District Chief  
Ted Sills, Retired Fire Captain

IV. Public Speaking

V. Consent Agenda Items 2021-09-(01-09)CA

Richard Patsy moved to accept the consent agenda, seconded by Nawal McDaniel. The vote passed unanimously.

*2021-09-01CA Meeting Summaries to be Approved*

1. Summary to the Board of Trustees Meeting of August 20, 2021
2. Summary to the Board of Trustees & FIAC Manager Update of September 2, 2021
3. Summary to the Board of Trustees Special Meeting of September 3, 2021

*2021-09-02CA 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**

08-01-2021 thru 08-31-2021

1. Comerica Bank	\$	188,940.07
2. Pinnacle Associates LTD	\$	179,369.00
<b>Total</b>	<b>\$</b>	<b>368,309.07</b>

**DISBURSEMENTS B**

08-01-2021 thru 08-31-2021

1. Accounts Payable Distributions	\$	44,528.93
2. Accounts Receivables	\$	50,653.65

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[2021-09-03CA Pension Distributions](#)

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

**August 6, 2021**

1. Regular Gross	\$	6,657,642.03
2. Regular Lumpsum	\$	0.00
3. Regular Rollover	\$	0.00
4. Regular DROP Gross	\$	1,366,178.34
5. DROP Lumpsum	\$	0.00
6. DROP Rollover	\$	0.00
<b>Total</b>	<b>\$</b>	<b>8,023,820.37</b>

**August 20, 2021**

7. Regular Gross	\$	6,656,150.43
8. Regular Lumpsum	\$	0.00
9. Regular Rollover	\$	0.00
10. Regular DROP Gross	\$	1,367,228.96
11. DROP Lumpsum	\$	0.00
12. DROP Rollover	\$	0.00
<b>Total</b>	<b>\$</b>	<b>8,023,379.39</b>

The following Consent Agenda items 2021-09-(04-07CA) were verified with supporting documentation and approved at the Advisory Committee meeting held on September 8, 2021. Vote was unanimous. Meeting Summary attached.

[2021-09-04CA](#)

Application for Time Service Retirement

[2021-09-05CA](#)

Application for Survivor Benefits

[2021-09-06CA](#)

Application for DROP

[2021-09-07CA](#)

Application for Time Service Connections

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The following Consent Agenda items 2021-09-(08-09CA) were verified with supporting documentation and received as information at the Advisory Committee meeting held on September 8, 2021. Vote was unanimous. Meeting Summary attached.

[2021-09-08CA](#)

DROP Participant Termination of Employment

[2021-09-09CA](#)

DROP Distributions

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- VI. Executive Director's Report
- a. *Erwin Lax Reappointment*
  - b. *Steve Glenn Appointment*

Timothy Johnson discussed Erwin Lax and Steve Glenn – Erwin Lax requires reappointment to the FIAC, and Steve Glenn would be the replacement for Rodney Van Pelt starting in January 2022, who is moving out of the state.

**Richard Patsy moved to reappoint Erwin Lax to the FIAC, and appoint Steve Glenn to the FIAC beginning in 2022, seconded by Nawal McDaniel. The vote passed unanimously.**

- VII. Personnel Committee

- a. *Year in Review*
- b. *Succession Plan*
- c. *Personnel Committee Recommendation*

Timothy Johnson briefly overviewed the Year In Review, and the Succession Plan, as presented to the Personnel Committee at their meeting an hour earlier:

FY2022 Recommended Raises for PFPF Staff

- Deputy Director: 4.88%
- Pension Benefits Manager: 4.88%
- Pension Benefits Specialist: 4.67%
- Finance Manager: 5.00%
- Building Services Manager: 3.67%
- Finance and Benefits Specialist: 4.81%

Recommended Personnel Actions

- Maria Young: Restore leave accrual and service raise to rates based on COJ employment date (\$23.85 bi-weekly Service Raise; 8.92 hours bi-weekly Leave Accrual)
- Kevin grant: Peer Group Compensation Survey Adjustment \$13,259
- Cathryn Lively: Contingent approval of 5.00% raise upon completion of probation, effective December 12, 2021

**Nawal McDaniel moved to approve the recommendation for PFPF Staff raises, and to approve the recommended personnel actions presented, seconded by Michael Lynch. The vote passed unanimously.**

Michael Lynch discussed the issue of retro pay adjustments for Lynn West and Maria Young, who worked 'out of class' for a period of time before their last salary adjustment. The OGC opinion given to the Board was that 'retro pay' was illegal. He suggested the Board of Trustees could make up the unpaid retro pay difference and pay these two employees via another method.

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Chris Brown said he does not want to do something that may be circumventing the process.

Lawsikia Hodges said that she is ready to assist the Board in developing a plan in accordance with state statutes, if the Board is interested in paying bonuses.

Michael Lynch said the Board of Trustees could revisit this next month.

VIII. Fund Actuary Reports, Pete Strong, GRS

*a. Actuarial Assumed Rate of Return Recommendation*

Fund Actuary, Pete Strong of GRS, presented his 'Recommendation for Change in Actuarial Assumed Rate of Investment Return' memo to the FIAC. The PFPF's current investment return is 6.90%.

Pete Strong showed that, based on capital market assumptions, a reasonable range for the long-term net compound average investment return is 5.75% to 6.75%. The PFPF's assumed rate of 6.90% does not fall significantly outside of this 'reasonable range', but GRS's recommendation is to lower it at least enough to fall within this range.

Pete Strong presented GRS's recommendation to lower the rate of return assumption as of October 1, 2021 to at least 6.75%, with an intent to make further reductions in future years.

Pete Strong noted that the PFPF's stellar performance this Fiscal Year would offset a decrease in the assumed rate of return, "Fiscal year 2021 is not yet over, but the PFPF's actual fiscal year-to-date investment return (on the market value of assets) is approximately +26%. Due to the use of asset smoothing in the calculation of the actuarial value of assets, only 20% of the excess market return (in excess of the assumed return of 6.9%) will be recognized in the actuarial value of assets as of October 1, 2021. If the year-to-date investment results hold up through September 30, 2021, then this year's recognized return (20% of the excess market return) is expected to reduce the City contribution requirement by approximately \$5.0 million and increase the funded ratio of the PFPF by about 1.5% to 1.75%."

Pete Strong said he presented this to the FIAC, and also discussed changing the smoothing rate to help offset any further reductions in the assumed rate of return. He said he reached out to the State regarding changing the smoothing method, but has not yet heard back.

The Board of Trustees discussed lowering the rate to a level below 6.75%.

Terry Wood said that it is not bad timing to lower the rate. The City contribution is already artificially low, because it is recognizing the phantom income from the future surtax proceeds. The City ought to take advantage of this by bringing the Fund up over this period.

Michael Lynch said he would fully support lowering the rate to 6.75%, and possibly lower.

Terry Wood said he would not be opposed to lowering the rate to 6.5% today.

Pete Strong said the impact of lowering the rate to 6.5% would increase the City contribution by a net of about \$4 million.

Michael Lynch said he would be willing to meet in the middle.

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Ron Salem discussed the Better Jacksonville Plan, and how it is expected to be completed early, freeing up the sales tax earlier than expected.

Richard Patsy said that the Fund's return is just shy of 27% on a fiscal year to date basis. Going to 6.5% or 6.25% makes a ton of sense, but not practically.

Michael Lynch suggested lowering the rate to 6 and 5/8ths percent (6.625%).

Nawal McDaniel said that Michael Lynch previously said he would be comfortable with 6.5%.

Michael Lynch said if the Board supports 6.5%, he would not be against it. He said he believes a little step is better than a big jump.

Richard Patsy said he agreed, and said there would be more pushback with 6.5%.

Michael Lynch said that the Board could legally choose 6.5%, but it would make things difficult. He said he could see 6.625%, which is marginal.

Richard Patsy asked Timothy Johnson for his thoughts.

Timothy Johnson said that the FIAC had the same debate, and thought the time was right to go under 6.75%.

Randall Barnes discussed the City's pension plans and the changes they have recently made to their assumed rate of return. Each plan has knocked down the rate by 10 basis points. He said he expects the GEPP Board to continue on this glide path style of lowering the rate. He said that lowering rates puts more pressure on the City's finances – the City has a lot of other responsibilities.

**Michael Lynch moved to lower the actuarial assumed rate of return to 6.625%, seconded by Terry Wood. The vote passed unanimously.**

IX. Investment Consultant Reports

*a. Monthly Investment Performance Analysis – August 31, 2021*

Not discussed in the interest of time.

*b. HIG Introduction*

Jordan Cipriani and Joseph Delaney covered RVK's recommendation of the HIG Realty Fund IV as a potential candidate for the PFPF's Non-Core Real Estate target allocation. They answered questions of the Board of Trustees and covered the following points from the presentation:

**Non-Core Real Estate Recommendation Summary**

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- In late 2020, the PFPF Board approved new asset allocation targets, including a 5% target to Non Core Real Estate.
- In the Spring of 2021, RVK presented a pacing analysis for the Non Core Real Estate allocation (see Appendix for summary), which recommended approximately \$40 to \$45 million in annual commitments to the asset class, across one to two investment options per year, in order to achieve the target allocation by 2025.
- The purpose of the presentation today is to bring forward RVK's first non core real estate fund recommendation to the PFPF.
- Over the past 15 months, the RVK Real Estate Research Team has held over 175 meetings with fund managers and reviewed close to 30 unique strategies targeting an opportunistic real estate strategy. Ultimately, that research process led us to identify H.I.G. Realty Fund IV as a compelling candidate for the PFPF Non Core Real Estate allocation.
- Specifically, RVK recommends the PFPF commit \$25 million to H.I.G. Realty Fund IV in 2021.
  - Doing so will leave approximately \$15 million of additional dollars to commit to another to be identified non core real estate fund, which RVK anticipates bringing forward in late 2021; taken collectively, these investments will fulfill the PFPF's 2021 Non Core Real Estate target commitments.
  - Going forward, RVK plans to focus on identifying complimentary, non traditional / niche sector, strategies with tailwinds supported by demand drivers that are delinked from economic cyclicalities (e.g. healthcare, housing, and/or storage related strategies) with an eye on diverse and / or female owned organizations.

#### **HIG Realty Fund IV: Key Questions & Answers**

- What's the Role of H.I.G. Realty Fund IV?
  - Serves as an attractive initial investment for the PFPF and provides the building blocks to the Non Core portfolio with a positively ranked General Partner ("GP") that offers diversification across attractive sectors within the top 30 U.S. markets, as measured by population.
- Why H.I.G. Realty Fund IV?
  - Their focus on in favor sectors, smaller deal size, having an informational advantage from their private credit and equity teams aides in the underwriting process, a flexible investment strategy, smaller fund size, and a proven process, are all factors that make this opportunity compelling.
- How does the PFPF Benefit
  - An investment in H.I.G. Realty Fund IV will contribute towards the PFPF's build out of its Non Core Real Estate allocation and help better align the Fund with its long term policy targets. Our goal with non core real estate in general is to offer the Fund the ability to generate attractive long term risk adjusted returns, with low correlations to traditional asset classes.
- What is the Expected Time Horizon?
  - H.I.G. will begin to call committed capital from investors in late 2021, and likely continue to call the majority of capital over the course of the following 2-3 years. The fund has a stated 4 year investment period during which to call down capital. We anticipate the investment period to last approximately 2 to 3 years. A period of asset "harvesting" will follow over the subsequent 4 to 5 years, where the H.I.G. team will focus on maximizing asset value, exiting its investments, and realizing profits, which will be returned to investors over time. In total, we expect the life of the Fund to run approximately 8 years. Please note, a visual depiction of the expected Fund lifecycle has been included in the Appendix.



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- How Will Capital Calls be Funded?
  - Capital calls will be sourced via overweight investments in equities and fixed income, which are highly liquid. RVK and Staff will use existing targets to guide the rebalancing process over time.

The HIG Realty Fund IV's target size is \$750 million, is sponsored by HIG Capital, has a final close in Q4 2021, is structured as a closed-end limited partnership, has a term of 8 years, and is styled as opportunistic real estate.

#### **HIG Realty Fund IV: Snapshot**

- **Investment Strategy:** HIG Realty believes that the next several years will offer compelling opportunities for the Fund to make attractive investments in underperforming real estate, primarily due to undercapitalized assets in need of renovation and/or repositioning within sectors that exhibit favorable fundamentals. The team will seek to acquire assets in the small/mid cap segment of the market where they will partner with best in class local operating partners to develop creative and effective business plans, and ultimately execute a successful turnaround of the investments.
- **Value Add Approach:** Through the team's relationship with local operating partners, they will look to design business plans that could take the form of capital improvements, cosmetic upgrades, lease up, expense reduction, and adaptive reuse or redevelopment. These improvements all look to drive outsized Net Operating Income growth, leading to additional value being created at the asset level.
- **Firm:** HIG was founded in 1993 by Sami Mnaymneh and Tony Tamer and at the time was solely focused on private equity investments in the small and mid-cap segments of the market. Since then, they have grown their platform to offer solutions across private credit as well as real estate. Today the Firm has over 44 billion in asset under management and 18 offices globally. HIG Capital scores favorably against their peers in the investment industry on workforce diversity metrics, with notably nearly 50 of their workforce being diverse.
- **Development:** The Fund does not have a limit but expects ground up development to be less than 10, which is in line with the previous Fund. Development opportunities will not include gateway market for sale condo projects.
- **Leverage:** The Fund does not have a stated limit, but the general partner has agreed to a side letter stating a limit for RVK clients. Historically, the Fund's peak and average loan to value (" levels have been in line with other value add and opportunistic strategies.

#### **HIG Realty Fund IV: Merits & Considerations**

##### **Merits**

- **H.I.G. Capital Ecosystem Synergies:** H.I.G. Capital has three primary lines of business; Private Equity, Private Credit and Private Real Estate. This ecosystem provides the real estate team with superior tenant insights which help inform their investment decisions and business plans, thus increasing potential positive outcomes.
- **Smaller Asset Focus and Tenant Credit Quality Emphasis:** In line with H.I.G. Capital's philosophy, Realty Fund IV will be looking to make investments in the lower middle market. Within this segment of the market there are greater inefficiencies as well as a mismatch between opportunities and institutional capital presence.
- **Targeting a Short Hold Period:** A shorter hold comes with a few benefits, namely it forces a team to establish a concise business plan to create value and can minimize the risk of market conditions at the end of a fund's life.
- **Flexible Investment Strategy:** When compared to their peers, we believe H.I.G. Realty has a competitive advantage in that they have a broader investment opportunity set, because they are not confined to sectors, markets or only equity investments.

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**Considerations**

- No Stated Leverage Limit: The Fund has no stated debt limits as measured by a loan to value ratio. H.I.G is a risk aware GP that has shown to operate and deploy leverage within market expectations over the life of their funds. Further, H.I.G. Realty has agreed to a side letter that would limit the leverage deployed for RVK clients.
- Challenged Start to the Real Estate Platform: The platform experienced an atypical start and evolution since H.I.G. Capital first built out their in house real estate capabilities in 2006. The current team has grown from 12 professionals to 23 professionals ever since David and Ira took over as co heads of the real estate platform. Furthermore, the team has seen very low levels of turnover during this time.

Michael Lynch asked about the property HIG manages in Jacksonville.

Joe Delaney said he would get the address for Trustee Lynch.

*a. Eagle Fee Discussion*

Jordan Cipriani and Kevin Schmidt presented the ‘Eagle Capital Large Cap Value Fee Proposal’ memo to the Board of Trustees. The purpose of this memo is to respond to recent questions received from members of the Board as it relates to the existing fee for the Eagle Capital Large Cap Value mandate, as well as to present to the Board a revised fee proposal from the manager.

“Up until recently the Eagle Large Cap Value strategy was closed, and historically the manager has not offered any fee breaks after the first \$5 million in invested assets. However, after the PFPF Executive Director directed RVK to engage with Eagle on fees, we held several negotiating sessions resulting in Eagle providing the PFPF with two alternative fee arrangements for consideration.

1. Performance Fee – with a base annual fee of 40bps and a sharing of the “net” (after deducting the base fee from the gross alpha) alpha split 80% to PFPF and 20% to Eagle. Performance could be measured against the Russell 1000 Value or the S&P 500.
2. Asset Based Fee – Eagle would aggregate the Jacksonville PFPF and Retirement System (ERS) accounts (which would require buy-in from both Plans) for billing purposes and then charge a fee of 100bps on the first \$5 million (Eagle’s standard schedule), 75bps from \$5-500 million (Eagle’s standard schedule), and then 50bps on all funds above \$500 million. This last asset tier is not part of Eagle’s standard schedule, but would be a concession on the managers part that matches Most Favored Nations provisions that they currently have in place. The additional fee tier and consideration towards the aggregate Jacksonville assets (PFPF and ERS) would contribute toward an approximate annual fee savings of approximately 4 basis points or ~\$150,000 for the PFPF in dollar terms, based on current asset levels.”

**Michael Lynch moved to accept RVK’s second recommendation, seconded by Richard Patsy. Discussion:**

Chris Brown read a comment from the public which was emailed.

**The vote passed unanimously.**

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X. Council Liaison Update

Ron Salem said that he has to leave soon, but wanted to be available to answer any questions. He said he would be back at October Board meeting.

The Board of Trustees discussed the budget issue which was brought up to the City Council Finance Committee with Council Liaison Ron Salem.

Chris Brown said that a judge said the Board of Trustees has the power to hire and fix compensation of attorneys, which feels contradictory to what the Board has been told by OGC. He said he wants to make sure the Board of Trustees is exercising its rights given by State Statute and the local Charter.

Ron Salem said he would meet with Timothy Johnson before the October Board meeting to continue dialogue. He said that we all have the same objective, just different views on how to get there.

Jordan Cipriani briefly covered Fund performance, noting specifically that Fiscal Year to Date returns are nearing 27%.

XI. Counsel Reports

Lawsikia Hodges said that Jason Teal is actively working to meet with each Trustee individually.

Chris Brown said he talked with Jason Teal, and he was very receptive.

Bob Sugarman said he would work on the fee amendment for Eagle.

XII. Old Business

XIII. New Business

*a. Chuck Hayes Recognition of 20 Years of Service*

Timothy Johnson informed the Board that Pension Benefits Manager Chuck Hayes recently hit his 20<sup>th</sup> employment anniversary with the Fund. He said Chuck Hayes is an amazing guy who always gives 110%.

Chris Brown said that all the members say Chuck is amazing and gives them everything they need.

Chuck Hayes said it has been his pleasure serving the Board of Trustees for 20 years. He said he enjoys his job and working with the members.

Randy Wyse said that he received a letter from Timothy Johnson on reemployment. He said the IAFF is always ready to engage, and willing to give direction on reemployment.

Michael Lynch asked for an update on the Chapter Funds.

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Randy Wyse said that the IAFF's direction will be 2.7% on the Holiday Bonus, and the remainder to JPOFFHIT, and we are waiting on FOP direction.

XIV. Upcoming Meetings

- a. Board of Trustees & FIAC Manager Update – Principal – October 5, 2021 at 12:00 P.M.*
- b. Board of Trustees Meeting – October 19, 2021 at 9:00 A.M.*

XV. Adjournment

11:00 A.M.

Nawal McDaniel, Board Secretary

**Summary Prepared By:**

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

**Posted:** 09/22/2021

**To be Approved:** 10/19/2021