



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

Friday, March 13, 2020

3:36 P.M. – 4:42 P.M.

City of Jacksonville Police and Fire Pension Fund
1 West Adams Street Suite 100, Jacksonville, FL 32202
Richard "Dick" Cohee Board Room

The next Financial Investment and Advisory Committee (F.I.A.C.) meeting will be held April 10, 2020 at 3:30 P.M.

Financial Investment and Advisory Committee

Eric "Brian" Smith Jr., Chair
Rob Kowkabany

Excused

Rodney Van Pelt, Secretary
Erwin Lax
Kevin Grant, Finance Manager

Staff

Timothy H. Johnson, Executive Director – Plan Administrator
Steve Lundy, Deputy Director
Jordan Cipriani, RVK, Investment Consultant, via Webex
Kevin Schmidt, RVK, Investment Consultant, via Webex
Bob Sugarman, Fund Counsel, via Webex

Notice

Meeting Agendas and Summaries are available on our website at 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 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. 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.

Agenda

Only Brian Smith and Rob Kowkabany of the FIAC were present today, therefore there was no quorum. No votes were taken.

I. Public Speaking

None.

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II. Meeting Summaries

a. February 14, 2020 FIAC Meeting Summary

Brian Smith noted there were no recommended changes to the February 14, 2020 FIAC Meeting Summary. He asked Steve Lundy to place it on April's FIAC Meeting Agenda for approval.

III. Investment Consultant Reports

Jordan Cipriani & Kevin Schmidt, RVK

a. Monthly Investment Performance Analysis – February 29, 2020 – Preliminary

Jordan Cipriani said that the market outlook for 2020 began optimistically, however, with the recent Coronavirus developments in China, and the oil war between Russia and Saudi Arabia, that outlook has diminished.

Jordan Cipriani said U.S. Equity experienced the fastest drop in history.

Jordan Cipriani covered the following pages of the Preliminary Monthly Investment Performance Analysis:

- Asset Allocation (page 3): We need to stay mindful of the Asset Allocation vs. Target Allocation in these volatile times.
- Asset Allocation and Performance Net of Fees (page 5): We are down 5% for the month, with U.S. Equity being the main driver. Some U.S. Managers held up better than others. MLPs were the biggest detractor.

Jordan Cipriani said that the MLP allocation would be reviewed during the asset allocation analysis. Tortoise and Harvest trend together.

Brian Smith asked if Jordan Cipriani had any thoughts on where the bottom of this decline is. We keep testing new lows. He said he thinks the situation will continue to deteriorate.

Jordan Cipriani said that there is uncertainty driving this decline. There is no vaccine for this virus, and it has not been contained. There is some room until we hit rock bottom.

Kevin Schmidt said he thinks we will stay low for a couple of months, and see a ripple effect going forward. Multiple quarters of tumultuous earnings are ahead. Volatility will continue. Bonds are already pricing in a recession.

Brian Smith said it will be more than 10 years until the surtax kicks in. Our asset allocation needs to be in good shape to make it another 40-50 years past that mark to pay benefits.

Jordan Cipriani said the asset allocation study will be performed in the next month or two. We will look at the next 10 years.

Kevin Schmidt said that as of Wednesday's close, the total portfolio, month-to-date was around -5.5%, and -10.5% year-to-date. This is where we started in January 2019.

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IV. Old Business

Timothy Johnson

a. Proposed FIAC 2020 Work Plan and Meeting Schedule

Timothy Johnson said that the meeting schedule may change in the near future. He discussed his Proposed FIAC 2020 Work Plan and Meeting Schedule with the FIAC.

Jordan Cipriani said RVK is revisiting its capital market assumptions. She suggested that in April, RVK would cover the Flash, Capital Market Update, Private Investment Primer, with the Asset Allocation Study in May, along with the Quarterly Performance Report.

Timothy Johnson said that the world is crazy right now. He asked if the capital market assumptions will change again in six months.

Jordan Cipriani said that the change in capital market assumptions will lead to a change in long-term asset allocations, but we do not want to flip things on their heads. This is a point in time, and we will move from a bear to a bull market. This is not a 1-2 year outlook – this will remain long-term.

Timothy Johnson said he is good with that. We want an assumed rate recommendation to the Board of Trustees in June. The Board assigned Richard Patsy and Michael Lynch to a subcommittee to discuss the assumed rate. It may be a good idea to notice this subcommittee meeting as a joint Board-FIAC meeting to be held at the regularly scheduled FIAC meeting time. If we want the recommendation in June, it may make sense to schedule this meeting for May.

Jordan Cipriani said this timeline is spot-on.

Brian Smith asked how the recommendation would be made from the FIAC to the Board of Trustees regarding the assumed rate.

Timothy Johnson said he would like to have the recommendation presented to the FIAC with the subcommittee present as part of that FIAC meeting. The FIAC would vote, and the subcommittee would present this to the Board of Trustees.

Brian Smith said he likes this idea because it wouldn't require an extra meeting. Also, the private equity training would credit towards the statutory continuing education requirement. He asked Jordan Cipriani to provide any more continuing education workshop ideas if possible.

Jordan Cipriani said private equity training is a good place to start. Also, non-core real estate may be another good area. This would expand the real estate toolkit – it focuses less on income and more on value creation.

Timothy Johnson said he has asked OGC for guidance on holding meetings via conference call during the state of emergency due to the Coronavirus, but has not heard back yet.

Bob Sugarman said that under Florida Law, a physical quorum must be present to vote. However, the governor can grant an exception. We may have an answer by the next time we meet.

Brian Smith said RVK was planned to attend in person in April. He said they should videoconference instead.

Brian Smith said that on an unrelated note, it appears the PFPF building doesn't have LED lighting inside, and this could save lots of money if we switch.

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Steve Lundy said that Kevin Grant helped the PFPF acquire grants to switch to an LED lighting system in the PFPF garage years ago. He said he would talk to Kevin Grant about this possibility inside the PFPF office.

V. New Business

VI. Adjournment

4:42 P.M.

Summary Approved:

Rodney Van Pelt, Secretary
Financial Investment and Advisory Committee

Summary Prepared By:

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

Posted: 03/26/2020

To be Approved: 04/10/2020