
JACKSONVILLE POLICE AND FIRE PENSION FUND
FINANCIAL INVESTMENT AND ADVISORY COMMITTEE
MEETING SUMMARY – MARCH 15, 2019 – 3:30PM

FIAC

Eric "Brian" Smith Jr., Chair
Craig Lewis Sr., Secretary
Rob Kowkabany

STAFF

Steve Lundy, Assistant Plan Administrator
Kevin Grant, Finance Manager
Bob Sugarman, Fund Counsel – via Webex
Lawsikia Hodges, Office of General Counsel – via Webex
David Lindberg, Investment Consultant – via Webex
Rich McConville, Northern Trust – via Webex
Bob Parise, Northern Trust – via Webex

EXCUSED

Rodney Van Pelt
Timothy H. Johnson, Executive Director

Meeting Convened:

3:35PM

Meeting Adjourned:

4:20PM

NOTICE: 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.

I. PUBLIC SPEAKING PERIOD

None.

II. MEETING SUMMARIES TO BE APPROVED

Motion to approve as revised: KOWKABANY; Second: LEWIS; APPROVED UNANIMOUSLY.

1. **FIAC Meeting** – February 15, 2019

Craig Lewis asked Steve Lundy to remove a typo on page 1, section II: "the", preceding "Rodney Van Pelt's questions."

III. INVESTMENT CONSULTANT REPORTS

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David Lindberg

1. Capital Markets & Performance Update – Handout

David Lindberg and Alex Ford began presenting Wilshire's handout, "Capital Market Review, February 2019 Performance Estimate & January 2019 Flash Report". They made the following highlights:

- *The Fund's performance is bouncing back this year since the late-2018 selloff (page 4). From the late-2018 peak, the fund's U.S. Equities fell 20.2%, and have since risen 20.9%.*
- *All asset classes are 'in the green' on a year-to-date basis (page 5).*
- *MLP's are coming back strongly, posting a 13.7% YTD return.*

Alex Ford discussed page 7 with the FIAC. Large cap has dominated for a significant period, however Small cap is having a resurgence. The Fund is slightly overweight to Small cap, and is benefiting nicely from its resurgence.

Alex Ford discussed the Yield Curve on page 8. There is a bit of an inversion on the short duration end of the curve. Wilshire does not anticipate many more Fed rate hikes soon.

Craig Lewis said there has been a lot of attention on the flattening, or inversion, on the short end of the yield curve as preceding a recession or growth slowdown. He asked for Wilshire's view of the inversion.

Alex Ford said the yield curve is a well-watched indicator. Inversions between the 2 vs. 10-year spreads are the main indicator, as opposed to shorter spreads. Shorter spreads don't have as much predictive power as the 2 vs. 10-year spread. Although a short spread is a little concerning, the lead time between a 2 vs. 10-year spread inversion before economic recession is about 24 months. Wilshire is not forecasting a recession on the horizon.

David Lindberg said Wilshire's long-term capital assumptions are based on 10-year periods, but over the long-term period, Wilshire does not try to predict exactly when rate hikes will occur. Wilshire believes the yield curve will shift slightly up. There are currently very encouraging economic indicators, like maximum employment. Wilshire is not predicting a recession any time soon.

David Lindberg discussed the 'PFPF Performance Update' on page 15.

David Lindberg said he and Alex Ford will attend the FIAC's April meeting in person, and will both attend the Annual Members' Meeting next week.

Brian Smith asked what Wilshire's outlook is for interest rates considering the Fed may potentially raise rates in 2019.

David Lindberg said it is hard to predict, and Wilshire does not try to predict short term interest rate hikes. Wilshire believes in the long term, rates will slightly rise. There is high probability rates will rise once more this year, but not three times as the Fed previously planned. The Fed is trying to achieve balance. GDP growth is slowing but remains strong. The US has the highest interest rates in the world – there is plenty of demand for US capital investment.

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Alex Ford updated the FIAC on the investment of the payroll contribution. On February 28, the \$52 million was transferred to the unions. The Fund was able to resume the investing schedule adopted earlier in the year. The final tranche was initiated in early March. The payroll contribution exercise is now complete.

IV. CHAIRMAN'S REPORT

Brian Smith

1. Brian Smith Reappointment to FIAC

Motion to recommend reappointment of Brian Smith to the FIAC: KOWKABANY; Second: LEWIS; APPROVED UNANIMOUSLY.

Brian Smith said his term is coming to an end, and wishes to continue serving on the FIAC. The FIAC would need to vote to recommend reappointment. The Board of Trustees would then approve, and would send its request to City Council.

Craig Lewis made a motion to recommend reappointment of Brian Smith to the FIAC. Seconded by Rob Kowkabany. The vote passed unanimously.

2. New FIAC Member Recruitment

Motion to recommend appointment of Priyesh Patel to the FIAC: LEWIS; Second: KOWKABANY; APPROVED UNANIMOUSLY.

Brian Smith said that he, Timothy Johnson, and Steve Lundy interviewed two candidates for the vacant FIAC seat. We all concluded that Priyesh Patel was the candidate who would be the best fit for the FIAC.

Brian Smith said that people like Tracey Devine are hard to come by, but Priyesh Patel is a very sharp fellow. He is a graduate of Leadership Jax, and self-nominated based on Timothy Johnson's reaching out to the Leadership Jax network.

Steve Lundy said Priyesh Patel is a great, high-energy guy who would be a good fit for the FIAC. He has good financial, pension, and insurance experience. He said Priyesh is also a fellow Jacksonville University MBA graduate.

Rob Kowkabany made a motion to recommend appointment of Priyesh Patel to the FIAC. Seconded by Craig Lewis. The vote passed unanimously.

V. OLD BUSINESS

Rich McConville & Bob Parise

1. ETF Discussion

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Bob Parise thanked the FIAC for the opportunity to discuss Exchange-Traded Funds (ETFs) and how they may be implemented into the Fund's investment policy. Timothy Johnson had asked Northern Trust to speak to the FIAC and to discuss using ETFs in the Fund's asset allocation.

Bob Parise discussed ETFs with the FIAC and made the following highlights:

- The ETF marketplace continues to grow in popularity, especially with personal investors and institutional investors.
- Liquidity and low transaction costs are among ETFs biggest advantages.
- ETFs are efficient in that they can add exposure to specific asset classes quicker than other investment vehicles, while money is waiting in a 'queue', for example.

Craig Lewis said ETFs sound great as a temporary holding during periods the Fund waits to make a more permanent exposure, like in private capital asset classes. He asked, from a volatility perspective, if the ETFs' embedded market exposure and volatility is a hurdle for investors considering using ETFs for these purposes.

Bob Parise said Craig Lewis' comments were spot on. From a temporary standpoint, gaining exposure to these asset classes may be better than having the money sit in an S&P500 index fund or in cash.

Brian Smith thanked Bob Parise for his discussion on ETFs. He said he is looking forward to having Bob Parise back to present on the Emerging Manager and Brokerage topics in April.

Brian Smith also thanked Bob Sugarman for being on the conference call. He asked if Bob Sugarman had any legal updates.

Bob Sugarman said the transfers to the unions executed smoothly.

Bob Sugarman said in addition to ETFs, mutual funds could also be considered, as they are still quicker than the private equity queues. He said Bob Parise is giving good advice regarding ETFs. The Fund should be within its investment guidelines, and ETFs would be a way to accomplish that quickly.

2. Emerging Manager and Broker Policy
Deferred to April

VI. ADJOURNMENT
4:20PM

Steve Lundy, Assistant Plan Administrator
Posted 03/19/2019
Revised 04.15.2019

Craig Lewis Sr., Secretary

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To be approved at the FIAC Meeting on April 12, 2019.

The next regular FIAC meeting will be held Friday, April 12, 2019 at 3:30PM.