



## SUMMARY TO THE REGULAR BOARD OF TRUSTEES MEETING

Friday, February 17, 2023

9:00 A.M. – 10:03 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 Friday, March 24, 2023 at 9:00 A.M.

### Board of Trustees

Chief Chris Brown, Chair  
Nawal McDaniel, Secretary  
Mia Jones  
Cpt. Michael Lynch  
Terry Wood

### Fund Staff

Timothy H. Johnson, Executive Director – Plan Administrator  
Steve Lundy, Deputy Director  
\*Kevin Grant, Finance Manager

### Guests

Paul Barrett, Fund Treasurer  
Jordan Cipriani, RVK, Investment Consultant  
Lawsikia Hodges, Office of General Counsel  
\*Spencer Hunter, RVK, Investment Consultant  
\*Brennan Merrell, COJ Treasury  
\*Bob Sugarman, Fund Counsel  
Randy Wyse, President, IAFF Local 122  
  
\*Kevin Balaod, with.Intelligence  
Renzer Bell  
Bill Gassett  
\*Lindsay Saienni, FIN News

\*Asterisk denotes virtual meeting attendance via the ZOOM application

### 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.

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## Agenda

### I. Pledge of Allegiance

### II. Invocation

Timothy Johnson gave the invocation.

### III. Moment of Silence

Steven E. Foster, Retired Police Officer  
James M. High, Retired Firefighter  
Hugh Ruhlman, Retired Police Officer

### IV. Public Speaking

Bill Gassett spoke to the BOT, and cited a recent article by journalist Nate Monroe. He spoke about the Fund's unfunded liability. He claimed the Fund's strategy adopted in 2012 is not conducive to the long-term health of the plan. He argued that rebalancing guarantees failure, and a continued increase in the unfunded liability. He said he projected the fund's unfunded liability, and that the Board of Trustees needs to reexamine its strategy to meet an 8% return. He suggested forming an internal study, and said the FIAC has not given the Board of Trustees good advice.

### V. Consent Agenda Items 2023-02-(01-11)CA – *Action requested*

Timothy Johnson noted that item 2023-02-11CA wasn't transferred to the Board of Trustees January Consent Agenda in by mistake, and has been added to the February Consent Agenda. The item was approved by the Advisory Committee in January.

**Terry Wood moved to approve the Consent Agenda, seconded by Mia Jones. The vote passed unanimously.**

#### *2023-02-01CA Meeting Summaries to be Approved*

##### 1. Summary to the Board of Trustees Meeting of January 20, 2023

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*2023-02-02CA 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**

01-01-2023 thru 01-31-2023

1. Loomis Sayles (1)	\$	94,077.72
2. Sawgrass Asset Management	\$	95,000.00
3. Loomis Sayles (2)	\$	114,797.50
4. J.P. Morgan	\$	483,582.32
5. Thompson, Siegel & Walmsley	\$	33,554.71
6. RVK, Inc.	\$	67,315.00
7. The Northern Trust Company	\$	81,149.62
<b>Total</b>	<b>\$</b>	<b>969,476.87</b>

**DISBURSEMENTS B**

01-01-2023 thru 01-31-2023

1. Accounts Payable Distributions	\$	141,809.41
2. Accounts Receivables	\$	54,362.70

*2023-02-03CA Pension Distributions*

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

**January 6, 2023**

1. Regular Gross	\$	7,241,118.17
2. Regular Lump sum	\$	73,874.46
3. Regular Rollover	\$	0.00
4. Regular DROP Gross	\$	1,458,604.92
5. DROP Lump sum	\$	0.00
6. DROP Rollover	\$	0.00
<b>Total</b>	<b>\$</b>	<b>8,773,597.55</b>

**January 20, 2023**

1. Regular Gross	\$	7,265,226.57
2. Regular Lump sum	\$	0.00
3. Regular Rollover	\$	0.00

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4. Regular DROP Gross	\$	1,471,602.65
5. DROP Lump sum	\$	294,884.97
6. DROP Rollover	\$	251,417.29
<b>Total</b>	<b>\$</b>	<b>9,283,131.48</b>

The following Consent Agenda items 2023-02-(04-06CA) were verified with supporting documentation and approved at the Advisory Committee meeting held on February 8, 2023. Vote was unanimous. Meeting Summary attached.

[2023-02-04CA](#)

Application for Vested Retirement

[2023-02-05CA](#)

Application for Survivor Benefits

[2023-02-06CA](#)

Application for Time Service Connections

The following Consent Agenda items 2023-02-(07-10CA) were verified with supporting documentation and received as information at the Advisory Committee meeting held on February 8, 2023. Vote was unanimous. Meeting Summary attached.

[2023-02-07CA](#)

Share Plan Distributions

[2023-02-08CA](#)

DROP Participant Termination of Employment

[2023-02-09CA](#)

DROP Distributions

[2023-02-10CA](#)

DROP Distributions for Survivors

The following Consent Agenda item 2023-02-(11CA) was inadvertently omitted from the January 20, 2023 Board of Trustees Consent Agenda. It was verified with supporting documentation and received as information at the Advisory Committee meeting held on January 10, 2023. Vote was unanimous. Meeting Summary Attached.

[2023-02-11CA](#)

Refund of Pension Contributions

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VI. Officer Elections – *action requested*

- a. *Board Chair*
- b. *Board Secretary*

*Terry Wood moved to retain Chris Brown as Board Chair, and Nawal McDaniel as Board Secretary for 2023, seconded by Mia Jones. The vote passed unanimously.*

VII. Executive Director’s Report

Timothy Johnson said he would like to discuss the hiring of the new PFPF Building Maintenance Manager position. The job has been offered to Ryan Jensen, a 20-year employee of the City of Jacksonville who is currently serving as a Building Maintenance Manager in another department. The job offer is conditional on Board of Trustees approval. The PFPF staff reviewed 26 applications, rated everyone, interviewed the top 11 candidates, including all veterans, and Mr. Jensen scored the highest. He will start on March 6.

*Terry Wood moved to hire Ryan Jensen as Building Maintenance Manager, seconded by Nawal McDaniel. The vote passed unanimously.*

Timothy Johnson continued to present his Executive Director’s report as attached, and noted two recent news articles written about the PFPF, which are included as well.

VIII. Investment Consultant Reports

- a. *Investment Policy Statement – action requested*

Jordan Cipriani discussed the Investment Policy Statement review. As a best practice, the investment policy is reviewed annually, and is the consultant’s responsibility. RVK coordinated with Timothy Johnson, PFPF Staff and GRS to produce today’s proposed amended Investment Policy Statement.

Jordan Cipriani summarized the five recommended changes to the Investment Policy Statement:

1. Page 2: Surtax Smoothing Policy language added
2. Page 5: Watch List policy language added
3. Page 8: Updating the Actuarial Rate of Return assumption to 6.5%
4. Page 10: Proactive rebalancing language added specific to illiquid private market investments
5. Page 18: Language added on the prohibition of investments in cryptocurrencies

Jordan Cipriani discussed the fifth change with the Board of Trustees which would prohibit the investment in cryptocurrencies.

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Michael Lynch asked if the language would be enough to not only prohibit the investments in cryptocurrencies directly, but also to prohibit investment in publically traded cryptocurrency exchange companies such as Coinbase or FTX.

Spencer Hunter said that to prohibit investment in these equities, the Fund would need to go deeper into the individual manager agreements.

**Terry Wood moved to approve the Investment Policy Statement, seconded by Nawal McDaniel. Discussion:**

Michael Lynch said he wanted to add language prohibiting investment in cryptocurrency ETFs as well.

**Terry Wood said he would amend his motion to include additional language in the Investment Policy Statement “the Fund will not invest in Cryptocurrency or Cryptocurrency ETFs.” Nawal McDaniel seconded the amendment. The vote passed unanimously.**

Bob Sugarman noted that the State Law says changes to the Investment Policy Statement cannot take effect for 31 days, and copies must be sent to the State, Actuary, and the City.

*b. Pacing Study Analysis: Non-Core Real Estate and Private Credit*

Jordan Cipriani covered the Pacing Study Analysis for the Fund’s Non-Core Real Estate and Private Credit Investments for 2023:

**Non-Core Real Estate**

- In 2022, RVK recommended annual commitments of approximately \$40 million to reach the target allocation.
  - 2022 Commitments: \$25 million to Artemis HC Fund II and \$20 million to Bell Apartment Fund VIII.
- After updating our pacing analysis for 2023, RVK recommends decreasing the annual commitment schedule to approximately \$20 million.
- The decrease in the commitment schedule amount is primarily due to a decline year-over-year in the total market value of the fund (~20%) and the modest decrease in estimated growth rate.
- The total fund's allocation to non-core real estate is expected to reach the target allocation of 5% by approximately 2025.

**Private Credit**

- In 2022, RVK recommended annual commitments of \$60 million, tapering to \$40 million by 2026.
  - 2022 Commitments: \$30 million to Victory Park Asset Backed Opportunistic Credit Fund and \$30 million to Kennedy Lewis Capital Partners Master Fund III.
- After updating the pacing for 2023, RVK recommends decreasing the annual commitment schedule to approximately \$20 million.
- The decrease in estimated commitments is primarily due to the following factors:
  - The Ares Pathfinder Core Fund has been fully called significantly quicker than previously anticipated.
  - The first capital call for VPC Asset Backed Opportunistic Credit Fund LP was larger than expected.

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- Given the year-on-year total fund market value declined of ~20% and modestly lower expected growth rate, the market value needed to reach the 8.0% target by late 2025/2026 is \$50 million less than previously anticipated.
- The allocation to private credit is now expected to reach the target allocation of 8% by approximately late 2025.

*c. MWBE & SDVOB Broker / Dealer Utilization Report*

Jordan Cipriani summarized the MWBE & SDVOB Broker / Dealer Utilization Report:

- \$51,474 (or 7.0%) of total trading commissions<sup>1</sup> were paid to MWBE & SDVOB broker / dealers, by PFPF's equity manager. A modest decrease from the \$61,153 (or 7.2%) of commissions paid for the prior six-month time period.
- Hispanic owned broker / dealers accounted for the highest commission category at 46% commissions, Women owned firms were the second highest commission category followed by Disabled Veteran owned firms and Black/African American owned firms.
- Currently, two firms (Northern Trust and Pinnacle), have a stated target for a percentage of total commissions to be paid to MWBE & SDVOB firms: 15% and 30%, respectively.
- Northern Trust continues to have the highest usage accounting for 68% of all commissions paid to those firms by PFPF's equity managers.
- Equity commissions were split (52%) International Equity composite and (48%) US Equity composite.
- 70% of all MWBE & SDVOB commissions were paid to three firms: Penserra Securities LLC, Guzman & Company, and Telsey Advisory Group.
- Guzman & Company had the highest level of commissions and was utilized by two different investment managers.

*d. Monthly Investment Performance Analysis – January 31, 2023*

Spencer Hunter covered the General Market Commentary of the Monthly Investment Performance Analysis as of January 31, 2023:

- Global equity markets started the year on a positive note, with most US and international equity indices posting mid-to-high single digit returns for the month. International equities generally outperformed their domestic counterparts, while growth stocks largely outperformed value stocks both in US markets and abroad.
- Stocks traded higher due to positive inflation news and the hope of the Fed slowing its pace of interest rate hikes in response. Additionally, US GDP data was released, showing that the US economy grew at a healthy rate of 2.9% on an annual, inflation-adjusted basis in the fourth quarter.
- Inflation, while still elevated relative to historical averages, has slowed considerably compared to the last several months. The Consumer Price Index (CPI) posted a 6.5% 12-month change as of the end of 2022, its lowest reading since October 2021. The monthly CPI change in December was -0.1%, its first monthly decrease since May 2020.

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- Equity markets posted positive returns in January as the S&P 500 (Cap Wtd) Index returned 6.28% and the MSCI EAFE (Net) Index returned 8.10%. Emerging markets returned 7.90%, as measured by the MSCI EM (Net) Index.
- The Bloomberg US Aggregate Bond Index returned 3.08% in January, outperforming the 1.60% return by the Bloomberg US Treasury Intermediate Term Index. International fixed income markets returned 3.54%, as measured by the FTSE Non-US World Gov't Bond Index.
- Public real estate returned 10.67% in January and 6.71% over the trailing five-year period, as measured by the FTSE NAREIT Eq REITs Index (TR).
- The Cambridge US Private Equity Index returned 2.60% for the trailing one-year period and 17.17% for the trailing five-year period ending September 2022.
- Absolute return strategies returned 1.73% for the month and -1.13% over the trailing one-year period, as measured by the HFRI FOF Comp Index.
- Crude oil's price fell by 1.73% during the month and has decreased by 10.53% YoY.

Spencer Hunter discussed the Asset Allocation & Performance (Net of Fees) on page 5. He noted the Fiscal Year-to-Date return for the Fund was 11.99%, which is a great start after a difficult 2022. This return has been driven by the equity markets.

#### IX. Council Liaison Report

None.

#### X. Counsel Report

##### *a. JPFPF Senior Staff Voluntary Retirement Trust Fund – Declaration of Trust*

Bob Sugarman introduced the 'Senior Staff Voluntary Retirement Trust Fund – Declaration of Trust' document, which would establish the SSVRP as a separate entity. The document would establish the PFPF Board of Trustees as the SSVRP Board of Trustees, with the same composition, and policies. The funds of the SSVRP would remain comingled with the PFPF funds, which would require no separate contracts, accounts, or interviews. The SSVRP would require quarterly meetings, no longer than 10 minutes each.

Timothy Johnson asked what the four annual meetings would entail.

Bob Sugarman said that the Board would perform its fiduciary duty to monitor investments, which is generally reviewed quarterly. Any extraordinary expenses other than benefit payments would be approved. Benefit payment changes such as survivor payments may need to be approved. If a beneficiary dies, the Board of Trustees would be informed. The annual actuarial valuation would also be on the agenda.

Timothy Johnson said this would be on next month's agenda for approval.

Bob Sugarman informed the Board of Trustees about the SECURE Act 2, which may provide for additional insurance tax savings for PFPF retirees.



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Timothy Johnson said the March meeting might be a joint meeting with the FIAC to interview new potential money managers.

XI. Old Business

None.

XII. New Business

None.

XIII. Upcoming Meetings

*a. Board of Trustees – Friday, March 24, 2023, 2022 at 9:00AM*

XIV. Adjournment

10:03AM

Nawal McDaniel, Board Secretary

**Summary Prepared By:**

Steve Lundy, Deputy Director

City of Jacksonville Police and Fire Pension Fund

**Posted:** 02/28/2023

**To be Approved:** 03/24/2023