



SUMMARY TO THE BOARD OF TRUSTEES AND F.I.A.C.

MANAGER UPDATE WORKSHOP

Tuesday, June 2, 2020
12:04 P.M. – 1:06 P.M.

WEBEX ROOM 5 – VIRTUAL WORKSHOP ONLY

Board of Trustees

Cpt. Michael Lynch
Richard Patsy
Terry Wood

Staff

Timothy H. Johnson, Executive Director – Plan Administrator
Steve Lundy, Deputy Director
Kevin Grant, Finance Manager
Chuck Hayes, Pension Benefits Manager

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.

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SUMMARY

- I. Public Speaking
None.

- II. Manager Update
 - a. *Thompson Siegel & Walmsley – Bill Bellamy & Matt Soule*

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Bill Bellamy and Matt Soule of Thompson Siegel & Walmsley gave their Manager Update presentation. They covered and discussed the following topics of their presentation with the Board and FIAC members present:

- Page 3: TSW is Large Enough to Have Deep Resources; Small Enough to be Client-Focused
- Page 4: Jacksonville Police & Fire Pension Fund Performance Summary as of 4/30/2020
- Page 5: Risk/Return Profile – Primary Goal Risk Adjusted Returns
- Page 6: Meet our Team
- Page 7: Investment Philosophy
- Page 8: Evaluate Risk/Business Cycle and Position the Portfolio
- Page 9: Security Selection Process: Fundamental Analysis Designed to Generate Strong Risk Adjusted Returns
- Page 10: Portfolio Risk Controls: Risk Controls are an Integral Part of the Investment Process
- Pages 11-13: Portfolio Characteristics
- Page 14: Duration & Yield Curve Position
- Pages 16-17: Attribution
- Page 18: Outlook for 2020

Michael Lynch asked if there would be any impact to the Fund given the Fed's purchases of lower-rated bonds, and its potential for buying equities.

Bill Bellamy said that the Fed did not buy too many corporate bonds. The impact has largely been due to semantics – they haven't had to buy challenged bonds.

Bill Bellamy said for the economy to return to its level in January, there needs to be a strong menu of therapeutics or a vaccine for COVID-19.

Michael Lynch asked if foreclosures would impact the Fund, and if there is a 'perfect storm' brewing with the ban on evictions.

Bill Bellamy said there is very little explicit risk to the Fund from the forbearance of evictions. Most of TSW's loans are government – guaranteed. There would be some risk to the Fund on bonds trading at premiums.

Michael Lynch made a motion to amend the agenda to take up new business, and to allow for public speaking.

Terry Wood seconded the motion. Discussion:

Michael Lynch said that he would like a formal statement by the Board of Trustees directing OGC not to appeal a recent ruling from the judge on the Keane case. He said the reason for this is that there have been recent developments in the last 4-5 hours that leads him to believe that OGC will ask – outside of the Board's express written interest, ahead of the next regular Board meeting – to appeal. He said he would like to make a motion, offer for public speaking, and vote on the Board not pursuing this singular item of the Keane case anymore.

Terry Wood asked for Timothy Johnson's impressions.

Timothy Johnson said that following the hearing on May 28th, he followed up with OGC on the next steps. At that time, OGC conferred with the City, and he had specific questions from the Trustees. In fact, there were meetings scheduled

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with the Trustees for this week, and OGC intended to cancel them because they felt they did not have the answers – they intended to confer with the City, put together a legal strategy, and then schedule the meetings. He said he emailed the Trustees and made the recommendation to proactively communicate to OGC individually that the Trustees did not want to pursue an appeal, or a rehearing of the claims. He said he heard back from the Trustees and forwarded their responses to OGC.

Timothy Johnson said it sounds like Michael Lynch has had some conversation with OGC, and it is his opinion that the strategy is to appeal despite the wishes of the Board of Trustees.

Timothy Johnson said that he has only communicated with the Trustees individually, and not communicated their wishes amongst them. He said that he understands Michael Lynch wants a vote on the record from the Board opposing a rehearing or an appeal of the judge's decision on the Keane case.

Michael Lynch said that is correct – he said he wants to be abundantly clear – his motion will be on the one singular item, that the judge ruled on from the bench last week: that it was in the Board of Trustees' authority to create the Senior Staff Plan years ago. That is the only issue ruled on, and this is the only motion that will be sent to OGC as the Board's stance. Anything other problems are free to be discussed and litigated. This is on the singular issue of the judge's ruling last week.

Terry Wood said he was scheduled for a phone conversation with Timothy Johnson and OGC. OGC cancelled that meeting either Friday or Monday after the appointment was scheduled. He said he called Rita Mairs, and chatted with her for an update. He said that he told Rita Mairs that he was not in favor of appealing the judge's ruling.

Michael Lynch said he tried to have that conversation with OGC today to get his questions answered. His meeting was cancelled as well. He said he reached out today to get his questions answered, and a comment was made, "If they decided not to appeal it". He said this gave him immediate concern that OGC was going to act against the wishes of the Board of Trustees. He said he is under the impression, based on the previous public and shade meetings that the rest of the Board of Trustees is not interested in re-litigating this issue. He said this is why he is asking for the motion on this one singular issue.

Richard Patsy said that he believes this issue should be discussed by the Board of Trustees as a whole. He said he is comfortable for Timothy Johnson to reach out to Chris Brown and schedule a special meeting.

Michael Lynch said he understands, but this needs to be handled as an emergency. The next regular Board of Trustees meeting if after any potential actions could be taken by OGC. He said he does not think the Board would have any opportunity to undo anything, if OGC does anything against the Board's wishes.

Richard Patsy said he would be perfectly fine with an emergency meeting.

Michael Lynch said he would withdraw his first motion, and make a motion directing Timothy Johnson to schedule a meeting to be held within the next 24-48 hours so that Chris Brown and Nawal McDaniel could also attend. This motion dictates that the meeting will be held. Seconded by Terry Wood. The vote passed unanimously.

III. Adjournment
1:06 P.M.

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Summary Approved:

Nawal McDaniel, Board of Trustees Secretary

Summary Prepared By:

Steve Lundy, Deputy Director

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Posted: 06/04/2020

To be Approved: 06/19/2020