

**JACKSONVILLE POLICE AND FIRE PENSION FUND  
BOARD OF TRUSTEES  
MEETING AGENDA – DECEMBER 16, 2016 @ 9:00AM  
RICHARD “DICK” COHEE BOARD ROOM**

**PFPF MISSION STATEMENT:**

*To provide long term benefits to participants and their beneficiaries*

**NOTE:** Any person requiring a special accommodation to participate in the meeting because of disability shall contact the Executive Assistant at (904) 255-7373, at least five business days in advance of the meeting to make appropriate arrangements.

**PRESENT**

Lt. Richard Tuten III, Board Chair  
Richard Patsy, Board Secretary  
Lt. Chris Brown, Trustee  
Willard Payne, Trustee  
William Scheu, Trustee

**STAFF**

Timothy H. Johnson, Executive Director – Plan Administrator  
Paul Daragjati, Fund Attorney  
Matt Jelinek, Summit Strategies – *via conference call*  
Debbie Manning, Executive Assistant  
Denice Taylor, AAA Reporters

**EXCUSED**

Anna Brosche, City Council Liaison  
John Sawyer, Office of General Counsel

**CITY REPRESENTATIVES INVITED**

Joey Greive, Fund Treasurer  
Steve Durden, Office of General Counsel

**GUESTS**

Beth McCague  
David McCall  
Jeneen Sanders, Assistant to City Council Liaison

**I. CALL TO ORDER**

**II. PLEDGE OF ALLEGIANCE**

**III. A MOMENT OF SILENCE WILL BE OBSERVED FOR THE FOLLOWING DECEASED MEMBER:**

Ripley J. Miller, Police Officer

**IV. PUBLIC SPEAKING PERIOD**

**V. CONSENT AGENDA - ITEMS 2016-12-(1-13)CA**

**2016-12-1CA MEETING SUMMARY AND TRANSCRIPT APPROVED**

1. Meeting Summary and Final Transcript of the Board of Trustee Meeting held on November 18, 2016. Copies held in the meeting files.

**2016-12-2CA DISBURSEMENTS**

The listed expenditures in DISBURSEMENTS A have been reviewed and approved by the Police and Fire Pension Fund Chief Financial Officer and are within FY17 approved budget.

**DISBURSEMENTS A - 11/1/2016 thru 11/30/2016**

|   |                      |
|---|----------------------|
| 1. McCague & Co. LLC                    | \$ 11,700.00         |
| 2. Baker-Gilmour Cardiovascular         | \$ 200.00            |
| 3. Eagle Capital Management             | \$ 293,259.50        |
| 4. Klausner, Kaufman, Jensen & Levinson | \$ 8,655.20          |
|   |                      |
| <b>TOTAL</b>                            | <b>\$ 313,814.70</b> |

The listed expenditures in DISBURSEMENTS B have been reviewed and approved by the Police and Fire Pension Fund Chief Financial Officer and are within FY17 approved budget.

**DISBURSEMENTS B**

Transaction list of Accounts Payable distributions **\$ 16,752.37**

11/1/2016 thru 11/31/2016

**2016-12-3CA PENSION DISTRIBUTIONS**

|                             |                    |                       |
|-----------------------------|--------------------|-----------------------|
| <b>A. November 18, 2016</b> | Regular Gross      | \$5,041,717.78        |
|                             | Regular Lumpsum    | \$6,980.21            |
|                             | Regular Rollover   | \$7,264.01            |
|                             | Regular DROP Gross | \$1,018,562.10        |
|                             | DROP Lumpsum       | \$139,080.80          |
|                             | DROP Rollover      | \$0.00                |
|                             |                    |                       |
|                             | <b>TOTAL</b>       | <b>\$6,213,604.90</b> |

|                            |                    |                       |
|----------------------------|--------------------|-----------------------|
| <b>B. November 4, 2016</b> | Regular Gross      | \$5,042,014.69        |
|                            | Regular Lumpsum    | 55,799.35             |
|                            | Regular Rollover   | \$0.00                |
|                            | Regular DROP Gross | \$1,018,224.49        |
|                            | DROP Lumpsum       | \$180,249.96          |
|                            | DROP Rollover      | \$0.00                |
|                            |                    |                       |
|                            | <b>TOTAL</b>       | <b>\$6,296,288.49</b> |

**ALL CALCULATIONS AND DOLLAR AMOUNTS HAVE BEEN REVIEWED AND CALCULATED IN ACCORDANCE WITH ACCEPTED PROCEDURES.**

*The following Consent Agenda items 2016-12-(4-6)CA with supporting documentation were verified and approved at the Advisory Committee meeting held on December 14, 2016. Vote was unanimous.*

**2016-12-4CA APPLICATION FOR MEMBERSHIP**

**TRUSTEE RULE 13.3 (POLICE):**

**SOLOMON, Donzalo**  
**SOPATA, Nicholas J.**

**2016-12-5CA APPLICATION FOR TIME SERVICE CONNECTIONS**

1. **IRONSIDE, William P.**, Prior Duval Service (38 mths.), \$24,099.18. Fire Captain
2. **KUEHLTHAU, Wesley A.**, Prior Wartime Military Service (2 yrs.), \$23,392.70.

Fire Fighter

3. **SPANN, Roderick E.**, Prior Wartime Military Service (23 mths.), \$24,527.15.  
Fire Fighter Engineer

#### **2016-12-6CA APPLICATION FOR TIME SERVICE RETIREMENT**

1. **WATSON, John W.**, date of retirement November 18, 2016, monthly pension base amount of \$3,310.23. Police Officer
2. **WYNNE, Daniel H.**, date of retirement October 21, 2016, monthly pension base amount of ~~\$6,390.32~~ \$3,258.95 (REVISED). Police Officer

***The following Consent Agenda items 2016-12-(7-8)CA with supporting documentation were verified and received as information at the Advisory Committee meeting held on December 14, 2016.***

#### **2016-12-7CA REFUND OF PENSION CONTRIBUTIONS**

1. **COOK, Lynetta E.**, refund of pension contributions in the amount of \$710.84.  
Police Officer
2. **COPPINS, Christopher B.**, refund of pension contributions in the amount of \$6,980.21. Fire Fighter
3. **JANVIER, Daniel Y.**, refund of pension contributions in the amount of \$7,264.01. Fire Fighter
4. **WILLIAMS, Kiana K.**, refund of pension contributions in the amount of \$12,037.72. Police Officer

#### **2016-12-8CA SHARE PLAN DISTRIBUTION**

**THE FOLLOWING MEMBERS RECEIVED A GROSS SHARE PLAN DISTRIBUTION IN THE AMOUNT OF \$1,500.65:**

- |                           |
|---------------------------|
| 1. <b>WATSON, John W.</b> |
|---------------------------|

***The following Consent Agenda item 2016-12-9CA with supporting documentation was verified and approved at the Advisory Committee meeting held on December 14, 2016. Vote was unanimous.***

**2016-12-9CA APPLICATION FOR DROP**

|                                  |
|----------------------------------|
| 1. <b>ASHENFELDER</b> , Russ C.  |
| 2. <b>BLANTON</b> , Donald R.    |
| 3. <b>BROWN</b> , Steven L.      |
| 4. <b>CHIZIK</b> , Mitchell P.   |
| 5. <b>DENMAN</b> , Bryan S.      |
| 6. <b>ETHRIDGE</b> , Micah L.    |
| 7. <b>GODFREY</b> , Dennis J.    |
| 8. <b>GRAF II</b> , Richard J.   |
| 9. <b>GREEN</b> , Mark B.        |
| 10. <b>HAGAN</b> , Philip W.     |
| 11. <b>HEATON JR.</b> , James R. |
| 12. <b>HIDAY</b> , Michael S.    |
| 13. <b>HOUSTON</b> , Jeffrey A.  |
| 14. <b>HULTQUIST</b> , Shawn L.  |
| 15. <b>KIEFFER</b> , Kevin M.    |
| 16. <b>McPHILOMY</b> , Jaime D.  |
| 17. <b>MESH</b> , Mindy L.       |
| 18. <b>NELSON</b> , Gary E.      |
| 19. <b>PORTER</b> , Tonya F.     |
| 20. <b>PRESTI</b> , Peter M.     |
| 21. <b>RAGASA</b> , Rainiel J.   |
| 22. <b>TAYLOR</b> , Jason A.     |
| 23. <b>TAYLOR</b> , Sandy C.     |
| 24. <b>TESTON</b> , Ella-Jean E. |
| 25. <b>TODD</b> , John R.        |
| 26. <b>WALCUTT</b> , Craig R.    |
| 27. <b>WARD</b> , Anthony E.     |
| 28. <b>WARKENTIEN</b> , Glenn L. |
| 29. <b>WELLS</b> , Jocelyn A.    |
| 30. <b>WYATT</b> , Jeffrey W.    |
| 31. <b>YORK III</b> , Jesse E.   |

***The following Consent Agenda items 2016-12-(10-13)CA with supporting documentation were verified and received as information at the Advisory Committee meeting held on December 14, 2016.***

**2016-12-10CA DROP PARTICIPANT TERMINATION OF EMPLOYMENT**

1. **CHAPMAN III, Johnnie W.**, DROP commencement date of January 20, 2012, termination of employment date effective November 4, 2016, with a

monthly retirement base of \$3,382.88. Police Officer

2. **EDMONDS, Darrell B.**, DROP commencement date of April 22, 2016, termination of employment date effective November 18, 2016, with a monthly retirement base of \$3,459.83. Police Officer
3. **LYLE, Robert L.**, DROP commencement date of April 27, 2012, termination of employment date effective November 18, 2016, with a monthly retirement base of \$4,330.47. Police Sergeant
4. **PELLETIER, Todd D.**, DROP commencement date of July 17, 2015, termination of employment date effective November 18, 2016, with a monthly retirement base of \$3,840.85. Fire Lieutenant

#### **2016-12-11CA DROP DISTRIBUTIONS**

1. **CHAPMAN III, Johnnie W.**, the entire value of his DROP account \$253,739.20 will be paid him over the next 37.9 years.
2. **EDMONDS, Darrell B.**, the entire value of his DROP account \$26,075.99 will be paid to him over the next 52.4 years.
3. **LONG, Eric B.**, the entire value of his DROP account \$139,080.80 will be paid to him lump sum.
4. **LYLE, Robert L.**, the entire value of his DROP account \$307,559.71 will be paid to him over the next 48.8 yrs.
5. **PELLETIER, Todd D.**, the entire value of his DROP account \$68,568.70 will be paid to him over the next 38.8 yrs.

#### **2016-12-12CA DROP ENROLLMENT STATISTICS**

1. Analysis of DROP Enrollment Statistics from FY1999 to January FY2017

#### **2016-12-13CA DROP LEGAL OPINION**

1. Thirty Year DROP FINAL Legal Opinion – OGC

#### **VI. EXECUTIVE DIRECTOR'S REPORTS – Timothy Johnson**

- Monthly Status Report
- October 1, 2016 DRAFT of Actuarial Evaluation
- Final Transcript for Special Workshop held on January 5, 2016

**VII. COUNSEL REPORTS**

- Legal Report – *Steve Durden*
- Legal Report – *Paul Daragjati*

**VIII. INVESTMENT CONSULTANT REPORTS – *Matt Jelinek w Summit***

- Flash Report – November 30, 2016
- Monthly Economic & Capital Market Update – November, 2016
- Recommendation of Funding for Loomis
- Recommendation of Funding for Neuberger Berman
- Trumponomics

**IX. OLD BUSINESS**

**X. NEW BUSINESS**

- Recommendation from FIAC Regarding Fifth Member – Tracey Devine
- David McCall, Advisory Committee, Appreciation
- Beth McCague Appreciation
- Klausner, Kaufman, Jensen & Levinson Appreciation

**XI. ADJOURNMENT**

**NOTE:** 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**



**JACKSONVILLE POLICE AND FIRE PENSION FUND  
BOARD OF TRUSTEES  
MEETING SUMMARY – NOVEMBER 18, 2016 @ 9:00AM  
RICHARD “DICK” COHEE BOARD ROOM**

**PFPF MISSION STATEMENT:**

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**NOTE:** Any person requiring a special accommodation to participate in the meeting because of disability shall contact the Executive Assistant at (904) 255-7373, at least five business days in advance of the meeting to make appropriate arrangements.

**PRESENT**

Richard Patsy, Board Secretary  
Lt. Chris Brown, Trustee  
William Scheu, Trustee

**STAFF**

Timothy H. Johnson, Executive Director – Plan Administrator  
Paul Daragjati, Fund Attorney  
Dan Holmes, Summit Strategies  
Debbie Manning, Executive Assistant  
Denice Taylor, AAA Reporters

**EXCUSED**

Lt. Richard Tuten III, Board Chair  
Willard Payne, Trustee  
Beth McCague, Consultant

**CITY REPRESENTATIVES INVITED**

**GUESTS**

Anna Brosche, City Council Liaison  
Joey Greive, Fund Treasurer  
Steve Durden, Office of General Counsel  
John Sawyer, Office of General Counsel  
Devin Carter, Chief Financial Officer

Police and Fire Pension Fund  
Board of Trustees  
Meeting Summary  
November 18, 2016

Steve Zona, FOP President  
Randy Wyse, Jax. Assoc. of Firefighters  
Rick Muchowitz  
James Allen, The Law Offices of James Allen, P.A.  
Eileen Kelley, Florida Times Union  
Bill Gassett  
Curtis Lee

**I. CALL TO ORDER**

**BOARD SECRETARY RICK PATSY CALLED THE MEETING TO ORDER AT 9:04AM.**

**II. PLEDGE OF ALLEGIANCE**

**THE PLEDGE OF ALLEGIANCE WAS RECITED BY THE BOARD AND GUESTS.**

**III. A MOMENT OF SILENCE WILL BE OBSERVED FOR THE FOLLOWING DECEASED MEMBERS:**

**THERE WERE NO DECEASED MEMBERS**

**IV. PUBLIC SPEAKING PERIOD**

**THERE WERE TWO REQUESTS FOR PUBLIC SPEAKING, BILL GASSETT AND CURTIS LEE. BOTH PRESENTED HANDOUTS TO THE BOARD FOR DISCUSSION.**

**V. CONSENT AGENDA - ITEMS 2016-11-(1-13)CA**

**2016-11-1CA MEETING SUMMARIES AND FINAL TRANSCRIPT APPROVED**

**2016-11-2CA DISBURSEMENTS**

**DISBURSEMENTS A - 10/1/2016 thru 10/31/2016**

**DISBURSEMENTS B - 10/1/2016 thru 10/31/2016**

**2016-11-3CA PENSION DISTRIBUTIONS**

**2016-11-4CA APPLICATION FOR MEMBERSHIP**

**2016-11-5CA APPLICATION FOR SURVIVOR BENEFITS**

**2016-11-6CA APPLICATION FOR CHILD'S BENEFIT**

**2016-11-7CA APPLICATION FOR TIME SERVICE CONNECTIONS**

**2016-11-8-CA WITHDRAWN**

**2016-11-9CA REFUND OF PENSION CONTRIBUTIONS**

**2016-11-10CA SHARE PLAN DISTRIBUTION**

**2016-11-11CA DROP PARTICIPANT TERMINATION OF EMPLOYMENT**

**2016-11-12CA DROP DISTRIBUTIONS**

**2016-11-13CA DROP PARTICIPATION FOR SURVIVOR**

**A MOTION WAS MADE BY TRUSTEE SCHEU TO APPROVE CONSENT AGENDA ITEMS 2016-11-(1-13)CA, EXCLUDING 2016-11-(8)CA WHICH WAS WITHDRAWN BY THE ADVISORY COMMITTEE. SECONDED BY TRUSTEE BROWN. VOTE WAS UNANIMOUS.**

**DUE TO REMARKS JOEY GREIVE RECEIVED PRIOR TO THE BOARD MEETING, JOEY ASKED THE EXECUTIVE DIRECTOR IF THE PENSION FUND COULD POST DOCUMENTS ON THE WEBSITE PRIOR TO THE MEETINGS, OR AT LEAST PROVIDE COPIES TO THE GUESTS IN ATTENDANCE AT THE MEETING.**

**TIM JOHNSON ACKNOWLEDGED RECEIVING THIS REQUEST.**

**V. EXECUTIVE DIRECTOR'S REPORTS – *Tim Johnson***

- Monthly Status Report

**TIM JOHNSON REVIEWED HIS MONTHLY STATUS REPORT WITH THE BOARD INCLUDING DISCUSSION REGARDING THE FOLLOWING ITEMS:**

- Time Service Connections (*DRAFT*) – Procedures Manual
- Draft of News Releases
  - PFPF Announces New Actuary
  - PFPF Reports Preliminary 2015-2016 Fiscal Year Investment Returns
- 2017 PFPF Calendar

**A MOTION WAS MADE BY TRUSTEE SCHEU TO APPROVE THE 2017 PFPF CALENDAR WHICH INCLUDED MEETING DATES AND HOLIDAYS. SECONDED BY TRUSTEE BROWN. VOTE WAS UNANIMOUS.**

- Consultant's Report

**TIM JOHNSON ADVISED THE BOARD THAT BETH MCCAGUE MADE A LIST OF PROJECTS SHE HAS BEEN WORKING ON WHICH ARE STILL PENDING OR HAVE BEEN COMPLETED.**

**TIM JOHNSON ADVISED THAT BETH MCCAGUE'S CONTRACT EXPIRES ON NOVEMBER 30<sup>TH</sup>. DUE TO THE ABSENCE OF TWO BOARD MEMBERS AT THIS MEETING, THE BOARD DECIDED TO WAIT UNTIL THE DECEMBER BOARD MEETING TO MAKE A PRESENTATION TO BETH.**

## **VI. COUNSEL REPORTS**

- Legal Report – *Steve Durden / John Sawyer*

**JOHN SAWYER CONFIRMED THAT THE BOARD HELD A SPECIAL MEETING ON OCTOBER 25<sup>TH</sup> TO INTERVIEW THREE FIRMS FOR PFPF FUND ATTORNEY. JASON GABRIEL AND COUNCIL MEMBER ANNA BROSCHE WERE INCLUDED IN THE INTERVIEW PROCESS. THE INTERVIEWS WERE VERY INCLUSIVE AND VERY FORMAL.**

**BASED ON THE EVALUATIONS OF THE CANDIDATES, SUGARMAN & SUSSKIND WAS THE FIRM CHOSEN UNANIMOUSLY BY ALL PARTICIPANTS IN THE PROCESS. THE OFFICE OF GENERAL COUNSEL IS SUBMITTING A FORMAL LETTER TO THE BOARD. THE BOARD HAS THE OPTION TO HIRE THE FIRM OR CONDUCT ADDITIONAL INTERVIEWS IF THEY CHOOSE TO.**

**A MOTION WAS MADE BY TRUSTEE BROWN TO ACCEPT THE FORMAL LETTER FROM THE OFFICE OF GENERAL COUNSEL AND HIRE SUGARMAN & SUSSKIND AS THE FUND ATTORNEY. SECONDED BY TRUSTEE SCHEU. VOTE WAS UNANIMOUS.**

**TRUSTEE SCHEU SAID THIS WAS WITHOUT A DOUBT THE MOST TRANSPARENT WAY TO VIEW THE ENTIRE PROCESS. HE THANKED EVERYONE FOR PARTICIPATING. IT'S UNFORTUNATE THAT THE MEDIA DID NOT ATTEND.**

**THE BOARD THANKED THE KLAUSNER FIRM FOR IT'S SUPPORT OVER THE YEARS.**

**A MOTION WAS MADE BY TRUSTEE SCHEU TO APPROVE SUGARMAN & SUSSKIND AS THE PENSION FUND ATTORNEY BEGINNING JANUARY 1, 2017. SECONDED BY TRUSTEE BROWN. VOTE WAS UNANIMOUS.**

- Legal Report – *Paul Daragjati*

**PAUL DARAGJATI WITH KLAUSNER, KAUFMAN, HANDED OUT HIS MONTHLY REPORT TO THE BOARD AND BRIEFLY DISCUSSED.**

**PAUL DARAGJATI ALSO ADVISED THE BOARD OF A POLICE OFFICER WHO WAS CHARGED WITH A MONEY LAUNDERING SCHEME. THIS WILL RESULT IN FORFEITURE OF HIS PENSION AND WILL BE DISCUSSED AT NEXT MONTHS ADVISORY COMMITTEE MEETING.**

**VII. INVESTMENT CONSULTANT REPORTS – *Dan Holmes w Summit***

- Investment Performance Report – Third Quarter – September 30, 2016

**TRUSTEE PATSY SAID 2016 WAS A GOOD YEAR FOR THE FUND.**

**DAN HOLMES REVIEWED THE HIGHLIGHTS OF THE INVESTMENT PERFORMANCE REPORT. ALL ASSET CLASSES OUT PERFORMED THE BENCHMARK. RETURNS FOR THE FISCAL YEAR WERE NOTED AS FOLLOWS:**

- GROSS 10.98% FOR THE YEAR
- 13% PERCENTILE OVER THE U.S.
- 10.48% RATE OF RETURN
- 10% RETURN TO ACTUARY
- COMPARED TO PIERS AT MEDIUM OR ABOVE – COMPETATIVE

**SECRETARY PATSY ASKED DAN TO CREATE A SPREADSHEET TO COMPARE THE FUND AGAINST THE UNIVERSE.**

- Flash Report – October 31, 2016

**DAN STATED THAT ASSET ALLOCATION WAS IN LINE WITH INVESTMENT POLICY. PERFORMANCE FOR THE MONTH DOWN 1.1%; ALL EQUITY MARKETS DOWN FOR THE MONTH; ALL ASSET CLASSES OUT PERFORMED BENCHMARK.**

- Monthly Economic & Capital Market Update – October 2016

**RECEIVED AS INFORMATION**

- Approval of Investment Guidelines for Neuberger Berman & Loomis

**FOR NEUBERGER BERMAN, THIS IS A COLLECTIVE TRUST. THE INVESTMENT POLICY STATES WHEN WE GO OUTSIDE, WE MUST FOLLOW THE PLANS POLICY AND INCLUDE THIS WITH THE CONTRACT.**

**THE INVESTMENT STATUE, FLORIDA SECTION 215.47, IS VERY DETAILED, AND THE CAREFUL REVIEW BY DAN WAS VERY TIMELY.**

**FOR LOOMIS, WHICH IS A SEPARATE ACCOUNT, THERE WERE EDITS (WHICH WERE HANDED OUT TO THE BOARD). THE FULL DISCRETION PRODUCT TONED DOWN THE INVESTMENT GUIDELINES TO CONFORM TO STATUE.**

**DAN HOLMES RECOMMENDATION TO THE BOARD IS TO ADOPT BOTH OF THESE GUIDELINES.**

**A MOTION WAS MADE BY TRUSTEE BROWN TO ADOPT THE INVESTMENT GUIDELINES FOR NEUBERGER BERMAN AS RECOMMENDED TO THE BOARD BY DAN HOLMES WITH SUMMIT STRATEGIES. SECONDED BY TRUSTEE SCHEU. VOTE WAS UNANIMOUS.**

**A MOTION WAS MADE BY TRUSTEE BROWN TO ADOPT THE INVESTMENT GUIDELINES FOR LOOMIS, WITH A SCREVENORS ERROR BEING CORRECTED ON PAGE 1 WITH THE DELETION OF "STRUCTURED NOTES" UNDER ELIGIBLE INVESTMENTS, AS RECOMMENDED TO THE BOARD BY DAN HOLMES WITH SUMMIT STRATEGIES. SECONDED BY TRUSTEE SCHEU. VOTE WAS UNANIMOUS.**

**DAN HOLMES STATED FUNDING WILL BE DISCUSSED AT THE DECEMBER MEETING**

- Eagle and Brown Advisory Review (FIAC review pending)

**TRUSTEE SCHEU ASKED IF THE BOARD HAS TO WAIT FOR AN FIAC RECOMMENDATION TO PROCEED. FIAC DID NOT HAVE A QUORUM AT THEIR LAST MEETING AND COULD NOT MAKE A RECOMMENDATION.**

**TRUSTEE SCHEU ASKED STEVE DURDEN WITH OFFICE OF GENERAL COUNSEL TO DETERMINE WHAT IS A QUORUM IS FOR FIAC. DOES IT INCLUDE THE CHAIRMAN?**

**VIII. OLD BUSINESS**

**IX. NEW BUSINESS**

**X. ADJOURNMENT**

**BOARD SECRETARY PATSY ADJOURNED THE MEETING AT 10:26AM**

**NOTE:** 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.

**TO BE APPROVED AT THE NEXT BOARD OF  
TRUSTEE MEETING HELD ON DECEMBER 16, 2016**

---

Rick Patsy, Board Secretary

BOARD OF TRUSTEES MEETING

11/30/2016

2016-12-2CA  
(A)attachment

MCCAGUE & CO. LLC  
6740 EPPING FOREST WAY N #106  
JACKSONVILLE, FL 32217

\$11,700.00

CONTRACTOR

BAKER GILMOUR CARDIOVASCULAR  
3550 UNIVERSITY BLVD SUITE 302  
JACKSONVILLE, FL 32216

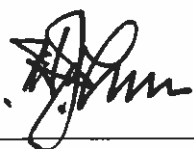
\$200.00

MEDICALS

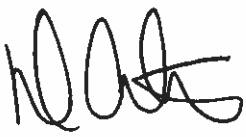
\$11,900.00

PLEASE PROCESS CHECKS WITHIN 24 HOURS OF RECEIPT

APPROVALS:TIM JOHNSON



DEVIN CARTER



**BOARD OF TRUSTEES MEETING**

**11/14/2016**

KLAUSNER, KAUFMAN, JENSEN & LEVINSON  
7080 N.W. 4TH ST  
PLANTATION, FL 33317

\$8,655.20

19073-19072

EAGLE CAPITAL MANAGEMENT  
499 PARK AVENUE  
NEW YORK, NY 10022

\$293,259.50

SEP 30 2016

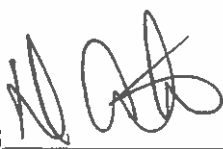
\$301,914.70

**PLEASE PROCESS CHECKS WITHIN 24 HOURS OF RECEIPT**

APPROVALS:TIM JOHNSON



DEVIN CARTER



Transactions by Category  
FY04-08AP

## 2016-12-2CA (B)attachment

11/1/2016 Through 11/30/2016

|                                 | Nm   | Date | Payee      | C                      | Category                   | Amount                              |
|---------------------------------|------|------|------------|------------------------|----------------------------|-------------------------------------|
| Opening Balance as of 11/1/2016 |      |      |            |                        |                            |                                     |
| <u>Expense Categories</u>       |      |      |            |                        |                            |                                     |
| Sales Tax                       |      |      | 11/21/2016 | FLORIDA DEPT OF RE...  | Sales Tax                  | (553.14) <sup>†</sup><br>(553.14)   |
| Total Sales Tax                 |      |      |            |                        |                            |                                     |
| 5402 Member,dues,subs           | 9907 |      | 11/7/2016  | JACKSONVILLE BUJSN...  | 5402 Member,dues,subs      | (262.50) <sup>†</sup>               |
|                                 | 9906 |      | 11/7/2016  | JAX REGIONAL CHAMB...  | 5402 Member,dues,subs      | (500.00) <sup>†</sup><br>(762.50)   |
| Total 5402 Member,dues,subs     |      |      |            |                        |                            |                                     |
| 5101 Office Supplies            | 9917 |      | 11/17/2016 | OFFICE DEPOT           | 5101 Office Supplies       | (720.15) <sup>†</sup><br>(720.15)   |
| Total 5101 Office Supplies      |      |      |            |                        |                            |                                     |
| 4938b Garage Exp                | 9912 |      | 11/7/2016  | SCHINDLER ELEVATOR...  | 4938b Garage Exp           | (225.00) <sup>†</sup>               |
|                                 | 9911 |      | 11/7/2016  | DYNAMIC SECURITY P...  | 4938b Garage Exp           | 0.00 <sup>†</sup><br>(225.00)       |
| Total 4938b Garage Exp          |      |      |            |                        |                            |                                     |
| 4938a Building exp              | 9922 |      | 11/29/2016 | COMCAST                | 4938a Building exp         | (105.90) <sup>†</sup>               |
|                                 | 9921 |      | 11/29/2016 | HD SUPPLY FACILTIE...  | 4938a Building exp         | (1,011.61) <sup>†</sup>             |
|                                 | 9920 |      | 11/29/2016 | BUCHANAN SIGN & FL...  | 4938a Building exp         | (46.00) <sup>†</sup>                |
|                                 | 9916 |      | 11/17/2016 | TOTAL OFFICE SOLUTI... | 4938a Building exp         | (1,392.00) <sup>†</sup>             |
|                                 | 9913 |      | 11/7/2016  | HART ELECTRIC COMP...  | 4938a Building exp         | (147.00) <sup>†</sup>               |
|                                 | 9912 |      | 11/7/2016  | SCHINDLER ELEVATOR...  | 4938a Building exp         | (450.00) <sup>†</sup>               |
|                                 | 9910 |      | 11/7/2016  | PLANT PEOPLE OF NO...  | 4938a Building exp         | (47.25) <sup>†</sup>                |
|                                 | 9909 |      | 11/7/2016  | ISS                    | 4938a Building exp         | (240.00) <sup>†</sup><br>(3,439.76) |
| Total 4938a Building exp        |      |      |            |                        |                            |                                     |
| 4938 Miscellaneous              | 9915 |      | 11/17/2016 | AAA REPORTERS          | 4938 Miscellaneous         | (506.20) <sup>†</sup><br>(506.20)   |
| Total 4938 Miscellaneous        |      |      |            |                        |                            |                                     |
| 4603a BMaintenance & Repair     | 9919 |      | 11/29/2016 | TRANE COMPANY          | 4603a BMaintenance & Re... | (1,642.38) <sup>†</sup>             |

Transactions by Category  
FY04-08AP

11/1/2016 Through 11/30/2016

|                                   | Num  | Date Payee                      | C | Category                   | Amount        |
|-----------------------------------|------|---------------------------------|---|----------------------------|---------------|
|                                   | 9914 | 11/7/2016 TRANE COMPANY         |   | 4603a BMaintenance & Re... | (1,840.42) ‡  |
|                                   | 9911 | 11/7/2016 DYNAMIC SECURITY P... |   | 4603a BMaintenance & Re... | (300.00) ‡    |
| Total 4603a BMaintenance & Repair |      |                                 |   |                            | (3,782.80)    |
| 4304g Water                       | 9918 | 11/17/2016 JEA                  |   | 4304g Water                | (33.75) ‡     |
| Total 4304g Water                 |      |                                 |   |                            | (33.75)       |
| 4304 Water                        | 9918 | 11/17/2016 JEA                  |   | 4304 Water                 | (618.37) ‡    |
| Total 4304 Water                  |      |                                 |   |                            | (618.37)      |
| 4301g Elec                        | 9918 | 11/17/2016 JEA                  |   | 4301g Elec                 | (341.51) ‡    |
| Total 4301g Elec                  |      |                                 |   |                            | (341.51)      |
| 4301 Elec                         | 9918 | 11/17/2016 JEA                  |   | 4301 Elec                  | (5,579.47) ‡  |
| Total 4301 Elec                   |      |                                 |   |                            | (5,579.47)    |
| 4101 Postage                      | 9923 | 11/29/2016 FEDERAL EXPRESS      |   | 4101 Postage               | (75.76) ‡     |
|                                   | 9908 | 11/7/2016 FEDERAL EXPRESS       |   | 4101 Postage               | (113.96) ‡    |
| Total 4101 Postage                |      |                                 |   |                            | (189.72)      |
| Total Expense Categories          |      |                                 |   |                            | (16,752.37)   |
| Grand Total                       |      |                                 |   |                            | (16,752.37) ‡ |

# *Law*Pension

## POLICE AND FIRE PAYROLL REGISTER

PAY DATE 11/18/2016

2016-12-3CA  
attachment

| Name                                     | SSN | Marital<br>Status | Tax<br>Exem | Days | Rate | Index | Gross<br>Pay         | Tax | Net<br>Pay | Check # |
|--|-----|-------------------|-------------|------|------|-------|----------------------|-----|------------|---------|
| SUMMARY REPORT FOR PAY DATE : 11/18/2016 |     |                   |             |      |      |       |                      |     |            |         |
| REGULAR PENSION GROSS                    |     |                   |             |      |      |       | TOTAL : 5,041,717.78 |     |            |         |
| REGULAR LUMP SUM                         |     |                   |             |      |      |       | TOTAL : 6,980.21     |     |            |         |
| REGULAR ROLLOVER                         |     |                   |             |      |      |       | TOTAL : 7,264.01     |     |            |         |
| REGULAR DROP GROSS                       |     |                   |             |      |      |       | TOTAL : 1,018,562.10 |     |            |         |
| DROP LUMP SUM                            |     |                   |             |      |      |       | TOTAL : 139,080.80   |     |            |         |
| DROP ROLLOVER                            |     |                   |             |      |      |       | TOTAL : 0.00         |     |            |         |
| LEAVE LUMP SUM                           |     |                   |             |      |      |       | TOTAL : 0.00         |     |            |         |
| LEAVE ROLLOVER                           |     |                   |             |      |      |       | TOTAL : 0.00         |     |            |         |
| GROSS                                    |     |                   |             |      |      |       | TOTAL : 6,213,604.90 |     |            |         |
| WITHOLDING TAX                           |     |                   |             |      |      |       | TOTAL : 974,019.64   |     |            |         |
| AFTER TAX DEDUCTIONS                     |     |                   |             |      |      |       | TOTAL : 760,804.13   |     |            |         |
| PRE TAX DEDUCTION                        |     |                   |             |      |      |       | TOTAL : 8,783.55     |     |            |         |
| NET PAY                                  |     |                   |             |      |      |       | TOTAL : 4,469,997.58 |     |            |         |
| DROP/RLA/REF CHECKS                      |     |                   |             |      |      |       | TOTAL : 116,460.76   |     |            |         |
| CORRECTED CHECK                          |     |                   |             |      |      |       | TOTAL : 0.00         |     |            |         |
| RETURN CHECK                             |     |                   |             |      |      |       | TOTAL : 0.00         |     |            |         |
| NET PAY FOR REGULAR PEN & DROP           |     |                   |             |      |      |       | TOTAL : 4,353,536.82 |     |            |         |
| PENSIONERS                               |     |                   |             |      |      |       | COUNT : 2446         |     |            |         |

# JaxPension

## POLICE AND FIRE PAYROLL REGISTER

PAY DATE 11/04/2016

| Name                                     | SSN | Marital<br>Status | Tax<br>Exem | Days | Rate | Index | Gross<br>Pay | Tax | Net<br>Pay | Check # |
|--|-----|-------------------|-------------|------|------|-------|--------------|-----|------------|---------|
| SUMMARY REPORT FOR PAY DATE : 11/04/2016 |     |                   |             |      |      |       |              |     |            |         |
| REGULAR PENSION GROSS                    |     |                   |             |      |      |       | 5,042,014.69 |     |            |         |
| REGULAR LUMPSUM                          |     |                   |             |      |      |       | 55,799.35    |     |            |         |
| REGULAR ROLLOVER                         |     |                   |             |      |      |       | 0.00         |     |            |         |
| REGULAR DROP GROSS                       |     |                   |             |      |      |       | 1,018,224.49 |     |            |         |
| DROP LUMP SUM                            |     |                   |             |      |      |       | 180,249.96   |     |            |         |
| DROP ROLLOVER                            |     |                   |             |      |      |       | 0.00         |     |            |         |
| LEAVE LUMP SUM                           |     |                   |             |      |      |       | 0.00         |     |            |         |
| LEAVE ROLLOVER                           |     |                   |             |      |      |       | 0.00         |     |            |         |
| GROSS                                    |     |                   |             |      |      |       | 6,296,288.49 |     |            |         |
| WITHHOLDING TAX                          |     |                   |             |      |      |       | 998,564.27   |     |            |         |
| AFTER TAX DEDUCTIONS                     |     |                   |             |      |      |       | 763,085.51   |     |            |         |
| PRE TAX DEDUCTION                        |     |                   |             |      |      |       | 8,672.79     |     |            |         |
| NET PAY                                  |     |                   |             |      |      |       | 4,525,965.92 |     |            |         |
| DROP/RLA/REF CHECKS                      |     |                   |             |      |      |       | 175,479.50   |     |            |         |
| CORRECTED CHECK                          |     |                   |             |      |      |       | 0.00         |     |            |         |
| RETURN CHECK                             |     |                   |             |      |      |       | 0.00         |     |            |         |
| NET PAY FOR REGULAR PEN & DROP           |     |                   |             |      |      |       | 4,350,486.42 |     |            |         |
| PENSIONERS                               |     |                   |             |      |      |       | 2444         |     |            |         |
|  |     |                   |             |      |      |       |              |     |            |         |

**Jacksonville Police and Fire Pension Fund  
Analysis of DROP Enrollment Statistics  
From FY1999 to January FY2017  
As of 12/2/2016**

| Fiscal Year  | New DROP<br>Enrollments | Average<br>Whole<br>Years of<br>Service | Average Age at:    |              |     |
|--------------|-------------------------|---|--------------------|--------------|-----|
|              |                         |   | DROP<br>Enrollment | DROP End     |     |
| FY1999       | 319                     | 28.54                                   | 53.29              | 57.29        | (1) |
| FY2000       | 128                     | 26.20                                   | 50.49              | 54.49        | (2) |
| FY2001       | 107                     | 25.63                                   | 49.79              | 54.79        |     |
| FY2002       | 61                      | 24.41                                   | 47.89              | 52.89        |     |
| FY2003       | 49                      | 24.33                                   | 48.56              | 53.56        |     |
| FY2004       | 55                      | 24.44                                   | 48.95              | 54.95        |     |
| FY2005       | 44                      | 25.77                                   | 49.77              | 54.77        |     |
| FY2006       | 60                      | 23.38                                   | 49.62              | 54.62        |     |
| FY2007       | 58                      | 22.71                                   | 48.83              | 53.83        |     |
| FY2008       | 101                     | (4) 21.59                               | 48.08              | 53.08        |     |
| FY2009       | 93                      | 21.44                                   | 48.27              | 53.27        |     |
| FY2010       | (3) 105                 | 21.85                                   | 47.59              | 52.59        |     |
| FY2011       | (5) 158                 | 21.42                                   | 47.22              | 52.22        |     |
| FY2012       | (6) 135                 | 21.79                                   | 47.66              | 52.66        |     |
| FY2013       | (7) 105                 | 21.42                                   | 47.63              | 52.63        |     |
| FY2014       | (8) 85                  | 21.24                                   | 47.83              | 52.83        |     |
| FY2015       | (9) 121                 | 20.67                                   | 48.06              | 53.06        |     |
| FY2016       | (12) 78                 | 20.95                                   | 48.50              | 53.50        |     |
| FY2017       | (13) 53                 | 20.77                                   | 48.79              | 53.79        |     |
| <b>Total</b> | <b>1915</b>             | <b>23.08</b>                            | <b>48.78</b>       | <b>53.73</b> |     |

- (1) This column represents the ages of DROP participants at separation from service assuming they remained employed for the full 4 or 5 year DROP authorization period.
- (2) The initial two years of the DROP Program carried a DROP participation period of 4 years. This participation period was extended to 5 years for new DROP participants commencing in 2001.
- (3) The average whole years of service for the 25 members enrolling in the DROP class of April 3, 2010 was the lowest (at 20.68 years) of all prior 45 DROP classes since 1999. The 38 members tentatively enrolled in the DROP class of July 10, 2010 was the second highest enrollment class over the last 9 years.
- (4) 47 of this total of 101 came from the last quarterly DROP class of FY2008.

(5) FY2011 is composed of the following details:

|               |            |              |              |              |      |
|---------------|------------|--------------|--------------|--------------|------|
| October Class | 20         | 22.20        | 48.05        | 53.05        |      |
| January Class | 38         | 21.21        | 47.21        | 52.21        |      |
| April Class   | 52         | 21.71        | 47.10        | 52.10        |      |
| July Class    | 48         | 20.94        | 47.00        | 52.00        |      |
| <b>Total</b>  | <b>158</b> | <b>21.42</b> | <b>47.22</b> | <b>52.22</b> | (11) |

(6) FY2012 is composed of the following details:

|               |            |              |              |              |                      |
|---------------|------------|--------------|--------------|--------------|----------------------|
| October Class | 19         | 20.89        | 47.66        | 52.66        | (7 Fire, 12 Police)  |
| January Class | 37         | 21.95        | 47.73        | 52.73        | (5 Fire, 32 Police)  |
| April Class   | 45         | 22.02        | 47.12        | 52.12        | (10 Fire, 35 Police) |
| July Class    | 34         | 21.82        | 48.29        | 53.29        | (24 Fire, 10 Police) |
| <b>Total</b>  | <b>135</b> | <b>21.79</b> | <b>47.66</b> | <b>52.66</b> | (11)                 |

(7) FY2013 is composed of the following details:

|               |            |              |              |              |                      |
|---------------|------------|--------------|--------------|--------------|----------------------|
| October Class | 44         | 20.84        | 47.70        | 52.70        | (4 Fire, 40 Police)  |
| January Class | 15         | 22.80        | 48.51        | 53.51        | (7 Fire, 8 Police)   |
| April Class   | 18         | 21.94        | 46.87        | 51.87        | (10 Fire, 8 Police)  |
| July Class    | 28         | 21.25        | 47.53        | 52.53        | (10 Fire, 18 Police) |
| <b>Total</b>  | <b>105</b> | <b>21.42</b> | <b>47.63</b> | <b>52.63</b> | (11)                 |

(8) FY2014 is composed of the following details:

|                    |           |              |              |              |                      |
|--------------------|-----------|--------------|--------------|--------------|----------------------|
| October Class      | 16        | 21.19        | 49.16        | 54.16        | (8 Fire, 8 Police)   |
| January Class (10) | 8         | 20.00        | 46.27        | 51.27        | (2 Fire, 6 Police)   |
| April Class        | 31        | 20.81        | 47.72        | 52.72        | (10 Fire, 21 Police) |
| July Class         | 30        | 22.03        | 47.64        | 52.64        | (10 Fire, 20 Police) |
| <b>Total</b>       | <b>85</b> | <b>21.24</b> | <b>47.83</b> | <b>52.83</b> | (11)                 |

(9) FY2015 is composed of the following details:

|                  |            |              |              |              |                      |
|------------------|------------|--------------|--------------|--------------|----------------------|
| October Class    | 31         | 20.52        | 48.24        | 53.24        | (10 Fire, 21 Police) |
| January Class    | 45         | 20.64        | 48.41        | 53.41        | (13 Fire, 32 Police) |
| April Class (10) | 24         | 20.71        | 47.21        | 52.21        | (10 Fire, 14 Police) |
| July Class       | 21         | 20.90        | 48.04        | 53.04        | (5 Fire, 16 Police)  |
| <b>Total</b>     | <b>121</b> | <b>20.67</b> | <b>48.06</b> | <b>53.06</b> | (11)                 |

(12) FY2016 is composed of the following details:

|               |           |              |              |              |                     |
|---------------|-----------|--------------|--------------|--------------|---------------------|
| October Class | 14        | 21.00        | 49.38        | 54.38        | (2 Fire, 12 Police) |
| January Class | 25        | 20.84        | 48.06        | 53.06        | (9 Fire, 16 Police) |
| April Class   | 24        | 20.75        | 48.53        | 53.53        | (7 Fire, 17 Police) |
| July Class    | 15        | 21.40        | 48.36        | 53.36        | (8 Fire, 7 Police)  |
| <b>Total</b>  | <b>78</b> | <b>20.95</b> | <b>48.50</b> | <b>53.50</b> | (11)                |

(13) FY2017 is composed of the following details:

|               |           |              |              |              |                      |
|---------------|-----------|--------------|--------------|--------------|----------------------|
| October Class | 22        | 20.73        | 49.10        | 54.10        | (7 Fire, 16 Police)  |
| January Class | 31        | 20.81        | 48.56        | 53.56        | (10 Fire, 21 Police) |
| April Class   | 0         | 0.00         | 0.00         | 0.00         |                      |
| July Class    | 0         | 0.00         | 0.00         | 0.00         |                      |
| <b>Total</b>  | <b>53</b> | <b>20.77</b> | <b>48.79</b> | <b>53.79</b> | (11)                 |

- (10) Every enrollment for the January, FY2014 DROP class and every Police enrollment for the April, 2015 DROP class had no more than 20 whole years of service at DROP class commencement.
- (11) The total average whole years of service, average age at DROP enrollment, and average age at DROP end are all weighted.

**MEMORANDUM**

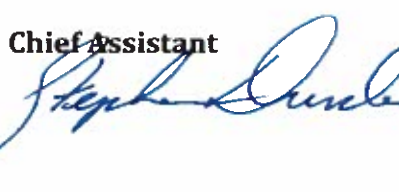
**To:** Police and Fire Pension Fund Board of Trustees

**CC:** Jason Gabriel, General Counsel  
Tim Johnson, Executive Director, PFPF  
Beth McCague  
Legal Opinion file

**From:** Stephen M. Durden, Chief Assistant

**Re:** Thirty-year Drop

**Date:** November 10, 2016



---

**Introduction.**

The question has arisen as to the application of DROP for members applying for DROP and retirement in the latter part of their 30<sup>th</sup> year of service.

**Question presented.**

Whether a PFPF member can have their pension benefits calculated based on 30 years of credited service and participate in DROP for 130 pay periods.

**Short answer.**

Yes, a PFPF member can have their pension benefits calculated based on 30 years of credited service and participate in DROP for 130 pay periods .

**Discussion.**

This question was answered in the attached May 20, 2013 memorandum. It was also answered in a April 20, 2015 memorandum from the law firm Cypen and Cypen.

The Board has long interpreted years of service, for retirement benefits, to be based on whole years, e.g., whether a member retires with 20 years of credited service or 20 years plus 364 days of credited service, the member's pension is based on exactly 20 years, not 20 years plus whatever fraction of a year over 20 the member worked.

The Board also permits each member to file paperwork for retirement at the end of a service year, and so long as the Board does not approve the retirement until after the end of such service year, then the member is entitled to a pension based service year calculated at the time the Board accepts the retirement. For example, a member who has 19 years and 11 months of service may file paperwork for the pension at that time, and, if the Board does not accept that request until after the member reaches 20 years, the member's retirement is based on 20 years of service. Undoubtedly, part of the reason for this interpretation is due to the full-year-of-service interpretation discussed above and the fact that the Board does not meet daily.

In other words, a member's retirement request is not accepted immediately upon filing. The Board's approach allows the member to file paperwork as close to the end of a particular year of service without requiring the member to work past that year of service in order to obtain credit for that last year. One last note with regard to the Board's acceptance of the member's paperwork, the Board accepts the paperwork at its first meeting subsequent to the filing of the paperwork. The Board does not hold the paperwork for any longer time than is necessary for the administrative personnel to review and the Board to accept a request for retirement.

Under this approach, a member with 29 plus years of service can retire as a 30-year retiree so long as the member with 29 plus years applies toward the end of the member's 30<sup>th</sup> year, and the Board does not accept the retirement until after the member has exceeded 30 years. A member may also wait until just after 30 years of service before filing the paperwork and also become a 30-year retiree.

Due to the interpretation of the DROP provisions, these two different methods of retiring as a 30-year retiree create two different DROP benefits. The 29-plus-year member who applies for retirement before reaching 30 years but whose application is not accepted by the Board until after the member has reached or surpassed 30 years of service is entitled, under the Board interpretation, to the maximum DROP benefits of 130 biweekly periods of participation. The 30-plus-year member who applies for retirement after reaching 30 years of service is entitled, under the Board interpretation, to DROP benefits of 78 biweekly periods of participation.

In either case, the retiree is entitled to the same retirement benefit (80% of salary), but because one member has worked as much as one year more after having earned the maximum benefit of %80, the member's DROP participation has been reduced by one year as well.

This question whether the Board must modify the above-described interpretations of the DROP provisions was answered in the attached May 20, 2013 memorandum and in an April 20, 2015 memorandum from the law firm Cypen and Cypen. Each noted that JFPF Board interpretation was that a member applying for

retirement and DROP in the latter part of their 30<sup>th</sup> year of service was entitled to a pension based on 30 years of service and 130 pay periods of DROP based on having elected DROP prior to reaching 30 years. Each further noted that the Board had applied these interpretations consistently for more than a decade and a half. Each concluded that nothing required the Board to modify its interpretations.

Nothing has happened subsequent to these opinions to suggest that these conclusions should be modified. Nothing found in legal research in response to this request suggests that either legal opinion should be modified. The Board, then, may continue to apply the pension plan as previously interpreted by the Board.

**Conclusion.**

I trust this answers the question presented. If I can be of further assistance or you have further questions, please do not hesitate to contact me.



Date: December 12, 2016

To: PFPF Board of Trustees

From: Timothy H. Johnson, Executive Director

RE: Executive Director's Monthly Status Report

### DASHBOARDS

| <b>BENEFITS</b>         |                    |                  |
|-------------------------|--------------------|------------------|
| <i>Type</i>             | <i>Prior Month</i> | <i>FYTD</i>      |
| Retiree Payroll (\$)    | \$ 10,083,732.47   | \$ 22,655,105.27 |
| Refunds (\$)            | \$ 291,940.26      | \$ 759,815.40    |
| Refunds (#)             | 6                  | 40               |
| New Members             | 0                  | 42               |
| New Medicals            | 1                  | 23               |
| Disability Applications | 0                  | 0                |
| Disability Appeals      | 0                  | 0                |
| Deaths                  | 1                  | 3                |
| Pension Estimates       | 54                 | 103              |
| Buyback Applications    | 2                  | 4                |
| Reclamations (\$)       | \$ -               | \$ 569.38        |
| Reclamations (#)        | 0                  | 1                |
| DROP Revocations        | 0                  | 0                |

| <b>RETIREMENTS</b>         |                    |             |
|----------------------------|--------------------|-------------|
| <i>Type</i>                | <i>Prior Month</i> | <i>FYTD</i> |
| Total                      | 13                 | 51          |
| Full Retirement (No DROP)  | 1                  | 2           |
| Early Retirement (Vesting) | 1                  | 1           |
| Enter DROP                 | 0                  | 22          |
| Exit DROP                  | 11                 | 22          |
| Disability                 | 0                  | 0           |
| Survivor                   | 0                  | 3           |
| Children                   | 0                  | 1           |

|                         |    |    |
|-------------------------|----|----|
| Retirement Appointments | 16 | 24 |
| DROP Appointments       | 36 | 36 |

## ***PUBLIC RECORD REQUESTS***

| <i>Type</i>   | <i>Prior Month</i> | <i># FYTD</i> |
|---------------|--------------------|---------------|
| Requests (#)  | 10                 | 21            |
| Completed (#) | 9                  | 18            |

## ***RECORDS RETENTION***

| <i>Type</i>         | <i>Prior Month</i> | <i># FYTD</i> |
|---------------------|--------------------|---------------|
| Records Scanned (#) | 1000               | 2000          |

## ***OPERATING BUDGET***

| <i>Description</i>    | <i>Budget</i> | <i>Actual</i> | <i>\$ Variance</i> | <i>% Variance</i> | <i>Explanation</i> |
|-----------------------|---------------|---------------|--------------------|-------------------|--------------------|
| Administration        | \$ 1,200,069  | \$ 131,605    | \$ 1,068,464       | 89.0%             | 0                  |
| Operating             | \$ 563,237    | \$ 84,207     | \$ 479,030         | 85.0%             | 0                  |
| Professional Services | \$ 9,416,829  | \$ 11,900     | \$ 9,404,929       | 99.9%             | 0                  |
| Building              | \$ 196,120    | \$ 31,793     | \$ 164,327         | 83.8%             | 0                  |
| Total                 | \$ 11,376,255 | \$ 259,505    | \$ 11,116,750      | 97.7%             | 0                  |

## **UPDATES**

This is a follow-up to Mayor Curry's November 28, 2016 email regarding the pension fund actuary using standards that seem to violate Florida law.

I have offered to work with the Office of General Counsel (OGC) to craft a response to the following questions asked by the Mayor. The OGC has not sought my help. Nevertheless, I've investigated the matter and offer the following answers to how the Board has previously worked with the City and State to manage annual pension costs. I will also make recommendations for this year's collaboration regarding the 10/1/2016 DRAFT Actuarial Valuation.

### ***How was the October 1, 2015 actuarial valuation understated?***

"To determine the current annual payment, we take final annual payment and reduce by an annual percent (the payroll increase percent). In 2008 we used 5.25%, then 4.5% in 2011, then 3.25% in 2012 -2014 and 2.5% in 2016. Each year we exceeded the 10 year average payment reduction allowed by law, but the State allowed this by granting waivers."

*Jarmon Welch  
Consulting Actuary  
Pension Board Consultants, Inc.*

***Who knew this method was being used? Is there any documentation justifying a deviation from standard practice under Florida law?***

17 MR. GREIVE: Yeah. So to that point, I  
18 talked to Robert Dezube, the City's actuary too,  
19 on that topic last year because I was a little  
20 worried about it. I'm glad you talked to the  
21 state actuary and got that waiver from them.  
22 And Robert Dezube was saying, you know, the  
23 state is kind of taking the stance now that,  
24 yeah, that statute exists, but as long as the  
25 rest of your package of assumptions are  
39  
1 reasonable, we'll give you a pass on that.  
2 So he acknowledges that too in that the  
3 state actuary is being a little more lenient with  
4 one assumption. They're looking at more of a  
5 basket approach.

*Source: Page 39 from the transcript of the January 5, 2015 PFPF Workshop*

***Did the pension fund Board know?***

The following Board members were in attendance at the January 5, 2016 Workshop

Larry Schmitt, Board Chair  
Richard Tuten, III, Secretary  
Richard Patsy, Trustee  
William E. Scheu, Trustee

***Were they trying to make the crisis look less severe?***

MR. WELCH: And also -- and this may be required by the  
8 state -- we assume payroll is going 3.25 percent  
9 a year in setting that pattern; and then going up  
10 at all, and the state could come back and they  
11 could say, actually say, that you have to use  
12 zero and you would have to put in 42 million more  
13 right now.

14 MR. GREIVE: Yes.

15 MR. WELCH: So I talked them out of it last

*Source: Page 39 from the transcript of the January 5, 2015 PFPF Workshop*

***What caused the City's contribution to increase?***

Lowering the payroll growth assumption from 3.25% to 2.5% increased the City's contribution by \$8 million. Another \$25,676,758 was added to the City's contribution as a result of lowering

the payroll growth assumption from 2.25% to 0.067%. The FRS mortality tables increased the City's contribution another \$8,517,000. Combined, these changes account for 95% of the increase.

*10/1/2016 DRAFT Actuarial Valuation*

### ***What is the remedy?***

This large increase may possibly be mitigated by:

1. Requesting the State to allow a staggered adoption of payroll growth increase rates over several years; and/or
2. The new law moving the amortization period from the current average of 20 years to 30 years, if agreement with the unions is reached before 9/30/2018.

*10/1/2016 DRAFT Actuarial Valuation*

### ***Recommendation***

The State requires lowering the payroll assumption when the actual past 10 year average is lower than the assumed payroll growth rate. This is why the actuary sought waivers to use an assumed rate for the years 2012 thru 2015. Currently, the waivers have expired and the City's contribution will increase substantially - \$43,919,434.

To mitigate this increase the actuary has suggested a staggered adoption of the payroll assumption. Additionally, Finance Director Mike Weinstein and I appeared before the Finance Committee of City Council December 7, 2016 where we discussed the City's Contribution for next year and asking the State Division of Retirement about a staggered adoption of the payroll assumption.

Therefore, I recommend that the Board authorize me to send an immediate email to State Actuary Douglas Beckendorf and request his consideration of a three step reduction of the proposed 0.067% payroll assumption in the context of all the assumptions and the Board's overall compliance with the law (i.e. 7% discount rate, Ordinance 304-E and HB1297). If agreed the Board will be in a better position to understand its options with the State Division of Retirement before considering the 10/1/2016 DRAFT Actuarial Valuation. Staggered, the assumption would reduce as follows unless the State suggests otherwise:

| <b>Staggered City Contribution Increase</b> |                    |                            |                             |                     |                     |
|---|--------------------|----------------------------|-----------------------------|---------------------|---------------------|
| <b><i>Year</i></b>                          | <b><i>Rate</i></b> | <b><i>Contribution</i></b> | <b><i>FRS Mortality</i></b> | <b><i>Other</i></b> | <b><i>Total</i></b> |
| 2017  | 2.50%              | \$8,000,000                | \$8,517,200                 | \$1,725,476         | \$18,242,676        |
| 2018  | 1.25%              | \$20,838,379               | \$8,517,200                 | \$1,725,476         | \$31,081,055        |
| 2019  | 0.067%             | \$33,676,758               | \$8,517,200                 | \$1,725,476         | \$43,919,434        |

I would further request that State Actuary Douglas Beckendorf reply in writing as soon as possible so that the Board's actuary may amend the 10/1/2016 DRAFT Actuarial Valuation accordingly for January Trustees' meeting discussion and subsequent release as required by Ordinance 304-E.

Lastly, I recommend a January 2017 Workshop where the actuary will present the 10/1/2016 DRAFT Actuarial Valuation. The COJ Director of Finance and Council Finance Committee Chair should be included in the invitation.

Enclosures:

- January 5, 2016 Board Workshop  
<http://www.coj.net/departments/police-fire-pension-fund/Board-meetings/1-5-16-special-meeting-workshop-transcript.aspx>
- 10/1/2016 DRAFT Actuarial Valuation

#### **NEWS and REPORTS**

Unaccountable and Unaffordable

<https://www.alec.org/app/uploads/2016/10/2016-10-13-Unaccountable-and-Unaffordable.pdf>

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'T. Johnson', with a stylized flourish at the end.

Timothy H. Johnson

**DRAFT**

**JACKSONVILLE POLICE  
AND FIRE PENSION FUND**

**Actuarial Valuation Report  
as of October 1, 2016**

**(Determining costs for the Plan Year  
beginning October 1, 2017)**

**Prepared by:**

**Pension Board Consultants, Inc.  
195 Fourteenth Street, Suite 2307  
Atlanta, Georgia 30309  
(404) 702-7802**

**DRAFT**

October 31, 2016

Board of Trustees  
Jacksonville Police and Fire Pension Fund  
One West Adams Street, Suite 100  
Jacksonville, Florida 32202-3616

Actuarial Valuation as of October 1, 2016

Gentlemen:

We are pleased to forward our report on the 2016 Actuarial Valuation of the Jacksonville Police and Fire Pension Fund. The minimum required City contribution for the Plan Year beginning October 1, 2017 is 149.46% of covered payroll.

The valuation results were based on participant data as of July 1, 2016, provided by the City. Fund assets and the Plan as of September 30, 2016, were reported by the Plan Administrator. Valuation Pay is the annualized sum of reported rate of pay, upgrade pay and shift pay as of July 1<sup>st</sup>. All of this data has been reviewed for consistency with prior data and for general reasonableness.

Per Part VII, Chapter 112.04(5)(a) of Florida Statutes, the payroll growth assumption used for amortization of the unfunded liability is not allowed to exceed the average annual payroll growth for the preceding ten years. As a result, for amortization purposes only, the payroll growth assumption was lowered from 2.50% to 0.067% in this valuation. The State waived this requirement for the previous valuation.

Statement by Actuary:

This actuarial valuation and/or cost determination was prepared and completed by me or under my direct supervision, and I acknowledge responsibility for the results. To the best of my knowledge, the results are complete and accurate, and in my opinion, the techniques and assumptions used are reasonable and meet the requirements and intent of Part VII, Chapter 112, Florida Statutes. There is no benefit or expense to be provided by the Plan and/or paid from the Plan's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation. All known events or trends that may require material increases in Plan costs or required contribution rates have been taken into account in the valuation.

I am a member of the American Academy of Actuaries and meet its Qualification Standards to render the actuarial opinion contained herein.

Jarmon Welch, A.S.A.  
PENSION BOARD CONSULTANTS, INC.

Date

14 - 1108  
Enrollment Number

JACKSONVILLE POLICE AND FIRE PENSION FUND

Actuarial Report for the Plan Year Beginning October 1, 2016

Table of Contents

**DRAFT**

|  | <u>Page</u> |
|--|-------------|
| <u>Cost and Liabilities Update</u>                 |             |
| Derivation of Minimum Required Contribution        | 1           |
| Unfunded Actuarial Accrued Liability Amortization  | 2           |
| Development of UAAL by Components                  | 3           |
| Reconciliation of Accounts                         | 4           |
| <u>Input Data</u>                                  |             |
| Actuarial Assumptions and Methods                  | 5           |
| Plan Outline                                       | 6           |
| Historical Key Statistics                          | 8           |
| Reconciliation of Number of Participants by Status | 9           |
| Age and Service Distribution as of October 1, 2016 | 10          |

NOTE:

GASB 67 and 68 along with the State of Florida Information will be provided when final assets are reported by the City.

# JACKSONVILLE POLICE AND FIRE PENSION FUND

## Derivation of City Minimum Required Contribution as of October 1, 2016

**DRAFT**

|  | <u>10/1/2015</u><br>with<br><u>Asset Revisions</u> | <u>10/1/2016</u><br>with<br><u>FRS Mortality</u> |
|--|--|--|
| Covered October 1 Payroll                                | \$132,735,243                                      | \$135,599,741 ✓                                  |
| 1. Actuarial Accrued Liabilities                         |  |  |
| a. Active Participants                                   | \$732,810,115                                      | \$768,461,161                                    |
| b. Inactive Participants                                 | <u>\$2,409,418,097</u>                             | <u>\$2,577,054,098</u>                           |
| c. Total (a. + b.)                                       | \$3,142,228,212                                    | \$3,345,515,259                                  |
| 2. Market Value of Assets                                |  |  |
| a. Gross Market Value                                    | \$1,437,907,379                                    | \$1,610,000,000                                  |
| b. Reserve Accounts                                      | \$79,499,720                                       | \$92,000,000                                     |
| c. Sr. Staff Plan Assets                                 | <u>\$4,002,294</u>                                 | <u>\$4,000,000</u>                               |
| d. Net Market Value (a. - b. - c.)                       | \$1,354,405,365                                    | \$1,514,000,000                                  |
| 3. Unfunded Actuarial Accrued Liability<br>(1.c. - 2.d.) | \$1,787,822,847                                    | \$1,831,515,259                                  |
| 4. Costs   |  |  |
| a. UAAL Amortization Payment                             | \$122,360,258                                      | \$164,372,810                                    |
| b. Normal Cost (Individual EA)                           | \$44,087,089                                       | \$45,257,077                                     |
| c. Annual Expense  | <u>\$9,926,208</u>                                 | <u>\$11,000,000</u>                              |
| d. Total Cost BOY (a. + b. + c.)                         | \$176,373,555                                      | \$220,629,887                                    |
| 5. Contributions   |  |  |
| a. Members (including DROPs)                             | \$11,410,245                                       | \$11,695,758                                     |
| b. Chapter Funds Allocation                              | \$5,288,927  | \$5,340,312                                      |
| c. Court Fines   | \$920,774  | \$920,774  |
| d. City Minimum<br>(4.d. - (5.a. + 5.b. + 5.c.))         |  |  |
| 1. Dollars on October 1                                  | \$158,753,609                                      | \$202,673,043                                    |
| 2. % Covered Payroll on October 1                        | 119.60%  | 149.46%  |
| 3. Dollars on December 1 next year                       | \$165,771,919                                      | \$205,108,739                                    |
| = d.1. x payroll growth x 1.07 <sup>2/12</sup>           |  |  |

### Reconciliation

The October 1 City minimum contribution increased \$43,919,434 due to:

1. Increase of \$3,976,708 for 3.25% increase in prior year amortization payment.
2. Expense increase of \$1,073,792.
3. Actual earnings (10.0%) were \$45 million higher than expected, decreasing costs \$2,400,156.
4. Lowering 3.25% payroll growth assumption to 2.50% based on experience study increased costs \$8,000,000. The current unfunded amortization costs increased \$25,676,758 as a result of State required lowering of 2.50% to 0.067% (actual 10 year average). No waiver approved.
5. State required use of FRS special risk mortality tables increased costs \$8,517,200.
6. The initial base established in 1987 is fully amortized decreasing costs \$494,479.
7. Experience deviations (primarily salary) from expected decreased costs \$430,389.

# JACKSONVILLE POLICE AND FIRE PENSION FUND

## Amortization of the Unfunded Actuarial Accrued Liability

| October 1 | <u>UAAL</u>     | <u>Amortization<br/>Payment</u> | <u>7% Interest</u> | <u>Supplemental<br/>Payments</u> | <u>Accumulation<br/>with 7% Interest</u> |
|-----------|-----------------|---------------------------------|--------------------|----------------------------------|--|
| 2016      | \$1,831,515,259 | \$164,867,288                   | \$116,665,358      | \$10,000,000                     | \$10,000,000                             |
| 2017      | 1,783,313,329   | 164,482,939                     | 113,318,127        | 20,000,000                       | 30,700,000                               |
| 2018      | 1,732,148,518   | 161,627,692                     | 109,936,458        | 30,000,000                       | 62,849,000                               |
| 2019      | 1,680,457,284   | 158,453,373                     | 106,540,274        | 40,000,000                       | 107,248,430                              |
| 2020      | 1,628,544,184   | 158,472,681                     | 102,905,005        | 40,000,000                       | 154,755,820                              |
| 2021      | 1,572,976,508   | 158,578,858                     | 99,007,836         | 40,000,000                       | 205,588,728                              |
| 2022      | 1,513,405,486   | 159,230,251                     | 94,792,266         | 40,000,000                       | 259,979,938                              |
| 2023      | 1,448,967,501   | 159,336,936                     | 90,274,140         | 40,000,000                       | 318,178,534                              |
| 2024      | 1,379,904,705   | 159,443,691                     | 85,432,271         | 40,000,000                       | 380,451,032                              |
| 2025      | 1,305,893,285   | 159,550,519                     | 80,243,994         | 40,000,000                       | 447,082,604                              |
| 2026      | 1,226,586,760   | 141,033,916                     | 75,988,699         | 40,000,000                       | 518,378,386                              |
| 2027      | 1,161,541,542   | 134,808,072                     | 71,871,343         | 40,000,000                       | 594,664,873                              |
| 2028      | 1,098,604,813   | 135,633,045                     | 67,408,024         | 40,000,000                       | 676,291,414                              |
| 2029      | 1,030,379,792   | 135,723,920                     | 62,625,911         | 0                                | 723,631,813                              |
| 2030      | 957,281,783     | 135,814,855                     | 57,502,685         | 0                                | 774,286,040                              |
| 2031      | 878,969,613     | 135,110,639                     | 52,070,128         | 0                                | 828,486,063                              |
| 2032      | 795,929,102     | 135,201,163                     | 46,250,956         | 0                                | 886,480,087                              |
| 2033      | 706,978,895     | 116,697,934                     | 41,319,667         |                                  |  |
| 2034      | 631,600,627     | 116,776,122                     | 36,037,715         |                                  |  |
| 2035      | 550,862,221     | 116,854,362                     | 30,380,550         |                                  |  |
| 2036      | 464,388,409     | 105,285,104                     | 25,137,231         |                                  |  |
| 2037      | 384,240,537     | 105,355,645                     | 19,521,942         |                                  |  |
| 2038      | 298,406,834     | 83,091,930                      | 15,072,043         |                                  |  |
| 2039      | 230,386,948     | 83,147,601                      | 10,306,754         |                                  |  |
| 2040      | 157,546,101     | 83,203,310                      | 5,203,895          |                                  |  |
| 2041      | 79,548,786      | 35,719,983                      | 3,067,876          |                                  |  |
| 2042      | 46,894,680      | 12,268,855                      | 2,423,808          |                                  |  |
| 2043      | 37,049,632      | 15,352,435                      | 1,518,804          |                                  |  |
| 2044      | 23,216,001      | 19,537,289                      | 257,510            |                                  |  |
| 2045      | 3,936,222       | 3,936,222                       | 0                  |                                  |  |
| 2046      | 0               |                                 |                    |                                  |  |

As of 2032, the payments enclosed in the box above are covered by the \$886,480,087 accumulation of supplemental payments.

**JACKSONVILLE POLICE AND FIRE PENSION FUND**

**Development of UAAL by Components as of October 1, 2016**

| <b>Date<br/>Established</b> | <b>Initial<br/>Amount</b> | <b>UAAL as of<br/>10/1/2016</b> | <b>Remaining<br/>Period 10/1/2015</b> | <b>Required<br/>Amortization 10/1/2016</b> | <b>UAAL as of<br/>10/1/2017</b> |
|-----------------------------|---------------------------|---------------------------------|---------------------------------------|--|---------------------------------|
| 1-Oct-87                    | \$3,868,562               | \$494,479                       | 1.00                                  | \$494,479                                  | \$0                             |
| 1-Oct-88                    | \$17,910,698              | \$5,731,075                     | 2.00                                  | \$2,961,481                                | \$2,963,466                     |
| 1-Oct-89                    | \$19,019,326              | \$9,205,010                     | 3.00                                  | \$3,276,020                                | \$6,344,019                     |
| 1-Oct-90                    | \$508,620                 | \$314,247                       | 4.00                                  | \$86,623                                   | \$243,558                       |
| 1-Oct-92                    | (\$4,444,031)             | (\$2,773,474)                   | 6.00                                  | (\$542,959)                                | (\$2,386,651)                   |
| 1-Oct-96                    | \$126,129,419             | \$139,393,826                   | 10.00                                 | \$18,499,182                               | \$129,357,269                   |
| 1-Oct-97                    | \$44,127,813              | \$50,485,796                    | 11.00                                 | \$6,273,943                                | \$47,306,683                    |
| 1-Oct-98                    | (\$5,280,099)             | (\$6,213,142)                   | 12.00                                 | (\$728,771)                                | (\$5,868,277)                   |
| 1-Oct-01                    | \$6,296,677               | \$7,701,912                     | 15.00                                 | \$787,262                                  | \$7,398,676                     |
| 1-Oct-03                    | \$158,527,905             | \$192,871,274                   | 17.00                                 | \$18,383,302                               | \$186,702,130                   |
| 1-Oct-06                    | \$111,179,581             | \$130,915,921                   | 20.00                                 | \$11,492,566                               | \$127,762,990                   |
| 1-Oct-08                    | \$230,168,269             | \$261,850,935                   | 22.00                                 | \$22,007,619                               | \$256,632,348                   |
| 1-Oct-11                    | \$550,672,339             | \$586,326,249                   | 25.00                                 | \$46,749,688                               | \$577,346,920                   |
| 1-Oct-12                    | \$280,879,031             | \$293,659,661                   | 26.00                                 | \$23,069,800                               | \$289,531,173                   |
| 1-Oct-13                    | (\$37,626,922)            | (\$38,974,454)                  | 27.00                                 | (\$3,020,245)                              | (\$38,471,004)                  |
| 1-Oct-14                    | (\$52,239,546)            | (\$53,540,809)                  | 28.00                                 | (\$4,097,008)                              | (\$52,904,867)                  |
| 1-Oct-15                    | \$199,887,331             | \$202,471,799                   | 29.00                                 | \$15,313,808                               | \$200,259,050                   |
| 1-Oct-16                    | \$51,594,934              | \$51,594,934                    | 30.00                                 | \$3,860,498                                | \$51,075,847                    |
|                             | <b>\$1,701,179,907</b>    | <b>\$1,831,515,259</b>          |                                       | <b>\$164,867,288</b>                       | <b>\$1,763,313,330</b>          |

# JACKSONVILLE POLICE AND FIRE PENSION FUND

## Reconciliation of Accounts October 1, 2015 through September 30, 2016

|  | <u>CBSA</u>              | <u>EBA</u>               | <u>UALPA</u>  | <u>Supplemental<br/>Payments<br/>Accumulation</u> |
|--|--------------------------|--------------------------|---------------|---|
| Account Value, 10/1/2015                         | \$4,623,000              | \$5,118,623              | \$69,758,097  | \$0   |
| Annual Retiree Bonus<br>paid December 2, 2015    |                          | (\$1,999,747)            |               |   |
| Share Plan Contribution<br>paid December 2, 2015 |                          | (\$3,289,180)            |               |   |
| Account Value, 12/2/2015                         |                          | (\$57,694) <sup>2</sup>  |               |   |
| Annual Earnings (10%)                            | \$462,300                | (\$4,500) <sup>3</sup>   | \$6,975,810   | \$0   |
| Transfer on 9/30/16                              |                          |                          | (\$5,000,000) | \$10,000,000                                      |
| Account Value, 9/30/16                           | \$5,085,300 <sup>1</sup> | (\$62,194) <sup>1</sup>  | \$71,733,907  | \$10,000,000 <sup>4</sup>                         |
| Chapter Funds receivable                         |                          | \$5,340,312 <sup>1</sup> |               |   |
| Account Value with receivable                    |                          | \$5,278,118 <sup>1</sup> |               |   |

<sup>1</sup> Reduced by City contribution shortfall

<sup>2</sup> (\$5,118,623 \* 1.022) - (\$1,999,746 + \$3,289,180)

<sup>3</sup> (10% - 2.2%) \* (\$57,694)

<sup>4</sup> Includes \$5,000,000 supplemental payment from City

## Ordinance 2015-304E Supplemental Payments

| <u>Fiscal Year</u> | <u>CITY</u>   | <u>UALPA</u>  |
|--------------------|---------------|---------------|
| 2016               | \$5,000,000   | \$5,000,000   |
| 2017               | \$10,000,000  | \$10,000,000  |
| 2018               | \$15,000,000  | \$15,000,000  |
| 2019-2028          | \$32,000,000  | \$8,000,000   |
| TOTAL              | \$350,000,000 | \$110,000,000 |

# JACKSONVILLE POLICE AND FIRE PENSION FUND

## Actuarial Assumptions and Methods

The actuarial assumptions were updated after an experience study for the four years ending September 30, 2015.

### Economic Assumptions

|                   |   |
|-------------------|---|
| Investment Yield: | 7% annually   |
| Salary Increases: | 3.5% annually   |
| Annual COLA:      | Group I: 3% annually reduced to 2.5% for future service for<br>actives with less than 20 years of service on June 19, 2015<br>Group II: 1.5% annually |
| DROP Load:        | 2% on active and DROP liabilities for interest greater<br>than 7%   |
| Payroll Increase: | 0.067% annually, actual 10 year average (2.5% cola increase<br>when allowed, adopted after the above experience study)                                |

### Demographic Assumptions

|            |   |
|------------|---|
| Mortality: | <u>Pre- and Post-Retirement:</u> All using RP-2000 General, Scale BB, with<br>Female: 100% Annuitant White Collar<br>Male: 10% Annuitant White Collar/90% Annuitant Blue collar<br><u>Post-Disablement:</u><br>Female: 60% RP2000 Disabled Female set forward two<br>years/40% Annuitant White Collar with no setback, no<br>projection scale<br>Male: 60% RP2000 Disabled Male setback four years/<br>40% Annuitant White Collar with no setback, no<br>projection scale |
|------------|---|

|           |  |
|-----------|--|
| Turnover: | No vested refunds or disability recoveries |
|-----------|--|

| <u>Age</u> | <u>Withdrawal<br/>Rate</u> | <u>Disability Rate<br/>per 1,000</u> |
|------------|----------------------------|--------------------------------------|
| 25         | .036                       | 0.36                                 |
| 35         | .009                       | 0.48                                 |
| 45         | .000                       | 1.20                                 |

|          |   |
|----------|---|
| Married: | 75% actives, 50% retirees (tax status), wives 3 years younger |
|----------|---|

|             |   |
|-------------|---|
| Retirement: | Group I: 40% at 20 years, 30% thereafter to 30 years (or age 61).<br>Group II: 15% at 25 years, then 5% per year to 30 years (or age 61). |
|-------------|---|

|                          |                                   |                             |
|--------------------------|-----------------------------------|-----------------------------|
| <u>Actuarial Methods</u> | <u>Cost:</u> Individual Entry Age | <u>Assets:</u> Market Value |
|--------------------------|-----------------------------------|-----------------------------|

### Changes Since the October 1, 2015 Valuation:

Changed payroll growth assumption, added Group II assumptions, adopted FRS mortality

## JACKSONVILLE POLICE AND FIRE PENSION FUND

### Plan Outline

#### **GROUP I active on June 19, 2015**

|                        |  |                       |
|------------------------|--|-----------------------|
| Credited Service       | full time from date of employment including buybacks   |                       |
| Benefit Percentage     | 3% for first 20 YOS plus 2% for additional 10 YOS (max 80%)  |                       |
| Final Average Earnings | final 2 years (<5 YOS on June 19, 2015, final 4 years)   |                       |
| Normal Retirement Date | 20 YOS   |                       |
| Vesting                | 5 years  |                       |
| Employee Contributions | 8% (10% when certain pay raises occur)   |                       |
| Early Retirement       | N/A  |                       |
| Normal Form Of Payment | Joint and 75%  |                       |
| Retiree COLA           | 3% annually January after retirement if >=20 YOS on June 19, 2015<br><br>If not, 3% annually for service accrued as of June 19, 2015 and SS COLA (min 0%, max 6%) on service accrued after June 19, 2015 |                       |
| Disability             | Permanent & Total: 60% of FAE, Temporary: available  |                       |
| DROP                   | up to 5 YOS<br><br>Interest: >= 20 YOS on June 19, 2015, 8.4% interest for 5 years and thereafter;<br>< 20 YOS on June 19, 2015, actual return (min 2%, max 14.4%)<br><br>2% employee contributions      |                       |
| Pre Retirement Death   | < 20 YOS   | 75% of (60% of FAE)   |
|                        | >20 YOS  | 75% of normal benefit |
|                        | In addition: \$200/month per child, (total 75% of normal benefit if orphan)  |                       |
| Health Supplement      | \$5.00 / month for each YOS (maximum 30 YOS)   |                       |
| Chapter Funds          | 50% credited as a City contribution for 15 years, balance to a share plan and holiday bonus  |                       |

## JACKSONVILLE POLICE AND FIRE PENSION FUND

### Plan Outline

#### **GROUP II**

#### **Impact on New Hires after June 19, 2015**

1. Credited Service for retirement increased from 20 to 30 years (steep reductions for early retirement after 25 years).
2. Earnings Base computed as average of last 5 years.
3. Three year delay in annual Cost of Living increases (reduced from 3% to 1.5% maximum Social Security).
4. Disability benefit reduced to 50% of Earnings Base from 60%.
5. Vesting changed from NRA&5 to age 62&10 (2% accrual rate).
6. Benefit percentage reduced from 3.0% to 2.5%.
7. Back-Drop implemented, no DROP.
8. Employee contributions are 10% of pay.
9. Group II costs 22% of pay.

Changes Since the October 1, 2015 Valuation: None

# JACKSONVILLE POLICE AND FIRE PENSION FUND

## Historical Key Statistics

| Class of Participant  | Valuation Date |          |          |          |           |
|---|----------------|----------|----------|----------|-----------|
|   | 10/01/12       | 10/01/13 | 10/01/14 | 10/01/15 | 10/1/2016 |
| Continuing Actives<br>(excluding DROP)                            | 2,203          | 2,082    | 2,034    | 2,072    | 2,087 *   |
| Pay Increase %  | 0.4%           | 2.9%     | 3.0%     | 3.8%     | 2.2%      |
| <i>Full 365 days including, no terminations, no new employees</i> |                |          |          |          |           |
| Active  |                |          |          |          |           |
| Number  | 2,213          | 2,150    | 2,237    | 2,202    | 2,294 *   |
| Average Age   | 39.9           | 40.2     | 40.0     | 39.9     | 39.4      |
| Average Annual Pay  | \$60,523       | \$61,082 | \$60,276 | \$60,511 | \$59,270  |
| Average Service   | 11.2           | 11.5     | 11.2     | 11.1     | 10.6      |
| <i>Total actives on 10/1/16 new, old, terminations</i>            |                |          |          |          |           |
| Retired   |                |          |          |          |           |
| Number  | 1,556          | 1,618    | 1,710    | 1,785    | 1,910     |
| Average Age   | 65.7           | 65.5     | 65.3     | 65.3     | 65.0      |
| Average Annual Benefit  | \$53,042       | \$54,461 | \$55,940 | \$57,674 | \$59,056  |
| Disabled  |                |          |          |          |           |
| Number  | 57             | 56       | 55       | 54       | 55        |
| Average Age   | 61.4           | 61.4     | 61.5     | 62.1     | 62.3      |
| Average Annual Benefit  | \$32,403       | \$33,958 | \$35,600 | \$37,029 | \$37,814  |
| Surviving Spouses   |                |          |          |          |           |
| Number  | 401            | 418      | 431      | 425      | 423       |
| Average Age   | 72.6           | 72.8     | 73.3     | 73.5     | 74.0      |
| Average Annual Benefit  | \$28,075       | \$29,677 | \$31,227 | \$32,843 | \$34,371  |
| Children  |                |          |          |          |           |
| Number  | 31             | 31       | 32       | 29       | 23        |
| Average Age   | 13.1           | 13.5     | 13.5     | 13.9     | 13.1      |
| Average Annual Benefit  | \$3,254        | \$3,267  | \$3,261  | \$3,252  | \$3,183   |
| Terminated Vested   |                |          |          |          |           |
| Number  | 52             | 60       | 62       | 72       | 77        |
| Average Age   | 44.0           | 43.8     | 43.2     | 43.2     | 43.4      |
| Average Annual Benefit  | \$18,072       | \$19,128 | \$18,015 | \$18,540 | \$17,864  |
| DROP  |                |          |          |          |           |
| Number  | 550            | 542      | 511      | 541      | 475       |
| Average Age   | 50.1           | 50.3     | 50.5     | 50.5     | 50.7      |
| Average Annual Benefit  | \$49,221       | \$50,581 | \$51,240 | \$50,478 | \$50,267  |

# JACKSONVILLE POLICE AND FIRE PENSION FUND

## Reconciliation of Number of Participants by Status

|  | <u>Actives</u> | <u>Retirees</u> | <u>Vested<br/>Terminations</u> | <u>Disabilities</u> | <u>Surviving<br/>Spouses</u> | <u>Children</u> | <u>DROP</u> |
|--|----------------|-----------------|--------------------------------|---------------------|------------------------------|-----------------|-------------|
| Number on 07/01/15<br>Used for 10/01/15<br>Reporting | 2,202          | 1,786           | 71                             | 54                  | 425                          | 29              | 541         |
| New Entrants/Rehire                                  | 225            |                 | (1)                            |                     |                              |                 | (5)         |
| Transfers from<br>GEPP/Corrections                   |                |                 |                                |                     |                              |                 |             |
| Non-Vested/Refunded<br>Terminations                  | (30)           |                 |                                |                     |                              |                 |             |
| Vested Terminations                                  | (10)           |                 | 10                             |                     |                              |                 |             |
| Retirees   | (4)            | 153             | (5)                            |                     |                              |                 | (144)       |
| Disabilities   | (3)            |                 |                                | 3                   |                              |                 |             |
| Deaths with no<br>Survivors                          |                | (12)            | (1)                            | (1)                 | (19)                         |                 |             |
| Payments Stopped<br>(Age 18 or Remarried)            |                |                 |                                |                     |                              | (7)             |             |
| Deaths with Survivors                                | (1)            | (16)            |                                | (1)                 |                              |                 |             |
| New Beneficiaries                                    |                |                 |                                |                     | 17                           | 1               |             |
| New DROP Retirees                                    | (83)           |                 |                                |                     |                              |                 | 83          |
| Data Corrections                                     | (2)            | (1)             | 3                              |                     |                              |                 |             |
| Number on 07/01/16<br>Used for 10/01/16<br>Valuation | <u>2,294</u>   | <u>1,910</u>    | <u>77</u>                      | <u>55</u>           | <u>423</u>                   | <u>23</u>       | <u>475</u>  |

**JACKSONVILLE POLICE AND FIRE PENSION FUND**  
**Active Age and Service Distribution as of October 1, 2016**

Cell Format: Number In Each Group, Average Age, Average Service, And Average Salary

Both Sexes Included

| Service |        | >=1    | >=2    | >=3    | >=4    | >=5    | >=10   | >=15   | >=20   | >=25    | >=30 | >=35 | >=40 | ALL    |
|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|------|------|------|--------|
| Age     | <1     | <2     | <3     | <4     | <5     | <10    | <15    | <20    | <25    | <30     | <35  | <40  | >=40 | ALL    |
| <25     | 23     | 29     | 7      | 3      | 1      | 0      | 0      | 0      | 0      | 0       | 0    | 0    | 0    | 83     |
|         | 22.93  | 23.78  | 23.86  | 24.02  | 24.12  | 0.00   | 0.00   | 0.00   | 0.00   | 0.00    | 0.00 | 0.00 | 0.00 | 23.50  |
|         | 0.51   | 1.38   | 2.41   | 3.33   | 4.02   | 0.00   | 0.00   | 0.00   | 0.00   | 0.00    | 0.00 | 0.00 | 0.00 | 1.31   |
|         | 36,187 | 38,556 | 41,503 | 39,719 | 37,266 | 0      | 0      | 0      | 0      | 0       | 0    | 0    | 0    | 38,054 |
| >=25    | 44     | 50     | 83     | 28     | 4      | 41     | 0      | 0      | 0      | 0       | 0    | 0    | 0    | 250    |
|         | 27.62  | 27.22  | 27.52  | 27.90  | 28.00  | 28.39  | 0.00   | 0.00   | 0.00   | 0.00    | 0.00 | 0.00 | 0.00 | 27.67  |
|         | 0.60   | 1.49   | 2.50   | 3.45   | 4.31   | 6.87   | 0.00   | 0.00   | 0.00   | 0.00    | 0.00 | 0.00 | 0.00 | 2.82   |
|         | 37,021 | 38,792 | 42,343 | 47,012 | 44,488 | 51,249 | 0      | 0      | 0      | 0       | 0    | 0    | 0    | 42,714 |
| >=30    | 31     | 27     | 53     | 27     | 7      | 175    | 79     | 0      | 0      | 0       | 0    | 0    | 0    | 399    |
|         | 32.05  | 32.36  | 32.05  | 32.26  | 33.11  | 32.66  | 33.31  | 0.00   | 0.00   | 0.00    | 0.00 | 0.00 | 0.00 | 32.62  |
|         | 0.57   | 1.52   | 2.56   | 3.43   | 4.29   | 7.99   | 11.47  | 0.00   | 0.00   | 0.00    | 0.00 | 0.00 | 0.00 | 6.57   |
|         | 37,085 | 39,743 | 42,513 | 46,022 | 42,234 | 57,172 | 64,709 | 0      | 0      | 0       | 0    | 0    | 0    | 52,981 |
| >=35    | 12     | 19     | 34     | 13     | 3      | 118    | 219    | 32     | 0      | 0       | 0    | 0    | 0    | 450    |
|         | 36.96  | 36.91  | 37.44  | 37.25  | 36.58  | 37.15  | 37.47  | 38.47  | 0.00   | 0.00    | 0.00 | 0.00 | 0.00 | 37.40  |
|         | 0.67   | 1.31   | 2.56   | 3.39   | 4.38   | 8.21   | 12.45  | 16.31  | 0.00   | 0.00    | 0.00 | 0.00 | 0.00 | 9.76   |
|         | 37,337 | 38,120 | 41,761 | 45,026 | 43,357 | 57,896 | 64,410 | 72,336 | 0      | 0       | 0    | 0    | 0    | 59,022 |
| >=40    | 5      | 13     | 7      | 3      | 1      | 65     | 207    | 153    | 31     | 1       | 0    | 0    | 0    | 486    |
|         | 42.58  | 42.55  | 42.94  | 41.67  | 42.49  | 42.19  | 42.34  | 42.72  | 43.62  | 44.89   | 0.00 | 0.00 | 0.00 | 42.54  |
|         | 0.45   | 1.47   | 2.45   | 3.57   | 4.50   | 8.31   | 12.85  | 17.46  | 20.76  | 25.79   | 0.00 | 0.00 | 0.00 | 13.57  |
|         | 36,629 | 38,785 | 42,507 | 44,335 | 45,000 | 56,038 | 63,475 | 69,904 | 71,385 | 147,300 | 0    | 0    | 0    | 63,785 |
| >=45    | 0      | 1      | 5      | 4      | 0      | 38     | 101    | 139    | 98     | 13      | 0    | 0    | 0    | 399    |
|         | 0.00   | 49.82  | 46.53  | 46.58  | 0.00   | 47.13  | 47.08  | 47.18  | 47.54  | 47.93   | 0.00 | 0.00 | 0.00 | 47.26  |
|         | 0.00   | 1.16   | 2.69   | 3.40   | 0.00   | 8.07   | 12.86  | 18.00  | 21.24  | 26.46   | 0.00 | 0.00 | 0.00 | 16.39  |
|         | 0      | 36,449 | 38,996 | 43,097 | 0      | 56,287 | 62,034 | 71,365 | 80,691 | 89,201  | 0    | 0    | 0    | 69,662 |
| >=50    | 0      | 0      | 0      | 0      | 0      | 23     | 82     | 72     | 28     | 7       | 0    | 0    | 0    | 192    |
|         | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 52.32  | 52.29  | 52.12  | 52.01  | 51.96   | 0.00 | 0.00 | 0.00 | 52.18  |
|         | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 8.08   | 12.55  | 18.19  | 20.69  | 26.89   | 0.00 | 0.00 | 0.00 | 15.84  |
|         | 0      | 0      | 0      | 0      | 0      | 57,437 | 80,493 | 69,535 | 73,441 | 83,258  | 0    | 0    | 0    | 86,236 |
| >=55    | 0      | 0      | 0      | 0      | 0      | 5      | 11     | 21     | 6      | 4       | 0    | 0    | 0    | 47     |
|         | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 55.91  | 57.72  | 56.56  | 57.17  | 58.25   | 0.00 | 0.00 | 0.00 | 56.98  |
|         | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 8.29   | 13.28  | 17.99  | 20.51  | 27.16   | 0.00 | 0.00 | 0.00 | 16.96  |
|         | 0      | 0      | 0      | 0      | 0      | 58,727 | 60,668 | 68,416 | 77,448 | 84,274  | 0    | 0    | 0    | 67,862 |
| >=60    | 0      | 0      | 0      | 0      | 0      | 1      | 2      | 5      | 0      | 0       | 0    | 0    | 0    | 8      |
|         | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 62.41  | 62.18  | 61.32  | 0.00   | 0.00    | 0.00 | 0.00 | 0.00 | 61.67  |
|         | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 6.74   | 13.31  | 19.11  | 0.00   | 0.00    | 0.00 | 0.00 | 0.00 | 16.11  |
|         | 0      | 0      | 0      | 0      | 0      | 56,302 | 60,120 | 63,958 | 0      | 0       | 0    | 0    | 0    | 62,040 |
| >=65    | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0       | 0    | 0    | 0    | 0      |
|         | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 0.00    | 0.00 | 0.00 | 0.00 | 0.00   |
|         | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 0.00    | 0.00 | 0.00 | 0.00 | 0.00   |
|         | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0      | 0       | 0    | 0    | 0    | 0      |
| ALL     | 115    | 139    | 189    | 78     | 16     | 466    | 681    | 422    | 183    | 25      | 0    | 0    | 0    | 2,294  |
|         | 29.50  | 30.42  | 31.51  | 32.31  | 32.51  | 37.21  | 41.64  | 46.38  | 47.92  | 50.59   | 0.00 | 0.00 | 0.00 | 39.65  |
|         | 0.57   | 1.45   | 2.53   | 3.43   | 4.31   | 8.00   | 12.51  | 17.72  | 21.03  | 28.86   | 0.00 | 0.00 | 0.00 | 10.86  |
|         | 36,890 | 38,816 | 42,172 | 45,754 | 42,870 | 56,610 | 83,379 | 70,382 | 77,553 | 89,072  | 0    | 0    | 0    | 69,270 |



**JACKSONVILLE POLICE AND FIRE PENSION FUND  
BOARD OF TRUSTEES**

**In re: Monthly Written Report of  
Legal Counsel Paul Daragjati of  
Klausner, Kaufman, Jensen  
& Levinson**

**December 2016**

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Update on Existing Matters

As of the drafting of this report, the proposed amendments to the Loomis Sayles Investment Management Agreement were in the hands of Loomis Sayles' attorneys for analysis. The proposed amendments to the Neuberger Berman Agreement, and the side letter, have been approved by both the parties.

New Matters

On November 28, 2016, the Fund received a payment from the CGM Qualified Settlement Fund for the Fund's share of the settlement regarding *In the Matter of G-Trade Services, LLC, ConvergeX Global Markets Limited and ConvergeX Execution Solutions, LLC*, SEC Administrative Proceeding No. 3-15654. The settlement fund was the result of an SEC investigation into ConvergeX activities wherein the company routed orders for U.S. equities, to an offshore affiliate in Bermuda that executed them by adding a mark-up or mark-down on the price of a security. The offshore affiliate often consulted with the client-facing brokers to assess the risk of customer detection before taking the extra money on top of the disclosed commissions. The mark-ups and mark-downs caused many customers to unknowingly pay more than double what they understood they were paying to have their orders executed. ConvergeX brokerage firms represented to customers that they charge explicit commissions to execute equity trading orders and that they trade on best execution.

According to the SEC's order, the ConvergeX brokerages involved in the scheme were G-Trade Services LLC, ConvergeX Global Markets Limited, and ConvergeX Execution Solutions LLC. The ConvergeX brokerages believed they would lose business if customers became aware of their mark-ups and mark-downs, so they engaged in specific acts to hide the scheme. Typically, they only took mark-ups and mark-downs on top of the disclosed commissions in situations where they believed that the risk of detection was low. They also made false and misleading statements to customers who inquired about their overall compensation, even providing certain customers with falsified trading data to cover up the fact that the offshore affiliate had taken mark-ups or mark-downs on their orders. The practice of executing orders through the offshore

affiliate was not adequately disclosed to customers and was inconsistent with ConvergeEx's advertised conflict-free agency model. Using this practice, the ConvergeEx brokers failed to seek best execution for their customers' orders.

The SEC's order found that the ConvergeEx brokerages violated Sections 10(b) and 15(c) of the Securities Exchange Act of 1934. The ConvergeEx brokerages admitted to the facts underlying the SEC's charges and acknowledged that their conduct violated the federal securities laws. The firms agreed to pay disgorgement and prejudgment interest totaling \$87,424,429 and a penalty of \$20 million. In a parallel action by the Department of Justice, criminal charges were brought against ConvergeEx Group, a brokerage subsidiary, and the two former employees. To resolve those charges, ConvergeEx Group agreed to pay \$43.8 million in criminal penalties and restitution. Two former employees, Jonathan Daspin and Thomas Lekargeren, provided cooperation in the SEC's investigation and admitted to taking steps to conceal the practice of taking trading profits from customers. Daspin agreed to pay a total of \$1,111,550 in disgorgement and prejudgment interest, and Lekargeren agreed to pay a total of \$117,042 in disgorgement and prejudgment interest. In April, the SEC filed suit against another ConvergeEx executive demanding disgorgement of several million dollars in bonuses for coordinating the scheme.

It is the recommendation of counsel that the Fund seek an opinion from the investment consultant regarding the value in continuing its relationship with ConvergeEx. Under Sec. XII(c) of the Fund's Statement of Investment Policy, "All trades that are administered by the investment advisor under the commission recapture program established by the Fund shall be subject to the requirement to procure best execution on behalf of the Fund. In pursuing this standard, all securities transactions shall be executed only on a 'best price and execution basis' (as described by ERISA Technical Release Number 86-1) and when in the best interest of the Fund." This has clearly not happened, as evidenced by the settlement payment. As fiduciaries to the Fund, the Board is required to "invest and manage investment assets as a prudent investor would considering the purposes, terms, distribution requirements and other circumstances of the trust. This standard requires the exercise of reasonable care and caution and is to be applied to investments not in isolation, but in the context of the investment portfolio as a whole and as a part of an overall investment strategy that should incorporate risk and return objectives reasonably suitable to the trust, guardianship or probate estate." Sec. 518.11(1)(a), Fla. Stat. The prudent course of action would be to conduct due diligence on the ConvergeEx firm to determine whether the firm has in fact severed ties with all of the individuals responsible for this matter and whether the firm has erected internal processes so that an event like this would not repeat itself.

### Securities Litigation

Jacksonville is among the court appointed lead plaintiffs in the following cases. Each case is prosecuted on a contingency basis and the fund has no obligation for fees or costs, which are paid from any potential class recovery. Time spent by Fund staff is directly reimbursed from the class recovery. KKJL has been active counsel in these cases along with the lead securities

counsel and will receive payment based on KKJL's contributions to the litigation from any class-wide recovery.

*Lloyd v. CVB Financial Corp., et al*  
No. 10-cv-06256-CAS-PJW (C.D. Ca)

Update: This case was successfully mediated, settlement documents have been completed between the parties and a motion for court approval will be filed shortly. However, because a motion for court approval and a notice to the class has not been filed, the settlement details are still protected by the mediation privilege and cannot be discussed publicly. These will be prepared and submitted to the Court. It is expected that the Court will approve the resolution of the case. Jacksonville will receive a claim form, which KKJL will monitor. Additionally, copies of the relevant pleadings will be provided as filed, as this process takes a few months to complete.

History: This is a case brought in 2011 in federal court in California to recover losses incurred when CVB, a bank holding company, allegedly unreported real estate loan failures and allegedly inflated collateral to avoid loss of share value. In 2013, the court dismissed the claim and the decision was made to appeal to the US Court of Appeals for the 9th Circuit, which partially reversed the District Court and allowed the case to proceed to discovery. Originally, the Fund was not going to pursue the case because the loss was \$165,000 and it was believed that larger pension funds would pursue the matter. As the filing deadline approached, it became clear that no one else was pursuing the claim and Jacksonville would have had no opportunity to receive any recovery if it did not file.

*Birmingham Fireman's and Policeman's Supplemental Pension System v. Plains All-American Pipeline, L.P.*

No.: 15-cv-02404 (S.D. Tex.)

Update: Nothing new to report.

History: Plains is a firm that operates oil pipeline and energy infrastructure, which sustained a large oil spill in California in 2015. In its public filings pursuant to the Securities Act, it is alleged that the company mislead investors regarding their oil pipeline monitoring and safety measure failures leading to a dramatic drop in share price after the issues were publicly revealed. Several funds filed suit against the company, including Jacksonville, however Jacksonville was not near the largest losses in this litigation, so it withdrew its claim for class status. During discovery it was revealed that the lead plaintiff, IAM National Pension Fund, did not purchase stock in Plains' secondary offerings, but Jacksonville did. Jacksonville moved for status as lead plaintiff in these secondary offerings, which was granted. Discovery is continuing.





***Summit Strategies Group***

*8182 Maryland Avenue, 6th Floor*

*St. Louis, Missouri 63105*

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**City of Jacksonville Police & Fire Pension Fund**

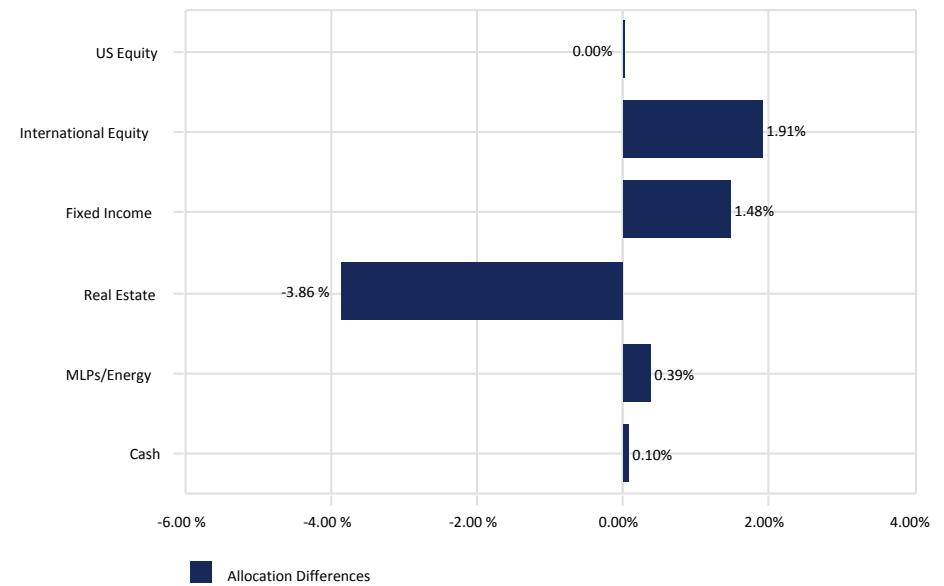
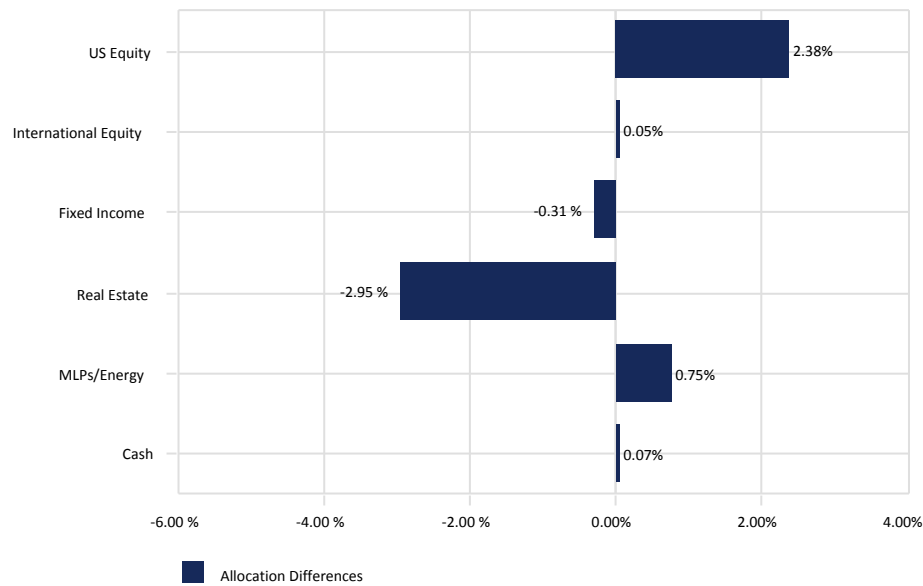
Flash Report

**November 30, 2016**

# City of Jacksonville Police & Fire Pension Fund

## Asset Allocation vs. Target Allocation

November 30, 2016



### November 30, 2016

|                      | <u>Market Value</u><br>(\$) | <u>Allocation</u><br>(%) | <u>Target</u><br>(%) |
|----------------------|-----------------------------|--------------------------|----------------------|
| US Equity            | 660,730,968                 | 41.38                    | 39.00                |
| International Equity | 320,172,066                 | 20.05                    | 20.00                |
| Fixed Income         | 322,441,364                 | 20.19                    | 20.50                |
| Real Estate          | 192,405,158                 | 12.05                    | 15.00                |
| MLPs/Energy          | 99,860,178                  | 6.25                     | 5.50                 |
| Cash                 | 1,079,941                   | 0.07                     | 0.00                 |
| Total Fund           | 1,596,689,675               | 100.00                   | 100.00               |

### August 31, 2016

|                      | <u>Market Value</u><br>(\$) | <u>Allocation</u><br>(%) | <u>Target</u><br>(%) |
|----------------------|-----------------------------|--------------------------|----------------------|
| US Equity            | 659,568,171                 | 39.00                    | 39.00                |
| International Equity | 370,551,504                 | 21.91                    | 20.00                |
| Fixed Income         | 371,705,042                 | 21.98                    | 20.50                |
| Real Estate          | 188,398,318                 | 11.14                    | 15.00                |
| MLPs/Energy          | 99,569,016                  | 5.89                     | 5.50                 |
| Cash                 | 1,608,035                   | 0.10                     | 0.00                 |
| Total Fund           | 1,691,400,086               | 100.00                   | 100.00               |

## City of Jacksonville Police & Fire Pension Fund

Asset Allocation & Performance Gross of Fees

November 30, 2016

|                                     | Asset \$      | Asset % | Performance(%) |              |              |              |              |              |              |             |
|-------------------------------------|---------------|---------|----------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
|                                     |               |         | 1 Month        | 3 Month      | CYTD         | FYTD         | 1 Year       | 3 Year       | 5 Year       | 10 Year     |
| Total Fund Composite                | 1,596,689,675 | 100.00  | 1.03           | 0.68         | 7.16         | -0.11        | 5.35         | 4.72         | 8.95         | 5.56        |
| <i>Total Fund Policy</i>            |               |         | <i>0.98</i>    | <i>0.11</i>  | <i>7.07</i>  | <i>-0.58</i> | <i>5.86</i>  | <i>4.80</i>  | <i>8.72</i>  | <i>5.04</i> |
| Excess Return                       |               |         | 0.05           | 0.57         | 0.09         | 0.47         | -0.51        | -0.08        | 0.23         | 0.52        |
| Total Equity                        | 980,903,034   | 61.43   | 1.84           | 1.41         | 7.69         | 0.49         | 5.01         | 4.42         | 10.74        | -           |
| US Equity                           | 660,730,968   | 41.38   | 4.36           | 3.30         | 9.86         | 2.83         | 6.72         | 7.17         | 13.47        | 7.18        |
| <i>US Equity Index</i>              |               |         | <i>4.48</i>    | <i>2.38</i>  | <i>10.58</i> | <i>2.21</i>  | <i>8.31</i>  | <i>8.68</i>  | <i>14.41</i> | <i>7.08</i> |
| Excess Return                       |               |         | -0.12          | 0.92         | -0.72        | 0.62         | -1.59        | -1.51        | -0.94        | 0.10        |
| International Equity                | 320,172,066   | 20.05   | -3.01          | -2.34        | 3.34         | -4.04        | 1.48         | -0.92        | 5.26         | 0.84        |
| <i>International Equity Index</i>   |               |         | <i>-2.30</i>   | <i>-2.46</i> | <i>2.36</i>  | <i>-3.69</i> | <i>0.46</i>  | <i>-1.87</i> | <i>4.71</i>  | <i>0.83</i> |
| Excess Return                       |               |         | -0.71          | 0.12         | 0.98         | -0.35        | 1.02         | 0.95         | 0.55         | 0.01        |
| Fixed Income                        | 322,441,364   | 20.19   | -1.87          | -2.16        | 3.94         | -2.31        | 3.50         | 2.99         | 2.66         | 4.39        |
| <i>Blmbg. Barc. U.S. Aggregate</i>  |               |         | <i>-2.37</i>   | <i>-3.17</i> | <i>2.50</i>  | <i>-3.11</i> | <i>2.17</i>  | <i>2.79</i>  | <i>2.43</i>  | <i>4.27</i> |
| Excess Return                       |               |         | 0.50           | 1.01         | 1.44         | 0.80         | 1.33         | 0.20         | 0.23         | 0.12        |
| Real Estate                         | 192,405,158   | 12.05   | 0.86           | 2.14         | 7.91         | 1.49         | 9.09         | 12.20        | 12.81        | 7.86        |
| <i>NCREIF Fund Index - ODCE [M]</i> |               |         | <i>0.00</i>    | <i>2.07</i>  | <i>6.52</i>  | <i>0.00</i>  | <i>10.09</i> | <i>12.45</i> | <i>12.40</i> | <i>6.02</i> |
| Excess Return                       |               |         | 0.86           | 0.07         | 1.39         | 1.49         | -1.00        | -0.25        | 0.41         | 1.84        |
| <i>NCREIF Property Index</i>        |               |         | <i>0.00</i>    | <i>1.77</i>  | <i>6.13</i>  | <i>0.00</i>  | <i>9.22</i>  | <i>11.31</i> | <i>11.18</i> | <i>7.22</i> |
| MLPs/Energy                         | 99,860,178    | 6.25    | 3.14           | 0.29         | 13.52        | -1.69        | 9.88         | -0.58        | 8.54         | -           |
| <i>S&amp;P MLP Index</i>            |               |         | <i>3.37</i>    | <i>0.12</i>  | <i>16.22</i> | <i>-1.54</i> | <i>8.97</i>  | <i>-6.09</i> | <i>3.17</i>  | <i>-</i>    |
| Excess Return                       |               |         | -0.23          | 0.17         | -2.70        | -0.15        | 0.91         | 5.51         | 5.37         | -           |
| Cash                                | 1,079,941     | 0.07    | 0.02           | 0.14         | 0.30         | 0.08         | 0.31         | 0.72         | 0.72         | 2.80        |

## City of Jacksonville Police & Fire Pension Fund

Asset Allocation & Performance Gross of Fees

November 30, 2016

|                                      | Performance(%) |         |         |         |       |       |        |        |        |         |                 |                |
|--------------------------------------|----------------|---------|---------|---------|-------|-------|--------|--------|--------|---------|-----------------|----------------|
|                                      | Asset \$       | Asset % | 1 Month | 3 Month | CYTD  | FYTD  | 1 Year | 3 Year | 5 Year | 10 Year | Since Inception | Inception Date |
| US Equity                            |                |         |         |         |       |       |        |        |        |         |                 |                |
| NT S&P 500 Index Fund                | 168,663,557    | 10.56   | 3.70    | 1.83    | 9.84  | 1.81  | 8.10   | 9.14   | 14.49  | 6.90    | 5.29            | Jan-1999       |
| <i>S&amp;P 500</i>                   |                |         | 3.70    | 1.83    | 9.79  | 1.81  | 8.06   | 9.07   | 14.45  | 6.89    | 5.28            |                |
| Excess Return                        |                |         | 0.00    | 0.00    | 0.05  | 0.00  | 0.04   | 0.07   | 0.04   | 0.01    | 0.01            |                |
| Eagle Capital Management             | 182,640,805    | 11.44   | 4.61    | 5.81    | 8.84  | 5.19  | 7.12   | 8.65   | 15.66  | -       | 12.93           | Apr-2011       |
| <i>Russell 1000 Value Index</i>      |                |         | 5.71    | 3.86    | 14.48 | 4.08  | 12.02  | 8.60   | 14.69  | -       | 11.30           |                |
| Excess Return                        |                |         | -1.10   | 1.95    | -5.64 | 1.11  | -4.90  | 0.05   | 0.97   | -       | 1.63            |                |
| Brown Investment Advisory            | 82,282,073     | 5.15    | -2.37   | -3.38   | -1.59 | -3.84 | -3.21  | 5.27   | -      | -       | 5.83            | Nov-2013       |
| <i>Russell 1000 Growth Index</i>     |                |         | 2.18    | 0.14    | 5.77  | -0.22 | 4.22   | 9.13   | -      | -       | 9.86            |                |
| Excess Return                        |                |         | -4.55   | -3.52   | -7.36 | -3.62 | -7.43  | -3.86  | -      | -       | -4.03           |                |
| Sawgrass Asset Management            | 87,742,435     | 5.50    | 3.26    | -0.51   | 5.57  | 0.34  | 4.71   | 8.39   | -      | -       | 9.29            | Nov-2013       |
| <i>Russell 1000 Growth Index</i>     |                |         | 2.18    | 0.14    | 5.77  | -0.22 | 4.22   | 9.13   | -      | -       | 9.86            |                |
| Excess Return                        |                |         | 1.08    | -0.65   | -0.20 | 0.56  | 0.49   | -0.74  | -      | -       | -0.57           |                |
| Wedge Capital Mgmt                   | 71,244,805     | 4.46    | 11.10   | 8.85    | -     | 8.65  | -      | -      | -      | -       | 8.85            | Sep-2016       |
| <i>Russell 2000 Value Index</i>      |                |         | 13.27   | 10.41   | -     | 9.55  | -      | -      | -      | -       | 10.41           |                |
| Excess Return                        |                |         | -2.17   | -1.56   | -     | -0.90 | -      | -      | -      | -       | -1.56           |                |
| Pinnacle                             | 68,157,293     | 4.27    | 9.06    | 6.89    | 5.18  | 3.23  | 2.21   | 6.25   | 14.88  | -       | 21.14           | Mar-2009       |
| <i>Russell 2500 Growth Index</i>     |                |         | 7.29    | 1.98    | 8.76  | 1.69  | 4.91   | 6.07   | 13.40  | -       | 19.48           |                |
| Excess Return                        |                |         | 1.77    | 4.91    | -3.58 | 1.54  | -2.70  | 0.18   | 1.48   | -       | 1.66            |                |
| International Equity                 |                |         |         |         |       |       |        |        |        |         |                 |                |
| NT EAFE Index Fund                   | 72,672,152     | 4.55    | -1.94   | -2.68   | -1.87 | -3.89 | -3.31  | -1.89  | -      | -       | 4.25            | Apr-2012       |
| <i>MSCI EAFE Index (Net)</i>         |                |         | -1.99   | -2.82   | -2.34 | -4.00 | -3.66  | -2.22  | -      | -       | 3.93            |                |
| Excess Return                        |                |         | 0.05    | 0.14    | 0.47  | 0.11  | 0.35   | 0.33   | -      | -       | 0.32            |                |
| Baillie Gifford                      | 90,951,016     | 5.70    | -4.09   | -3.89   | 1.15  | -7.16 | -2.60  | -1.69  | 6.72   | -       | 3.70            | Mar-2011       |
| <i>MSCI EAFE Growth Index (Net)</i>  |                |         | -3.41   | -6.19   | -5.14 | -7.57 | -5.88  | -1.38  | 5.93   | -       | 2.42            |                |
| Excess Return                        |                |         | -0.68   | 2.30    | 6.29  | 0.41  | 3.28   | -0.31  | 0.79   | -       | 1.28            |                |
| Silchester                           | 64,211,779     | 4.02    | -0.38   | 1.08    | 5.85  | 0.25  | 4.70   | 2.90   | -      | -       | 5.87            | Sep-2013       |
| <i>MSCI EAFE Value Index (Net)</i>   |                |         | -0.62   | 0.58    | 0.43  | -0.39 | -1.51  | -3.16  | -      | -       | 0.82            |                |
| Excess Return                        |                |         | 0.24    | 0.50    | 5.42  | 0.64  | 6.21   | 6.06   | -      | -       | 5.05            |                |
| Acadian Emerging Mkts Equity II Fund | 92,337,118     | 5.78    | -4.48   | -2.31   | 12.83 | -3.59 | 10.02  | -      | -      | -       | -1.64           | Jan-2014       |
| <i>MSCI Emerging Markets (Net)</i>   |                |         | -4.60   | -3.15   | 10.94 | -4.38 | 8.47   | -      | -      | -       | -2.70           |                |
| Excess Return                        |                |         | 0.12    | 0.84    | 1.89  | 0.79  | 1.55   | -      | -      | -       | 1.06            |                |

## City of Jacksonville Police & Fire Pension Fund

Asset Allocation & Performance Gross of Fees

November 30, 2016

|                                     |             |         | Performance(%) |         |       |       |        |        |        |         | Since<br>Inception | Inception<br>Date |
|-------------------------------------|-------------|---------|----------------|---------|-------|-------|--------|--------|--------|---------|--------------------|-------------------|
|                                     | Asset \$    | Asset % | 1 Month        | 3 Month | CYTD  | FYTD  | 1 Year | 3 Year | 5 Year | 10 Year |                    |                   |
| Fixed Income                        |             |         |                |         |       |       |        |        |        |         |                    |                   |
| NTGI Aggregate Bond Index           | 121,249,319 | 7.59    | -2.41          | -3.24   | 2.51  | -3.18 | 2.14   | 2.83   | -      | -       | 1.95               | Feb-2013          |
| <i>Blmbg. Barc. U.S. Aggregate</i>  |             |         | -2.37          | -3.17   | 2.50  | -3.11 | 2.17   | 2.79   | -      | -       | 1.97               |                   |
| Excess Return                       |             |         | -0.04          | -0.07   | 0.01  | -0.07 | -0.03  | 0.04   | -      | -       | -0.02              |                   |
| Eaton Vance Instl Senior Loan Trust | 41,639,490  | 2.61    | 0.21           | 2.05    | 9.05  | 1.14  | 8.22   | 3.50   | -      | -       | 3.70               | Mar-2013          |
| <i>CS Leveraged Loan Index</i>      |             |         | 0.32           | 1.98    | 8.63  | 1.09  | 7.60   | 3.55   | -      | -       | 3.92               |                   |
| Excess Return                       |             |         | -0.11          | 0.07    | 0.42  | 0.05  | 0.62   | -0.05  | -      | -       | -0.22              |                   |
| Thompson Siegel Fixed               | 159,552,554 | 9.99    | -1.99          | -2.38   | 3.85  | -2.51 | 3.44   | 3.28   | 3.68   | 4.94    | 6.23               | Aug-1991          |
| <i>Thompson Policy Index</i>        |             |         | -2.37          | -3.17   | 2.50  | -3.11 | 2.17   | 2.79   | 2.43   | 4.19    | 5.97               |                   |
| Excess Return                       |             |         | 0.38           | 0.79    | 1.35  | 0.60  | 1.27   | 0.49   | 1.25   | 0.75    | 0.26               |                   |
| Real Estate                         |             |         |                |         |       |       |        |        |        |         |                    |                   |
| JP Morgan                           | 146,321,109 | 9.16    | 0.80           | 2.06    | 7.57  | 1.40  | 8.65   | 11.91  | 12.68  | 6.63    | 8.30               | Apr-2005          |
| <i>NCREIF Fund Index - ODCE [M]</i> |             |         | 0.00           | 2.07    | 6.52  | 0.00  | 10.09  | 12.45  | 12.40  | 6.02    | 7.52               |                   |
| Excess Return                       |             |         | 0.80           | -0.01   | 1.05  | 1.40  | -1.44  | -0.54  | 0.28   | 0.61    | 0.78               |                   |
| Principal Global Investments        | 46,084,049  | 2.89    | 1.05           | 2.42    | 8.98  | 1.77  | 10.52  | 13.12  | -      | -       | 13.32              | Apr-2013          |
| <i>NCREIF Fund Index - ODCE [M]</i> |             |         | 0.00           | 2.07    | 6.52  | 0.00  | 10.09  | 12.45  | -      | -       | 12.29              |                   |
| Excess Return                       |             |         | 1.05           | 0.35    | 2.46  | 1.77  | 0.43   | 0.67   | -      | -       | 1.03               |                   |
| MLPs/Energy                         |             |         |                |         |       |       |        |        |        |         |                    |                   |
| Harvest MLP                         | 50,469,713  | 3.16    | 3.49           | 0.07    | 15.69 | -1.90 | 9.96   | -0.74  | 8.58   | -       | 9.60               | Mar-2011          |
| <i>S&amp;P MLP Index</i>            |             |         | 3.37           | 0.12    | 16.22 | -1.54 | 8.97   | -6.09  | 3.17   | -       | 3.01               |                   |
| Excess Return                       |             |         | 0.12           | -0.05   | -0.53 | -0.36 | 0.99   | 5.35   | 5.41   | -       | 6.59               |                   |
| Tortoise MLP                        | 49,390,465  | 3.09    | 2.78           | 0.52    | 11.38 | -1.47 | 9.80   | -0.52  | 8.44   | -       | 8.96               | Mar-2011          |
| <i>S&amp;P MLP Index</i>            |             |         | 3.37           | 0.12    | 16.22 | -1.54 | 8.97   | -6.09  | 3.17   | -       | 3.01               |                   |
| Excess Return                       |             |         | -0.59          | 0.40    | -4.84 | 0.07  | 0.83   | 5.57   | 5.27   | -       | 5.95               |                   |
| Cash                                | 1,079,941   | 0.07    | 0.02           | 0.14    | 0.30  | 0.08  | 0.31   | 0.72   | 0.72   | 2.80    | 8.45               | Dec-1998          |

## City of Jacksonville Police & Fire Pension Fund

Asset Allocation & Performance Net of Fees

November 30, 2016

|                                     | Asset \$      | Asset % | Performance(%) |              |              |              |              |              |              |             |
|-------------------------------------|---------------|---------|----------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
|                                     |               |         | 1 Month        | 3 Month      | CYTD         | FYTD         | 1 Year       | 3 Year       | 5 Year       | 10 Year     |
| Total Fund Composite                | 1,596,689,675 | 100.00  | 0.98           | 0.58         | 6.74         | -0.16        | 4.92         | 4.25         | 8.45         | 5.22        |
| <i>Total Fund Policy</i>            |               |         | <i>0.98</i>    | <i>0.11</i>  | <i>7.07</i>  | <i>-0.58</i> | <i>5.86</i>  | <i>4.80</i>  | <i>8.72</i>  | <i>5.04</i> |
| Excess Return                       |               |         | 0.00           | 0.47         | -0.33        | 0.42         | -0.94        | -0.55        | -0.27        | 0.18        |
| Total Equity                        | 980,903,034   | 61.43   | 1.78           | 1.31         | 7.24         | 0.43         | 4.56         | 3.96         | 10.23        | -           |
| US Equity                           | 660,730,968   | 41.38   | 4.29           | 3.19         | 9.36         | 2.76         | 6.24         | 6.66         | 12.89        | 6.82        |
| <i>US Equity Index</i>              |               |         | <i>4.48</i>    | <i>2.38</i>  | <i>10.58</i> | <i>2.21</i>  | <i>8.31</i>  | <i>8.68</i>  | <i>14.41</i> | <i>7.08</i> |
| Excess Return                       |               |         | -0.19          | 0.81         | -1.22        | 0.55         | -2.07        | -2.02        | -1.52        | -0.26       |
| International Equity                | 320,172,066   | 20.05   | -3.02          | -2.44        | 2.98         | -4.06        | 1.08         | -1.31        | 4.88         | 0.49        |
| <i>International Equity Index</i>   |               |         | <i>-2.30</i>   | <i>-2.46</i> | <i>2.36</i>  | <i>-3.69</i> | <i>0.46</i>  | <i>-1.87</i> | <i>4.71</i>  | <i>0.83</i> |
| Excess Return                       |               |         | -0.72          | 0.02         | 0.62         | -0.37        | 0.62         | 0.56         | 0.17         | -0.34       |
| Fixed Income                        | 322,441,364   | 20.19   | -1.89          | -2.18        | 3.82         | -2.33        | 3.37         | 2.85         | 2.49         | 4.26        |
| <i>Blmbg. Barc. U.S. Aggregate</i>  |               |         | <i>-2.37</i>   | <i>-3.17</i> | <i>2.50</i>  | <i>-3.11</i> | <i>2.17</i>  | <i>2.79</i>  | <i>2.43</i>  | <i>4.27</i> |
| Excess Return                       |               |         | 0.48           | 0.99         | 1.32         | 0.78         | 1.20         | 0.06         | 0.06         | -0.01       |
| Real Estate                         | 192,405,158   | 12.05   | 0.86           | 1.96         | 7.17         | 1.49         | 8.33         | 11.23        | 11.79        | 7.18        |
| <i>NCREIF Fund Index - ODCE [M]</i> |               |         | <i>0.00</i>    | <i>2.07</i>  | <i>6.52</i>  | <i>0.00</i>  | <i>10.09</i> | <i>12.45</i> | <i>12.40</i> | <i>6.02</i> |
| Excess Return                       |               |         | 0.86           | -0.11        | 0.65         | 1.49         | -1.76        | -1.22        | -0.61        | 1.16        |
| <i>NCREIF Property Index</i>        |               |         | <i>0.00</i>    | <i>1.77</i>  | <i>6.13</i>  | <i>0.00</i>  | <i>9.22</i>  | <i>11.31</i> | <i>11.18</i> | <i>7.22</i> |
| MLPs/Energy                         | 99,860,178    | 6.25    | 3.04           | 0.11         | 12.77        | -1.78        | 9.16         | -1.31        | 7.76         | -           |
| <i>S&amp;P MLP Index</i>            |               |         | <i>3.37</i>    | <i>0.12</i>  | <i>16.22</i> | <i>-1.54</i> | <i>8.97</i>  | <i>-6.09</i> | <i>3.17</i>  | <i>-</i>    |
| Excess Return                       |               |         | -0.33          | -0.01        | -3.45        | -0.24        | 0.19         | 4.78         | 4.59         | -           |
| Cash                                | 1,079,941     | 0.07    | 0.02           | 0.14         | 0.30         | 0.08         | 0.31         | 0.72         | 0.72         | 2.62        |

## City of Jacksonville Police & Fire Pension Fund

Asset Allocation & Performance Net of Fees

November 30, 2016

|                                      | Performance(%) |         |         |         |       |       |        |        |        |         |                 |                |
|--------------------------------------|----------------|---------|---------|---------|-------|-------|--------|--------|--------|---------|-----------------|----------------|
|                                      | Asset \$       | Asset % | 1 Month | 3 Month | CYTD  | FYTD  | 1 Year | 3 Year | 5 Year | 10 Year | Since Inception | Inception Date |
| US Equity                            |                |         |         |         |       |       |        |        |        |         |                 |                |
| NT S&P 500 Index Fund                | 168,663,557    | 10.56   | 3.70    | 1.83    | 9.82  | 1.81  | 8.08   | 9.11   | 14.45  | 6.87    | 5.27            | Jan-1999       |
| <i>S&amp;P 500</i>                   |                |         | 3.70    | 1.83    | 9.79  | 1.81  | 8.06   | 9.07   | 14.45  | 6.89    | 5.28            |                |
| Excess Return                        |                |         | 0.00    | 0.00    | 0.03  | 0.00  | 0.02   | 0.04   | 0.00   | -0.02   | -0.01           |                |
| Eagle Capital Management             | 182,640,805    | 11.44   | 4.44    | 5.64    | 8.14  | 5.01  | 6.44   | 7.87   | 14.81  | -       | 12.13           | Apr-2011       |
| <i>Russell 1000 Value Index</i>      |                |         | 5.71    | 3.86    | 14.48 | 4.08  | 12.02  | 8.60   | 14.69  | -       | 11.30           |                |
| Excess Return                        |                |         | -1.27   | 1.78    | -6.34 | 0.93  | -5.58  | -0.73  | 0.12   | -       | 0.83            |                |
| Brown Investment Advisory            | 82,282,073     | 5.15    | -2.47   | -3.48   | -1.91 | -3.94 | -3.52  | 5.03   | -      | -       | 5.59            | Nov-2013       |
| <i>Russell 1000 Growth Index</i>     |                |         | 2.18    | 0.14    | 5.77  | -0.22 | 4.22   | 9.13   | -      | -       | 9.86            |                |
| Excess Return                        |                |         | -4.65   | -3.62   | -7.68 | -3.72 | -7.74  | -4.10  | -      | -       | -4.27           |                |
| Sawgrass Asset Management            | 87,742,435     | 5.50    | 3.15    | -0.62   | 5.34  | 0.22  | 4.48   | 8.13   | -      | -       | 9.04            | Nov-2013       |
| <i>Russell 1000 Growth Index</i>     |                |         | 2.18    | 0.14    | 5.77  | -0.22 | 4.22   | 9.13   | -      | -       | 9.86            |                |
| Excess Return                        |                |         | 0.97    | -0.76   | -0.43 | 0.44  | 0.26   | -1.00  | -      | -       | -0.82           |                |
| Wedge Capital Mgmt                   | 71,244,805     | 4.46    | 11.10   | 8.85    | -     | 8.65  | -      | -      | -      | -       | 8.85            | Sep-2016       |
| <i>Russell 2000 Value Index</i>      |                |         | 13.27   | 10.41   | -     | 9.55  | -      | -      | -      | -       | 10.41           |                |
| Excess Return                        |                |         | -2.17   | -1.56   | -     | -0.90 | -      | -      | -      | -       | -1.56           |                |
| Pinnacle                             | 68,157,293     | 4.27    | 9.06    | 6.61    | 4.52  | 3.23  | 1.57   | 5.50   | 14.05  | -       | 20.43           | Mar-2009       |
| <i>Russell 2500 Growth Index</i>     |                |         | 7.29    | 1.98    | 8.76  | 1.69  | 4.91   | 6.07   | 13.40  | -       | 19.48           |                |
| Excess Return                        |                |         | 1.77    | 4.63    | -4.24 | 1.54  | -3.34  | -0.57  | 0.65   | -       | 0.95            |                |
| International Equity                 |                |         |         |         |       |       |        |        |        |         |                 |                |
| NT EAFE Index Fund                   | 72,672,152     | 4.55    | -1.94   | -2.68   | -1.90 | -3.89 | -3.33  | -1.95  | -      | -       | 4.19            | Apr-2012       |
| <i>MSCI EAFE Index (Net)</i>         |                |         | -1.99   | -2.82   | -2.34 | -4.00 | -3.66  | -2.22  | -      | -       | 3.93            |                |
| Excess Return                        |                |         | 0.05    | 0.14    | 0.44  | 0.11  | 0.33   | 0.27   | -      | -       | 0.26            |                |
| Baillie Gifford                      | 90,951,016     | 5.70    | -4.09   | -3.89   | 0.99  | -7.16 | -2.88  | -2.13  | 6.24   | -       | 3.27            | Mar-2011       |
| <i>MSCI EAFE Growth Index (Net)</i>  |                |         | -3.41   | -6.19   | -5.14 | -7.57 | -5.88  | -1.38  | 5.93   | -       | 2.42            |                |
| Excess Return                        |                |         | -0.68   | 2.30    | 6.13  | 0.41  | 3.00   | -0.75  | 0.31   | -       | 0.85            |                |
| Silchester                           | 64,211,779     | 4.02    | -0.44   | 0.89    | 5.10  | 0.13  | 3.89   | 2.11   | -      | -       | 5.03            | Sep-2013       |
| <i>MSCI EAFE Value Index (Net)</i>   |                |         | -0.62   | 0.58    | 0.43  | -0.39 | -1.51  | -3.16  | -      | -       | 0.82            |                |
| Excess Return                        |                |         | 0.18    | 0.31    | 4.67  | 0.52  | 5.40   | 5.27   | -      | -       | 4.21            |                |
| Acadian Emerging Mkts Equity II Fund | 92,337,118     | 5.78    | -4.48   | -2.57   | 11.97 | -3.59 | 9.18   | -      | -      | -       | -2.08           | Jan-2014       |
| <i>MSCI Emerging Markets (Net)</i>   |                |         | -4.60   | -3.15   | 10.94 | -4.38 | 8.47   | -      | -      | -       | -2.70           |                |
| Excess Return                        |                |         | 0.12    | 0.58    | 1.03  | 0.79  | 0.71   | -      | -      | -       | 0.62            |                |

## City of Jacksonville Police & Fire Pension Fund

Asset Allocation & Performance Net of Fees

November 30, 2016

|                                     | Performance(%) |         |         |         |       |       |        |        |        |         |                 |                |
|-------------------------------------|----------------|---------|---------|---------|-------|-------|--------|--------|--------|---------|-----------------|----------------|
|                                     | Asset \$       | Asset % | 1 Month | 3 Month | CYTD  | FYTD  | 1 Year | 3 Year | 5 Year | 10 Year | Since Inception | Inception Date |
| Fixed Income                        |                |         |         |         |       |       |        |        |        |         |                 |                |
| NTGI Aggregate Bond Index           | 121,249,319    | 7.59    | -2.41   | -3.24   | 2.49  | -3.18 | 2.12   | 2.80   | -      | -       | 1.92            | Feb-2013       |
| <i>Blmbg. Barc. U.S. Aggregate</i>  |                |         | -2.37   | -3.17   | 2.50  | -3.11 | 2.17   | 2.79   | -      | -       | 1.97            |                |
| Excess Return                       |                |         | -0.04   | -0.07   | -0.01 | -0.07 | -0.05  | 0.01   | -      | -       | -0.05           |                |
| Eaton Vance Instl Senior Loan Trust | 41,639,490     | 2.61    | 0.21    | 2.05    | 8.76  | 1.14  | 7.78   | 3.02   | -      | -       | 3.23            | Mar-2013       |
| <i>CS Leveraged Loan Index</i>      |                |         | 0.32    | 1.98    | 8.63  | 1.09  | 7.60   | 3.55   | -      | -       | 3.92            |                |
| Excess Return                       |                |         | -0.11   | 0.07    | 0.13  | 0.05  | 0.18   | -0.53  | -      | -       | -0.69           |                |
| Thompson Siegel Fixed               | 159,552,554    | 9.99    | -2.03   | -2.43   | 3.67  | -2.55 | 3.26   | 3.10   | 3.51   | 4.82    | 6.18            | Aug-1991       |
| <i>Thompson Policy Index</i>        |                |         | -2.37   | -3.17   | 2.50  | -3.11 | 2.17   | 2.79   | 2.43   | 4.19    | 5.97            |                |
| Excess Return                       |                |         | 0.34    | 0.74    | 1.17  | 0.56  | 1.09   | 0.31   | 1.08   | 0.63    | 0.21            |                |
| Real Estate                         |                |         |         |         |       |       |        |        |        |         |                 |                |
| JP Morgan                           | 146,321,109    | 9.16    | 0.80    | 1.83    | 6.81  | 1.40  | 7.87   | 10.91  | 11.64  | 5.95    | 7.71            | Apr-2005       |
| <i>NCREIF Fund Index - ODCE [M]</i> |                |         | 0.00    | 2.07    | 6.52  | 0.00  | 10.09  | 12.45  | 12.40  | 6.02    | 7.52            |                |
| Excess Return                       |                |         | 0.80    | -0.24   | 0.29  | 1.40  | -2.22  | -1.54  | -0.76  | -0.07   | 0.19            |                |
| Principal Global Investments        | 46,084,049     | 2.89    | 1.05    | 2.35    | 8.33  | 1.77  | 9.78   | 12.26  | -      | -       | 12.42           | Apr-2013       |
| <i>NCREIF Fund Index - ODCE [M]</i> |                |         | 0.00    | 2.07    | 6.52  | 0.00  | 10.09  | 12.45  | -      | -       | 12.29           |                |
| Excess Return                       |                |         | 1.05    | 0.28    | 1.81  | 1.77  | -0.31  | -0.19  | -      | -       | 0.13            |                |
| MLPs/Energy                         |                |         |         |         |       |       |        |        |        |         |                 |                |
| Harvest MLP                         | 50,469,713     | 3.16    | 3.49    | -0.10   | 15.04 | -1.90 | 9.35   | -1.44  | 7.82   | -       | 8.86            | Mar-2011       |
| <i>S&amp;P MLP Index</i>            |                |         | 3.37    | 0.12    | 16.22 | -1.54 | 8.97   | -6.09  | 3.17   | -       | 3.01            |                |
| Excess Return                       |                |         | 0.12    | -0.22   | -1.18 | -0.36 | 0.38   | 4.65   | 4.65   | -       | 5.85            |                |
| Tortoise MLP                        | 49,390,465     | 3.09    | 2.57    | 0.32    | 10.53 | -1.66 | 8.97   | -1.28  | 7.64   | -       | 8.22            | Mar-2011       |
| <i>S&amp;P MLP Index</i>            |                |         | 3.37    | 0.12    | 16.22 | -1.54 | 8.97   | -6.09  | 3.17   | -       | 3.01            |                |
| Excess Return                       |                |         | -0.80   | 0.20    | -5.69 | -0.12 | 0.00   | 4.81   | 4.47   | -       | 5.21            |                |
| Cash                                | 1,079,941      | 0.07    | 0.02    | 0.14    | 0.30  | 0.08  | 0.31   | 0.72   | 0.72   | 2.62    | 8.34            | Dec-1998       |

## City of Jacksonville Police & Fire Pension Fund

Benchmark Composition Total Fund & US Equity & International Equity

As of November 30, 2016

### Total Fund Policy Index

|                              | <u>(%)</u> |
|------------------------------|------------|
| <b>Mar-2016</b>              |            |
| Russell 3000 Index           | 39.00      |
| MSCI AC World ex USA (Net)   | 20.00      |
| Blmbg. Barc. U.S. Aggregate  | 20.50      |
| NCREIF Fund Index - ODCE [M] | 15.00      |
| S&P MLP Index                | 5.50       |
| <b>Mar-2013</b>              |            |
| Russell 3000 Index           | 35.00      |
| MSCI AC World ex USA (Net)   | 20.00      |
| Blmbg. Barc. U.S. Aggregate  | 22.50      |
| NCREIF Fund Index - ODCE [M] | 15.00      |
| S&P MLP Index                | 7.50       |
| <b>Apr-2012</b>              |            |
| Russell 3000 Index           | 40.00      |
| MSCI AC World ex USA (Net)   | 20.00      |
| Blmbg. Barc. U.S. Aggregate  | 25.00      |
| NCREIF Fund Index - ODCE [M] | 10.00      |
| S&P MLP Index                | 5.00       |
| <b>Jun-2011</b>              |            |
| Russell 3000 Index           | 40.00      |
| MSCI EAFE Index              | 20.00      |
| Blmbg. Barc. U.S. Aggregate  | 25.00      |
| NCREIF Fund Index - ODCE [M] | 10.00      |
| S&P MLP Index                | 5.00       |

### Jul-2009

|                              |       |
|------------------------------|-------|
| Russell 3000 Index           | 40.00 |
| MSCI EAFE Index              | 20.00 |
| Blmbg. Barc. U.S. Aggregate  | 25.00 |
| NCREIF Fund Index - ODCE [M] | 15.00 |

### Oct-2008

|                                       |       |
|---------------------------------------|-------|
| Dow Jones US Total Stock Market Index | 50.00 |
| MSCI EAFE Index                       | 10.00 |
| BofA Merrill Lynch Gov Corp Master    | 30.00 |
| NCREIF Fund Index - ODCE [M]          | 10.00 |

### Apr-1989

|                                       |       |
|---------------------------------------|-------|
| Dow Jones US Total Stock Market Index | 50.00 |
| MSCI EAFE Index                       | 10.00 |
| BofA Merrill Lynch Gov Corp Master    | 35.00 |
| NCREIF Fund Index - ODCE [M]          | 5.00  |

### US Equity Index

|                                       | <u>(%)</u> |
|---------------------------------------|------------|
| <b>Jul-2009</b>                       |            |
| Russell 3000 Index                    | 100.00     |
| <b>Jan-1988</b>                       |            |
| Dow Jones US Total Stock Market Index | 100.00     |

### International Equity Index

|                      | <u>(%)</u> |
|----------------------|------------|
| <b>Oct-2009</b>      |            |
| MSCI AC World ex USA | 100.00     |
| <b>Feb-1999</b>      |            |
| MSCI EAFE Index      | 100.00     |

### Thompson Siegal Policy

|                                    | <u>(%)</u> |
|------------------------------------|------------|
| <b>Oct-2009</b>                    |            |
| Blmbg. Barc. U.S. Aggregate        | 100.00     |
| <b>Dec-1975</b>                    |            |
| BofA Merrill Lynch Gov Corp Master | 100.00     |

**City of Jacksonville Police & Fire Fund**  
**Asset Allocation as of November 30, 2016**

|   | % Current<br>Target | % Actual       | % Difference<br>from Current Target | \$ Current<br>Target | \$ Actual              | \$ Difference         |
|---|---------------------|----------------|-------------------------------------|----------------------|------------------------|-----------------------|
| <b>A. Total Equity</b>                                    | <b>59.00%</b>       | <b>61.43%</b>  | <b>2.43%</b>                        | <b>\$942,046,908</b> | <b>\$980,903,034</b>   | <b>\$38,856,126</b>   |
| 1. <b>Domestic Large Cap Equity (70% of Domestic)</b>     | 31.40%              | 32.65%         | 1.25%                               | 501,360,558          | 521,328,870            | 19,968,312            |
| NT S&P 500 Index Fund                                     |                     | 10.56%         | 10.56%                              |                      | 168,663,557            | 168,663,557           |
| Eagle Capital Management                                  |                     | 11.44%         | 11.44%                              |                      | 182,640,805            | 182,640,805           |
| Brown Advisory  |                     | 5.15%          | 5.15%                               |                      | 82,282,073             | 82,282,073            |
| Sawgrass Asset Management                                 |                     | 5.50%          | 5.50%                               |                      | 87,742,435             | 87,742,435            |
| 2. <b>Domestic Small/Mid Cap Equity (30% of Domestic)</b> | 7.60%               | 8.73%          | 1.13%                               | 121,348,415          | 139,402,098            | 18,053,682            |
| Wedge Capital Mgmt  |                     | 4.46%          | 4.46%                               |                      | 71,244,805             | 71,244,805            |
| Pinnacle  |                     | 4.27%          | 4.27%                               |                      | 68,157,293             | 68,157,293            |
| 3. <b>International Equity Developed</b>                  | 14.00%              | 14.27%         | 0.27%                               | 223,536,554          | 227,834,948            | 4,298,393             |
| NT EAFE Index Fund  |                     | 4.55%          | 4.55%                               |                      | 72,672,152             | 72,672,152            |
| Baillie Gifford   |                     | 5.70%          | 5.70%                               |                      | 90,951,016             | 90,951,016            |
| Silchester  |                     | 4.02%          | 4.02%                               |                      | 64,211,779             | 64,211,779            |
| 4. <b>International Emerging Markets</b>                  | 6.00%               | 5.78%          | (0.22%)                             | 95,801,380           | 92,337,118             | (3,464,262)           |
| Acadian Emerging Markets                                  |                     | 5.78%          | 5.78%                               |                      | 92,337,118             | 92,337,118            |
| <b>B. Total Fixed Income</b>                              | <b>20.50%</b>       | <b>20.26%</b>  | <b>(0.24%)</b>                      | <b>\$327,321,383</b> | <b>\$323,521,305</b>   | <b>(\$3,800,078)</b>  |
| 1. <b>Core Fixed Income</b>                               | 4.00%               | 17.59%         | 13.59%                              | 63,867,587           | 280,801,874            | 216,934,287           |
| NTGI Aggregate Bond Index                                 |                     | 7.59%          | 7.59%                               |                      | 121,249,319            | 121,249,319           |
| Thompson Siegel Fixed                                     |                     | 9.99%          | 9.99%                               |                      | 159,552,554            | 159,552,554           |
| 2. <b>Core Plus</b>                                       | 15.50%              | 0.00%          | (15.50%)                            | 247,486,900          | 0                      | (247,486,900)         |
| Manager TBD   |                     | 0.00%          | 0.00%                               |                      | 0                      | 0                     |
| 3. <b>Senior Bank Notes</b>                               | 0.00%               | 2.61%          | 2.61%                               | 0                    | 41,639,490             | 41,639,490            |
| Eaton Vance Instl Senior Loan Trust                       |                     | 2.61%          | 2.61%                               |                      | 41,639,490             | 41,639,490            |
| 5. <b>Emerging Market Debt</b>                            | 0.00%               | 0.00%          | 0.00%                               | 0                    | 0                      | 0                     |
| Manager TBD   |                     | 0.00%          | 0.00%                               |                      | 0                      | 0                     |
| 6. <b>Cash/Paid Receipts</b>                              | 1.00%               | 0.07%          | (0.93%)                             | 15,966,897           | 1,079,941              | (14,886,955)          |
| <b>C. Total Real Assets</b>                               | <b>20.50%</b>       | <b>18.30%</b>  | <b>(2.20%)</b>                      | <b>\$327,321,383</b> | <b>\$292,265,336</b>   | <b>(\$35,056,047)</b> |
| 1. <b>Real Estate</b>                                     | 15.00%              | 12.05%         | (2.95%)                             | 239,503,451          | 192,405,158            | (47,098,293)          |
| JPM RE Strategic Property                                 | 5.00%               | 9.16%          | 4.16%                               | 79,834,484           | 146,321,109            | 66,486,625            |
| Principal Global Investments                              | 5.00%               | 2.89%          | (2.11%)                             | 79,834,484           | 46,084,049             | (33,750,435)          |
| Non-Core Real Estate (TBD)                                | 5.00%               | 0.00%          | (5.00%)                             | 79,834,484           | 0                      | (79,834,484)          |
| 2. <b>MLPs / Timber / Commodities</b>                     | 5.50%               | 6.25%          | 0.75%                               | 87,817,932           | 99,860,178             | 12,042,246            |
| Harvest MLP   |                     | 3.16%          | 3.16%                               |                      | 50,469,713             | 50,469,713            |
| Tortoise MLP  |                     | 3.09%          | 3.09%                               |                      | 49,390,465             | 49,390,465            |
| <b>D. TOTAL FUND</b>                                      | <b>100.00%</b>      | <b>100.00%</b> |                                     |                      | <b>\$1,596,689,675</b> |                       |

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**Monthly Economic & Capital Market Update**

*November 2016*

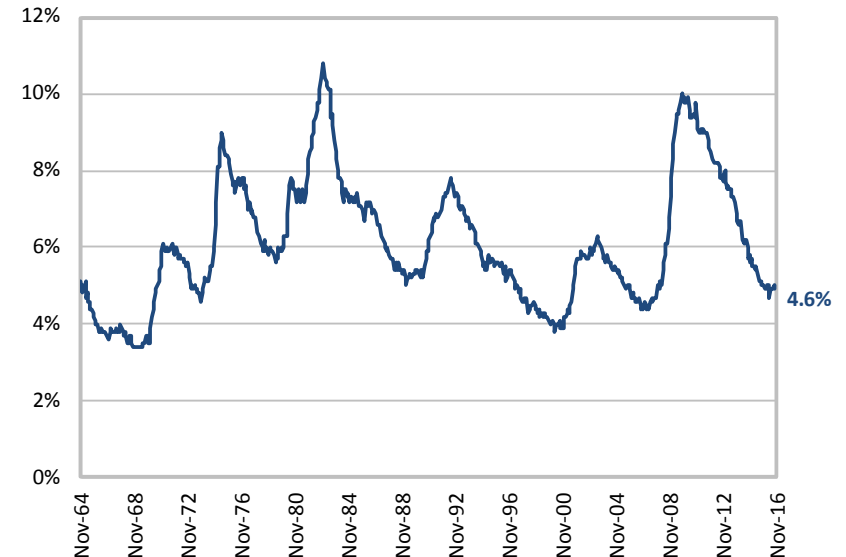
## Economy

- The most notable event of November 2016 was the election of Donald Trump as the 45<sup>th</sup> President of the United States. As the election outcome was largely unanticipated by investors and pollsters, markets adjusted to potential policy changes throughout the remainder of the month. The market reaction was generally consistent with the President-elect's proposed economic and trade policies, which are expected to increase growth and inflation (most notably in the US). The rising growth and inflation expectations, along with continued tightening within the labor market, support the Fed's intent to increase interest rates at its December meeting. As of November 30<sup>th</sup>, market-implied interest rate projections suggested the likelihood of a rate hike to be 100%, up from 71% in October.
- The US economy experienced positive job growth for the 74th consecutive month in November, adding 178,000 payrolls. Additionally, the labor force participation rate declined 10 bps to 62.7%, and payrolls from August and September were revised downward by 2,000 total jobs. Year-to-date, employment growth has averaged 180,000 new jobs per month, down from an average increase of 229,000 in 2015. Despite fewer jobs added per month in 2016, the labor market continues to tighten as evidenced by the unemployment rate reaching its lowest level since August 2007 at 4.6%. Wages, as measured by average hourly earnings, rose 2.5% over the year ending November, falling 30 bps from October's 2.8%. Although wage growth declined month-over-month, labor market pressures should continue to increase wage growth in coming months.
- Real GDP grew at a 3.2% annualized rate during the third quarter according to the second estimate from the Bureau of Economic Analysis, a 30 bps increase from the advance estimate of 2.9%. The adjustment reflected an increase in personal consumption expenditures that was larger than previously estimated. The increase in real GDP growth reflected positive contributions from personal consumption expenditures, exports, private inventory investment, federal government spending, and nonresidential fixed investment.
- November marked the 82nd consecutive month of expansion in the US services sector. The ISM non-manufacturing Purchasing Managers Index (PMI) rose 0.2 to a record high of 57.2, exceeding the previous high of 57.1 in September. A reading over 50.0 indicates expansion in the services sector.

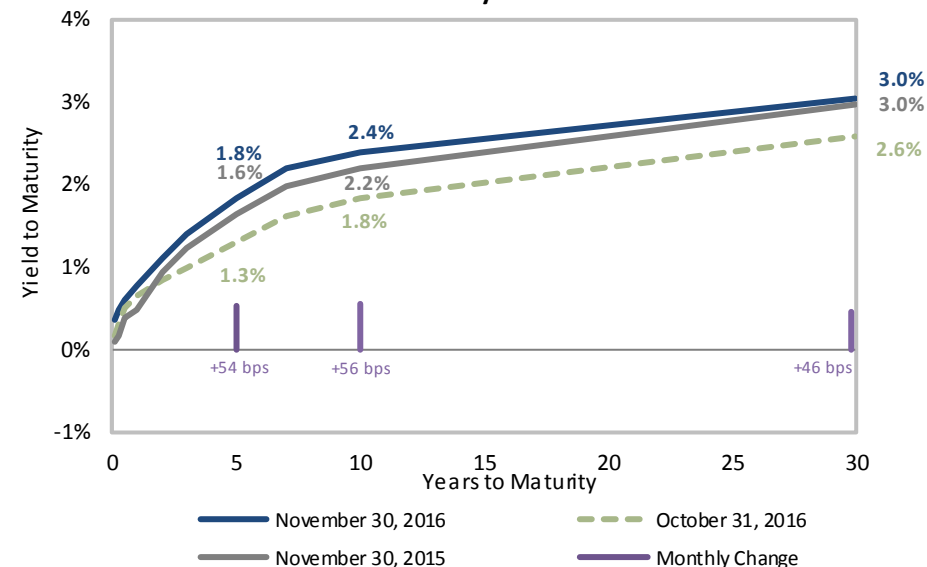
## Yield Curve

- Yields rose across the curve during November. The spread between 2-year and 30-year Treasuries expanded 18 bps to 192 bps, above 30-year average spread of 167 bps.

### Unemployment Rate



### Treasury Yield Curve



# Growth Assets

November 30, 2016

## Public Equities

- In November, US equity markets posted strong gains following the US election results. For the month, the S&P 500 gained 3.7% and the Russell 2000 increased 11.2%. As the dollar strengthened, international markets declined, with large and small cap developed stocks falling 2.0% and 2.8%, respectively. Emerging markets also declined, losing 4.6% for the month.
- Master limited partnerships (MLPs) returned 2.3% during the month. General partners and E&P saw the largest gains of 9.1% and 8.3%, respectively; downstream was the only sector with negative performance, declining 4.0%. Energy services, coal, and gathering and processing have been the strongest-performing MLPs in 2016 at 66.1%, 37.4%, and 33.7%, respectively. YTD, the Alerian MLP index has returned 13.3%.

## Public Debt

- High yield reversed the gains observed in October during November, returning -0.5% for the month and bringing QTD performance to -0.1%.
- Local currency-denominated emerging market debt had its worst month of the year, returning -7.0% as fears regarding protectionist US policy led to broad EM declines.

## Private Equity

- Purchase price multiples, as measured by S&P Leveraged Commentary and Data (S&P LCD), continue to suggest significantly different environments for larger deals vs. those in the middle market. In 2015, larger deals and middle market deals both had an average purchase price multiple of 10.7x; in 2016 purchase price multiples for larger deals have increased, while those of middle market deals have moderated. Manager sentiment suggests that the lower multiples in the middle market demonstrate managers remain disciplined on pricing.

## Private Debt

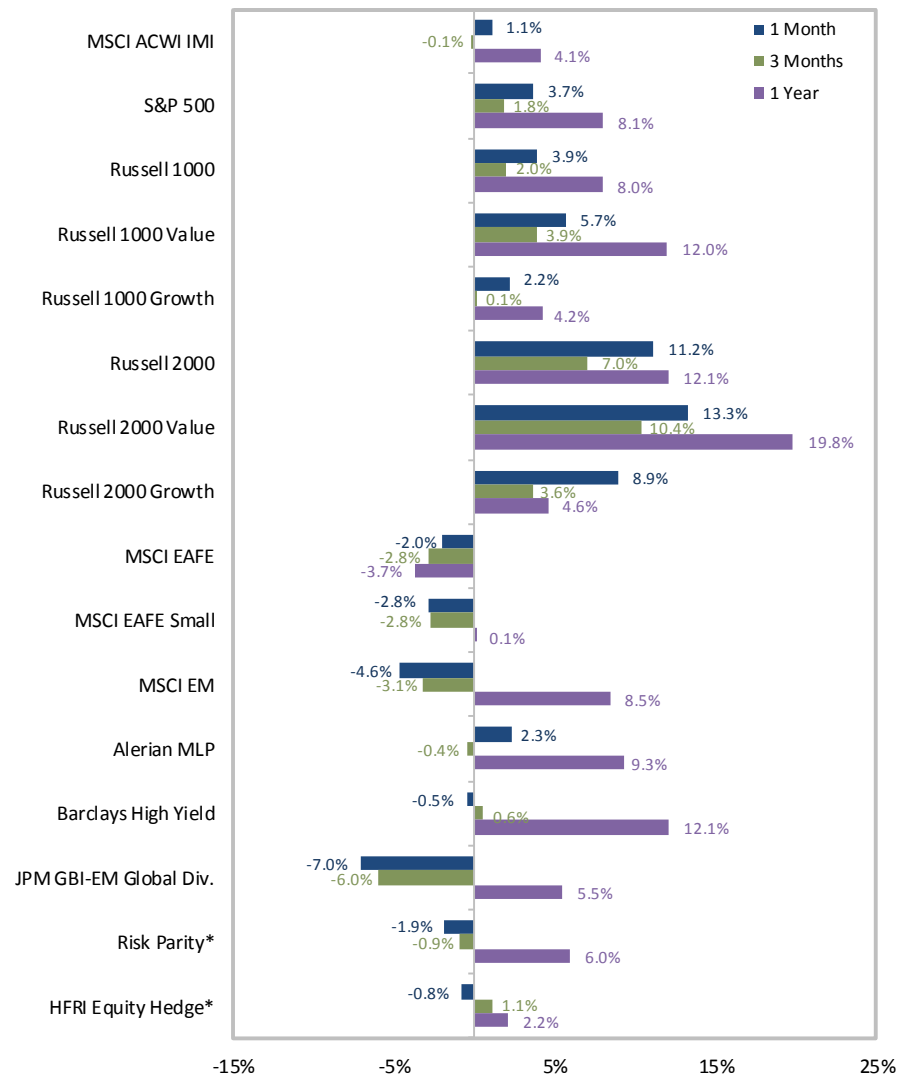
- Debt multiples for both middle market deals and larger deals have on average been lower than those experienced in 2015. After declining significantly during the first half of 2016, multiples of deals less than \$50m in EBITDA reverted back to levels seen over the past few years during the third quarter. Equity contribution in deals of all sizes in 2016 has been consistent with what was experienced in 2015, around 44%.

## Risk Parity

- Risk parity strategies declined during October. Losses were spread across most markets, with nominal interest rate exposures detracting most significantly.

## Growth Hedge Funds

- Growth hedge funds detracted in October. Equity long/short losses were broadly distributed across sectors, while activist strategies and merger arbitrage also detracted; distressed strategies were among the lone contributors for the month.



\* Data was not available at time of publication – returns are previous month's.  
Note: Risk Parity returns are based on an internally comprised benchmark.  
All returns are USD.

## Income Assets

November 30, 2016

### Public Debt

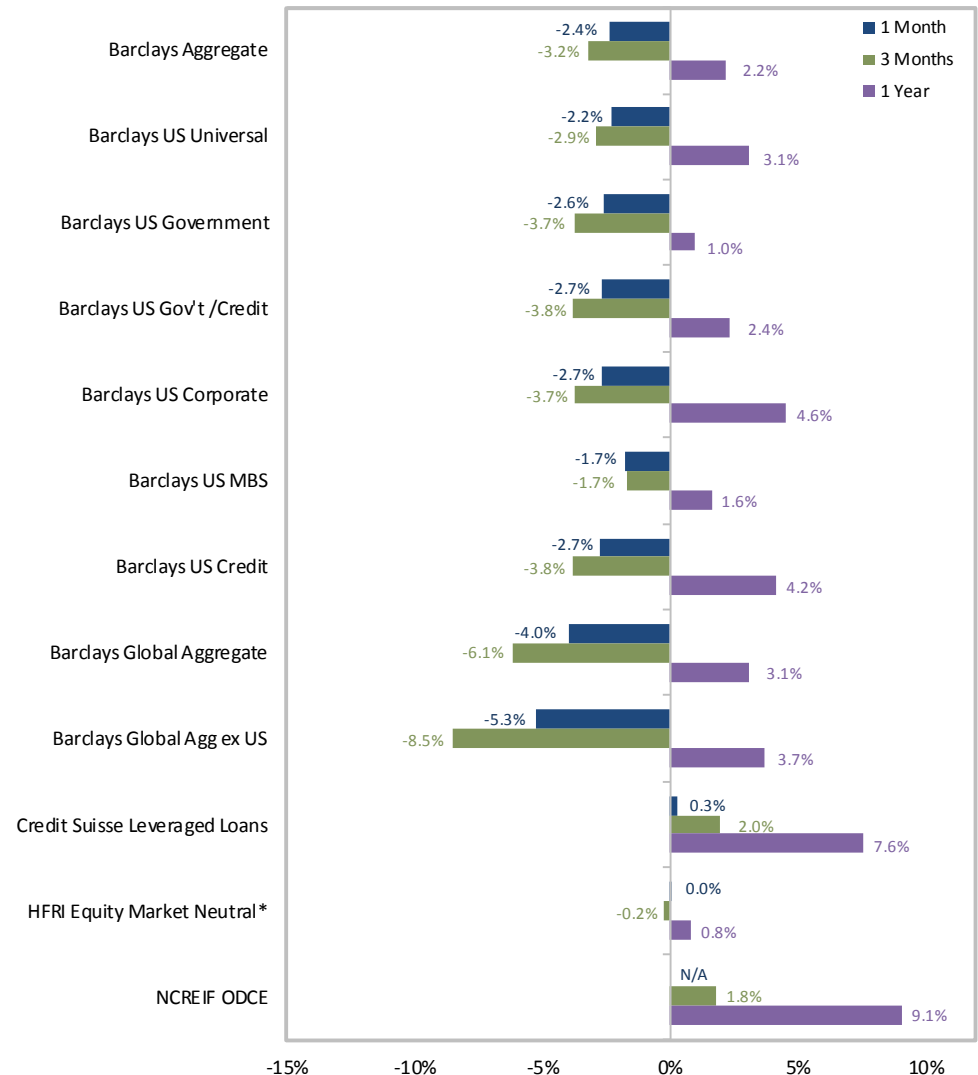
- The 10-year US Treasury yield ended November at 2.4%, up 56 bps from the end of October following the results of the election. The rise in yields experienced during November was the largest for the 10-year Treasury since December 2009.
- Investment grade credit saw spreads tighten by one basis point during the month, slightly offsetting the principal loss caused by the increase in yield for the index.
- The duration of the securitized sector of the Barclays Aggregate increased by more than one year as rising rates caused prepayment assumptions to fall, increasing the duration of the mortgage backed security sector that represents almost 28% of the overall index.
- International bonds continued their October declines, returning -5.3% in November and bringing QTD losses to nearly 10%.
- The duration-neutral aspect of loans continued to be a positive during November, with the asset class again being the top performer in fixed income. Retail and institutional fund flows continue to be a tailwind for loans; technical demand has driven the percent of loans trading above par to over 47%, up from just 6% at the end of June.

### Relative Value Hedge Funds

- Income hedge funds were mostly unchanged in October. Credit-oriented funds were the strongest contributors. Convertible and volatility arbitrage programs also contributed, while equity market neutral was flat.

### Core Real Estate

- The third quarter return for the NCREIF ODCE Index was 2.1% gross (and 1.8% net), composed of 1.1% income and 1.0% appreciation. The third quarter returns reflect historic norms, as outsized appreciation returns have diminished but overall real estate fundamentals remain healthy. Positive job creation, continued high consumer confidence, and a limited amount of new supply have all contributed to strong returns.



\* Data was not available at time of publication – returns are previous month's.  
Note: All returns are USD.

## Inflation

- Inflation expectations continued to increase during November, with 10-year inflation break-evens rising to 2.0% at month end for the first time since September 2014. Despite this, increasing real yields, due to rising expectations of a December Federal Reserve interest rate increase, detracted from TIPS returns.

## Deflation

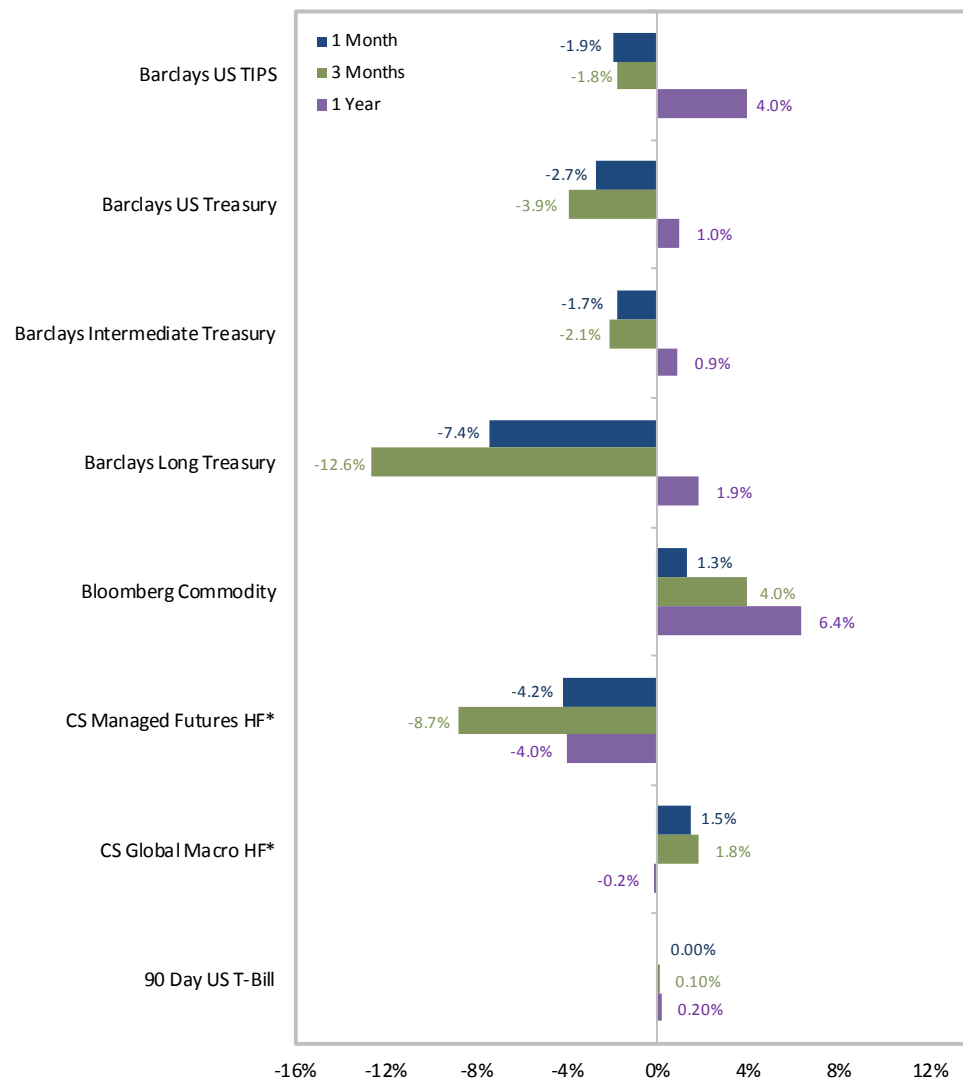
- The Barclays Long Treasury Index returned -7.4% as the yield on the 30-year Treasury increased 45 bps to 3.0%.
- Cash continues to offer no relative return, with 90-day T-bills offering no return during month of November and 0.2% for the one-year return.

## Commodities

- The Bloomberg Commodity Index increased to 1.3% during November. Energy outperformed the broad Index as WTI crude oil gained 5.5% over the month and was up 18.7% for the 12-month period; over the month heating oil and gasoline gained 5.0% and 2.8%, respectively. Copper and natural gas were major contributors for the month, gaining 18.9% and 10.8%, respectively. The largest detractor from performance for the month of November was coffee at -10.1%.

## Tactical Trading

- Diversification hedge funds detracted in October. CTAs declined on poor trend-following performance, while discretionary global macro funds contributed.



\* Data was not available at time of publication – returns are previous month's.  
Note: All returns are USD.

## DISCLOSURES

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**Capital Markets Research**

**Trumponomics: The President-Elect and His Economic Policies**

*November 2016*

## OVERVIEW

- Trump's victory in the 2016 presidential election and the Republican Party sweep of the House and Senate came as a surprise to pollsters, national news media, and market participants.
- Given the dramatic differences between current economic policies and those outlined by Trump, there is potential for significant impacts to investor portfolios.
- Although few specifics are available at this point, President-elect Trump has focused on four areas that could have material economic implications: regulatory mandates, tax cuts, trade policy, and government spending.
- While we continue to believe that long-term investment returns are driven by underlying fundamentals and valuations, we acknowledge the importance of understanding the impact of potential shifts in economic regimes.
- The following pages summarize how Trump's policies, if implemented, have the potential to impact the economy and financial markets. Additionally, we have incorporated the actual market moves experienced since the election and provided thoughts on opportunities to better position client portfolios.

## ECONOMIC POLICIES AND EXPECTED IMPLICATIONS FOR INVESTORS

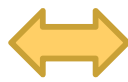
| Policy                  | US Growth | US Inflation | Equities | Bonds | Commodities | USD |
|-------------------------|-----------|--------------|----------|-------|-------------|-----|
| Deregulation            | ↑         | ↔            | ↑        | ↔     | ↔           | ↔   |
| Tax Cuts                | ↑         | ↑            | ↑        | ↓     | ↑           | ↔   |
| Protective Trade Policy | ↔         | ↑            | ↔        | ↓     | ↔           | ↑   |
| Government Spending     | ↑         | ↑            | ↑        | ↓     | ↑           | ↔   |
| Market Reaction to-date | ↑         | ↑            | ↑        | ↓     | ↓           | ↑   |



Positive Impact



Negative Impact



Mixed or Uncertain Impact

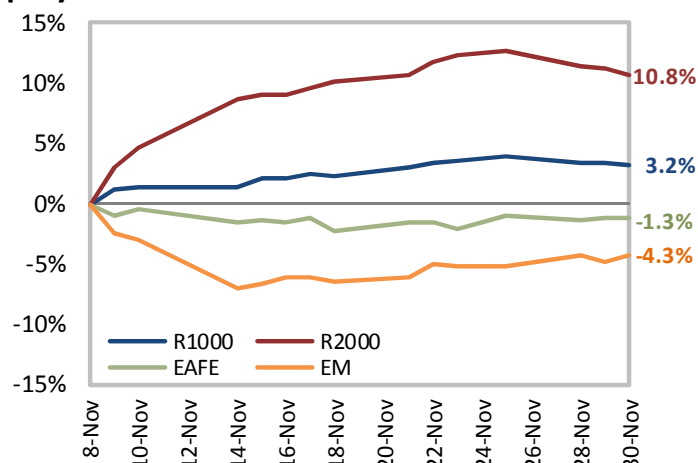
## EQUITY MARKETS

Trump's  
Comments

- "I'm gonna cut taxes and regulations big league."
- "These reforms will look for the biggest tax revolution since the Reagan Tax Reform, which unleashed years of continued economic growth and job creation. We will make America grow again."

| Policy                  | Expected Equity Impact | Comments   |
|-------------------------|------------------------|--|
| Deregulation            | ↑                      | <ul style="list-style-type: none"> <li>• Support US manufacturing and industrial companies by derailing proposed EPA rules.</li> <li>• Boost US energy industry with fracking deregulation and Keystone XL pipeline expansion approval.</li> <li>• Amend or potentially eliminate Dodd-Frank, which limited growth in financial services and banking.</li> </ul>                                       |
| Tax Cuts                | ↑                      | <ul style="list-style-type: none"> <li>• Trump's tax plan equates to a \$4-6 trillion injection into the economy over the next 10 years.</li> <li>• Corporate tax rate reduction to 15% would instantly boost business earnings.</li> <li>• A 10% repatriation tax has been proposed which is expected to stimulate domestic reinvestment.</li> </ul>  |
| Protective Trade Policy | ↔                      | <ul style="list-style-type: none"> <li>• Imposing tariffs on foreign goods could potentially decrease US GDP growth and cause consumer price inflation.</li> <li>• Changing trade policies will result in global winners and losers. The impacts on large global multi-nationals will be complex due to their global footprints.</li> </ul>  |
| Government Spending     | ↑                      | <ul style="list-style-type: none"> <li>• Government spending is expected to contribute to economic growth and job creation. This should drive earnings growth for both raw materials suppliers and companies dependent on consumers.</li> <li>• Trump has said that his infrastructure plan would include privatization of public assets, which could present opportunities for businesses.</li> </ul> |

## Equity Market Reaction



## Takeaways

- The market reaction has been positive for US stocks and negative for international to this point.
- In the short to intermediate term, the proposed policies are good for growth. In the long run, however, barriers to trade and movement of resources has negative implications for margins.
- Despite sentiment and recent price action, non-US stocks continue to trade at deeply discounted relative valuations.
- Summit is currently evaluating the impact of historical US government spending, trade policies, and tax regulation on regional equity markets.

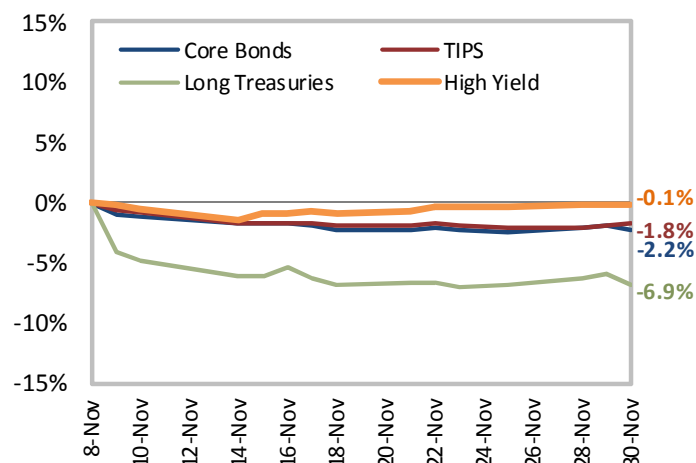
## FIXED INCOME MARKETS

Trump's  
Comments

- "We're dying at 1% GDP growth."
- "I would borrow, knowing that if the economy crashed, you could make a deal."

| Policy                  | Expected Fixed Income Impact | Comments  |
|-------------------------|------------------------------|---|
| Deregulation            | ↔                            | <ul style="list-style-type: none"> <li>• Changes to the EPA, Department of Education, Department of Labor, Dodd-Frank, and Obamacare are unlikely to have a material impact on interest rates and bond prices.</li> </ul>   |
| Tax Cuts                | ↓                            | <ul style="list-style-type: none"> <li>• Trump's tax plan equates to a \$4-6 trillion injection into the economy over the next 10 years.</li> <li>• Higher growth and inflation would likely result in the Federal reserve increasing interest rates.</li> <li>• Janet Yellen has communicated following the election that the case for a rate increase is strong.</li> </ul> |
| Protective Trade Policy | ↓                            | <ul style="list-style-type: none"> <li>• Imposing tariffs on foreign goods could potentially decrease US GDP growth and cause consumer price inflation.</li> <li>• These policies are likely to increase consumer prices in the US as input costs for goods rise.</li> </ul>  |
| Government Spending     | ↓                            | <ul style="list-style-type: none"> <li>• Trump's proposal to increase fiscal spending would likely require new government bond issuance.</li> <li>• Rising inflation under Trump would negatively impact the value of longer-term government bonds.</li> </ul>  |

## Fixed Income Market Reaction



## Takeaways

- Fixed income markets broadly sold-off in reaction to expectations for higher interest rates through higher inflation.
- Credit markets have outperformed due to their shorter duration and modest spread tightening.
- Unconstrained fixed income strategies, which have been largely designed with the expectation of higher interest rates, have outperformed traditional duration-focused investment strategies.
- Summit expects cyclical inflation pressures, combined with Trump's potential inflationary policies, to be headwinds for fixed rate bonds.

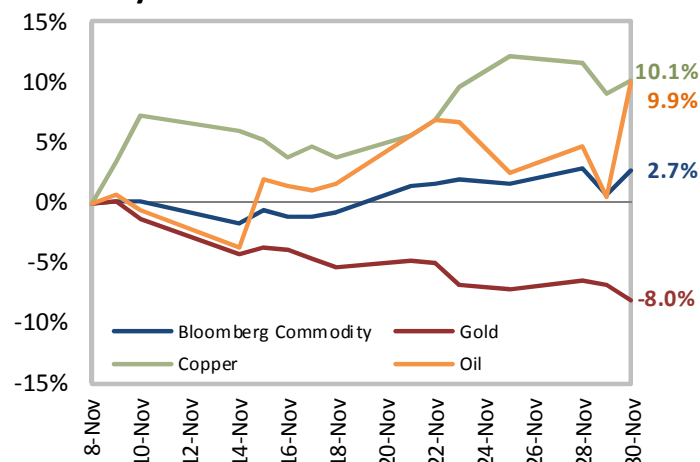
## COMMODITIES

### Trump's Comments

- "Build the next generation of roads, bridges, railways, tunnels, sea ports, and airports."
- "Fracking will lead to American energy independence."
- "Environmental protection – we waste all of this money."

| Policy                  | Expected Commodities Impact | Comments   |
|-------------------------|-----------------------------|--|
| Deregulation            | ↔                           | <ul style="list-style-type: none"> <li>• Overturning proposed fracking regulation and approving the Keystone XL Pipeline are likely negative for oil prices due to increased supply.</li> <li>• Reduced Environmental Protection Agency regulation should spur fossil fuel consumption.</li> </ul> |
| Tax Cuts                | ↑                           | <ul style="list-style-type: none"> <li>• Trump's tax plan equates to a \$4-6 trillion injection into the economy over the next 10 years.</li> <li>• Higher growth and inflation would likely result in increased commodity utilization and prices.</li> </ul>                                      |
| Protective Trade Policy | ↔                           | <ul style="list-style-type: none"> <li>• Given the global nature of commodity markets, it is unlikely that protectionist policy impacts prices.</li> <li>• Additionally, Trump's focus has largely been centered around US job creation and less so on raw material imports.</li> </ul>            |
| Government Spending     | ↑                           | <ul style="list-style-type: none"> <li>• Increased spending on defense and infrastructure under Trump would likely boost commodity consumption and drive price increases.</li> </ul>   |

### Commodity Market Reaction



### Takeaways

- Commodity market reactions have been mixed.
  - Infrastructure related materials (copper and iron ore) appreciated significantly.
  - Oil was initially down, but recovered (due to OPEC negotiations).
  - Gold sold off as investor willingness to hold bonds as a safe-haven asset increased with higher interest rates.
- Summit's expectation is that Trump's policies will in aggregate increase growth, which will drive raw material demand.

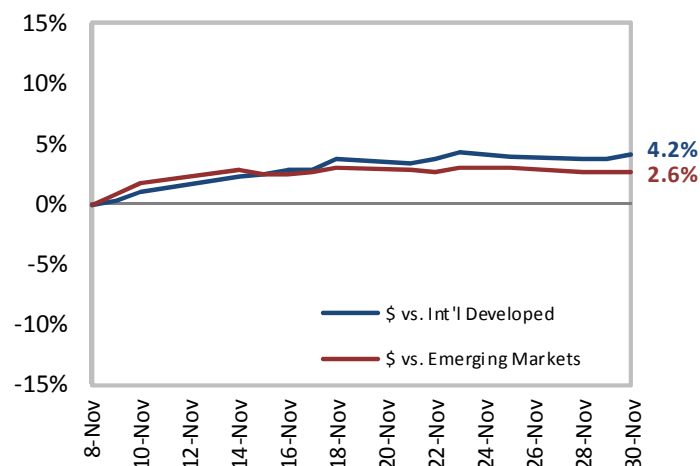
## US DOLLAR

Trump's  
Comments

- “They have \$2.5 trillion sitting out of the country that they can't get back because they don't want to pay the tax.”

| Policy                  | Expected US Dollar Impact | Comments  |
|-------------------------|---------------------------|---|
| Deregulation            | ↔                         | <ul style="list-style-type: none"> <li>Changes to the EPA, Department of Education, Department of Labor, Dodd-Frank, and Obamacare are unlikely to have a material impact on exchange rates.</li> </ul>   |
| Tax Cuts                | ↔                         | <ul style="list-style-type: none"> <li>Trump has proposed a 10% repatriation tax rate for companies holding foreign currency overseas. This could lead to \$2.5 trillion coming back to the US.</li> <li>However, an increasing current account deficit from tax cuts would likely be negative for the dollar.</li> </ul>                         |
| Protective Trade Policy | ↑                         | <ul style="list-style-type: none"> <li>Imposing tariffs on foreign goods incentivizes domestic production. A reduction in the trade deficit would be bullish for the US dollar.</li> </ul>  |
| Government Spending     | ↔                         | <ul style="list-style-type: none"> <li>Fiscal spending to increase US growth would generate inflation, increasing nominal interest rates. This rate shift would likely make the US dollar more attractive to global investors.</li> <li>However, an increasing current account deficit from fiscal spending could weigh on the dollar.</li> </ul> |

## US Dollar Market Reaction



## Takeaways

- Currency markets reacted sharply, with the dollar appreciating versus developed international and emerging economies.
- As a result of this move, the US dollar has reached its highest level against foreign currencies since April 2003.
- Summit's expectation is that Trump's policies will likely increase currency market volatility. Given this, we increasingly see opportunity for clients to evaluate FX hedging programs.

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When shown, risk is defined as annualized standard deviation using monthly returns. Unless otherwise stated, any non-standard timeframes represent the longest period for which information is available.



1 Introduced by Board Chairman Richard Tuten III:

2  
3 **RESOLUTION**

4 A RESOLUTION REQUESTING THE COUNCIL OF THE CITY  
5 OF JACKSONVILLE TO ADOPT THE ATTACHED RESOLUTION  
6 CONFIRMING THE APPOINTMENT OF TRACEY A. DEVINE,  
7 AS A MEMBER OF THE POLICE AND FIRE PENSION FUND  
8 FINANCIAL INVESTMENT AND ADVISORY COMMITTEE  
9 (FIAC), FOR AN INITIAL TWO-YEAR TERM, PURSUANT TO  
10 SECTION 121.503, ORDINANCE CODE; PROVIDING AN  
11 EFFECTIVE DATE.  
12

13 **BE IT RESOLVED** by the Police and Fire Pension Board of Trustees  
14 of the City of Jacksonville:

15 **Section 1. Appointment of Tracey A. Devine.** The Council of  
16 the City of Jacksonville is hereby requested to adopt the attached  
17 resolution confirming the appointment of Tracey A. Devine, as a member  
18 of the Board of Trustees, Police and Fire Pension Fund Financial  
19 Investment and Advisory Committee (FIAC), for an initial two-year  
20 term, pursuant to Section 121.503, Ordinance Code.

21 **Section 2. Effective Date.** Adopted this 16<sup>th</sup> day of  
22 December, 2016.  
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Richard Tuten III, Chairman

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Richard Patsy, Board Secretary

Attest to:

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10 Timothy H. Johnson, Executive Director

### **SUMMARY**

Tenured investment professional with success at creating the strategic vision and fulfilling all affiliated research tasks supporting a viable investment platform meeting the long term investment objectives for a fiduciary client base. Numerous and varied research assignments pertaining to asset allocation, manager due diligence and portfolio management have culminated in the development of meaningful portfolio guidance. Career has engaged a sincere inquisitiveness, as well as providing an opportunity to demonstrate effective analytical, leadership and collaboration skills.

### **PROFESSIONAL EXPERIENCE**

#### **SUNTRUST BANK**

*Senior Research Analyst, SVP, Investment Advisory Group, Private Wealth Management* 2014 - Present  
Manage a list of recommended money managers meeting the unique needs of the Bank, Endowment & Foundation, Brokerage and Family Wealth clients. Emphasis placed on proprietary research exhibiting discipline and long-term focus.

- Responsible for evaluating money manager's investment capabilities encompassing quantitative and qualitative assessments.
- Fulfill new manager searches to meet targeted needs. Due diligence includes full review of the firm, key professionals, operations/trading functions, regulatory compliance, investment process, performance, and pricing of various investment structures. Comprehensive review and on-site visit is mandatory. Develop comprehensive research reports for presentation to Research Team.
- Monitor all managers on recommended list with formal quarterly and annual reviews. Quarterly reviews entail verifying firm, key professional or AUM changes. Additionally, assess performance attribution and factor analysis to determine if manager is performing in line with expectations given market environment. Annually, conduct a thorough review by way of full questionnaires, on-site visits and conference calls to verify the manager and firm remain sound. Recommend retention or removal to Research Team and Investment Policy Committee(s).
- Rigorous risk management is embedded within all aspects of the due diligence process, whether it is firm related, operationally oriented or risk-adjusted performance.

#### **LEGACY TRUST FAMILY WEALTH OFFICE**

*Director, Investment Research & Consulting* 2012 – 2014  
Developed and directed the investment strategy, portfolio management and client consulting for a HNW clientele.

- Research asset classes, ascertain strategic and tactical asset allocation and fulfill manager due diligence.
- Determine all portfolio management decisions. Manage for results. Consult with existing clients delivering quarterly investment reviews entailing an economic and market outlook as a backdrop to portfolio management decisions and performance.
- Assist in new client acquisition. Accountable for conveying investment expertise and insights towards winning new business opportunities.
- Establish new internal processes to streamline portfolio management steps towards more efficiency and timely implementation of trades.

#### **WACHOVIA BANK**

*Managing Director, SVP, Investment Strategy & Research, Wealth Management* 2004 – 2009  
Directed the development and full execution of a managed money investment solution for Wachovia Wealth Management, the nation's 5<sup>th</sup> largest wealth manager (\$65+ billion AUM).

- Developed an investment solution providing taxable and tax-exempt clients an award winning investment strategy and managed money platform. As the engine behind the "Advantage" investment strategy and platform, I was commended by the President of Wealth Management, President of the Trust Company and the CIO for directly influencing winning sales and revenue performance, compliance improvement and most importantly, *measurable increase in client satisfaction and loyalty*.
- Charged with formulating and managing the Investment Strategy for Wealth Management division to include the development of a Client Value Proposition, Investment Philosophy, as well as the development of a fully diversified Strategic and Tactical Asset Allocation methodology. New investment strategy provided sales and service teams a much improved, competitive offering for our clients.

- Formulated and managed a proprietary Due Diligence Research process supporting a comprehensive list of money managers. Expanded the investment platform by incorporating proprietary in-depth asset class analysis and money manager due diligence covering more than 16 distinct asset classes.
- Actively managed and marketed discretionary mutual fund model portfolios (\$3 billion+ AUM), addressing senior management's desire to provide all clients' access to Advantage Portfolios' design.
- Hired, led and collaborated with a team of research analysts; via a shared vision the team most effectively linked day-to-day tasks to the larger vision.
- Created marketing and educational tools supporting the field of advisors. Traveled extensively for due diligence meetings and internal client training. Routinely participated as an SME in high profile client meetings.
- Effectively partnered with extensive list of internal teams leveraging each team's insights and expertise (investment professionals, risk management, operations, performance measurement, finance, asset management, brokerage research, retirement services, institutional sales, etc.)
- Credited by senior management for my role behind Wachovia's Wealth Investment Platform ("Advantage") winning "Platform of The Year" in 2006. (Wachovia Wealth Management was recognized by Private Asset Management, a publication of Institutional Investor, Inc., as the 2006 Platform Provider of the Year).

*Director of Research, VP, Portfolio Strategies, Trust Division*

1997 – 2004

Created a new fiduciary research division and proprietary due diligence discipline pertaining to the analysis of money managers utilized throughout fiduciary focused bank channels.

- Addressing the Bank's need to build an open architecture investment solution, designed a new asset allocation methodology, new manager due diligence process and new investment policy supporting the analysis of hedge fund of funds.
- Successfully implemented new investment strategy, to include: contracts and contractual process supporting business relationships between the Bank and external money management entities, all collateral materials utilized internally and with client, operational steps and risk management oversight.
- Hired, contracted and partnered with leading consultants, in an effort to maximize their expertise and expense savings (Callan Associates, Wilshire Associates, Evaluation Associates, LCG Associates and Ivy Asset Management).
- Commended by Office of the Comptroller of the Currency (OCC) for our proprietary research processes' comprehensiveness, structure and strict discipline.

*Portfolio Manager/ Portfolio Manager Associate, AVP, Trust Division*

1993 – 1997

Managed investment related decisions for 250+ personal trust relationships.

- Managed clients' asset allocation needs, developing individual investment policy statements, fulfilling portfolio construction, monitoring and compliance requirements.
- Assigned the privilege of managing some of the Trust departments highest profile clients due to ability to meet unique research requirements such as customized manager due diligence and searches.

*Investment Officer, Brokerage Division*

1987 – 1989

Registered Broker servicing client accounts via comprehensive range of financial services utilizing brokerage product array.

- Fulfilled all levels of trade execution, to include equities, options, bonds and funds; created a formal Traders Manual for brokerage division, providing greater structure to process.

**MERRILL LYNCH, PIERCE FENNER & SMITH**

1985 – 1986

*Financial Consultant*

Prospected, advised, and serviced client accounts.

- Full knowledge of investment capabilities; conducted investment strategy seminars for both existing and prospective clients, which resulted in new clients.

**EDUCATION**

University of North Florida, Coggin College of Business  
Kaplan University, Bachelor of Science Business Administration, Summa cum Laude

**BUSINESS ASSOCIATIONS**

CFA Institute & CFA Society of Jacksonville  
Investment Management Consultants Association