
**JACKSONVILLE POLICE AND FIRE PENSION FUND
FINANCIAL INVESTMENT AND ADVISORY COMMITTEE
MEETING AGENDA – SEPTEMBER 14, 2017 – 3:30PM**

PRESENT

Eric “Brian” Smith Jr., Chairman
Tracey Devine
Rob Kowkabany
Craig Lewis Sr., Secretary
Rodney Van Pelt

STAFF

Timothy H. Johnson, Executive Director – Plan Administrator
Steve Lundy, Assistant Plan Administrator
Dan Holmes, Summit Strategies

EXCUSED

CITY REPRESENTATIVES INVITED

Joey Greive, Fund Treasurer

GUESTS

I. CALL TO ORDER

II. PUBLIC SPEAKING PERIOD

III. MEETING SUMMARY TO BE APPROVED

Committee action requested

1. Meeting Summary of the FIAC Meeting held August 11, 2017.
Copies held in the meeting files.

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IV. OLD BUSINESS

To be received as information

1. Meeting Summary of the FIAC Meeting held July 14, 2017.
Copies held in the meeting files.

V. EXECUTIVE DIRECTOR'S REPORT

Timothy H. Johnson

1. Ordinance 2017-564 – Staggering Terms

VI. INVESTMENT CONSULTANT REPORTS

Dan Holmes

1. Flash Report – August 31, 2017
2. Economic & Capital Market Update – August 31, 2017
3. Investment Policy Statement Discussion Presentation

VII. NEW BUSINESS

Dan Holmes

1. Expiration of Investment Advisory Agreements – Memo

VIII. NEXT MEETING

Friday, October 13th, 2017 at 3:30PM

IX. ADJOURNMENT

NOTES:

Any person requiring a special accommodation to participate in the meeting because of disability shall contact Steve Lundy, Assistant Plan Administrator at (904)

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255-7373, at least five business days in advance of the meeting to make appropriate arrangements.

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.

SL

**JACKSONVILLE POLICE AND FIRE PENSION FUND
FINANCIAL INVESTMENT AND ADVISORY COMMITTEE
MEETING SUMMARY – AUGUST 11, 2017 – 3:30PM**

PRESENT

Eric “Brian” Smith Jr., Chairman
Craig Lewis Sr., Secretary
Tracey Devine
Rob Kowkabany
Rodney Van Pelt

STAFF

Timothy H. Johnson, Executive Director – Plan Administrator
Steve Lundy, Assistant Plan Administrator
Dan Holmes, Summit Strategies – via Webex

I. CALL TO ORDER

Chairman Brian Smith called the meeting to order at 3:32PM.

II. PUBLIC SPEAKING PERIOD

There were no requests for Public Speaking. Public Speaking Period closed.

III. MEETING SUMMARY TO BE APPROVED

1. Meeting Summary of the FIAC Meeting held July 14, 2017.
Copies held in the meeting files.

A motion was made by Rodney Van Pelt to approve the summary of the FIAC meeting held on July 14, 2017, seconded by Tracey Devine.

Rodney Van Pelt moved to amend the motion, editing the summary; adding the phrases ‘voiced and alleviated’ and ‘contingent on OGC’s approval’ to the document and moving the last paragraph up seven paragraphs. Craig Lewis seconded the amendment. The amendment passed unanimously.

The overall motion to approve the July 14, 2017 meeting summary, as amended, passed unanimously.

IV. OLD BUSINESS

Timothy Johnson said that he made the recommendation to the Board of Trustees to approve Carr, Riggs, & Ingram (CRI) as the external auditor at the last Board of Trustees meeting. He said that he met with the City's chief purchasing officer in order to align the PFPF's purchasing policy with the City.

Timothy Johnson said that he is confident the process was followed correctly in hiring CRI.

V. EXECUTIVE DIRECTOR'S REPORT

Timothy H. Johnson

Pension Reform Administration Discussion

1. Ordinance to Stagger Terms

Timothy Johnson and the FIAC discussed the Advisory Committee and FIAC terms. He said that in the past, terms were based on dates of appointments. He said that for this committee, terms should be consistent, defined, and disciplined. He said that these aren't indefinite terms; the FIAC members are elected to specific terms.

Timothy Johnson read the language from the ordinance as it relates to the FIAC.

Brian Smith and the FIAC discussed when they were originally appointed by the City Council.

Rob Kowkabany asked if the ordinance would alter their original term lengths.

Timothy Johnson said that the attorney may alter a couple of the FIAC members' terms.

Rodney Van Pelt said that the initial terms would stagger future terms, and future terms are all 3 years in length.

Brian Smith discussed start dates versus approval dates.

Timothy Johnson said he will propose a starting date for all terms.

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Brian Smith said that if the starting date is in the future, everybody would begin on an even playing field.

The FIAC took some time to read the draft ordinance. They compared the staggered terms of the Advisory Committee, the FIAC, and the Board of Trustees (which is governed by the Charter).

Brian Smith entertained a motion to ask Timothy Johnson to make recommendation to the Council Committee that January 1, 2018 be the prospective date, or begin date for the FIAC terms to start. Rodney Van Pelt so moved. Rob Kowkabany seconded. The vote passed unanimously.

Brian Smith asked the FIAC for term preferences. Rodney Van Pelt and Rob Kowkabany volunteered for one-year terms. Tracey Devine and Craig Lewis volunteered for two-year terms. Brian Smith volunteered for the three-year term.

2. Reform Administration Working Group

Timothy Johnson said that the working group meeting was great. As a result of new pension reform, the PFPF will have to administer the pension reform effective October 1st. He said that the conversation was detailed, and the biggest thing that came out of it relative to the FIAC was how to view the present value of the surtax. He said that this could potentially change the asset allocation.

Timothy Johnson said that this posed some questions: Is it a fixed promise of the City to pay? It is assured? He said that others that look at it another way and say the plan should be de-risked, because it is a liability.

Timothy Johnson said that at the working group, the consensus was that the present value of the surtax should not be viewed as an asset.

Timothy Johnson said that the asset-liabilities study will be made with GASB rules, considering conventional assets and liabilities. He said that Dan Holmes will work on the asset-liabilities study as soon as the actuarial valuation is done.

Brian Smith discussed the chapter funds, and how they are now going to be paid to the unions as a result of the pension reform. He said that at the working group meeting, there was a lot of discussion on how the money would be paid to the unions.

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Rodney Van Pelt said that the FIAC has to consider the present value of the surtax revenues. He said that we can't just stick our heads in the sand and ignore it, and hope that the money will eventually come. He said that at some point in time, maybe 2025, the Fund could afford to be more risky in its investment strategy.

Brian Smith said that Rodney Van Pelt's point was an important one, and that Timothy Johnson's intention was that for right now, the present value of the surtax shouldn't be considered, however in the future it may or may not be considered or looked at more closely.

Rodney Van Pelt said that the revaluing of the asset is very important every year.

Tracey Devine said that no matter how the surtax is valued, everyone has the knowledge in the back of their minds that these revenues will be coming, and it may influence future decisions.

VII. NEW BUSINESS

Taken out of Order

1. General Planning Discussion (2017-2018 Work Plan)

Brian Smith asked Timothy Johnson to discuss the new business (out of order).

Timothy Johnson said that last month, the FIAC had a discussion on the work plan for the upcoming Fiscal Year, starting with August, even though the Fiscal Year begins in October.

Timothy Johnson outlined the attached Work Plan to the FIAC.

Timothy Johnson said that the plan is a work in progress and that he's open to changing the schedule however the FIAC would like.

Brian Smith asked Timothy Johnson to add discussion of the present value of the surtax to the schedule for November's meeting.

Rodney Van Pelt said the asset allocation should be reevaluated annually.

Tracey Devine said that the FIAC should review the Investment Policy Statement (IPS) each year.

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Dan Holmes said that once the asset liability study is done, every year thereafter it will be reviewed with capital market assumptions, and built into the process going forward.

Brian Smith asked what time of year would be best to review the asset allocation and IPS.

The FIAC and Dan Holmes discussed when to schedule the annual review of the asset allocation. They decided that April would be the best month, and directed Timothy Johnson to add it to the work plan.

Dan Holmes recommended that the review of the IPS and the asset allocation be split into two meetings.

Craig Lewis agreed, and said that the IPS, asset allocation, and money manager selections are big decisions.

Brian Smith and Rodney Van Pelt said that they would prefer longer, half-day style meetings. Brian Smith directed Timothy Johnson to look at possible dates and put on a future agenda.

VIII. NEXT MEETING

Taken out of Order

The FIAC decided that a meeting date of September 8th, 2017 would not work due to scheduling conflicts.

A motion was made by Craig Lewis to schedule the next FIAC meeting for September 14th, 2017 at 3:30PM, seconded by Rob Kowkabany. The vote passed unanimously.

VI. INVESTMENT CONSULTANT REPORTS

Taken out of Order

3. Investment Performance Review

Dan Holmes reviewed the attached Investment Performance Review with the FIAC.

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Dan Holmes said that overall, the Fund has experienced very strong absolute returns. He said that over the quarter, the Fund performed in the 11th percentile (1=best, 100=worst) of peer public plans.

1. Flash Report – July 31, 2017

Dan Holmes reviewed the attached Flash Report with the FIAC.

2. Economic & Capital Market Update – July 31, 2017

Dan Holmes reviewed the attached Economic & Capital Market Update with the FIAC.

Craig Lewis asked Dan Holmes what the yield profile is on MLPs.

Dan Holmes said it is around 7 percent.

Craig Lewis asked if the Fund's MLP managers have much commodity exposure.

Dan Holmes said there is no direct commodity link; MLPs are driven by flow of the commodity, the use of the underlying assets such as pipelines and storage facilities. He said that since commodities are volatile, people are pulling capital away.

Tracey Devine asked about Eagle Capital's strategy in relation to Amazon and Google stock.

Dan Holmes said that Eagle is a relative value manager, not deep value. He said that they are in line with or slightly above benchmark, but below S&P.

Tracey Devine asked if there has been progress in Loomis Sayles's contract.

Timothy Johnson said that the process is nearing completion, and the document just requires signatures.

Tracey Devine said she feels Eagle as a value manager is slipping too far into the growth strategy, and feels the Fund needs to be careful not to get too far into growth sector. She said Eagle is not a traditional value manager. She said that the Fund is tilted and that she wants more balance.

IX. ADJOURNMENT

Brian Smith adjourned the meeting at 5:11PM.

NOTES:

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

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Additional items may be added / changed prior to meeting.

SL

Craig Lewis, FIAC Secretary

To be approved at the FIAC Meeting on September 14, 2017

**JACKSONVILLE POLICE AND FIRE PENSION FUND
FINANCIAL INVESTMENT AND ADVISORY COMMITTEE
MEETING SUMMARY – JULY 14, 2017 – 3:30PM
RICHARD “DICK” COHEE BOARD ROOM**

PRESENT

Eric “Brian” Smith Jr., Chairman
Tracey Devine
Rodney Van Pelt

STAFF

Timothy H. Johnson, Executive Director – Plan Administrator
Steve Lundy, Assistant Plan Administrator
Dan Holmes, Summit Strategies – via Webex

EXCUSED

Rob Kowkabany
Craig Lewis Sr., Secretary

I. CALL TO ORDER

Chairman Brian Smith called the meeting to order at 3:31PM.

II. PUBLIC SPEAKING PERIOD

There were no requests for Public Speaking. Public Speaking Period closed.

III. MEETING SUMMARY TO BE APPROVED

1. Meeting Summary of the FIAC Meeting held May 11, 2017.
Copies held in the meeting files.
2. Meeting Summary of the FIAC Workshop held June 9, 2017.
Copies held in the meeting files.

Rodney Van Pelt briefed Tracey Devine on the Sawgrass Presentation at the June FIAC Workshop. His concerns on the PFPF's use of Sawgrass as part of the

portfolio were **voiced and alleviated**. He said that all in all, they gave a good presentation.

A motion was made by Rodney Van Pelt to approve the summaries of the FIAC meetings held on May 11, 2017 and June 9, 2017, seconded by Tracey Devine. The vote passed unanimously.

V. OLD BUSINESS

VI. EXECUTIVE DIRECTOR'S REPORT

Timothy H. Johnson

Contract Renewal Discussion

1. Investment Consultant (Summit Strategies)
2. Custodian (Northern Trust)

Timothy Johnson said that the two items on his report for this month are a holdover from June's meeting. He said that he's bringing them up again so that the FIAC can make a vote since there is a quorum this month.

Timothy Johnson discussed the rebidding of services that the PFPF uses, such as the legal counsel and actuarial services. He said that Klausner and Jarmon have been replaced, and now, the PFPF is in the midst of pension reform. He said that it is probably not a good idea to make RFPs for the custodian and investment consultant until pension reform is over.

Timothy Johnson requested that the FIAC make a recommendation to extend the contracts for the Investment Consultant and Custodian for one year.

Tracey Devine and Rodney Van Pelt agreed. However, Rodney Van Pelt said that his only reservation was that the custodian and investment consultant have had both of their contracts extended before.

A motion was made by Rodney Van Pelt to make a recommendation to extend the contracts of Northern Trust and Summit Strategies, seconded by Tracey Devine. Discussion:

Tracey Devine asked for clarification on the RFP process, and for it to be explained to the FIAC before the next round of RFPs.

The vote passed unanimously.

Pension Reform Administration Discussion

1. Reform Working Group

Timothy Johnson discussed the Reform Working Group meeting, and its attendees. He said the goal of this working group is to discuss a number of matters relating to the administration of the 2017 pension reforms, and how the PFPF staff will implement the changes necessary. He gave the example of the Chapter Funds, and how the administration of its distribution may change as a result.

VII. INVESTMENT CONSULTANT REPORTS

Dan Holmes

1. Flash Report – June 30, 2017

Dan Holmes said that the Fund's balance is slowly creeping towards the \$2 billion mark. He said that over the Fiscal Year, the Fund's gross return is up over 10%, and up over 9.8% net.

Dan Holmes said that Domestic and International equities are driving the good part of the portfolio's success. However he said that Real Estate sticks out – it is up only about 5% for the Fiscal Year. He estimates that it will finish up around 7-8% at the Fiscal Year End.

Dan Holmes said he expects MLPs to continue their volatility.

Dan Holmes noted that Wedge Capital is below the benchmark, due to their underweight in financials.

Tracey Devine asked Dan Holmes if Wedge Capital is a traditional value manager or a 'deep value' manager.

Dan Holmes said that they're traditional, and that they look at core value.

Dan Holmes said that he would like the Fund's portfolio to gain exposure in new areas, like International Small Cap Value. He said that he wants to make his recommendation after the pension reform.

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2. Economic & Capital Market Update – June 30, 2017

Dan Holmes said that US job growth continues to be positive, wage growth is increasing, and GDP was revised upwards from 1.2% to 1.4% for the first quarter. All news is positive for the economic outlook.

Tracey Devine asked for an update on the Loomis Sayles contract.

Dan Holmes said that the Loomis Sayles contract is in Bob Sugarman's office and is nearing completion.

3. Recommended Rebalancing

Brian Smith said that the Board of Trustees has already adopted Dan Holmes's Rebalancing Recommendation, and the FIAC would be making a recommendation on it as a formality, since there was no quorum in June.

Tracey Devine and Dan Holmes discussed asset allocation limits as set forth by the State Law, and the restrictions on investment vehicles such as American Deposit Receipts. They also discussed private equity in real estate.

A motion was made by Tracey Devine to make a recommendation to accept the Recommended Rebalancing, seconded by Rodney Van Pelt. The vote passed unanimously.

4. Sawgrass Review

Dan Holmes said that Rodney Van Pelt did a good job of grilling Sawgrass during their presentation. Dan Holmes said that Sawgrass has typically been a low-beta manager, and that they've stuck with their process consistently. Dan Holmes said that he recommends that the Fund retain Sawgrass.

Rodney Van Pelt, Dan Holmes, and Tracey Devine discussed the risk tolerance of the Fund going forward. They said that the Fund's risk tolerance needs to be assessed from the top-down.

A motion was made by Rodney Van Pelt to make a recommendation to retain Sawgrass, seconded by Tracey Devine. The vote passed unanimously.

VIII. NEW BUSINESS

1. External Auditor (CRI)

Timothy Johnson said that the PFPF's previous external auditor closed business, due to the retirement of a member of its staff and the passing of another. He said that he talked with the City Treasurer, Joey Greive, and received a good recommendation of the City's external auditor, Carr, Riggs, and Ingram (CRI). Timothy Johnson said that CRI will match the City's fee for the PFPF.

Brian Smith asked if the PFPF made a RFP for the external auditor and whether it was legal or not to hire an external auditor without a RFP.

Timothy Johnson said that no RFP was made, and that it would be legal since the PFPF would be using the same external auditor as the City.

Brian Smith said that he would like a legal opinion from the Office of General Counsel (OGC) on whether this is legal without an RFP.

Timothy Johnson agreed, and said that Brian Smith's request was a good move.

A motion was made by Rodney Van Pelt to make a recommendation to hire CRI as the PFPF's external auditor contingent on OGC's approval, seconded by Tracey Devine. The vote passed unanimously.

2. FIAC Meeting Attendance Discussion

Brian Smith said that quite a few FIAC meetings have been postponed or cancelled due to the lack of quorums. He said that FIAC members should do everything they can to attend the meetings. However, he said a few things could be done to improve meeting attendance.

Brian Smith said that PFPF communication with the FIAC could be improved in new ways, such as utilizing an RSS feed to keep members updated on any scheduling changes.

Steve Lundy said that he would contact ITD and ask if that is possible.

Brian Smith said that the regularly scheduled FIAC meeting time could be changed if 3:30PM on the second Friday of the month isn't the best for the members.

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FINANCIAL INVESTMENT AND ADVISORY COMMITTEE
MEETING SUMMARY – JULY 14, 2017 – 3:30 PM
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Tracey Devine and Rodney Van Pelt said that the current scheduled time works fine for their schedules.

Brian Smith said that perhaps the FIAC could hold fewer scheduled meetings. Tracey Devine disagreed, and said she would prefer more.

Brian Smith asked if a quorum could be held over the phone.

Timothy Johnson answered that at least three FIAC members need to be physically present for a quorum.

Tracey Devine asked for the calendar to be included in the FIAC books in the future.

Steve Lundy said he would include the calendar in the future books.

Brian Smith said that the FIAC could set up an attendance policy, and if members are not consistent, it would provide a method to recommend that City Council appoint a replacement.

Timothy Johnson said that the FIAC should schedule an annual strategy meeting in order to bring new members up to speed on the Fund's asset allocation and prepare them for the following year.

Rodney Van Pelt suggested that Dan Holmes could call in to the FIAC meetings 30 minutes into the meetings, so that the FIAC members would have time to review the book beforehand and prepare their questions.

Rodney Van Pelt asked if the PFPF has hired a new Finance Manager.

Timothy Johnson said that he has received a few applications, and that he will be calling three candidates for interviews. He said that he is pleased with the response so far.

Tracey Devine and Rodney Van Pelt discussed possible ways to structure a 'catch up' meeting to discuss the Statement of Investment Policy and asset allocation.

Brian Smith added that a 'catch up' meeting would be beneficial to new members.

IX. ADJOURNMENT

Brian Smith adjourned the meeting at approximately 5:15PM.

NOTES:

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

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.

SL

Craig Lewis, FIAC Secretary

To be approved at the FIAC Meeting on August 11, 2017

1 Introduced by the Council President at the request of the
2 Jacksonville Police and Fire Pension Board of Trustees:

3
4
5 **ORDINANCE 2017-564**

6 AN ORDINANCE AMENDING CHAPTER 121 (POLICE AND
7 FIREFIGHTERS PENSION PLAN), PART 1 (POLICE AND
8 FIRE PENSION FUND ADMINISTRATION), SECTION
9 121.103 (ADVISORY COMMITTEE), ORDINANCE CODE,
10 TO CREATE STAGGERED TERMS; AMENDING CHAPTER
11 121 (POLICE AND FIREFIGHTERS PENSION PLAN),
12 PART 5 (FINANCIAL INVESTMENT AND ADVISORY
13 COMMITTEE), SECTION 121.503 (FINANCIAL
14 INVESTMENT AND ADVISORY COMMITTEE; MEMBERSHIP,
15 APPOINTMENT AND TERMS), ORDINANCE CODE, TO
16 CREATE STAGGERED TERMS; PROVIDING AN EFFECTIVE
17 DATE.

18
19 **BE IT ORDAINED** by the Council of the City of Jacksonville:

20 **WHEREAS**, the Jacksonville Police and Fire Pension Board of
21 Trustees (the "Board") is an independent agency of the consolidated
22 City of Jacksonville, is governed by Chapter 121, *Ordinance Code*, and
23 is responsible for administering the Jacksonville Police and Fire
24 Pension Fund ("Pension Fund"); and

25 **WHEREAS**, the Advisory Committee created under Section 121.103,
26 *Ordinance Code*, and the Financial Investment and Advisory Committee
27 ("FIAC") created under Section 121.503, *Ordinance Code*, were
28 established to assist the Board with the administration of the Pension
29 Fund; and

30 **WHEREAS**, the Advisory Committee consists of seven members: three
31 police officers elected by police officers, three firefighters elected

1 by firefighters, and one retired member elected by the retired members
2 as a group, and the terms of all seven members are set to expire on
3 December 31, 2017; and

4 **WHEREAS**, the FIAC consists of five members and the terms of a
5 majority of the membership are set to expire on March 1, 2019; and

6 **WHEREAS**, the Board at its regular meeting on July 21, 2017,
7 recommended that the Advisory Committee and FIAC board members be
8 staggered in such a way as to create the least disruption in board
9 membership and provide better continuity in board membership as set
10 forth in the meeting minutes excerpt attached hereto as **Exhibit 1**; now
11 therefore

12 **Section 1. Chapter 121 (Police and Firefighters Pension**
13 **Plan), Part 1 (Police and Fire Pension Fund Administration),**
14 **Section 121.103 (Advisory Committee), Ordinance Code, amended.**

15 Chapter 121 (Police and Firefighters Pension Plan), Part 1 (Police
16 and Fire Pension Fund Administration), Section 121.103 (Advisory
17 Committee), *Ordinance Code*, is hereby amended to create staggered
18 member terms in the 2017 election, as illustrated on **Exhibit 2**
19 attached hereto, and as amended shall read as follows:

20 **Chapter 121. POLICE AND FIREFIGHTERS PENSION PLAN**

21 **PART 1. POLICE AND FIRE PENSION FUND ADMINISTRATION**

22 * * *

23 **Sec. 121.103. - Advisory Committee.**

24 There shall be an advisory committee composed of three police
25 officers and three firefighters who are Members or Qualified
26 Members of the fund and one person who has retired from the fund.
27 The Trustees shall establish the rules and regulations for the
28 election. Advisory Committee members shall be elected for a four-
29 year term, with the election in November of odd-numbered years,
30 with those elected to take office on the first Monday of the
31 following January. Of the seven persons elected to serve on the

1 committee in the November 2017 elections, one police member and one
2 firefighter member shall serve an initial term of two years, and
3 one police member and one firefighter member shall serve an initial
4 term of three years. All subsequent terms after the stagger is
5 established shall be for four year terms. The police officers shall
6 be elected by police officers, the firefighters shall be elected by
7 firefighters, who are Members or Qualified Members of the fund. The
8 retired member shall be elected by a vote of the retired members as
9 a group.

10 * * *

11 **Section 2. Chapter 121 (Police and Firefighters Pension**
12 **Plan), Part 5 (Financial Investment and Advisory Committee),**
13 **Section 121.503 (Financial Investment and Advisory Committee;**
14 **Membership, Appointment and Terms), Ordinance Code, amended.**
15 Chapter 121 (Police and Firefighters Pension Plan), Part 5
16 (Financial Investment and Advisory Committee), Section 121.503
17 (Financial Investment and Advisory Committee; Membership,
18 Appointment and Terms), *Ordinance Code*, is hereby amended to read
19 as follows:

20 **Chapter 121. POLICE AND FIREFIGHTERS PENSION PLAN**

21 **PART 5. FINANCIAL INVESTMENT AND ADVISORY COMMITTEE**

22 * * *

23 **Sec. 121.503. - Financial Investment and Advisory Committee;**
24 **Membership, Appointment and Terms.**

25 * * *

26 (c) The term of office shall be three years. No person shall
27 serve more than three consecutive terms. Of the five persons
28 selected to serve on the initial Committee two members shall serve
29 an initial term of one year and two members shall serve initial
30 terms of two years. All subsequent terms after the stagger is
31 established shall be for four year terms. In its confirmation of

1 the Committee Member nominee, the City Council shall designate
2 whether the initial term is for two or for three years.

3 * * *

4 **Section 3. Effective Date.** This ordinance shall become
5 effective upon signature by the Mayor or upon becoming effective
6 without the Mayor's signature.

7
8 Form Approved:

9
10 /s/ Lawsikia J. Hodges_____

11 Office of General Counsel

12 Legislation prepared by: Lawsikia J. Hodges

13 GC-#1145009-v3-PFPF_Advisory_and_FIAC_Legislation_-_Staggered_Terms.doc

**JACKSONVILLE POLICE AND FIRE PENSION FUND
BOARD OF TRUSTEES
MEETING SUMMARY – JULY 21, 2017 – 9:00AM
RICHARD “DICK” COHEE BOARD ROOM**

PRESENT

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

STAFF

Timothy H. Johnson, Executive Director – Plan Administrator
Steve Lundy, Assistant Plan Administrator
Pedro Herrera, Sugarman & Susskind, Fund Counsel
Lawsikia Hodges, Office of General Counsel
Dan Holmes, Summit Strategies
Pete Strong, Fund Actuary
Denice Taylor, AAA Reporters

GUESTS

Greg Anderson, City Council Liaison
Anna Brosche, City Council President
K. Dobson, Jacksonville Association of Firefighters
Joey Greive, Fund Treasurer
Mark Muchowicz, JSO
Randy Wyse, President, Jacksonville Association of Firefighters

I. CALL TO ORDER

Chairman Richard Tuten called the meeting to order at 9:06AM.

II. PLEDGE OF ALLEGIANCE

III. A MOMENT OF SILENCE WAS OBSERVED FOR THE FOLLOWING DECEASED MEMBERS:

2. External Auditor's Engagement Letter (Carr, Riggs & Ingram)

Timothy Johnson said that the PFPF's external auditor, KBLD is retiring. He said he reached out to the City to find out about their external auditor. He said he was recommended to use the City's auditor, CRI. CRI would match KBLD's price. He said the timing is perfect, as the PFPF would be entering the contract with CRI at the same time as the City. He said the contract was for one year, and the price was \$30,000.

A motion was made by Chris Brown to enter into a contract with CRI, seconded by Rick Patsy. The vote passed unanimously.

3. 2017 Election Timeline Update

Timothy Johnson said that the Board of Trustees and the Advisory Committee have seats coming up for election. Two Trustee seats and all seven Advisory Committee seats expire on December 31st, and the election will be held in the Fall.

Richard Tuten said that he will not run for reelection, and that 14 years is long enough. He asked Timothy Johnson if he has received any indication from the Advisory Committee members on their intentions to run for reelection.

Timothy Johnson said that all seven members could run for reelection; however they could change their mind. He said that he has received no indication that any of the Advisory Committee members would not seek reelection.

Rick Patsy said that potentially, all of the Advisory Committee seats turning over at the same time is a bad thing.

Lawsikia Hodges said that the Board could recommend to the City Council changes to the ordinance to stagger the terms.

Greg Anderson recommended that the Board create a subcommittee to draft possible changes to the ordinance, and that he would not be in favor of an emergency Council vote on ordinance language change in order to change the ordinance before the election.

POLICE AND FIRE PENSION FUND
BOARD OF TRUSTEES
MEETING AGENDA – JULY 21, 2017 – 9:00AM
Page 8

Chris Brown asked if the Board could direct OGC to draft new language for an ordinance change.

Lawsikia Hodges said she would come back to the August Board of Trustees' meeting with draft language prepared.

Chris Brown recommended that the Advisory Committee's seats be staggered in the following manner:

1. The three JFRD seats would have terms of 2, 3, and 4 years.
2. The three JSO seat would have terms of 2, 3, and 4 years.
3. The retired seat would have a term of 4 years.
4. All seats would have equal term lengths after.

A motion was made by Chris Brown to direct OGC to make a proposed ordinance change to stagger the seats of the Advisory Committee, seconded by Rick Patsy. Discussion:

Richard Tuten said that he would make an amendment to the motion for Timothy Johnson to work along with OGC to clear this up.

Lawsikia Hodges said that she can draft language to stagger the Board, FIAC, and Advisory Committee seats.

The vote passed unanimously.

Greg Anderson said that he recommends that he file the proposed language with the City Council, and the Board can make any amendments if they desire.

A motion was made by Bill Scheu to accept Greg Anderson's recommendation to file, seconded by Chris Brown. The vote passed unanimously.

4. FIAC Meeting Attendance Update

Timothy Johnson said that at the request of Richard Tuten, analysis was made of the meeting attendance of the FIAC. He said that he met with the FIAC

chair, and discussed attendance at the last FIAC meeting. He said that the FIAC committed to better attendance, and will inform the PFPF if they are unable to attend ahead of the meeting. He said a large factor affecting FIAC quorums was that the FIAC only had four members up until the last few months. He said that a new member orientation is also in the works.

Richard Tuten said that he wasn't sure if the FIAC members knew what they were getting themselves into, and if they were aware of the gravity of the commitment, and that there are millions of dollars on the line.

Timothy Johnson informed the Board of the working group that was held Thursday. He said a robust discussion was had concerning how to administer the recent pension reform. He said he will prepare notes to present to the Board in their August meeting.

Rick Patsy said that it was a good and constructive meeting.

A motion was made by Rick Patsy to direct Summit Strategies and GRS to start the asset-liabilities study, seconded by Chris Brown. Discussion:

Pete Strong said that he could have a draft ready by November, and a final version by mid-December or January.

The vote passed unanimously.

VIII. COUNSEL REPORTS

There were no new counsel reports.

IX. INVESTMENT CONSULTANT REPORTS

Dan Holmes

1. Economic & Capital Market Update – June 30, 2017

Dan Holmes said that continued economic growth has been driving strong returns. Job growth, wage growth, and GDP growth have been contributing factors to the recent great returns.

Exhibit 2

Board Member	Current Term End	Initial Term Length	Stagger Term End	Subsequent Term End
Active Police Officer	December 31, 2017	2 years	December 31, 2019	December 31, 2023
Active Firefighter	December 31, 2017	2 years	December 31, 2019	December 31, 2023
Active Police Officer	December 31, 2017	3 years	December 31, 2020	December 31, 2024
Active Firefighter	December 31, 2017	3 years	December 31, 2020	December 31, 2024
Active Police Officer	December 31, 2017	4 years	December 31, 2021	December 31, 2025
Active Firefighter	December 31, 2017	4 years	December 31, 2021	December 31, 2025
Retiree	December 31, 2017	4 years	December 31, 2021	December 31, 2025

PFPF Advisory Committee & FIAC Proposed Staggered Terms

FIAC	MEMBER	INITIAL TERM		PERMANENT															
		LENGTH	TERM LENGTH	Current Term Start	Current Term Ending	Proposed Term End	3/1/2018	3/1/2019	3/1/2020	3/1/2021	3/1/2022	3/1/2023	3/1/2024	3/1/2025	3/1/2026	3/1/2027	3/1/2028		
	Van Pelt	1	3	3/1/2016	3/1/2019	3/1/2017			X		X								
	Kowkabany	2	3	3/1/2016	3/1/2018		X			X		X				X			
	Lewis	1	3	3/1/2016	3/1/2019	3/1/2017			X		X			X					
	Devine	2	3	3/1/2016	3/1/2018		X			X		X				X			
	Smith	3	3	3/1/2016	3/1/2019			X			X				X		X		

ADVISORY COMMITTEE	MEMBER	PERMANENT			Current Term Start	Current Term Ending	Proposed Term End										
		INITIAL TERM LENGTH	TERM LENGTH					12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026		
	F1	2	4		1/1/2014	12/31/2017	x					x					
	F2	3	4		1/1/2014	12/31/2017			x				x				
	F3	4	4		1/1/2014	12/31/2017				x				x			
	P1	2	4		1/1/2014	12/31/2017	x					x					
	P2	3	4		1/1/2014	12/31/2017			x				x				
	P3	4	4		1/1/2014	12/31/2017				x				x			
	R	4	4		1/1/2014	12/31/2017				x				x			



Summit Strategies Group

8182 Maryland Avenue, 6th Floor

St. Louis, Missouri 63105

314.727.7211

City of Jacksonville Police & Fire Pension Fund

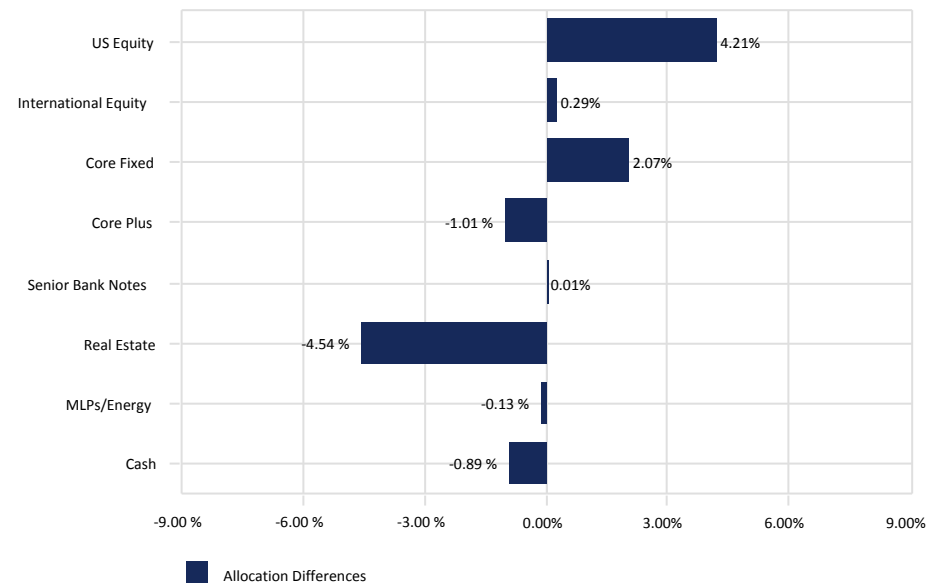
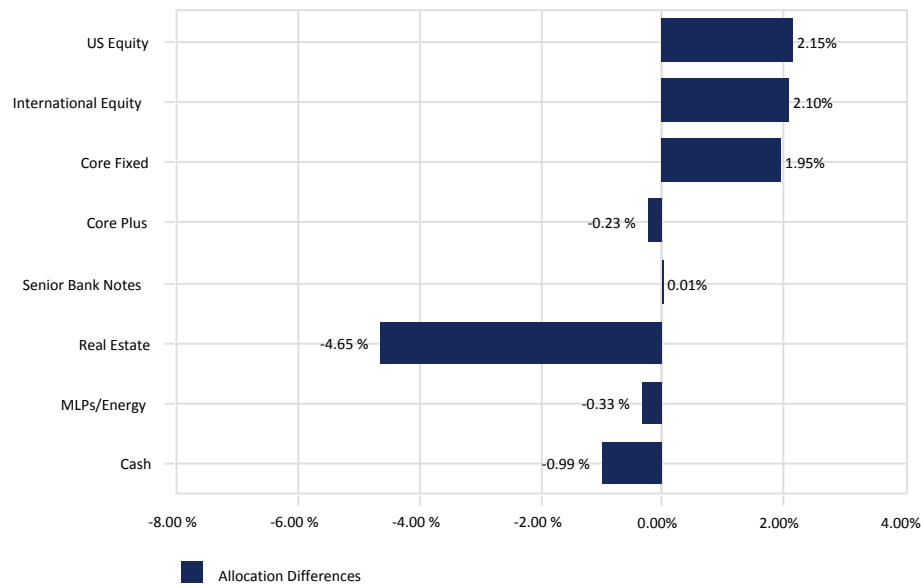
Preliminary Flash Report

August 31, 2017

City of Jacksonville Police & Fire Pension Fund

Asset Allocation vs. Target Allocation

August 31, 2017



August 31, 2017

	Market Value (\$)	Allocation (%)	Target (%)
US Equity	808,371,462	41.15	39.00
International Equity	434,097,505	22.10	20.00
Core Fixed	116,927,750	5.95	4.00
Core Plus	299,951,650	15.27	15.50
Senior Bank Notes	119,133	0.01	0.00
Real Estate	203,237,093	10.35	15.00
MLPs/Energy	101,522,489	5.17	5.50
Cash	279,386	0.01	1.00
Total Fund	1,964,506,468	100.00	100.00

May 31, 2017

	Market Value (\$)	Allocation (%)	Target (%)
US Equity	822,868,684	43.21	39.00
International Equity	386,370,569	20.29	20.00
Core Fixed	115,598,510	6.07	4.00
Core Plus	276,014,861	14.49	15.50
Senior Bank Notes	118,781	0.01	0.00
Real Estate	199,168,673	10.46	15.00
MLPs/Energy	102,236,404	5.37	5.50
Cash	2,010,410	0.11	1.00
Total Fund	1,904,386,893	100.00	100.00

City of Jacksonville Police & Fire Pension Fund

Asset Allocation & Performance Gross of Fees

August 31, 2017

	Asset \$	Asset %	Performance(%)									Since Inception	Inception Date
			1 Month	3 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year	15 Year		
Total Fund	1,964,506,468	100.00	0.48	3.27	11.80	13.02	13.92	5.74	9.74	6.17	7.47	8.27	Apr-1989
Total Fund Policy			0.11	2.40	8.99	10.43	11.21	5.23	9.02	5.53	7.34	8.26	
Excess Return			0.37	0.87	2.81	2.59	2.71	0.51	0.72	0.64	0.13	0.01	
Total Equity	1,242,468,967	63.25	0.85	4.61	17.27	19.39	20.50	7.39	12.41	6.14	-	5.69	Jun-2007
US Equity	808,371,462	41.15	0.24	3.12	12.61	17.15	17.68	8.38	13.54	7.79	9.27	10.28	Jan-1988
US Equity Index			0.19	3.00	11.20	15.88	16.06	9.08	14.27	7.75	9.55	10.55	
Excess Return			0.05	0.12	1.41	1.27	1.62	-0.70	-0.73	0.04	-0.28	-0.27	
International Equity	434,097,505	22.10	1.99	7.64	27.92	24.75	26.97	5.66	10.26	2.50	7.40	5.62	Feb-1999
International Equity Index			0.55	4.64	19.35	17.92	19.43	2.83	7.85	1.80	7.54	4.55	
Excess Return			1.44	3.00	8.57	6.83	7.54	2.83	2.41	0.70	-0.14	1.07	
Fixed Income	416,998,533	21.23	0.57	1.32	4.25	2.33	2.49	3.29	2.57	4.56	4.51	6.40	Jan-1988
Fixed Income Index			0.87	1.27	3.95	0.86	0.80	2.75	2.25	4.43	4.39	6.45	
Excess Return			-0.30	0.05	0.30	1.47	1.69	0.54	0.32	0.13	0.12	-0.05	
Real Estate	203,237,093	10.35	0.46	2.04	4.74	7.15	7.84	11.00	12.10	7.20	-	9.25	Apr-2005
NCREIF Fund Index - ODCE (VW) [M]			0.00	1.70	3.50	5.69	7.87	11.34	11.79	5.25	-	7.52	
Excess Return			0.46	0.34	1.24	1.46	-0.03	-0.34	0.31	1.95	-	1.73	
NCREIF Property Index			0.00	1.75	3.32	5.11	6.97	10.17	10.49	6.42	-	9.22	Jan-1978
MLPs/Energy	101,522,489	5.17	-4.11	-2.58	-4.21	-1.94	0.04	-9.67	5.37	-	-	8.14	Mar-2011
S&P MLP Index			-4.40	-3.35	-5.95	-2.83	-1.19	-13.54	0.50	-	-	2.45	
Excess Return			0.29	0.77	1.74	0.89	1.23	3.87	4.87	-	-	5.69	
Cash	279,386	0.01	0.97	1.10	1.87	2.02	2.08	1.12	1.07	1.10	8.13	8.20	Dec-1998

City of Jacksonville Police & Fire Pension Fund

Asset Allocation & Performance Net of Fees

August 31, 2017

	Asset \$	Asset %	Performance(%)									Since Inception	Inception Date
			1 Month	3 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year	15 Year		
Total Fund	1,964,506,468	100.00	0.48	3.24	11.59	12.73	13.56	5.32	9.27	5.81	7.11	8.07	Apr-1989
Total Fund Policy			0.11	2.40	8.99	10.43	11.21	5.23	9.02	5.53	7.34	8.26	
Excess Return			0.37	0.84	2.60	2.30	2.35	0.09	0.25	0.28	-0.23	-0.19	
Total Equity	1,242,468,967	63.25	0.84	4.56	17.07	19.08	20.13	6.97	11.93	5.76	-	5.33	Jun-2007
US Equity	808,371,462	41.15	0.24	3.12	12.45	16.87	17.37	7.94	13.02	7.40	9.01	10.15	Jan-1988
US Equity Index			0.19	3.00	11.20	15.88	16.06	9.08	14.27	7.75	9.55	10.55	
Excess Return			0.05	0.12	1.25	0.99	1.31	-1.14	-1.25	-0.35	-0.54	-0.40	
International Equity	434,097,505	22.10	1.97	7.50	27.62	24.39	26.50	5.25	9.86	2.12	7.13	5.40	Feb-1999
International Equity Index			0.55	4.64	19.35	17.92	19.43	2.83	7.85	1.80	7.54	4.55	
Excess Return			1.42	2.86	8.27	6.47	7.07	2.42	2.01	0.32	-0.41	0.85	
Fixed Income	416,998,533	21.23	0.57	1.30	4.21	2.24	2.40	3.16	2.42	4.43	4.42	6.35	Jan-1988
Fixed Income Index			0.87	1.27	3.95	0.86	0.80	2.75	2.25	4.43	4.39	6.45	
Excess Return			-0.30	0.03	0.26	1.38	1.60	0.41	0.17	0.00	0.03	-0.10	
Real Estate	203,237,093	10.35	0.46	2.04	4.30	6.65	7.14	10.13	11.15	6.48	-	8.66	Apr-2005
NCREIF Fund Index - ODCE (VW) [M]			0.00	1.70	3.50	5.69	7.87	11.34	11.79	5.25	-	7.52	
Excess Return			0.46	0.34	0.80	0.96	-0.73	-1.21	-0.64	1.23	-	1.14	
NCREIF Property Index			0.00	1.75	3.32	5.11	6.97	10.17	10.49	6.42	-	9.22	Jan-1978
MLPs/Energy	101,522,489	5.17	-4.11	-2.58	-4.55	-2.39	-0.51	-10.27	4.65	-	-	7.44	Mar-2011
S&P MLP Index			-4.40	-3.35	-5.95	-2.83	-1.19	-13.54	0.50	-	-	2.45	
Excess Return			0.29	0.77	1.40	0.44	0.68	3.27	4.15	-	-	4.99	
Cash	279,386	0.01	0.97	1.10	1.87	2.02	2.08	1.12	1.07	0.93	8.00	8.10	Dec-1998

City of Jacksonville Police & Fire Pension Fund

Asset Allocation & Performance Gross of Fees

August 31, 2017

			Performance(%)								Since	Inception
	Asset \$	Asset %	1 Month	3 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year	Inception	Date
US Equity												
NT S&P 500 Index Fund	266,122,488	13.55	0.31	3.01	11.95	16.23	16.26	9.62	14.39	7.63	5.82	Jan-1999
S&P 500			0.31	3.01	11.93	16.21	16.23	9.54	14.34	7.61	5.81	
Excess Return			0.00	0.00	0.02	0.02	0.03	0.08	0.05	0.02	0.01	
Eagle Capital Management	200,144,839	10.19	-0.22	4.33	13.02	21.04	21.76	10.24	15.68	-	13.80	Apr-2011
Russell 1000 Value Index			-1.16	1.79	4.81	11.81	11.58	6.74	13.25	-	11.15	
Excess Return			0.94	2.54	8.21	9.23	10.18	3.50	2.43	-	2.65	
Brown Investment Advisory	92,190,008	4.69	1.21	2.21	19.07	13.66	14.20	8.61	-	-	9.33	Nov-2013
Russell 1000 Growth Index			1.83	4.26	19.17	20.38	20.82	11.67	-	-	13.27	
Excess Return			-0.62	-2.05	-0.10	-6.72	-6.62	-3.06	-	-	-3.94	
Sawgrass Asset Management	95,144,962	4.84	1.37	2.78	12.91	14.61	13.65	9.04	-	-	11.20	Nov-2013
Russell 1000 Growth Index			1.83	4.26	19.17	20.38	20.82	11.67	-	-	13.27	
Excess Return			-0.46	-1.48	-6.26	-5.77	-7.17	-2.63	-	-	-2.07	
Pinnacle	83,267,855	4.24	2.01	6.13	22.00	26.12	30.59	9.48	16.45	-	21.95	Mar-2009
Russell 2500 Growth Index			0.20	3.84	12.33	15.24	15.57	8.13	14.04	-	19.36	
Excess Return			1.81	2.29	9.67	10.88	15.02	1.35	2.41	-	2.59	
Wedge Capital Mgmt	71,501,312	3.64	-3.30	-1.41	-2.45	8.92	9.12	-	-	-	9.12	Sep-2016
Russell 2000 Value Index			-2.46	1.59	-1.31	12.58	13.47	-	-	-	13.47	
Excess Return			-0.84	-3.00	-1.14	-3.66	-4.35	-	-	-	-4.35	
International Equity												
NT EAFE Index Fund	19,025,735	0.97	-0.02	2.70	17.47	16.78	18.25	3.21	8.83	-	7.45	Apr-2012
MSCI EAFE Index (Net)			-0.04	2.66	17.05	16.21	17.64	2.83	8.48	-	7.08	
Excess Return			0.02	0.04	0.42	0.57	0.61	0.38	0.35	-	0.37	
Silchester	147,490,837	7.51	0.02	4.03	18.47	21.48	22.49	6.93	-	-	9.89	Sep-2013
MSCI EAFE Value Index (Net)			-0.62	3.01	14.12	18.88	20.03	1.03	-	-	5.21	
Excess Return			0.64	1.02	4.35	2.60	2.46	5.90	-	-	4.68	
Baillie Gifford	141,470,319	7.20	3.10	9.73	37.94	28.64	33.20	8.55	13.01	-	8.58	Mar-2011
MSCI EAFE Growth Index (Net)			0.56	2.32	20.18	13.53	15.23	4.55	9.04	-	5.42	
Excess Return			2.54	7.41	17.76	15.11	17.97	4.00	3.97	-	3.16	

City of Jacksonville Police & Fire Pension Fund

Asset Allocation & Performance Gross of Fees

August 31, 2017

	Performance(%)											
	Asset \$	Asset %	1 Month	3 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date
International Equity (continued)												
Acadian Emerging Mkts Equity II Fund	126,110,613	6.42	3.43	10.77	32.02	28.42	30.12	3.83	-	-	6.72	Jan-2014
MSCI Emerging Markets (Net)			2.23	9.41	28.29	22.95	24.53	2.38	-	-	4.79	
Excess Return			1.20	1.36	3.73	5.47	5.59	1.45	-	-	1.93	
Fixed Income												
NTGI Aggregate Bond Index	26,887,356	1.37	0.92	1.24	3.71	0.54	0.48	2.69	-	-	2.47	Feb-2013
Blmbg. Barc. U.S. Aggregate			0.90	1.23	3.64	0.55	0.49	2.64	-	-	2.47	
Excess Return			0.02	0.01	0.07	-0.01	-0.01	0.05	-	-	0.00	
Neuberger Berman	177,053,680	9.01	0.58	1.26	4.19	-	-	-	-	-	4.19	Jan-2017
Blmbg. Barc. U.S. Aggregate			0.90	1.23	3.64	-	-	-	-	-	3.64	
Excess Return			-0.32	0.03	0.55	-	-	-	-	-	0.55	
Loomis, Sayles & Company	122,897,971	6.26	0.39	1.58	-	-	-	-	-	-	4.62	Feb-2017
Blmbg. Barc. U.S. Aggregate			0.90	1.23	-	-	-	-	-	-	3.43	
Excess Return			-0.51	0.35	-	-	-	-	-	-	1.19	
Thompson Siegel Fixed	90,040,394	4.58	0.72	1.12	4.12	2.08	2.21	3.62	3.15	5.19	6.23	Aug-1991
Thompson Policy Index			0.90	1.23	3.64	0.55	0.49	2.64	2.19	4.31	5.95	
Excess Return			-0.18	-0.11	0.48	1.53	1.72	0.98	0.96	0.88	0.28	
Eaton Vance Instl Senior Loan Trust	119,133	0.01										
Real Estate												
JP Morgan	154,130,186	7.85	0.32	1.82	4.55	6.81	7.50	10.68	11.92	5.95	8.23	Apr-2005
NCREIF Fund Index - ODCE (VW) [M]			0.00	1.70	3.50	5.69	7.87	11.34	11.79	5.25	7.52	
Excess Return			0.32	0.12	1.05	1.12	-0.37	-0.66	0.13	0.70	0.71	
Principal Global Investments	49,106,907	2.50	0.90	2.75	5.95	8.87	9.57	12.25	-	-	12.65	Apr-2013
NCREIF Fund Index - ODCE (VW) [M]			0.00	1.70	3.50	5.69	7.87	11.34	-	-	11.49	
Excess Return			0.90	1.05	2.45	3.18	1.70	0.91	-	-	1.16	
MLPs/Energy												
Harvest MLP	50,615,245	2.58	-3.89	-2.74	-5.13	-3.49	-1.55	-9.95	4.86	-	8.17	Mar-2011
S&P MLP Index			-4.40	-3.35	-5.95	-2.83	-1.19	-13.54	0.50	-	2.45	
Excess Return			0.51	0.61	0.82	-0.66	-0.36	3.59	4.36	-	5.72	
Tortoise MLP	50,907,244	2.59	-4.33	-2.41	-3.28	-0.35	1.66	-9.48	5.84	-	8.07	Mar-2011
S&P MLP Index			-4.40	-3.35	-5.95	-2.83	-1.19	-13.54	0.50	-	2.45	
Excess Return			0.07	0.94	2.67	2.48	2.85	4.06	5.34	-	5.62	
Cash	279,386	0.01	0.97	1.10	1.87	2.02	2.08	1.12	1.07	1.10	8.20	Dec-1998

City of Jacksonville Police & Fire Pension Fund

Asset Allocation & Performance Net of Fees

August 31, 2017

			Performance(%)								Since	Inception
	Asset \$	Asset %	1 Month	3 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year	Inception	Date
US Equity												
NT S&P 500 Index Fund	266,122,488	13.55	0.31	3.01	11.95	16.23	16.25	9.60	14.35	7.59	5.80	Jan-1999
S&P 500			0.31	3.01	11.93	16.21	16.23	9.54	14.34	7.61	5.81	
Excess Return			0.00	0.00	0.02	0.02	0.02	0.06	0.01	-0.02	-0.01	
Eagle Capital Management	200,144,839	10.19	-0.22	4.33	12.61	20.39	21.11	9.53	14.89	-	13.02	Apr-2011
Russell 1000 Value Index			-1.16	1.79	4.81	11.81	11.58	6.74	13.25	-	11.15	
Excess Return			0.94	2.54	7.80	8.58	9.53	2.79	1.64	-	1.87	
Brown Investment Advisory	92,190,008	4.69	1.21	2.21	18.85	13.34	13.88	8.36	-	-	9.08	Nov-2013
Russell 1000 Growth Index			1.83	4.26	19.17	20.38	20.82	11.67	-	-	13.27	
Excess Return			-0.62	-2.05	-0.32	-7.04	-6.94	-3.31	-	-	-4.19	
Sawgrass Asset Management	95,144,962	4.84	1.37	2.78	12.80	14.37	13.41	8.81	-	-	10.97	Nov-2013
Russell 1000 Growth Index			1.83	4.26	19.17	20.38	20.82	11.67	-	-	13.27	
Excess Return			-0.46	-1.48	-6.37	-6.01	-7.41	-2.86	-	-	-2.30	
Pinnacle	83,267,855	4.24	2.01	6.13	21.79	25.68	29.79	8.78	15.66	-	21.24	Mar-2009
Russell 2500 Growth Index			0.20	3.84	12.33	15.24	15.57	8.13	14.04	-	19.36	
Excess Return			1.81	2.29	9.46	10.44	14.22	0.65	1.62	-	1.88	
Wedge Capital Mgmt	71,501,312	3.64	-3.30	-1.41	-2.45	8.92	9.12	-	-	-	9.12	Sep-2016
Russell 2000 Value Index			-2.46	1.59	-1.31	12.58	13.47	-	-	-	13.47	
Excess Return			-0.84	-3.00	-1.14	-3.66	-4.35	-	-	-	-4.35	
International Equity												
NT EAFE Index Fund	19,025,735	0.97	-0.02	2.70	17.47	16.75	18.22	3.15	8.76	-	7.39	Apr-2012
MSCI EAFE Index (Net)			-0.04	2.66	17.05	16.21	17.64	2.83	8.48	-	7.08	
Excess Return			0.02	0.04	0.42	0.54	0.58	0.32	0.28	-	0.31	
Silchester	147,490,837	7.51	-0.03	3.87	17.95	20.72	21.64	6.14	-	-	9.05	Sep-2013
MSCI EAFE Value Index (Net)			-0.62	3.01	14.12	18.88	20.03	1.03	-	-	5.21	
Excess Return			0.59	0.86	3.83	1.84	1.61	5.11	-	-	3.84	
Baillie Gifford	141,470,319	7.20	3.10	9.73	37.94	28.61	33.14	8.19	12.58	-	8.18	Mar-2011
MSCI EAFE Growth Index (Net)			0.56	2.32	20.18	13.53	15.23	4.55	9.04	-	5.42	
Excess Return			2.54	7.41	17.76	15.08	17.91	3.64	3.54	-	2.76	

City of Jacksonville Police & Fire Pension Fund

Asset Allocation & Performance Net of Fees

August 31, 2017

	Performance(%)											
	Asset \$	Asset %	1 Month	3 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date
International Equity (continued)												
Acadian Emerging Mkts Equity II Fund	126,110,613	6.42	3.43	10.50	31.52	27.94	29.29	3.34	-	-	6.24	Jan-2014
MSCI Emerging Markets (Net)			2.23	9.41	28.29	22.95	24.53	2.38	-	-	4.79	
Excess Return			1.20	1.09	3.23	4.99	4.76	0.96	-	-	1.45	
Fixed Income												
NTGI Aggregate Bond Index	26,887,356	1.37	0.92	1.24	3.71	0.53	0.47	2.66	-	-	2.43	Feb-2013
Blmbg. Barc. U.S. Aggregate			0.90	1.23	3.64	0.55	0.49	2.64	-	-	2.47	
Excess Return			0.02	0.01	0.07	-0.02	-0.02	0.02	-	-	-0.04	
Neuberger Berman	177,053,680	9.01	0.58	1.26	4.19	-	-	-	-	-	4.19	Jan-2017
Blmbg. Barc. U.S. Aggregate			0.90	1.23	3.64	-	-	-	-	-	3.64	
Excess Return			-0.32	0.03	0.55	-	-	-	-	-	0.55	
Loomis, Sayles & Company	122,897,971	6.26	0.39	1.58	-	-	-	-	-	-	4.62	Feb-2017
Blmbg. Barc. U.S. Aggregate			0.90	1.23	-	-	-	-	-	-	3.43	
Excess Return			-0.51	0.35	-	-	-	-	-	-	1.19	
Thompson Siegel Fixed	90,040,394	4.58	0.72	1.08	3.93	1.85	1.98	3.42	2.96	5.05	6.18	Aug-1991
Thompson Policy Index			0.90	1.23	3.64	0.55	0.49	2.64	2.19	4.31	5.95	
Excess Return			-0.18	-0.15	0.29	1.30	1.49	0.78	0.77	0.74	0.23	
Eaton Vance Instl Senior Loan Trust	119,133	0.01										
Real Estate												
JP Morgan	154,130,186	7.85	0.32	1.82	4.12	6.37	6.82	9.81	10.96	5.24	7.64	Apr-2005
NCREIF Fund Index - ODCE (VW) [M]			0.00	1.70	3.50	5.69	7.87	11.34	11.79	5.25	7.52	
Excess Return			0.32	0.12	0.62	0.68	-1.05	-1.53	-0.83	-0.01	0.12	
Principal Global Investments	49,106,907	2.50	0.90	2.75	5.75	8.44	9.07	11.48	-	-	11.80	Apr-2013
NCREIF Fund Index - ODCE (VW) [M]			0.00	1.70	3.50	5.69	7.87	11.34	-	-	11.49	
Excess Return			0.90	1.05	2.25	2.75	1.20	0.14	-	-	0.31	
MLPs/Energy												
Harvest MLP	50,615,245	2.58	-3.89	-2.94	-5.65	-4.02	-2.25	-10.59	4.12	-	7.44	Mar-2011
S&P MLP Index			-4.40	-3.35	-5.95	-2.83	-1.19	-13.54	0.50	-	2.45	
Excess Return			0.51	0.41	0.30	-1.19	-1.06	2.95	3.62	-	4.99	
Tortoise MLP	50,907,244	2.59	-4.33	-2.41	-3.64	-0.91	1.09	-10.12	5.10	-	7.36	Mar-2011
S&P MLP Index			-4.40	-3.35	-5.95	-2.83	-1.19	-13.54	0.50	-	2.45	
Excess Return			0.07	0.94	2.31	1.92	2.28	3.42	4.60	-	4.91	
Cash	279,386	0.01	0.97	1.10	1.87	2.02	2.08	1.12	1.07	0.93	8.10	Dec-1998

As of August 31, 2017

Summit Strategies Group

City of Jacksonville Police & Fire Pension Fund

Asset Allocation Compliance

August 31, 2017

	% Target	% Actual	% Difference from Target	Current Target (\$)	Actual (\$)	Difference (\$)
Total Fund	100.00	100.00	0.00	1,964,506,468	1,964,506,468	-
Total Equity	59.00	63.25	4.25	1,159,058,816	1,242,468,967	(83,410,152)
US Equity	39.00	41.15	2.15	766,157,522	808,371,462	(42,213,940)
Large Cap	31.40	33.27	1.87	616,855,031	653,602,296	(36,747,265)
Non Large Cap	7.60	7.88	0.28	149,302,492	154,769,166	(5,466,675)
International Equity	20.00	22.10	2.10	392,901,294	434,097,505	(41,196,212)
International Developed Markets	14.00	15.68	1.68	275,030,905	307,986,892	(32,955,986)
International Emerging Markets	6.00	6.42	0.42	117,870,388	126,110,613	(8,240,225)
Fixed Income	19.50	21.23	1.73	383,078,761	416,998,533	(33,919,772)
Core Fixed Income	4.00	5.95	1.95	78,580,259	116,927,750	(38,347,491)
Core Plus	15.50	15.27	(0.23)	304,498,502	299,951,650	4,546,852
Real Estate	15.00	10.35	(4.65)	294,675,970	203,237,093	91,438,877
Real Estate excluding Haverty & Admin	15.00	10.35	(4.65)	294,675,970	203,237,093	91,438,877
JP Morgan	5.00	7.85	2.85	98,225,323	154,130,186	(55,904,862)
Principal Global Investments	5.00	2.50	(2.50)	98,225,323	49,118,416	49,118,416
Non Core Real Estate (TBD)	5.00	0.00	(5.00)	98,225,323	-	98,225,323
Total Alternatives Composite	5.50	5.17	(0.33)	108,047,856	101,522,489	6,525,367
MLP's/Energy	5.50	5.17	(0.33)	108,047,856	101,522,489	6,525,367
Cash	1.00	0.01	(0.99)	19,645,065	279,386	19,365,679

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Monthly Economic & Capital Market Update

August 2017

Economic Perspective

August 31, 2017

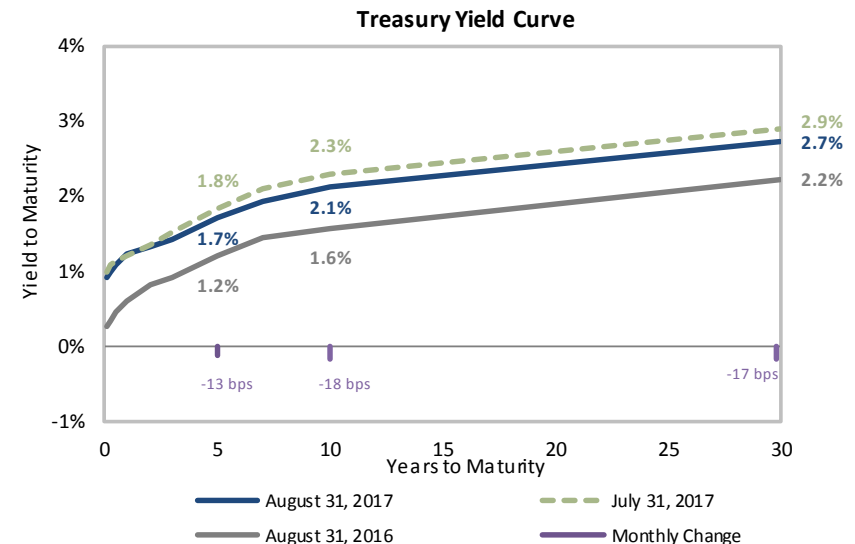
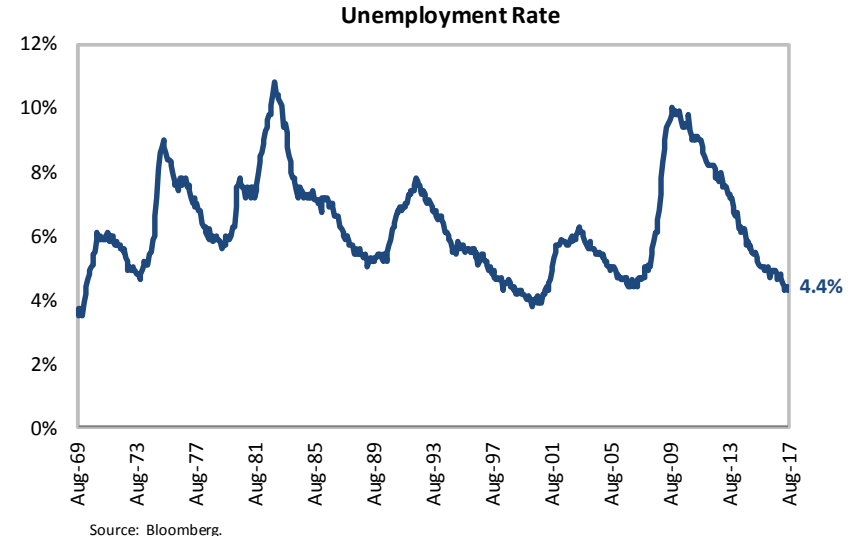
Economy

- Economic data released during August reflected continued positive growth momentum throughout the world. Global GDP is estimated to have grown 3.8% during the second quarter of 2017, the fastest growth rate for any quarter since 2010, and expectations are for 3% global growth for the remainder of the year.¹ Equity prices continue to move higher and reflect this increased activity; MSCI ACWI IMI gained 0.4% during August and is now up 14.8% year-to-date.
- The US economy experienced positive job growth for the 83rd consecutive month during August. Employers added 156,000 new payrolls, slightly missing economists' expectations of 180,000 new jobs, and the unemployment rate increased 10 bps to 4.4%. Wage growth, as measured by the change in average hourly earnings of private sector workers, was 2.5% over the 12 months ending in August, unchanged for a fifth consecutive month. Payrolls from July were revised downward by 20,000 total jobs.
- Real GDP grew at a 3.0% annual rate during the second quarter of 2017 according to the second estimate released by the Bureau of Economic Analysis. The estimate is based on more complete source data than that available for last July's advance estimate. The increase in real GDP from 1.2% in the first quarter 2017 reflected positive changes in consumer and government spending, business investment, and exports.
- Economic activity in both the manufacturing and services sectors continues to expand, as measured by purchasing managers indices (PMI). The US ISM Manufacturing PMI increased 2.5 points in August to 58.8, its highest level since June 2011; an Index reading over 50 suggests expansion in the sector. Manufacturing has now been a boost to US growth for a year, following a period during which muted trading partner growth and a strong US dollar weighed on US manufacturing. The Non-Manufacturing (or services) PMI also continues to reflect strength, led by strong consumer spending. US services have expanded 92 consecutive months.

Yield Curve

- The spread between 2-year and 30-year Treasuries tightened 15 bps to 140 bps in August. Over the past two years, the 2-30 spread has tightened by 82 bps, with the long end of the curve mostly unchanged while short-term yields have been lifted by Federal Reserve rate hikes. The 20-year average spread between 2-year and 30-year Treasuries is 191 bps.

¹ per JP Morgan.



Public Equities

- Equity markets were higher throughout the world during August despite mid-month concerns surrounding escalating tensions between North Korea and the rest of the world. As the US dollar continued its 2017 decline, non-US markets further benefited from currency gains. For the month, the S&P 500 rose 0.3% and outperformed US small cap stocks. Outside the US, emerging markets outperformed their developed peers, rising 2.2%.
- Master limited partnerships (MLPs) returned -4.9% for the month, driven by poor performance in the crude oil pipelines sector. Year-to-date, the Alerian MLP Index has returned -6.3% and the distribution yield has increased 46 bps to 7.7%.

Public Debt

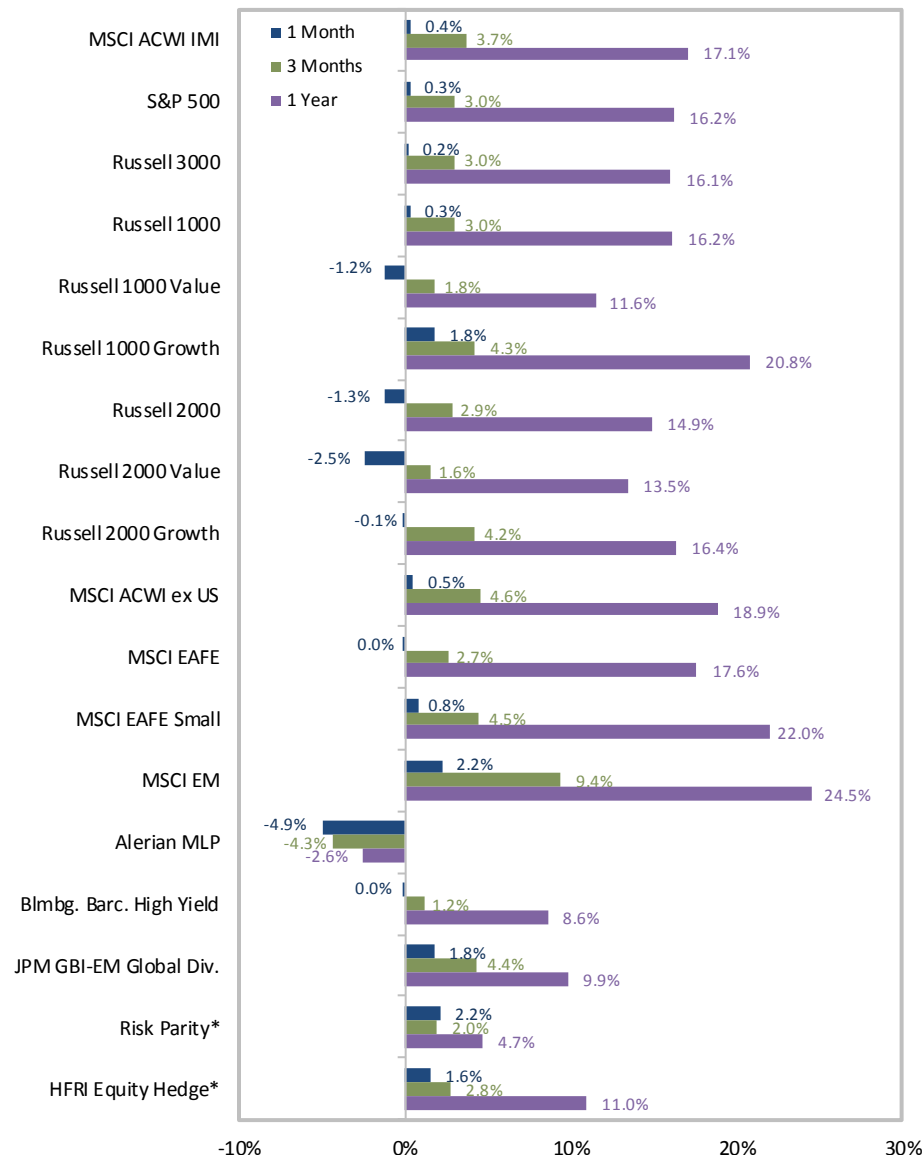
- The Bloomberg Barclays US High Yield Index was unchanged for August. Rising yields offset coupon payments, with spreads widening from their lowest levels since May 2014.
- Local currency-denominated emerging market debt returned 1.8%, as both currency and principal added 0.9% of returns. Emerging market local bonds ended August yielding 6.0% with duration of 5.1 years.

Private Assets

- The strong fundraising environment for private equity continued into the second quarter. Capital commitments have now exceeded \$100b in five of the last seven quarters, with Preqin estimating that Q2 fundraising totaled \$121b. The amount of capital raised has been relatively concentrated, with approximately 63% of the \$121b raised being secured by the top 10 funds closed during the quarter.
- Momentum in private debt fundraising slowed during the first half of 2017 compared to record highs at the end of 2016. Twenty-eight funds, totaling \$16b in capital, closed during the second quarter, down from \$26b in Q1. The second quarter marked the first time in three years in which private debt fundraising did not surpass \$20b.

Hedge Funds

- Risk parity strategies contributed gains in July. Gains were spread across asset classes, with commodities and nominal bonds providing the largest contributions.
- Growth hedge funds were positive during July, with long/short equity strategies driving returns. Event-driven strategies also gained, including distressed, merger arbitrage, and activist strategies.



* 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

August 31, 2017

Public Debt

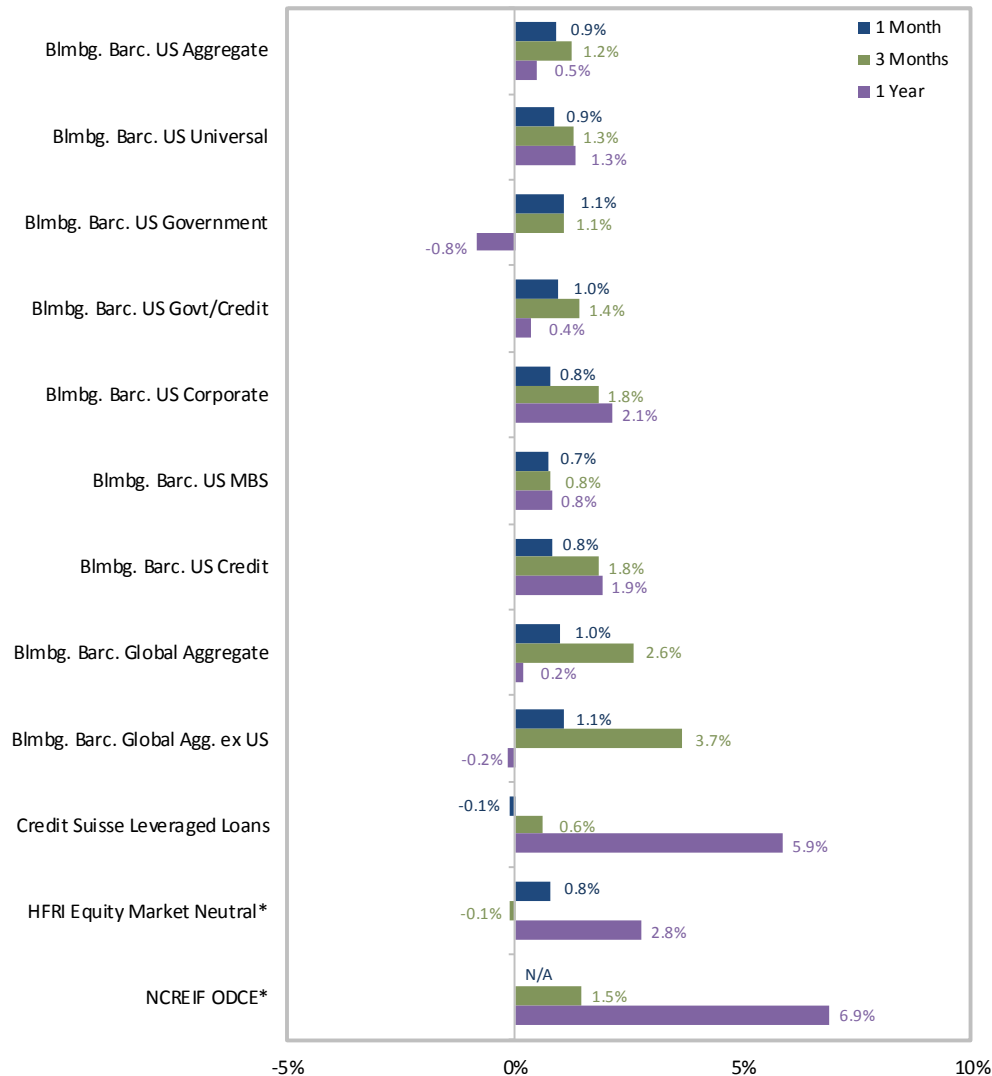
- The yield curve flattened during August after a brief steepening during July. Short-end rates remained stable while long-end rates fell due to lower inflation expectations and real rates.
- The 10-year US Treasury yield ended August at 2.1%, down 18 basis points from July to its lowest month-end rate in 2017. Heightened geopolitical risk causing expectations of a slower path of rate hikes contributed to the decline in yields for the month.
- The Bloomberg Barclays US Aggregate returned 0.9% in August, bringing year-to-date returns to 3.6%. Treasuries were the top-performing sector in the Index, as market participants preferred safe-haven securities. Spreads widened in both the MBS and corporate sectors.
- The Bloomberg Barclays Global Aggregate returned 1.0%. Principal was the primary driver of performance, contributing 0.6%, while currency and coupon added 0.4%.
- Public bank loans, as measured by the Credit Suisse Leveraged Loan Index, returned -0.1%. Three year discount margins increased by 13 bps, ending the month at 436 bps. Neither BB-, B- or CCC-rated issues generated positive returns for the month.

Relative Value Hedge Funds

- Relative value hedge funds performed well in July, led by equity market neutral strategies. Relative value credit, convertible arbitrage, and volatility arbitrage all also contributed.

Core Real Estate

- Core real estate returns for the second quarter of 2017 were 1.7% gross and 1.5% net, bringing the one-year gain for core funds to 6.9%. Strong but declining gains in the commercial real estate market have been supported by the US cyclical expansion, with strong labor market growth fueling demand while supply remains limited. In recent quarters, price appreciation has slowed compared to prior in the expansion, with a larger percentage of real estate gains now being generated through income.



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

Inflation

- TIPS provided a positive return during the month as real rate declines surpassed the decline in inflation expectations. Principal contributed almost all of the return during the month with 0.0% coming from coupon, giving total return of 1.1% for the month.

Deflation

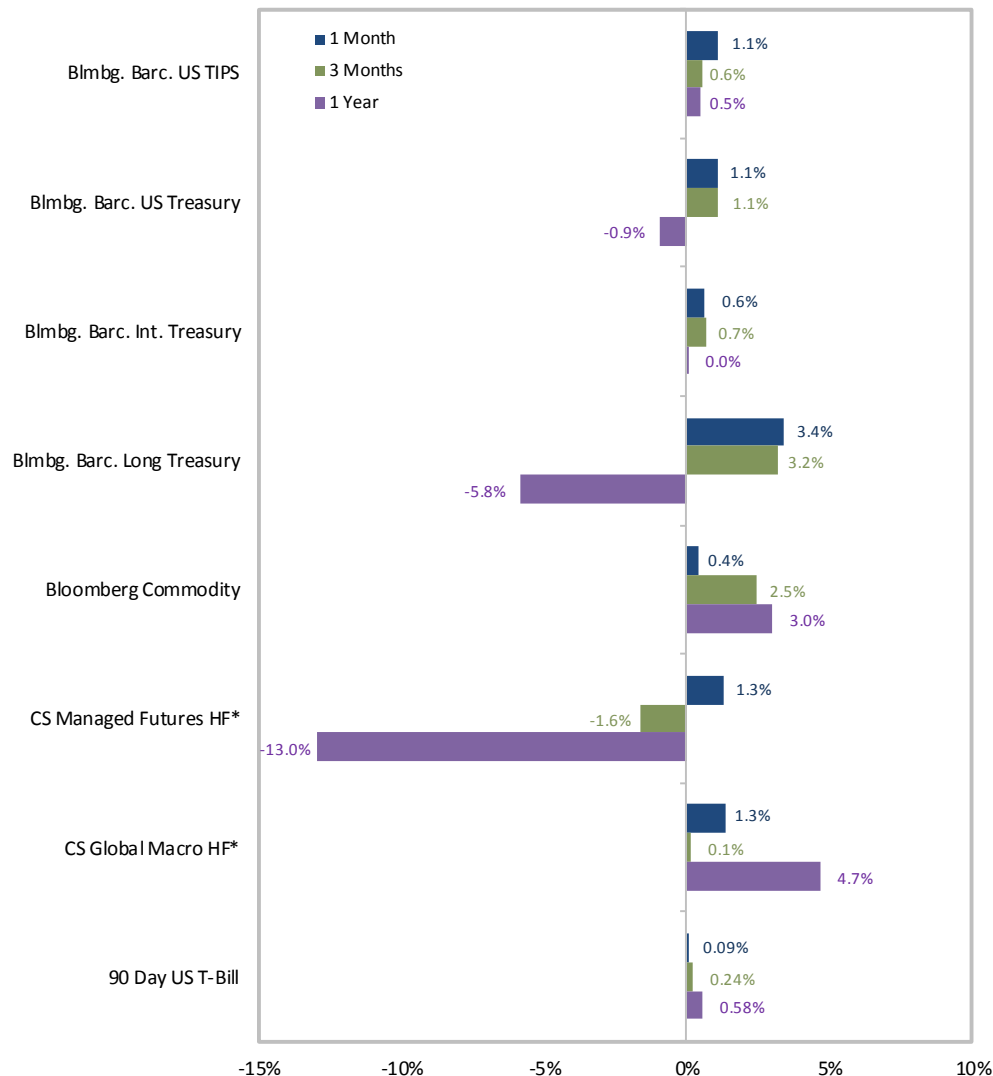
- The Bloomberg Barclays Long Treasury Index returned 3.4%, with 3.2% being related to price return, as long-end rates fell during the month. Yields for the Index ended at 2.6% compared to 2.8% at the end of July.

Commodities

- The Bloomberg Commodity Index returned 0.4%, as strong performance by industrial metals and energy was offset by poor performance by livestock and grains. The Bloomberg Commodity Index returned 3.0% for the trailing year, driven by energy and industrial metals.

Tactical Trading

- Tactical trading hedge funds contributed gains in July. Gains were led by trend-followers, ending a recent losing streak. Discretionary global macro also contributed.



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Note: All returns are USD.

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Summary statistical data such as standard deviation (risk), Sharpe ratio, and tracking error is calculated using industry-standard methodology. Details regarding these calculations are available upon request.



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Investment Policy Statement Discussion

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

September 14, 2017

INVESTMENT POLICY PROCESS

- Discussion with Fund Staff and FIAC.
- Determine relevant qualitative and quantitative information to understand:
 - Fund History
 - Purposes
 - Liquidity needs
 - Risk tolerances
 - Return expectations
 - Regulatory constraints
 - Other limitations
 - FIAC sensitivities
- Conduct asset-liability study with asset allocation recommendations, including:
 - Permissible asset classes
 - Investment Strategies
 - Preliminary goals and objectives
 - Preliminary guidelines
- Finalize goals, objectives, and guidelines for the total portfolio, each asset class, and each manager.
- Develop appropriate benchmarks for total portfolio, each asset class, and each manager.
- Develop evaluation criteria for total portfolio, each asset class, and each manager.
- Finalize comprehensive Investment Policy Statement and present to the Board for approval.

INVESTMENT POLICY PROCESS (*CONTINUED*)

- Investment Policies should include at least the following:
 - **Purpose Statement:** States purpose of the assets and their underlying obligations.
 - **Investment Goals & Objectives:** States long-term fund objectives and describes how the portfolio will be managed to achieve those objectives.
 - **Responsibilities:** Identifies the role and responsibilities of all those involved in the investment program as well as assignment of directional implementation and oversight responsibilities.
 - **Identification of Key Constraints:** Places boundaries on investment decision-making, risk control.
 - **Eligible Investments:** Explicitly states the types of assets eligible for investment as well as prohibited securities, if any.
 - **Asset Allocation Process:** Identifies the portfolio structure which will be implemented under various business conditions.
 - **Portfolio Rebalancing Process:** Identifies the frequency and process for rebalancing the portfolio to bring it in line with the state target portfolio structure.
 - **Risk Management Process:** Identifies the process for monitoring and managing the risk structure of the portfolio.
 - **Performance Benchmarks:** Identifies both total fund and asset class specific benchmarks used to evaluate performance.
 - **Performance Reporting Process:** Identifies reporting requirements and the frequency of distribution.

REGULATORY CONSIDERATIONS

- Florida Statutes
 - 518.11: Prudent Investor Rule
 - Outlines fiduciary duties and considerations
 - 112.661: Investment Policies
 - Outlines issues to be included in the investment policies.
 - Limits applicability of 215.47 to sections (1), (6), (8), (9), (11) and (17).
 - 215.47: Investments
 - Outlines authorized securities and investments.
 - States limitations on asset class weights and limitations on investments types.
 - Provides for securities lending.
- City Ordinances
 - Ordinance Code Chapter 121: Control and Administration PFPF
 - Establishes FIAC.

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Summary statistical data such as standard deviation (risk), Sharpe ratio, and tracking error is calculated using industry-standard methodology. Details regarding these calculations are available upon request.

**City of Jacksonville, Florida
Police and Fire Pension Fund
Statement of Investment Policy
(The Investment Plan)**



**Approved by Board of Pension Trustees
August 12, 2016**

**City of Jacksonville, Florida
Police and Fire Pension Fund
Statement of Investment Policy
(The Investment Plan)
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Police and Fire Pension Fund
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Police and Fire Pension Fund
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Exhibits

Exhibit A – Prudent Investor Rule per Section 518.11, Florida Statutes.

Exhibit B – Fiduciary Duties per ERISA Section 404 (a)(1)(A) through (C).

Exhibit C – Investment Policy Standards per Section 112.661, Florida Statutes.

Exhibit D – Authorized Investments Described in Section 215.47, Florida Statutes.

Exhibit E – Summary of Historical Statutory Provisions Governing the Authorized Investments of the Jacksonville Police and Fire Pension Fund.

Exhibit F – Sample Investment Manager Instructions.

Exhibit G – Analysis of Long Term Credit Rating Scale used by Major Credit Rating Organizations.

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Exhibit I - Amendments to Chapter 121 Ordinance Code

JACKSONVILLE POLICE AND FIRE PENSION FUND

Statement of Investment Policy

I. INTRODUCTION AND PURPOSE:

A. INTRODUCTION:

The Jacksonville Police and Fire Pension Fund (the “Fund”) is a contributory defined benefit pension plan established under Section 401(a) of the Internal Revenue Code, as amended. The Fund is administered by a Board of Pension Trustees (the “Board”, “Board of Trustees”, “Pension Trustees” or “Trustees”) which has the fiduciary responsibility for the Fund’s administration, investment of its assets, and the management of its operations. The purpose of the Fund is to provide long-term benefits to the Fund’s participants and their beneficiaries. In recognition of its responsibility, the Board has adopted this Statement of Investment Policy, including the Goals and Guidelines related therein (the “Statement of Investment Policy,” “Investment Policy,” “Policy Statement,” or “Policy”).

The purpose of this document is to communicate, in writing, the investment objectives and guidelines established by the Board of Trustees of the Fund as they pertain to the Fund. It is intended to provide the Board, the City’s Treasurer, the Fund Administrator and investment staff, the investment consultant, the investment managers and the custodian bank a clear and accurate understanding of all investment objectives, investment guidelines and the criteria by which investment performance will be evaluated. The guidelines and objectives provided herein are intended only to complement applicable sections of Chapter 18615, Laws of Florida, Acts of 1937, Sections 112.661, 215.47 and 518.11 of the Florida Statutes, Article 22 of the City Charter, Chapter 121 of the Ordinance Code of the City of Jacksonville and any other applicable ordinances, statutes or judicial rulings. If at any time this document is found to be in conflict with such ordinances, statutes or judicial rulings, the conflicting ordinances, statutes or judicial rulings shall prevail.

Although the Board of Trustees acknowledges that the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), does not apply to the Fund as a governmental retirement plan, it hereby adopts the fiduciary provisions of ERISA. The Board, the Fund’s staff and the Fund’s service providers, shall discharge their responsibilities in the same manner as if the Fund were governed by the fiduciary responsibility provisions of ERISA.

The investment policies set forth in this document were established after a thorough review of the unique needs and circumstances of the Fund and a careful evaluation of the risk and potential returns expected from various mixes of stocks, bonds, real estate, cash equivalent securities and other permissible assets. It is the Board’s intention that the investment policies herein be sufficiently specific to be meaningful but adequately flexible to be practical. Responsible parties shall not deviate from this Policy without the written permission of the Board, subject to legal limitations. A set of Investment Manager Instructions (the “Instructions”) may be developed by the Fund’s investment consultant for one or more investment manager(s) and approved by the Board on a case by case basis without the need to

undertake a formal modification to the Policy. See Exhibit F for an illustration of Investment Manager Instructions. Such instructions will contain the manager's benchmark by which the manager's performance is measured, any internal account restrictions or limitations, and any necessary exceptions to the Policy. The Board may periodically approve changes or permit exceptions to this Policy in order to maintain flexibility in the investment of the Fund's assets, adjust to changes in the capital markets, or take advantage of market opportunities. Such changes or exceptions will be noted in the Instructions or amendments to this Policy.

B. PURPOSE:

1. The basic purpose of this Policy is to assist the Pension Trustees in their efforts to effectively supervise and monitor the investment of the assets of the Police and Fire Pension Fund.
2. This Policy documents the Board's attitudes, expectations, philosophy, and objectives in the investment of Fund assets.
3. This Policy provides a framework for establishing and carrying out a funding policy consistent with the investment objectives of the Fund.
4. This Policy demonstrates that the Trustees have given adequate consideration to the development of an appropriate program of investments and have thereby fulfilled the requirements of prudence within their fiduciary responsibilities.
5. This Policy outlines a general framework within which the Investment Managers of the Fund are expected to exercise investment judgment and the basis for evaluating the performance of each Investment Manager.
6. This Policy enhances the level of communications between the Fund and the Investment Managers as they are better informed concerning the basic goals, objectives and operating parameters of the Fund.
7. This Policy provides guidelines for the management of risk in each investment portfolio which place controls on the level of risk (or volatility of returns) and thereby contributes to the expectation that assets will be managed in accordance with stated goals, objectives and operating parameters of the Fund.
8. This Policy sets forth an investment structure for the prudent management of the Fund's assets and expresses the collective risk tolerance of the Board as outlined in the Fund's target asset allocation.

II. GENERAL:

A. State and Local Laws that have Historically been Applicable.

Investments of the Police and Fire Pension Fund have historically been administered in accordance with applicable state laws and statutes as well as local ordinances, resolutions and charter provisions which are generally represented by

the following:

1. Section 4, Chapter 18615, Laws of Florida, Acts of 1937, as amended. These provisions are described in Exhibit E, Section A.
2. Sections 175.071 and 185.06, Florida Statutes, provide investment guidelines and authorizations for firefighter and municipal police officers pension trust funds, respectively. These authorizations expanded upon the authorized classes of investments reflected in the 1937 Special Act of the Legislature, as amended. These provisions are described in Exhibit E, Section B.
3. Section 22.04(b) of the City Charter (Chapter 92-341, Laws of Florida and Chapter 94 - 466, Laws of Florida), as amended. These provisions are described in Exhibit E, Section C.
4. Section 112.661, Florida Statutes, enacted during the 2000 Legislative session (attached hereto as Exhibit C) provide guidelines for the general structure and content of written investment policies for Florida public retirement systems to be adopted by the Board and incorporate by reference certain limitations described in Section 215.47, Florida Statutes. These limitations are described herein under Section V (C) and in Exhibit E, Section D.
5. Section 121 of the City of Jacksonville Ordinance Code which governs the Police and Fire Pension Fund does not include a section on the "Investment of Funds" inasmuch as the references cited above effectively address this subject. However, in 2015 Section 121.116 was created to outline the investment authority of the Board including authorized investments in alternative investments; Chapter 121 was amended to create: a new Financial Investment and Advisory Committee and new ethics, fiduciary responsibilities and best practices. These provisions are described in Exhibit I.
6. In the event of any conflict between this Investment Policy Statement and applicable Florida Statutes, Ordinances, governing law or judicial rulings, the conflicting Statutes, Ordinances, governing law or judicial rulings shall control.

B. Oversight and Guidance.

The Board shall have the power to be the sole entity responsible for administering the Jacksonville Police and Fire Pension Fund. In accordance with these responsibilities, the Board provides investment oversight for the management of assets and development of this Policy on behalf of the Police and Fire Pension Fund and its intended beneficiaries, for whose benefit the plan was created. The intended beneficiaries include current active members, retirees, and their dependents.

1. Board members shall be deemed to be fiduciaries of the Police and Fire Pension Fund. Each member individually and the Board of Trustees as a whole shall be required to undergo periodically any and all fiduciary and ethical training required by the Board, statute or ordinance. Board members shall comply with all requirements of state law with regard to annual public conflict disclosure

statements required by members of other public agencies and boards. No business organization or affiliate thereof that is owned or controlled by, or employs, a member of the Board or a spouse, child or sibling of a member of the Board shall directly or indirectly contract with or provide services for the investment of Fund assets during the time of such member's service on the Board or for two (2) years thereafter.

2. The City Council and the State Legislature have the responsibility of establishing benefit levels and providing the statutory guidance for the administration of the Police and Fire Pension Fund. The State Legislature has the additional responsibility of establishing certain investment parameters and guidelines within the provisions of Sections 175.071 and 185.06, Florida Statutes.

C. Financial Investment and Advisory Committee.

The Financial Investment and Advisory Committee (hereinafter referred to as "FIAC") shall have the responsibility and duty to provide advice to the Board of Trustees on: (1) financial matters; (2) actuarial practices and assumptions; (3) investment strategy and policy; (4) the selection of outside financial services providers, including investment managers and advisors; and (5) such other matters as requested by the Board. FIAC members shall be deemed to be fiduciaries of the Police and Fire Pension Fund. Each member individually and the FIAC as a whole shall be required to undergo periodically any and all fiduciary and ethical training required by the Board or by ordinance. No business organization or affiliate thereof that is owned or controlled by, or employs, a member of the FIAC or a spouse, child or sibling of a member of the FIAC shall directly or indirectly contract with or provide services for the investment of Police and Fire Pension Fund assets during the time of such member's service on the FIAC or for two (2) years thereafter:

1. FIAC members shall be financially sophisticated professionals with expertise in any or all of the following competencies: actuarial science, fiscal operations, or investment practices. Criteria for service will include knowledge, of and experience and familiarity with, portfolio and/or pension fund management, institutional investment and fiduciary responsibilities. With regard to general strategy matters such as actuarial practices and assumptions, asset allocation, accounting determinations, risk management, actuarial assumptions, the FIAC may at any time provide advice and recommendations to the Board, which shall receive and act upon such advice and recommendations as the Board, in its fiduciary capacity, shall determine.
2. With regard to the selection or termination of individual investment managers, the Board of Trustees shall not select any investment manager without first obtaining the advice and recommendation of the FIAC which, with the assistance of the professional staff of the Board, shall review any and all potential investment managers. In selecting or terminating the Board will then make its decision(s) taking into account FIAC recommendations as well as other information available to the Board. With regard to the selection or termination of other professionals or professional services,

including, but not limited to, actuaries, the FIAC shall furnish advice and recommendations to the Board as requested by the Board, following such processes as may be determined with respect to the particular selection or termination. Nothing shall prohibit the Board from immediately removing a financial advisor, investment manager, consultant or custodian, when in the opinion of the Board, with the advice of the investment consultant, such action is necessary to safeguard the Fund from loss. FIAC members shall comply with all requirements of state law with regard to annual public conflict disclosure statements required by members of other public agencies and boards.

D. Decision Making Authority.

The Board of Trustees, with the input of the FIAC, shall determine the retention, discharge or selection of any investment manager, custodian or investment consultant. The Board shall also establish the amount of funds to be entrusted to any investment manager and shall determine when funds shall be reallocated or withdrawn and when investment programs shall be terminated or expanded, all in accordance with asset allocation studies periodically undertaken by the Board through the investment consultant.

E. Exercise of Judgment and Prudent Investor Rule.

The Trustees, FIAC and the various investment managers under contract to the Fund shall exercise judgment with the care, skill and diligence under the circumstances then prevailing which an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investment portfolios entrusted to it; not in regard to speculation but in regard to the permanent disposition of funds considering probable safety of capital as well as probable income. In addition, thereto, the Board is governed by the “Prudent Investor Rule”, which is codified in Section 518.11, Florida Statutes, which is attached hereto as Exhibit A.

F. Compliance with Fiduciary Standards.

The Board, in performing its investment duties, shall comply with the fiduciary standards set forth in the Employee Retirement Income Security Act of 1974 at 29 U.S.C. S. 1104(a)(1)(A) through (C). These provisions are attached hereto as Exhibit B in the form of ERISA Section 404(a)(1)(A) through (C). However, in the case of conflict with other provisions of law authorizing investments, the investment and fiduciary standards referenced under Section 112.661, Florida Statutes, shall prevail.

G. Application of Policy Statement.

This Statement of Investment Policy represents the Board’s current philosophy regarding the investment of Fund assets. In addition, although the Board and its investment managers shall utilize and be guided by this Policy in the administration and management of the Fund’s assets, any failure of this document to specifically address or anticipate any situation, condition, event, activity or investment security,

shall not necessarily be viewed as a prohibition so long as such situation, condition, event, activity or investment security is consistent with the spirit and intent of this Statement of Investment Policy. The scope of this Policy shall be limited to the investment programs of the Jacksonville Police and Fire Pension Fund. Investments not authorized by this Statement of Investment Policy are prohibited [112.661(5)(a)].

H. Interpretations of Policy Statement.

In the event that a question arises in the mind of an investment manager as to whether a specific situation, condition, event, activity or investment security is permitted, the investment manager shall consult with the Fund Administrator, for an interpretation. In the event that the Fund Administrator is unable to provide guidance for the issue at hand, such matter shall be submitted to the Board for an interpretation, with the assistance of the investment consultant.

I. Ongoing Support for Policy Statement Revisions.

The Board of Pension Trustees may obtain outside investment consulting services to assist them in formulating, monitoring and revising the adequacy of the Statement of Investment Policy. In order to foster a framework for the continuous improvement of this Policy, the various investment managers and investment consultant are invited to promptly advise the Trustees whenever, in their view, the Policy Statement no longer seems appropriate or fails to properly address certain conditions.

J. Annual Review of Policy Statement.

The standards, objectives, guidelines and restrictions established by this Policy Statement are by their nature subject to changing conditions and investment opportunities. Accordingly, this Policy is scheduled to be reviewed on an annual basis by the Pension Trustees; however, the provisions contained herein may be modified and revised by the Pension Trustees at any time. The effective date of any amendments hereto shall be the 31st calendar day following the filing of the amended Policy Statement with the City [112.661(16)]. The amended Policy Statement shall also be filed with the Fund Actuary and the State Department of Management Services.

K. Mission Statement.

The mission of the Fund is to “serve and protect” the members of the Fund and their assets. Consistent with this fundamental mission, the Trustees seek to develop, implement, and administer quality pension benefit programs and to provide services to the members and their beneficiaries through a committed, efficient and responsive Administrative Staff.

III. INVESTMENT OBJECTIVES:

A. General Investment Objectives.

1. The general investment objective of the Fund is to preserve the purchasing power of the Fund's assets and earn a reasonable real rate of return (after inflation) over the long term while minimizing, to the extent reasonable, the short-term volatility of returns. In broad terms, the Trustees seek to ensure over the life of the Fund that an adequate level of assets are available to fund the benefits payable to the Plans' participants and beneficiaries at the time they become due. In meeting this objective, the Board seeks to achieve a high level of investment return consistent with a prudent level of portfolio risk.
2. To achieve these general objectives, the Board of Trustees seeks to create a well-diversified and balanced portfolio of equity, fixed income, real estate, money market and other permitted investments. The Board of Trustees may invest Fund assets in any securities, real property and other assets they deem appropriate after a thorough review of the needs of the Fund and a careful evaluation of the potential risk and returns, provided such investment is not prohibited by law. The Board has determined that outside investment managers may be retained to assure that investments are managed in both a prudent and professional manner and in compliance with the stated investment guidelines.
3. The Fund recognizes the need to prudently manage the inherent investment risks that are related to the achievement of its investment objectives. The successful achievement of these investment objectives will contribute to the preservation of the actuarial soundness of the plan and in the Fund's ability to meet the plan's long-term pension benefit obligations. These general investment objectives are further elaborated upon in the following Sections III (B) through III (D).

B. Return on Investment.

1. The primary investment objective of the Board is to maximize the probability of achieving an investment return that satisfies the Actuarial Rate of Return assumed for the Fund's investment portfolio (currently 7%), subject to risk considerations. The Board's principal means for achieving this objective is through investment and policy directives issued to the Fund Administrator for communication to the various investment managers. The main objective of these investment and policy directives is to establish an appropriate target asset allocation and supervise the investment managers in ways that, in the Board's opinion, will maximize the likelihood of achieving the Board's investment objectives. The Board establishes permissible asset classes, sets permissible target weights as a percent of the total portfolio's value for each asset class and establishes appropriate performance benchmarks. In addition, the Board establishes a performance benchmark for the total portfolio.
2. For each actuarial valuation, the Board, in consultation with the Board's actuary and investment consultant shall determine the total expected annual

rate of return which shall represent a long-term forecast of returns for use in actuarial determinations. As this is a long-term objective and investments are subject to short-term volatility, the main investment focus of the Board is the expected return and the associated expected volatility of the Plan as a whole over a long-term investment time horizon.

3. The performance of each asset class and the performance of each investment manager relative to appropriate market indices and style peer comparisons will be monitored over both the long term and short term. Each investment manager is expected to maintain a consistent philosophy and style, perform well versus others utilizing the same style, and add incremental value after costs.
4. An additional investment objective shall be to maximize total real return, in the form of income, capital appreciation, or both, consistent with the level of risk taken or volatility accepted. In determining the appropriate risk posture for the Fund, consideration will be given to the overall risk characteristics of the Fund, and the extent to which the Fund is diversified.
5. Specific absolute and relative return investment goals are described as follows:
 - a. To earn an annualized rate of return (price change plus income) over the long term that exceeds the annual rate of inflation as measured by the Consumer Price Index (CPI-U) by 4.5% per year.
 - b. To earn an annualized rate of return over the long-term sufficient to address the Actuarial Rate of Return assumed for the Fund (currently 7%).
 - c. To earn a total rate of return, net of fees, over a market cycle, (generally 3-5 years), which exceeds the return of a Policy Index. The Policy Index for the Fund is defined as a hypothetical index constructed of the broad market indexes representing each asset class and weighted by the target asset allocation for each asset class as adopted by the Board. The Policy Index may change from time to time as the asset allocation target or permissible asset classes for the Fund changes, as approved by the Board.
 - d. In addition, it is expected that over a market cycle (generally 3-5 years) the rate of return earned by the Fund will rank above median when compared to a representative universe of other, similarly managed investment portfolios.
 - e. It is the goal of each active investment manager to achieve an annualized total rate of return, over a market cycle (generally 3-5 years) which exceeds a broad market benchmark, net of fees, and ranks above median in a comparative style peer performance universe. The broad market benchmarks are shown in each Investment Manager's Investment Manager Instructions.
 - f. It is the goal for each passive Investment Manager to achieve an

annualized total rate of return, gross of fees, that matches the underlying market benchmark and minimizes tracking error to that benchmark index.

C. Safety of Capital.

An additional investment objective shall be to adequately protect the assets of the Fund so that such assets are preserved to provide benefits to participants and their beneficiaries. For this purpose, short-term fluctuations in asset values and volatility in the portfolio will be considered secondary to long-term investment results.

D. Liquidity of Funds.

Inasmuch as the annual contributions into the Fund are not sufficient to service the annual payroll and administrative expenses of the Fund for the foreseeable future, the investment portfolio should be structured and constrained so as to guarantee the provision of current income or sufficient liquidity in order to meet the need for the timely payment of benefits to participants and beneficiaries.

IV. INVESTMENT POLICIES:

A. Policies to Enhance Return on Investment

The following specific policies are set forth below to provide additional guidance in the implementation of the “Return on Investment” objective.

1. Professional Investment Managers.

In recognition of the importance of professional guidance in the investment of the assets of the Fund, the administration of all investments shall be performed by qualified, nationally recognized, professional investment managers, excluding local real estate holdings represented by the office building housing the Fund’s Administrative offices and the adjoining parking garage. Said investment managers shall be selected at regular or special meetings of the Board of Trustees by a majority vote of the Board with input from the FIAC. The Board may delegate the initial screening of Investment Managers to a committee of the Board and/or staff or to the Investment Consultant, but no final decision regarding the allocation of funds for the purpose of investment shall be made except by a majority vote of the Trustees. In retaining professional investment managers, it is the intention of the Board of Trustees to give each investment manager full investment discretion with respect to the management of Fund assets, subject to the restrictions described herein.

2. Portfolio Composition.

When considering the composition of the portfolio, the Board shall establish goals, objectives and policies for the distribution of the Fund’s assets between equities, fixed income, cash and cash equivalents, real estate and other forms of lawful investment. The goals, objectives and policies shall set forth the relative percentages of the Fund to be distributed to each asset class and

investment style and shall consider expected rates of return and risk factors. Each investment manager shall subscribe to the written goals and objectives of the Fund as contained in this Policy which shall be incorporated into the investment advisory agreement executed between the Fund and each investment manager. The portfolio composition is discussed in detail within Section VI (Asset Allocation) and Section VII (Portfolio Guidelines).

3. Exclusive Benefit Rule.

The Board of Pension Trustees, the FIAC, the professional investment managers, investment consultants and Fund staff will discharge their responsibilities for the exclusive benefit of plan participants without prejudice or favor, avoiding at all times pressures from social issues and conduct which could impair rate of return expectations, create a conflict of interest, or a violation of State or Federal laws.

4. Competitive Price Quotes.

Investment Managers shall competitive bid all security transactions and which shall be executed on a best price, best execution basis.

5. Full Investment of Funds.

The Board shall strive to construct a banking and investment program structure that allows for the full investment of all investable funds not otherwise committed by investment managers for the purchase of securities (i.e. through the use of sweep accounts and short term investment funds, etc.).

B. Policies to Ensure Safety of Capital

The following specific policies are set forth below to provide additional guidance in the implementation of the “Safety of Capital” objective.

1. Reducing Credit Risk.

The exposure to credit risk shall be addressed by limiting the amount of below investment grade securities purchased by investment managers, if any, and strict adherence to the permitted investment vehicles authorized by the applicable Florida Statutes and local laws and ordinances.

2. Safekeeping and Custody of Securities.

To protect against potential fraud and embezzlement, the investment securities of the Fund shall be held by a third party custodian bank, designated pursuant to a custodial agreement executed by both parties. The securities and any related collateral held by the custodian for the benefit of the Fund should be properly designated as an asset of the Fund. No withdrawal of securities, in whole or in part, shall be made from safekeeping except by an authorized member of the Board or the Board’s designee.

3. Delivery vs. Payment.

All securities transactions shall be settled in accordance with the “Delivery versus Payment” method, if applicable [112.661(10)], so as to ensure that funds for securities are not released until all criteria relating to the specific transaction are met. This policy will ensure that the custodian bank will have the security or money, as appropriate, in hand at the conclusion of the transaction.

4. Risk and Portfolio Diversification.

Assets of the Fund shall be diversified to control the risk of loss resulting from an undue concentration of assets in a specific maturity, issuer, instrument, dealer or bank through which financial instruments are bought and sold. Diversification strategies within the established guidelines shall be reviewed and revised periodically, as deemed necessary by the Board. Portfolio diversification is discussed in detail within Section VI (Asset Allocation) and Section VII (Portfolio Guidelines).

5. Master Repurchase Agreement.

Repurchase agreements executed with approved institutions and dealers shall be administered in accordance with a master repurchase agreement. Overnight and short term master repurchase agreements shall conform in all material respects to the Public Securities Association (PSA) Master Repurchase Agreement format. All repurchase agreement transactions shall adhere to the requirements of the master repurchase agreement.

C. Policies to Ensure Liquidity of Funds

The following specific policies are set forth below to provide additional guidance in the implementation of the “Liquidity of Funds” objective.

1. Cash Flow Forecasting.

The plan will attempt to forecast expected cash outflows and inflows in as much detail and with as much precision as is reasonably possible. This effort will be supported by asset-liability studies periodically performed by the investment consultant.

2. Purchase of Securities with Active Markets.

Although many securities are acceptable for investment using the authorized list of securities, some securities may not be very desirable from a liquidity standpoint. Accordingly, the plan shall avoid undue reliance upon securities that do not possess active markets.

3. Maintenance of Liquidity Base.

An appropriate liquidity base shall be maintained or provided in such a manner as to provide sufficient liquidity to pay obligations as they come due.

D. Policies to Ensure Ethical and Prudent Actions

The following specific policies are set forth below to provide additional guidance in support of Ethical and Prudent Actions.

1. Establishment of a System of Internal Controls.

It is the policy of the Fund to establish and maintain a system of internal controls designed to ensure that the assets of the Fund are protected from loss, theft or misuse. This system of internal controls shall address the following measures:

a. Separation of Functions

The Fund will strive to separate key functions wherever practical by having different people perform each function, so that each person can perform a “check and balance” review of the other individual.

b. Separation of Transaction Authority from Accounting and Record keeping

The Fund will strive to separate the person who performs the investment transaction or authorizations from the individuals who record or otherwise account for the transaction.

c. Custodial Safekeeping

All financial assets of the Fund shall be placed with a third party custodian bank for custodial safekeeping. For operational purposes the Fund may use the services of a local bank or the City’s cash account to transact payments of certain accounts and collection of receivables.

d. Avoidance of Bearer-Form Securities

The Fund will strive to avoid the use of bearer-form securities in its investment portfolio insofar as such securities are much easier to convert to personal use than registered securities.

e. Avoidance of Physical Delivery Securities

The Fund will strive to avoid the use of physical delivery securities insofar as such securities must be properly safeguarded as are any valuable documents. The potential for fraud and loss is minimized with primary reliance upon book entry securities which do not involve the physical delivery of securities.

f. Execution of Investment Transactions

Investment transactions shall be executed by investment managers pursuant to investment advisory agreements. The Fund's staff and Board Members are not authorized to execute investment transactions.

g. Clear Delegation of Authority

Staff members shall have a clear understanding of their authority and responsibilities so as to avoid any improper actions. Clear delegation of authority also preserves the internal control structure that is built around the various staff positions and their respective responsibilities.

h. Development of Wire Transfer Authorizations

The Fund will maintain and establish a system of procedures with the custodian bank which will outline the various controls and security provisions for initiating wire transfers of funds.

i. Conflicts of Interest

Fund staff involved in the investment process shall not transact personal business activity that could conflict or could appear to conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

j. Independent Review of Controls

The system of internal controls employed by the Fund shall be reviewed on an annual basis by independent certified public accountants as a part of the annual financial audit to be performed for the Fund.

2. Training and Education.

The Fund shall provide and make available periodic training and educational opportunities concerning investments and related subjects for the Board and FIAC members and appropriate Fund personnel.

V. AUTHORIZED CLASSES OF INVESTMENTS:

A. Summary of Authorized Investments under Section 215.47, Florida Statutes.

A summary of the applicable elements of Section 215.47 is offered below. Under the applicable elements of Section 215.47 (1)-(9), (11) and (17) pension fund assets that are available for investment may be invested:

1. Without limitation in U.S. government and agency securities, various full faith and selected state and municipal securities, various savings accounts and CD's of banks and S&L's, prime quality commercial paper and bankers acceptances, prime quality negotiable CD's issued by domestic or foreign

financial institutions denominated in U.S. dollars, various short term investment funds, various mutual funds and similar investment products comprised of U.S. government, agency and instrumentality securities, and repurchase agreements collateralized by U.S. government securities.

2. With no more than 25% in various investment grade state and municipal securities, certain FHA and VA notes, certain CMO's, certain group annuity contracts, certain interests in real property and related personal property with provision for equity and income participation, investment grade foreign fixed income obligations, fixed income obligations of the government of Israel, dollar denominated obligations issued by foreign governments and corporations, and asset backed securities not otherwise described herein.
3. With no more than 80% in domestic equities (common stock, preferred stock, and convertible bonds) listed under major exchanges, and domestic corporate bonds.
4. With no more than 25% in corporate obligations and securities of foreign corporations and entities, not including US dollar denominated securities listed and traded on US exchanges.
5. With no more than 5% in any other form of investment, provided that such investment plans are presented to the (State) Investment Advisory Council.
6. Transactions involving the purchase and sale of certain futures and options.

B. Restrictions not Reflected in the Applicable Elements of Section 215.47.

Notwithstanding the permitted investments described above which are authorized under Section 215.47, Florida Statutes, Section 22.04 (b)(2) of the Jacksonville City Charter states that "investments in fixed real estate assets shall not exceed 20 percent of the assets of the plan, at cost".

Investment Authorizations under 2015 Amendments to Chapter 121 of the Ordinance Code.

Action taken by the City of Jacksonville created Section 121.116 of the Ordinance Code authorized the Board to invest in alternative investments, alternative investment vehicles and portfolio positions as defined in the Section. These include private equity, private debt, venture capital, and natural resources strategies. Further the Section prohibited investment in hedge funds, but allowed any investment made by the City of Jacksonville General Employee Pension Fund or Correctional Officers Pension Fund.

C. Securities Lending Program.

Authorized investments may be loaned to securities dealers, provided the loan is collateralized by cash, letters of credit, or United States Government securities having a market value of at least 100% of the market value of the securities loaned. Specifically, domestic securities shall have an initial minimum

collateralization requirement of 102% while international securities shall have an initial minimum collateralization requirement of 105% of market value. The Fund shall ensure that sound risk management practices are instituted by the securities lending agent bank to address the various risk elements of the Fund's Securities Lending Program. The risk elements to be addressed include counterparty risk (including credit risk and collateral risk), operational risk (of the agent bank), collateral reinvestment (or interest rate) risk, and market risk.

VI. ASSET ALLOCATION:

A. General.

1. The Board believes that the level of risk assumed in the Fund is a function, in large part, of the Fund's asset allocation. The proportion of assets allocated for equity investments is the most important determinant of volatility of future returns. As indicated by long-term historical data, the risk of equity ownership has been rewarded with a higher rate of return and is necessary in the current market environment to fully fund future liabilities.
2. The Fund's investments shall be invested in a diversified portfolio composed of equity securities (both domestic and international), fixed income securities (both domestic and international), diversifying assets (such as real estate or alternative assets, as permitted by statute or ordinance) and cash equivalent securities, and as such, are intended to be more aggressive than fixed income only portfolios and less aggressive than equity only portfolios.
3. Based on its determination of the appropriate risk posture for the Fund, and its long-term return expectations, the Board, with recommendations from the FIAC, investment consultant and actuary, has established asset-mix guidelines for the Fund, based on market values. The asset allocation is a strategic asset allocation. The long term target allocation percentage and permitted range for each asset class shall be based upon the most recent asset-liability study performed by the investment consultant, generally ever 3-5 years, and as adopted by the Board. Both the target allocations and permitted ranges should be adhered to under normal circumstances. However, because the target allocations and permitted ranges are long term in nature, periodically the asset mix may fall outside the target or range. Dollar-cost-averaging, portfolio transition or other cases where the Board determines deviation from the target or range is in the best interest of the Fund are permitted exceptions. This in no way should be considered tactical asset allocation or market timing and is not viewed as such by the Board.
4. The Board, in conjunction with the FIAC, investment consultant and actuary, is responsible for broad asset allocation decisions. A manager's cash holdings can disrupt this position and therefore under normal circumstances should be limited to five percent (5%) of its portfolio market value.
5. Until such time as the Board changes the broad asset class targets, a routine rebalancing of the various portfolios back within permitted allocation range shall be implemented as necessary. The first tool used to achieve this

rebalancing shall be regular cash flows. After that, manager cash and portfolio liquidation shall be used. When market experience moves the portfolio allocation outside a range of +/- 5% around the target allocation at month end, the Fund Administrator or investment staff in conjunction with the Investment Consultant will consider any necessary action to rebalance back toward the target allocation. Priority of rebalancing shall be asset class before style or individual manager. Managers considered by the Board to be underperforming their benchmarks, undergoing personnel or ownership change or for other reasons as determined by the Board, may be excluded from receiving additional assets in any rebalancing.

B. Diversification.

1. The investments of the Fund shall be diversified so as to minimize the impact of large losses under any individual asset class or investment style.
2. The Trustees will seek diversification of the investment portfolio through the utilization of various investment styles, particularly in the equity portfolio.

C. Target Asset Allocation, Permitted Allocation Ranges, and the Policy Index.

The Board has adopted the stated investment objective of achieving a rate of return that equals or exceeds the actuarial rate of return. In order to achieve this expectation, the Board sets a relative objective for the total fund composite performance of achieving or exceeding the return of the Policy Index over time. The Policy Index represents the benchmark returns of the authorized asset classes and/or strategies weighted by the target allocation as adopted by the Board. The assumption is that this Policy Index return will meet or exceed the actuarial rate of return, net of fees, and will thus assure the achievement of the Board's investment objective. The Policy Index used for benchmark performance comparisons is currently composed of the following elements:

- 39% Russell 3000 Index
- 20% MSCI AC World ex US Index
- 4% Barclays Aggregate Index
- 15.5% Barclays Universal Index
- 15% NCREIF Property Index – ODCE
- 5.5% S&P MLP Index
- 1% US 90 Day T-Bills

This relative return objective is developed in a risk management framework. Risk from the prospective of the Board is failing to earn the actuarial rate of return over the long term, and the asset mix is developed to minimize this risk. In selecting the Policy Index, the Board considers information from actuarial valuation reviews and asset/liability studies of the Fund, as well as historical and forecasted returns for various investment strategies and asset classes. In addition, the timing of cash flow requirements on the portfolio to honor benefit liabilities are an important input in the development of the Policy Index.

The Board's current target asset allocation is composed of the following asset

classes and target allocations. Target allocation percentages are based on the

market value of the Fund's assets and represent the Board's strategic asset allocation policy.

DOMESTIC EQUITIES	39.0%
Large Cap	31.4%
Small-Mid Cap	7.6%
INTERNATIONAL EQUITY	20.0%
Developed Markets	14.0%
Emerging Markets	6.0%
PRIVATE EQUITY	0%
FIXED INCOME	20.5%
Core	4.0%
Core Plus	15.5%
Cash	1.0%
TIPs	0%
REAL ASSETS	20.5%*
Core Real Estate	10%
Private Non-Core Real Estate	5%
MLPs	5.5%
Private Real Assets/Natural Resources	0%

*An amount equivalent to approximately 1% is represented by the office building housing the Fund's administrative offices and the adjoining parking garage.

In pursuit of incremental investment returns or avoid risk, the Board may, in consultation with the investment consultant, consider a variance in the asset mix from the long term strategic allocation based on market conditions and the investment environment for the individual asset classes. After considering the nature of current and anticipated economic conditions, the absolute values of asset class investments and the relative valuations between asset classes; the Board may elect to pursue such variances in accordance with the following established ranges (percentages are based on the market value of the Fund's assets):

ASSET CLASS	RANGE
DOMESTIC EQUITIES	34-44%
INTERNATIONAL EQUITIES	15%-25%
PRIVATE EQUITY	0-10%
FIXED INCOME	14.5%-24.5%
REAL ESTATE	10-20%
MLPs	0%-10%
PRIVATE REAL ASSETS	0-5%
CASH EQUIVALENTS	0-5%

D. Asset Allocation.

The Trustees periodically review the question of asset allocation as it relates to the choice of investment vehicles, styles of management, and the investment portfolio among domestic stocks, domestic bonds, real estate, foreign securities, cash equivalents and other permissible asset classes. The Trustees are free to adopt various styles of investing and percentage allocations within the parameters contained in this Policy. Examples of possible styles that may be periodically adopted within the above parameters and other applicable guidelines are generally described, but not limited to the following:

1. The amount allocated to fixed income may be further allocated among core, core plus, specialized (e.g. bank debt, high yield), intermediate, defensive, long duration, international (including non US dollar and emerging market debt), inflation-protected securities or higher yielding fixed income styles based upon the judgment of the Trustees. This asset class may also include certain real estate partnerships with the City of Jacksonville where the transaction embodies characteristics that essentially render the transaction a fixed income investment.
2. The amount allocated to domestic equities may be further allocated among large cap, small cap, SMID cap, core, growth, value, index, and enhanced index styles, including overlay strategies based upon the judgment of the Trustees.
3. The amount allocated to international equities may be further allocated among large cap, small cap, SMID cap, core, growth, value, index, enhanced index, emerging markets, and geographic allocations based upon the judgment of the Trustees.
4. In addition to the fixed and equity securities described above, the Trustees have also authorized a strategic allocation to real estate and other real assets investments. Approximately 1% of such strategic allocation to real estate investments is currently represented by the office building which houses the administrative offices of the Fund and the parking garage attached thereto which is classified as a Value Added type of real estate investment. The amount allocated to real asset investments may be further allocated among the following to the extent permissible: core, value added and opportunistic styles based upon the judgment of the Trustees. Timberland/farmland, oil and gas, metals and mining, energy master limited partnerships (MLP's), Real Estate Investment Trusts (REIT's), Commercial Mortgage Backed Securities (CMBS), distressed properties, infrastructure assets and international real estate investments may also be pursued by the Trustees, if allowed by statute or ordinance.
5. The amount allocated to this private equity investments may be further allocated among private buyout, venture capital, private debt including mezzanine and distressed debt, private natural resources and energy allocations based upon the judgment of the Trustees.

6. Fixed and equity Investment Managers are extended full discretion to employ the use of cash equivalent securities to whatever extent deemed prudent; however, written notification and explanation should be provided to the Board in the event cash equivalents exceed 5% of the portfolio. The 5% cash equivalent threshold is not to be viewed as a barrier that should not be crossed, but rather a conscious investment decision that represents a noteworthy perspective on the market which prudently warrants the need to issue a specific notification to the Board when such perspectives exist. Cash equivalent strategies in excess of 5% do not require the approval of the Pension Trustees, but merely an obligation to provide a notification or disclosure of such condition to the Pension Trustees.
7. These asset allocation guidelines are to be pursued by the Trustees on a long-term basis, but such guidelines will be reviewed annually and subject to revision in the event significant changes occur within the economic and/or capital markets environment.

VII. PORTFOLIO GUIDELINES:

A. General.

1. The Fund Administrator, in consultation with the FIAC, investment consultant, investment managers and actuary, is responsible for developing periodic recommendations for consideration by the Board regarding the various asset classes, investment styles and individual portfolio policies and guidelines which are to be formally reflected in the goals and objectives of this Statement of Investment Policy. Once adopted by the Board, the Administrator shall manage the implementation of the Statement of Investment Policy and the guidelines reflected therein. The Administrator shall manage the guidelines for the selection and retention of investment managers as well as all external contractual relationships in discharging the fiduciary responsibilities of the Board. All asset classes and investment styles shall be invested to achieve or exceed, on a net of fee basis, the return for their respective benchmarks over a three to five year period of time and thereby approximating a full market cycle. The portfolios shall also be well diversified with respect to the appropriate benchmark.
2. The Board of Pension Trustees will retain investment management organizations to passively or actively invest in equity, fixed-income, real estate, real asset, other permitted investments, and cash equivalent securities on behalf of the Board. Each investment manager, within the investment policy guidelines, shall have full discretion with respect to the investment of Fund assets under its control within the limitations of this Policy. It is required that each investment management organization shall have established internal controls to ensure that the investment activity operates in compliance with all controlling statutes and regulations.
3. Since transaction costs represent a reduction of pension assets, turnover will be maintained at the lowest level consistent with the implementation of

investment strategies to be employed by the individual investment managers.

4. No investment manager shall be permitted to purchase the securities of the investment management organization for inclusion in the portfolio of the Fund. This prohibition shall additionally extend to the securities of the parent organization or subsidiaries of the investment management firm.
5. Unless otherwise additionally restricted by law or ordinance, the investment of Fund assets shall be subject to the general limitations and conditions described in Section 215.47 (1), (2), (3), (4), (5), (6), (8), (9), (11), and (17), Florida Statutes, as stipulated in Section 112.661(5), Florida Statutes.

B. Cash Equivalents Guidelines/Restrictions.

1. Permissible Cash Equivalent Securities for the Fund include:
 - a. Savings accounts in, or certificates of deposit of, any bank, savings bank, or savings and loan association incorporated under the laws of this state or organized under the laws of the United States doing business and situated in this state, the accounts of which are insured by the Federal Government or an agency thereof and having a prime quality of the highest letter and numerical ratings as provided for by at least one nationally recognized statistical rating organization, provided such savings accounts and certificates of deposit are secured in the manner prescribed in Chapter 280.
 - b. Bonds issued by the Florida State Improvement Commission, Florida Development Commission, Division of Bond Finance of the Department of General Services, or Division of Bond Finance of the State Board of Administration.
 - c. Notes, bonds, and other obligations of agencies of the United States.
 - d. Commercial paper of prime quality of the highest letter and numerical rating as provided for by at least one nationally recognized rating service.
 - e. Time drafts or bills of exchange drawn on and accepted by a commercial bank, otherwise known as banker's acceptances, which are accepted by a member bank of the Federal Reserve System and are of prime quality of the highest letter and numerical ratings as provided for by at least one nationally recognized statistical rating organization.
 - f. Negotiable certificates of deposit issued by domestic or foreign financial institutions in United States dollars of prime quality of the highest letter and numerical ratings as provided for by at least one nationally recognized statistical rating organization.
 - g. Short-term obligations not authorized elsewhere in this section to be purchased individually or in pooled accounts or other collective investment funds, for the purpose of providing liquidity to any fund or portfolio.

- h. Securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.
- 2. Notwithstanding the above list of securities that are eligible for investment by the custodian bank, the investment managers may invest only in the following short-term investment vehicles:
 - a. The money market or STIF provided by the custodian bank.
 - b. Direct obligations of the United States Government or its agencies with a maturity of one year or less.
 - c. Repurchase agreements which are fully collateralized by direct obligations of the United States Government.
 - d. Commercial Paper issued by United States corporations which has a maturity of 270 days or less and that is rated A-1 or higher by Standard & Poor's or P-1 or higher by Moody's, subject to a limit of no more than \$5 million by any single issuer.
 - e. Bankers Acceptances issued by prime money center banks, subject to a limit of no more than \$5 million in any single bank.

C. Equity Guidelines/Restrictions.

- 1. Domestic common stock and preferred stocks and are permitted for domestic equity portfolios. No one equity holding in the Fund's portfolio shall represent more than 5% of the outstanding common stock of any one company.
- 2. No equity holding of any one company in the Fund's portfolio shall represent more than 5% of the assets of the Fund measured on the basis of market value.
- 3. Exchange Traded Funds (ETF's) may be used and held in domestic equity portfolios but are limited to 5% of a manager's portfolio.
- 4. American Depositary Receipts (ADR's) and foreign domiciled companies that are traded on United States exchanges are permitted investments for domestic equity managers; however, the combined amount of such securities shall be limited to 15% of a domestic equity manager's portfolio. This authorization is subject to the collective use of foreign domiciled companies and international

securities (through international equity managers) operating within the overall 25% limitation of the total Fund assets measured on the basis of market value. Notwithstanding these guidelines with respect to individual domestic equity managers, the Trustees shall issue directives to such individual domestic equity managers for the liquidation of a portion of their holdings in foreign domiciled companies in the event that the Trustees conclude that the overall limitation of 25% is in peril of being exceeded.

5. There shall be no investment in foreign securities within the portfolios of investment managers who are hired and assigned to manage domestic portfolios (except within the constraints described above). There shall be no: investment in venture capital, commodities, financial futures or options (other than covered call options), letter stocks, private placements (except those issued under Rule 144a with such securities being limited to 15% of a manager's portfolio measured at market value), short selling, purchases on margin, puts, calls, or hedging, or other specialized investment activity without the prior approval of the Board.
6. Corporate obligations and securities of a foreign corporation or a foreign commercial entity are permissible in international equity portfolios but shall not exceed 25% of the Fund, not including US dollar denominated securities listed and traded on a US exchange. American Depositary Receipts and Global Depositary Receipts are also permissible in international equity portfolios.
7. Convertible preferred stocks may be purchased so long as the common stocks underlying them meet the required equity standards.
8. Convertible bonds shall not be considered as an appropriate equity substitute.
9. The equity investment managers are permitted to sell covered call options.
10. All securities purchased shall be fully negotiable and marketable unless prior approval is secured by the Board. An illiquid investment is generally recognized as an investment for which a recognized market is not available or for which there is no consistent or generally accepted pricing mechanism.
11. In order to achieve the desired level of quality and liquidity of the portfolio, all domestic equity purchases (other than private equity mandates) are limited to stocks registered or listed on a United States national exchange, (i.e. New York Stock Exchange, American Stock Exchange and the NASDAQ Over the Counter Market) and whose corporation conforms to the periodic reporting requirements under the Securities Exchange Act of 1934.
12. Permissible equity investment vehicles shall include equity separate accounts, commingled vehicles, index funds, and mutual funds consisting of those common stocks, preferred stocks, and convertible securities described above.
13. The equity investment managers are encouraged to limit both explicit trading costs (e.g. commissions) and implicit costs (e.g. market impact). Targeting

low average commission costs, use of crossing networks, and transacting equity trades through commission recapture agents with which the Board has an agreement are all permissible ways to limit explicit costs. However, all such security transactions shall be executed only on a “best price and execution basis” (as defined by ERISA Technical Release Number 86-1) and when in the best interest of the Plan. This brokerage policy is designed to assist the Trustees in providing a cost-effective commission rebate vehicle to return excess commissions to the Plan.

D. Fixed Income Guidelines/Restrictions.

1. The following are permissible investments:

- a. Bonds, notes, or other obligations of the United States or those guaranteed by the United States or for which the credit of the United States is pledged for the payment of the principal and interest or dividends thereof.
- b. State bonds pledging the full faith and credit of the state and revenue bonds additionally secured by the full faith and credit of the state.
- c. Bonds of the several counties or districts in the state containing a pledge of the full faith and credit of the county or district involved.
- d. Bonds issued or administered by the State Board of Administration secured solely by a pledge of all or part of the 2-cent constitutional fuel tax accruing under the provisions of s. 16, Art. IX of the State Constitution of 1885, as amended, or of s. 9, Art. XII of the 1968 revised State Constitution.
- e. Bonds issued by the State Board of Education pursuant to ss. 18 and 19, Art. XII of the State Constitution of 1885, as amended, or to s. 9, Art. XII of the 1968 revised State Constitution, as amended.
- f. Bonds issued by the Florida Outdoor Recreational Development Council pursuant to s. 17, Art. IX of the State Constitution of 1885, as amended.
- g. Notes, bonds, and other obligations of agencies of the United States.
- h. The following are limited to 25% or less of the Fund:
 - i. Bonds, notes, or obligations of any municipality or political subdivision or any agency or authority of this state, if the obligations are rated investment grade by at least one nationally recognized statistical rating organization.
 - ii. Notes secured by first mortgages, insured or guaranteed by the Federal Housing Administration or the United States Department of Veterans Affairs.
 - iii. Mortgage securities which represent participation in or are collateralized by mortgage loans secured by real property. Such securities must be issued by an agency of or enterprise sponsored by the United States Government, including, but not limited to, the Government National Mortgage Association, the Federal National Mortgage Association, and the Federal Home Loan Mortgage Corporation.
 - iv. Fixed-income obligations not otherwise authorized by this section issued by foreign governments or political subdivisions or agencies thereof, supranational agencies, foreign corporations, or foreign

- commercial entities, if the obligations are rated investment grade by at least one nationally recognized rating service.
- v. A portion of the funds available for investment pursuant to this subsection may be invested in rated or unrated bonds, notes, or instruments backed by the full faith and credit of the government of Israel.
 - vi. Obligations of agencies of the government of the United States, provided such obligations have been included in and authorized by the Florida Retirement System Defined Benefit Plan Investment Policy Statement established in Section 215.475, Florida Statutes.
 - vii. United States dollar-denominated obligations issued by foreign governments, or political subdivisions or agencies thereof, supranational agencies, foreign corporations, or foreign commercial entities.
 - viii. Asset-backed securities not otherwise authorized by this section.
- i. Not more than 80 percent of the Fund may be invested in interest-bearing obligations with a fixed maturity of any corporation or commercial entity within the United States.
 - j. Not more than 25 percent of the Fund may be invested in corporate obligations and securities of any kind of a foreign corporation or a foreign commercial entity having its principal office located in any country other than the United States of America or its possessions or territories, not including United States dollar-denominated securities listed and traded on a United States exchange which are a part of the ordinary investment strategy of the Board.
 - i. All securities purchased for the portfolio must have an investment grade rating of BBB- or better (investment grade) from a nationally recognized rating service (i.e. Moody's, Standard & Poor's, or Fitch), subject to the limitations below. For an issue with a split rating, the lower quality designation will govern. In the event of a downgrade below BBB- or its equivalent after the time of purchase, the Investment Manager shall be required to dispose of the security at the earliest beneficial opportunity. The Trustees consider BBB- to fall within the general definition of a "BBB" rating. Any purchase of below investment grade rated debt securities may only be made with the prior written permission of the Board.
 - ii. No purchase may be made which would cause a holding to exceed 5% of the issuer's outstanding fixed income securities.
 - iii. No more than 5% of the Fund's portfolio shall be invested in the securities of any single issuer, with the exception of the United States Government and its agencies and instrumentalities, which carry no limit.
 - iv. Convertible bonds may be purchased up to 10% of the value of the fixed income portfolio; however, such investments should be liquidated at the time of conversion so as to avoid a fixed-income

Investment Manager from carrying equity securities in the fixed-income portfolio.

- v. There shall be no investment in foreign bonds (with the possible exception of bonds issued by the State of Israel where contractually authorized) within the portfolios of investment managers who are hired and assigned to manage domestic core portfolios, without the prior written permission by the Board. In addition, there shall be no short selling or other specialized investment activity or investments in futures or options without the prior approval of the Board.
- vi. Yankee Bonds are permitted investments; however, such securities shall be limited to 5% of an investment manager's portfolio unless permitted in writing by the Board.
- vii. Closed end bond funds may be purchased; however, such purchases shall be limited to 10% of an investment manager's portfolio. In addition, the investment manager's holdings in any single closed end bond fund may not exceed 10% of the amount of such closed end bond fund.
- viii. Collateralized Mortgage Obligations (CMO's) are acceptable provided they meet the following criteria, unless otherwise permitted by the Board in writing:
 - a). Backing by the full faith of the U.S. Government or an Agency thereof, or that are rated AAA by a major rating service.
 - b). A volatility rating by Fitch Investors Services in the low to moderate category (VI, V2, or V3) or characteristics consistent with such ratings.
 - c). Limited to PAC (Planned Amortization Class), NAC (Non-Accelerated Securities), VADM (Very Accurately Defined Maturity) securities, or sequential CMO's.
- ix. Investments in Commercial Mortgage Backed Securities (CMBS) are permitted, provided they are rated AAA by a major rating service and the total value of all CMBS investments shall not exceed 15% of the market value of the total fixed income portfolio, unless permitted by the Board.
- x. All securities purchased shall be fully negotiable and marketable. An illiquid investment is generally recognized as an investment for which a recognized market is not available or for which there is no consistent or generally accepted pricing mechanism.
- xi. Structured notes may not be held in the fixed income portfolio without the written permission of the Board.

- xii. Permissible investment vehicles shall include fixed income separate accounts, commingled vehicles, index funds and mutual funds consisting of those fixed income securities listed above.

E. Real Estate Guidelines/Restrictions.

1. Permissible real estate investments are considered to include certain interests in real property and related personal property, including mortgages and related instruments on commercial or industrial real property, with provisions for equity or income participation or with provisions for convertibility to equity ownership; and interests in collective investment funds as well as infrastructure assets. Associated expenditures for acquisition and operation of assets purchased under this provision or of investments in private equity or other private investment partnerships or limited liability companies shall be included as a part of the cost of the investment.
 - a. The title to real property acquired under this paragraph shall be vested in the name of the respective fund.
 - b. For purposes of taxation of property owned by any fund, the provisions of s. 196.199(2)(b) do not apply.
 - c. Real property acquired under the provisions of this paragraph shall not be considered state lands or public lands and property as defined in Chapter 253, and the provisions of that chapter do not apply to such real property.
2. When deemed appropriate by the Board, real estate investment may be made in any legally permissible real estate investment vehicles, including, but not limited to, individual property investments, joint ventures, commingled funds, real estate investment trusts (REIT's), limited partnerships and limited liability companies, in an amount up to 15% of the Fund.
3. The Board will seek to diversify its real estate portfolio by property type (multi-family residential, industrial, office, retail, timberland, etc.), property location (geographic region), and strategy (core diversified, value-added, opportunistic). In addition, the Board will seek to diversify its real estate-related, real assets in the overall real estate portfolio. Such assets may include energy-related partnerships, timber, commodities, and infrastructure to the extent it is permitted by statute.
4. As real estate investments, in general, are intended to provide a steady and predictable level of income, low volatility of total return and a low correlation to other asset classes, leverage is limited to 35% at the portfolio level for core investments and 70% at the portfolio level for value-added /opportunistic, at cost.
5. All real estate investments shall be managed by experienced and qualified professional investment managers, with the exception of locally-owned and managed real estate which may be managed by staff of the Fund.

F. Alternative Investments Guidelines/Restrictions

The Board of Trustees is authorized to invest and reinvest the assets of the Pension Fund in any lawful investment as provided in applicable provisions of s.112.661, 175.071, 185.06, 215.47, Florida Statutes, and, is further authorized to invest in alternative investments, alternative investment vehicles and portfolio positions, as those terms are defined in this section.

1. Investments in hedge funds are prohibited.
2. No investment shall be permitted except pursuant to a written investment policy adopted by the Board of Trustees as provided in chapter 112, part VII, Florida Statutes. Prior to the adoption of any change in asset allocation or the introduction of a new asset class, the Board of Trustees shall give 10 days written notice of the meeting at which the proposed change shall be considered to the City Council Finance Committee.
3. For the purposes of this section, the following terms have the following definitions:
 - a. “Alternative investment” means an investment by the Board of Trustees in private equity funds which includes all of the private equity sub-strategies, including buyout, growth capital, venture capital, distressed investing, private debt/mezzanine debt, private real assets/natural resources/energy, venture fund, or a direct investment in a portfolio company through an investment manager or general partner.
 - b. “Alternative investment vehicle” means the limited partnership, limited liability company, or similar legal structure or investment manager through which the Board invests in a portfolio company.
 - c. “Portfolio company” means a corporation or other issuer, any of whose securities are owned by an alternative investment vehicle or the Board of Trustees and any subsidiary of such corporation or other issuer.
 - d. “Portfolio positions” means individual investments in portfolio companies which are made by the alternative investment vehicles.
 - e. “Proprietor” means an alternative investment vehicle, a portfolio company in which the alternative investment vehicle is invested.
4. The Board of Trustees is authorized to make the same investments the General Employee Pension Fund or the Correctional Officers Pension Fund are permitted to make.

G. Commingled and Mutual Fund Guidelines / Restrictions:

1. The Board recognizes and accepts that commingled and mutual fund

investments will be dictated by the investment policies and guidelines of those funds and that no additional constraints may be imposed on them. The decision to invest Fund assets in any commingled or mutual fund will only be made by the Board of Trustees after a thorough review of the policies and/or prospectuses or other governing documents of those funds and after it has been determined that those policies are appropriate and generally consistent with the investment objectives of the Fund.

H. Investment Management Fees

The Board shall review investment management fees on an annual basis. As part of such fee review, the investment consultant shall provide perspective and opinion as to the reasonableness of such fees. Where investment managers are retained both by the City of Jacksonville Police and Fire Pension Fund and the City of Jacksonville Retirement System, the Board shall make every effort to aggregate assets between the two for purposes of fee calculation.

I. Inclusion of Minority, Emerging, and Local Service Providers

In conducting investment manager or other professional services searches, the Board shall give consideration to qualified minority, emerging and local managers whose economic value to the Fund, its participants and beneficiaries is comparable to other investment managers currently available to the Fund. For purposes of this policy, the terms:

1. "Minority" means individuals socially and economically disadvantaged due to their race or ethnic background, including but not limited to: African Americans, American Indians, Hispanic Americans, Asian Americans, Native Hawaiians, disabled veterans and women.
2. "Emerging Investment Manager" means an investment advisor with assets under management of at least \$10 million and less than \$1 billion.
3. "Local" means a service provider located in the Jacksonville metropolitan area, including Baker, Clay, Nassau, and St. John counties.
4. To qualify as a minority or emerging investment manager, such firm shall:
 - a. Be domiciled in the United States and be a Registered Investment Adviser with the SEC;
 - b. For minority, be owned (having a controlling interest in the firm of at least 51%) or controlled by individuals who are minority as defined above and such minority owners be involved in the daily business operation of the firm;
 - c. The firm must have experience in the management of institutional portfolios operated under prudent person standards;
 - d. The firm, or the firm's principals in former associations, must have a

verifiable 3-year performance record for the product being offered compliant with Global Investment Performance Standards (GIPS) and at least 5 years of investment experience;

- e. At the time of selection, the Fund's account shall comprise no more than 10% of the manager's assets under management in the proposed strategy; and
 - f. The minimum search criteria regarding investment performance for the strategy under consideration used for majority (non-minority) manager shall apply.
5. Local service providers may include; appraiser, architect, auditor, building construction, building maintenance, building supplies, office equipment, and office supplies.

J. Economically Targeted Investments and Socially Responsible Investments.

The Fund will consider various investment programs that are occasionally referred to as economically targeted investments (e.g. investments providing collateral benefits) or socially responsible investments. However, such considerations shall be based solely upon the expected return and risk characteristics of an investment approach and its impact on the success of the program as a whole. In order for such programs to receive serious consideration, they must address three basic minimum requirements:

- 1. Investments designated with below-market rates of return or other concessionary terms are not acceptable because they compromise the Fund's risk-return standards and conflict with the Trustee's fiduciary responsibilities. Investments must yield an expected rate of return commensurate with the recognized level of risk of the investment.
- 2. Investments must meet the diversification and credit standards established by the Fund.
- 3. Asset strategies should anticipate the cash needs of the Fund.

VIII. ROLES AND RESPONSIBILITIES:

A. Custodian Bank.

The Board shall retain a bank or trust company to act as custodian bank for the Fund's assets. Such custodian shall be responsible for the safekeeping of all the Fund's assets put under its custody, as well as the regular valuation of Fund assets and settlement of investment manager's trades on behalf of the Fund. In order to maximize the Fund's return, no money should be allowed to remain idle and uninvested. Dividends, interest, proceeds from sales, new contributions and all other monies are to be invested promptly upon receipt. Consistent with these requirements, the custodian bank shall be responsible for the following functions:

1. Accept daily instructions from the investment managers;
2. Advise investment managers daily of changes in cash equivalent balances;
3. Immediately advise investment managers of contributions and withdrawals from their account;
4. Notify investment managers of tenders, rights, fractional shares or other dispositions of holdings;
5. Resolve any custodial account problems that investment managers may have relating to the custodial account;
6. Safekeeping of securities;
7. Collection of all-interest and dividends;
8. Daily cash sweep of idle cash balances;
9. Process all investment managers security transactions;
10. Collect proceeds from maturing securities and sale transactions;
11. Make cash disbursements as directed;
12. Provide monthly statements based on cost and fair market value for each security in each investment manager account and a consolidated statement of all assets under custody to the Trustees and investment consultant;
13. Provide a dedicated account representative and back-up to assist Fund staff in all needs relating to the custody and accountability of the Fund's assets;
14. Managing and/or assisting the securities lending program as directed by the Board.
15. Provide a schedule of commissions paid and brokers used by each investment manager;
16. Provide other reports mutually agreed upon by the custodian bank and the Board;
17. Provide any other tasks necessary for the effective safekeeping, valuation or administration of Fund assets; and
18. Distribute proxies to all investment managers.

B. Investment Managers.

The duties and responsibilities of each of the investment managers retained by the Board include:

1. Managing the assets under its administration in accordance with the investment mandate and investment style assigned by the Board.
2. Managing the assets under its administration in accordance with the Policy guidelines and objectives expressed herein, or as otherwise expressed in a separate individually prepared manager guidelines and instructions (see sample as Exhibit F).
3. Exercising full investment discretion within the guidelines and objectives stated herein. Such discretion includes decisions to buy, hold or sell securities in amounts and proportions reflective of the investment manager's current investment strategy and in compliance with the Policy.
4. Promptly informing the Board regarding all significant matters pertaining to the investment of the Fund assets, for example:
 - a. Substantive changes in their investment outlook, investment strategy, asset allocation, investment products utilized, portfolio structure and market value of managed assets;
 - b. The manager's progress in meeting the investment objectives set forth in this document;
 - c. Significant changes in the ownership, ownership affiliations, organizational structure, financial condition, professional personnel staffing, and clientele of the investment management organization;
 - d. Change in the assigned portfolio manager(s) and all other matters affecting the relationship with the Fund;
 - e. Changes in regulatory registration or enforcement action;
 - f. If the firm or any of its officers or account managers are being sued by a client which is a tax-exempt fund or by any of the participants of such a fund, or by the U.S. Department of Labor or the Internal Revenue Service or under sanction or investigation by the Securities and Exchange Commission, as an outgrowth of the firm's money management services.
5. Initiating written communication with the Board whenever the investment manager believes that this Statement of Investment Policy or guidelines reflected herein should be altered. No deviation from guidelines and objectives established in the Policy should occur until after such communication has occurred and the Pension Trustees have approved such deviation in writing.
6. The Fund's investment managers shall discharge their responsibilities in the same manner as if the Fund were governed by the fiduciary responsibility provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Although the Board acknowledges that ERISA does not

apply to the Fund as a governmental retirement plan, it hereby imposes the fiduciary provisions of ERISA upon each investment manager whose performance shall conform to the statutory provisions, rules, regulations, interpretations and case law of ERISA. Where applicable, each investment manager shall acknowledge within the investment advisory agreement that it is a fiduciary, as that term is defined by ERISA, of the Fund or commingled fund in which the Fund is invested. Each investment manager shall be responsible only for those assets under its management. It is expected that Fund assets will be invested with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent professional investment manager, acting in a like capacity and familiar with such matters, would use in the investment of the assets.

7. Unless otherwise approved on an exception basis and fully disclosed to the Board in advance, investment managers shall not: custody assets under their control, execute trades through brokers affiliated with the investment manager or the Fund's investment consultant or custodian bank, or otherwise pay any fees, compensation or gratuities to the Fund's investment consultant or custodian.
8. Each investment manager is expected to provide all reasonable information to the custodian bank necessary for the timely and effective management and trade settlement of its account, including information on trades, cash balances, and pricing discrepancies.
9. Unless otherwise provided by the custodian bank through a cash sweep vehicle, each investment manager will invest cash reserves in permissible cash equivalent securities in order to minimize uninvested cash balances.
10. All investment transactions shall be completed on a best price, best execution basis (see Section XII (C) for a more complete discussion on brokerage programs and best execution). Understanding that the investment managers, as fiduciaries, have the responsibility to execute all transactions in the best interest of the Fund, the Board reserves the right to set specific brokerage policies.
11. The Pension Trustees have delegated to each investment manager the responsibility to vote any and all proxies. The investment managers have the responsibility to vote solely in the best interest of the Fund's participants and to protect the value of the securities within the Fund. Each investment manager is responsible for maintaining accurate records on how each proxy is voted.
12. Investment managers are also responsible for providing the Fund with a quarterly update on its investment activities for the Fund as well as appropriate commentary, including but not limited to a discussion on proxy voting and commission recapture activities. See Section XI (B) for further discussion on the contents of the Quarterly Investment Manager's Report.

C. Board of Pension Trustees.

The Board of Pension Trustees has the sole authority and responsibility for the investment of Police and Fire Pension assets. The Police and Fire Pension Fund Board of Trustees consists of five members, of who, two shall be legal residents of the City appointed by the City Council; one shall be a Police Officer elected by a majority of the Police Officers who are members of the Fund, one shall be a Firefighter elected by a majority of the Firefighters who are members of the Fund, and the fifth is chosen by a majority of the other four members.

The term of the Trustees is four years and they may succeed themselves. The Board has statutory responsibility for the investment of Police and Fire Pension Fund assets, subject to limitations on investments as outlined in Sections 175/185 Florida Statutes and Article 22; Charter, City of Jacksonville. The Board shall discharge its fiduciary duties in accordance with the Florida statutory standards of care as contained in section 215.47(9) Florida Statutes.

Consistent with these duties, the Board is charged with the responsibility to review the Fund's total investment program. As a part of this effort, the Board shall develop and approve a Statement of Investment Policy and provide overall direction in the implementation and execution of such Policy Statement. The Board delegates responsibilities to the Administrator for the implementation of the Statement of Investment Policy and in the provision of administrative oversight of the Investment Managers to ensure that the Board's policies are being properly implemented.

In addition to these duties and responsibilities, the Board retains the authority to establish general administrative rules and procedures for the effective and efficient administration of all aspects of the Fund's operations that are not inconsistent with the powers and directives of other governing and administrative bodies who retain jurisdiction over such matters

D. Fund Administrator.

The Fund Administrator is assigned the responsibility of ensuring that the Statement of Investment Policy, along with all other broad policy guidance and directives promulgated by the Board, are being properly implemented.

The Fund Administrator is also charged with the responsibility for managing and directing all administrative, personnel, budgeting, and support functions, including recommending the strategic and tactical allocation of investment assets in consultation with the investment consultant. The Fund Administrator is charged with developing specified asset class investment portfolio objectives and policy guidelines, and providing the Board with monthly and quarterly reports of investment activities provided by the investment consultant.

The Administrator has the responsibility for recommending policies for maintaining diversified portfolios and maximizing returns with respect to the broad diversified market standards of individual asset classes, consistent with appropriate risk constraints. The Administrator is responsible for recommending changes respecting the appropriateness of the goals and objectives in this Plan in light of actuarial

studies and recommending timely changes to the Board when appropriate. The Administrator is also responsible for ensuring that an appropriate system of internal controls is developed to safeguard the assets of the Fund.

E. City Treasurer.

The City Treasurer is also Treasurer of the Fund and is responsible for the reconciliation of bank statements relating to the Fund's Equity in City Pooled Cash, the administration of certain wire transfers and ACH payments, the issuance of stop pays and replacements, the provision of check stock, the printing of pension payroll checks and the affixing of facsimile signatures thereto.

F. Investment Consultant.

The primary duty of the investment consultant (hereinafter "Consultant") is to provide investment advice to the Board and to assist the Fund Administrator and staff in the implementation of the Board's directives and management of the investment process. This includes meeting regularly with the Board to provide information, market perspective, and evaluation as to the Fund's goals, objectives, limitations, investment structure and investment performance as a part of the overall development, implementation and monitoring of a diversified investment portfolio.

Specific duties of the Consultant include:

1. Making recommendations to the Board of appropriate actions which will enhance the probability of achieving Fund objectives such as use of various asset classes, implementation of investment strategy, changes in investment policy, and changes in investment managers or other service providers;
2. Assist the Board in developing appropriate asset mixes through the development of regular asset-liability studies;
3. Assisting the Board in deploying an appropriate asset mix through the development of specific investment strategies and supporting policies;
4. Making recommendations to the Board with respect to rebalancing;
5. Providing comprehensive evaluation of the investment results of the Fund and its individual asset managers in light of this Policy;
6. Notifying the Board of changes in the structure, personnel, ownership, or process of managers serving the Fund;
7. Conducting searches for investment managers and other service providers as necessary and making recommendations for such positions;
8. Disclosing potential conflicts of interest as they become known; and
9. Providing ad hoc investment research and other support as may be necessary to support the board's educational and informational needs.

The standard of prudence to be exercised by the Consultant shall be the "prudent investor rule", as described in Section 518.11, Florida Statutes.

The Consultant is acknowledged to be a fiduciary, as it relates to its services and advice provided to the Fund. In discharging its contractual responsibilities, the Consultant recognizes that its fundamental obligations are to the Board and the members of the Fund, and that it will place the interests of the Board and the

members of the Fund above all others. Consistent with this focus, the Consultant will not enter into any agreement or take any action contrary to its fundamental responsibilities and obligations.

One of the fundamental roles of the Consultant is to provide an independent, unbiased perspective on the Fund's goals, structure, policies, performance and managers. In preserving and maintaining this independent advisory role, the Consultant shall ensure that through words, deeds, and financial relationships, it is insulated from conflicts of interest. In this regard, the Consultant has an affirmative duty of full and fair disclosure of all material facts to the Fund regarding all issues and relationships that relate to the subject of independence and conflict of interest.

The Consultant additionally maintains an obligation to the Board to disclose all forms of pertinent information on investment managers employed by the Board, various sources of the Consultant's compensation, and other aspects of the Fund's investment program that a reasonable person in like posture would deem pertinent to the Board's area of interest and concerns.

In an effort to avoid any appearance of conflicts of interest and to maintain the highest degree of objectivity and independence, the brokerage affiliate(s) of the investment consultant shall not be eligible to participate in the Fund's transition management programs authorized from time to time by the Trustees.

G. Other External Service Providers.

1. The Fund shall retain an actuary to prepare actuarial valuations and impact statements as well as periodic reviews of actuarial assumptions and experience of the Fund.
2. The Fund shall retain accounting professionals to independently audit financial records and review internal controls.
3. The Fund shall retain legal counsel to provide support for the legal needs of the Fund.

IX. FUND PERFORMANCE MEASUREMENT STANDARDS:

A. Scope of Assessment.

The investment performance of the pension assets will be measured by an independent performance measurement firm, usually the investment consultant and evaluated on a monthly basis to determine whether:

1. The Total Fund and investment managers performed in adherence to the investment policy guidelines set forth herein.
2. The investment managers have employed the investment philosophy or style of investing that they were hired to perform.
3. The Total Fund and investment managers performed satisfactorily when

compared to the objectives identified in this Statement, in addition to the returns generated by similarly managed funds.

B. Long-Term Evaluation.

The measurement period for the long-term evaluation of investment performance will be rolling three to five year periods and thereby approximating a complete market cycle-

C. Benchmark Comparisons.

The Board shall establish performance standards for each investment manager in each asset class and investment style. Such performance standards or benchmark comparisons shall be reduced to writing and shall be included within the investment advisory agreement executed between the Board and the investment manager. Said performance standards shall be reviewed on not less than an annual basis.

The investment returns generated on the various categories of pension assets shall be compared against the following benchmarks, indicators and peer groups. In addition to the evaluation of investment returns, the level of risk assumed by the total fund and the individual portfolios will be examined.

1. Total Fund:

- a. The Policy Index
- b. A database of similarly managed funds (as measured by the investment consultant).
- c. The actuarial interest assumption for rate of return.
- d. The Consumer Price Index (CPI-U) as a broad measure of inflation.

2. Asset Class:

- a. The Russell 3000 Index (for overall composite performance of domestic equities).
- b. The MSCI AC World ex US Index (for overall composite performance of international equities).
- c. The Barclays Aggregate Index (for overall composite performance of domestic investment grade fixed income) and the Barclays Universal Index (for overall composite performance of core plus fixed income).
- d. The NCREIF Property Index - ODCE (for Core real estate investments).
- e. The average 90 - Day Treasury Bill Rate (for cash equivalents).

3. Equity Investment Managers:
 - a. Appropriate broad market style indices reflecting each manager's style mandate (i.e. Russell 1000 Value Index for the Large Cap Value Style, etc.).
 - b. A peer database of equity managers employing a similar investment style (i.e. Large Cap Growth, Small Cap Value, etc.).
 - c. Specialized indices (where the application of one or more of the above are not appropriate).
4. Fixed Income Investment Managers:
 - a. Appropriate broad market style indices reflecting each manager's style mandate (i.e. Barclays Aggregate Index for the Domestic Investment Grade Style, etc.).
 - b. A peer database of fixed income managers employing a similar investment style (i.e. Core, Core Plus, High Yield, etc.).
 - c. Specialized indices (where the application of one or more of the above are not appropriate).
5. Real Estate Managers:
 - a. NCREIF Property Index - ODCE (for all Core Real Estate Managers).
 - b. NCREIF Timberland Index (for Timberland Managers).
 - c. Other Real Estate related strategies (e.g. REIT's, MLP's, etc. shall use appropriate indicies).
6. Other Alternative Investment Managers.
 - a. Appropriate Alternative Investment Index.

D. Target Goals.

The total investment return performance of the Fund and individual Investment Managers should rank above median when compared to a representative universe of other similarly managed public fund portfolios measured over rolling three to five-year period of time.

E. GIPS Standards.

All investment performance analyses and results shall conform to the GIPS (formerly AIMR) Standards.

X. REPORTING REQUIREMENTS:

A. General Reporting Requirements.

The Board directs the Administrator to coordinate the preparation of monthly, quarterly and annual reports on the investment performance of the Fund by the Board's independent investment consultant and to prepare:

1. An annual investment report of the Fund to the Division of Retirement and the governing body of the unit of local government.
2. An annual financial report of the Fund's general operations as presented with the report from the independent auditor.
3. A monthly report of investment actions taken.
4. A monthly report of the commission recapture and securities lending programs, if any.
5. Special investment reports pursuant to Section 215.47(6) Florida Statutes.
6. Special studies as directed by the Board.

B. Quarterly Investment Managers Report.

Each investment manager employed by the Fund shall prepare and submit a quarterly report on investment and related activities to the Pension Trustees, staff, and the investment consultant within forty-five days after the end of each calendar quarter. However, such investment managers may be directed by the Trustees to prepare reports on a more frequent basis. Such reports should contain the following information:

1. An analysis of investment holdings including cost and market value.
2. An analysis of securities purchased/sold including gains and losses realized.
3. Investment performance and attribution.
4. An analysis of portfolio characteristics (i.e. by sectors, industries, etc.).
5. Market outlook/economic forecast and market strategy.
6. Any change in the organization or the investment philosophy or strategy to be employed.
7. A report of commission costs, brokers utilized and all portfolio directed brokerage activities.
8. A report of proxy voting activities.

9. Any significant changes in personnel or ownership of the firm.

C. Annual Investment Manager Presentations.

Each investment management organization is expected to be available to send a representative, at least annually, at a date and time to be designated by the Board, to present a written report of the investment results for the prior quarter. The presentation should generally cover the written quarterly report described above in Section X(B). The actual frequency and schedule of presentations to be made in person by individual investment management organizations shall be determined by the Pension Trustees who shall direct the attendance of such organizations by invitation. All such investment managers who shall be invited to make presentations in person at a regular meeting of the Board shall bear their own costs and expenses in traveling to Board meetings.

D. Monthly and Quarterly Investment Performance Evaluation.

1. The Board of Trustees shall review the investment activities and investment performance of the Fund and each portfolio manager on a regular basis to assure compliance with the goals, objectives and guidelines contained in this Statement of Investment Policy. The Fund's investment consultant shall assist the Board in interpreting investment results and assessing investment manager performance.
2. The investment consultant shall be available to attend each monthly meeting of the Board and shall prepare and present at such meetings a monthly flash report, in writing, analyzing the performance of each investment manager. Such monthly presentations may be accomplished by conference call or video conferencing. Reports of quarterly, annual and multi-year performance shall also be compiled by the investment consultant as appropriate. Within such reports, the investment consultant shall advise the Board as to the relative performance of the Fund as a whole, each asset class composite and each investment manager as compared to the various stock, bond and cash indices which are generally accepted in the investment market place. The investment consultant shall also make written recommendations at each monthly or quarterly meeting, as needed, regarding the retention or discharge of investment managers, asset allocation or recommended changes to the Statement of Investment Policy.
3. Performance benchmarks shall include those stated in this Policy as well as comparisons to similar types of funds with similar market value and asset allocation. Investment performance will be compared using a statistically valid universe provided by the investment consultant as authorized by the Board. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this Statement of Investment Policy.
4. While the Board intends to fairly evaluate the portfolio performance, it reserves the right to change investment managers, without liability except

payment of current charges, for any reason which in the exercise of the Board's discretion is deemed sufficient, including but not limited to those stated below.

- a. Change of Board's investment philosophy;
- b. Poor results;
- c. Failure to meet stated performance goals;
- d. Failure to meet Board's communication and reporting requirements;
- e. Deviation from the stated investment philosophy or style for which the investment management firm was hired;
- f. Change of decision-making personnel or ownership of the investment management firm; or
- g. Regulatory action or litigation.

XI. PROXY VOTING POLICY:

A. Background.

The Trustees shall be responsible for exercising all proxies on equity securities held by the Fund. The Trustees shall comply on a voluntary basis with the standards of the Employee Retirement Income Security Act of 1974 ("ERISA") in the voting of proxies.

Proxy voting rights are valuable assets of pension plans as determined by the Department of Labor in 1988. This determination resulted in the subsequent publication of Interpretive Bulletin 94-1 by the Department of Labor wherein the Department established that it was a duty of employee benefit plan fiduciaries to vote proxies appurtenant to shares of corporate stock held by their plans. As such, there is an inherent fiduciary responsibility to ensure that this asset is being appropriately managed and voted in the best interest of the stock owner. The Pension Trustees recognize the proxy voting decision as a fiduciary responsibility of stock ownership and, as such, exercises its fiduciary obligations under the Prudent Expert Rule.

B. Authority.

The City of Jacksonville grants fiduciary responsibility to the Board by City Charter and by Ordinance. This responsibility requires that a fiduciary act in the same manner as a similarly situated prudent person knowledgeable and familiar in such matters. The Pension Trustees responded to this fiduciary responsibility by assigning and delegating the proxy voting duties to the investment managers.

C. Delegation.

The Board shall, by contract or other agreement, provide for the delegation of proxy voting responsibilities to the various investment managers and the Trustees shall monitor the voting of the investment managers. Upon the delegation of such proxy voting responsibilities, each investment manager shall concurrently assume the related liability for making proxy voting decisions. This delegation on the part of the Board is based primarily upon the theory that since the investment manager's

expertise led to the selection of the stock, the investment managers could most knowledgeably vote on proxy issues. Each investment manager must independently make proxy voting decisions based on its own analysis. Nothing contained within the Board's policy shall direct an investment manager on how to vote proxies, nor will the Board exercise undue influence over any proxy voting decisions.

D. Procedure.

The investment managers will execute proxies for the Plan pursuant to these written guidelines as adopted by the Board. The investment managers cannot be relieved of this delegated authority and have full responsibility and accordingly will be liable for failing to meet the applicable standard of care in voting proxies. Failure to vote proxies without written explanation (for such failure to vote proxies) to the Board or in fulfilling its fiduciary obligations may result in the investment manager being terminated from its appointment.

E. Guidelines.

The voting of proxies by the Investment Managers will be executed under the following set of guidelines:

1. Each investment manager is required to vote on all proxies received for those securities held within the investment account under their administration.
2. Appropriate and accurate records of all proxy votes, including the rationale for the voting decision, shall be maintained by the investment managers and must be available for the review and inspection of the Trustees and/or any agents acting in their behalf.
3. Voting will be exercised with the care, skill, diligence, and prudence as a knowledgeable expert and the investment manager will conduct a thorough and independent investigation of the merits and possible alternatives of each proxy vote. Furthermore, it is the duty of the investment manager to vote by weighting the long-term versus the short-term benefits of every proposal.
4. The investment managers shall have the responsibility, acting on behalf of the Board, to vote all proxies for the benefit of the Fund assets and their present or future value. At no time will an investment manager compromise its undivided loyalty to the interests of the Plan participants and the enhancement of the valuation of Fund assets. Accordingly, in the performance of their proxy voting responsibilities, the investment managers shall not accept directions from other parties or vote proxies exclusively for management without an appropriate analysis of the underlying issues.
5. Investment managers who have a conflict of interest in the exercise of the above described loyalty to the best interest of the Plan participants and the valuation of Fund assets on any proxy voting decision must immediately notify the Trustees and stand aside for the vote. Under such situations, the Board will execute the proxy after a complete examination of the issues and the alternatives.

6. Voting will be exercised in accordance with the provisions of this Investment Policy Statement, or otherwise expressed in a separate written understanding.
7. In a manner consistent with the above described parameters to the Board's guidelines, each investment manager should develop and present to the Board a set of Proxy Voting Guidelines for securities held for the Fund. A published and accepted set of Proxy Voting Guidelines will be considered appropriate documentation supporting the rationale for routine matters voted in accordance with such guidelines. All significant proxy voting decisions will require appropriate documentation supporting the rationale for the vote. Managers with no guidelines must provide documentation supporting the rationale on all proxy votes.

F. Records and Reporting.

Each investment manager must keep accurate records of its proxy voting activities. These records must be sufficient to allow the Board to carry out its fiduciary responsibility through periodic review of not only the investment manager's voting procedures but also the actions on specific situations so as to determine whether the investment manager is fulfilling its fiduciary obligations. All such records shall be maintained in accordance with the Florida Public Records Act which is reflected in Chapter 119 of the Florida Statutes.

Each investment manager must match the proxies received with the plan's holdings as of the record date. Provided the custodian bank has forwarded the proxy material to the investment manager in a timely fashion, each investment manager must make a reasonable effort to guarantee that the proxies are received by the organization prior to the voting date.

Investment managers are required to include a summary of their voting record on significant proxy items within the context of the quarterly investment report submitted to the Board. Investment managers must be prepared to respond to questions regarding proxy voting from the Board.

XII. OTHER:

A. Annual Audit.

It is the policy of the Board of Pension Trustees to retain an independent Certified Public Accountant for the preparation of an annual financial report.

B. Asset Values.

The market value of the assets for accounting purposes, actuarial purposes, payment of investment managers, and for purposes of measuring investment performance shall be based upon the market value assigned by the custodian bank.

C. Soft Dollar Arrangements of Advisors and Commission Recapture/Directed Brokerage Programs and Best Execution.

The Fund fully expects that all “soft dollar” practices and arrangements developed by the Fund’s investment advisors and their broker-dealers shall conform to the safe harbor protections described in Section 28(e) of the Securities and Exchange Act of 1934. Adherence to such safe harbor provisions protect advisors from client claims that they had breached their fiduciary duties in causing a client to pay more than the lowest commission rates if the advisor determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services provided. In accordance with these provisions, advisors should not acquire products and services other than brokerage or research pursuant to soft dollar arrangements. Eligible research products and services are represented by lawful and appropriate assistance to the money manager in carrying out his investment decision-making responsibilities. Departures from these standards may constitute violations of the advisor’s fiduciary duties to the Fund as well as a violation of federal securities laws. Investment advisors must also disclose certain information about their brokerage allocation policies in items 12 and 13 of Part II of Form ADV.

Advisors have an obligation to obtain the best execution of securities transactions when they arrange for or execute trades on behalf of clients or customers. In the pursuit of this standard, advisors have an obligation to act in the best interest of their clients and to place the clients’ interest before their own. Advisors also have an affirmative duty of full and fair disclosure of all material facts to their clients regarding brokerage policies. However, advisors are not obligated to obtain the lowest possible commission cost, but rather should seek to obtain the most favorable terms for a client’s transaction reasonably available under the circumstances. In the context of soft dollars, a money manager should consider the full range and quality of a broker’s services in placing brokerage, including, among other things, the value of research provided as well as execution capability, commission rate, financial responsibility, and responsiveness to the money manager. The brokerage commission includes the actual cost of the trading function; principally executing the trade; clearing; settling; custody; and the brokerage firm’s profit. The brokerage firm may give up part of their profit to provide credits for investment managers who use these credits to pay for research and/or other costs associated with the investment process. The commission dollars that a brokerage firm relinquishes in this manner are termed “soft dollars”. In “soft dollar” arrangements, an investment advisor selects the brokers that will execute trades and provide research and other services to the advisor. In contrast, a “commission recapture” or “directed brokerage” arrangement (terms used interchangeably), is a process whereby pension plans receive a rebate resulting from brokerage transactions incurred through the pension plans’ investment managers. This rebate represents a portion of commissions (equity trades) or spreads (fixed income trades) charged on these investment transactions. Under these arrangements, the pension plan asks its advisor, subject to the advisor’s satisfaction that the pension plan is receiving best execution, to direct commission business to a particular broker(s) that has agreed to provide services, pay obligations, or make cash rebates to the client. Any commission recapture program established by the Fund, shall be limited to cash rebates made payable to the Fund and/or the Fund’s custodian bank and fully reported as commission recapture revenues within the Fund’s financial reporting system. Commission Recapture distributions shall not be accepted by the Fund in the form of payments on behalf of the Fund for goods and

services to third parties or for services provided by the broker.

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. If the advisor concludes in his judgment that the commission recapture broker(s) is not offering best execution, the advisor possesses a fiduciary obligation to seek other brokers to accomplish the desired transaction. Advisors may also employ the use of “step-out” trades* in the event that the advisor has concerns as to his ability to obtain best execution through a commission recapture broker.

The Fund may enter into commission recapture arrangements with several different brokers so as to provide a range of choices to investment advisors in their efforts and responsibilities to seek best execution. The Fund will make the listing of commission recapture brokers known to the various investment advisors; however, the Fund will not stipulate or dictate the level of commission dollars to be processed through the Fund’s commission recapture arrangements. The level of commission dollars to be recaptured is solely based upon the judgment of the investment advisor.

When a manager is considering a series of security transactions and is contemplating the use of a mixture of directed and non-directed trades, the manager would frequently package the non-directed trades together as a block, and then initiate the directed trades individually. The first block of non-directed trades would frequently get a better price than the later individual directed trades, causing less than best execution for the directed trades. These potential disadvantages through the use of individual directed trades may be mitigated through the use of “step-out” trades. Under this mechanism, managers ask non-directed brokers to transfer (step-out) a certain percentage of transactions to directed brokers. Thus, directed transactions get the same execution as non-directed transactions, in addition to plan sponsors getting their directed rebate.

D. Transition Management.

The Board reserves the discretion to authorize the use of a transaction management program in conjunction with a change in investment manager relationships on a case by case basis. However, in the event that the Trustees elect to pursue a transaction management program, the brokerage firm which is authorized to administer the transaction shall in no way be affiliated with the Fund’s investment consultant.

E. Written Contracts.

Each investment manager shall enter into a written contract with the Board, unless a pooled account governed by its own prospectus or trust document, so the following applies. Each contract shall include an acknowledgment by the investment manager that it is familiar with the Ordinances of the City of Jacksonville and the provisions

of Florida Statutes Chapters 112, 175 and 185. Said contracts shall also provide that the investment manager shall make no purchases of securities that are prohibited by law and, in the event such a purchase is made, shall make the Fund whole for any loss incurred in the divestiture of said investment. Said contract shall also provide that the laws of Florida shall govern and that venue for any legal action shall be in Duval County, Florida. Said written contract shall also provide that in the event legal action is necessary by the Fund to enforce said contract that the investment manager shall, in the event the Fund prevails, reimburse the Fund for its reasonable costs and attorney's fees. All written contracts shall set forth a specific duration, but in no event shall any contract be terminative on less than 10 days written notice. Each contract shall set forth with specificity the fees charged by the investment manager to the Fund. All investment manager contracts shall further set forth that the investment manager is registered as an Investment Advisor under the Investment Advisors Act of 1940, (unless exempted from such registration due to the investment manager being a bank as defined in the Act or a qualifying insurance company or for other reasons that may be approved by the Trustees on a case by case basis) and is qualified by law to engage in the management of the assets which are the subject of the contract. All written contracts shall be executed by the Chairman and Secretary of the Fund and attested by the Fund Administrator. The Statement of Investment Policy adopted by the Board shall be attached to each Investment Manager contract and incorporated by reference.

F. Board Approval Date.

The general structure of the Fund's Statement of Investment Policy described herein was approved, by action of the Board of Trustees on November 18, 1999. Minor modifications to the Statement of Investment Policy were enacted by action of the Board on March 16, 2000 and August 16, 2000. Additional modifications to the Investment Policy Statement were adopted by the Trustees on May 20, 2004. Major modifications to the Statement of Investment Policy were adopted by the Trustees on June 16, 2009 and December 20, 2012. The current form of the Statement of Investment Policy was adopted by the Trustees on August 12, 2016 to adopt actions taken by the Board in 2015 and 2016.

EXHIBIT A

518.11 Investments by fiduciaries; prudent Investor rule. -

- (1) A fiduciary has a duty to invest and manage investment assets as follows:
 - (a) The fiduciary has a duty 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. If the fiduciary has special skills, or is named fiduciary on the basis of representations of special skills or expertise, the fiduciary is under a duty to use those skills.
 - (b) No specific investment or course of action is, taken alone, prudent or imprudent. The fiduciary may invest in every kind of property and type of investment, subject to this section. The fiduciary's investment decisions and actions are to be judged in terms of the fiduciary's reasonable business judgment regarding the anticipated effect on the investment portfolio as a whole under the facts and circumstances prevailing at the time of the decision or action. The prudent investor rule is a test of conduct and not of resulting performance.
 - (c) The fiduciary has a duty to diversify the investments unless, under the circumstances, the fiduciary believes reasonably it is in the interests of the beneficiaries and furthers the purposes of the trust, guardianship, or estate not to diversify.
 - (d) The fiduciary has a duty, within a reasonable time after acceptance of the trust, estate, or guardianship, to review the investment portfolio and to make and implement decisions concerning the retention and disposition of original preexisting investments in order to conform to the provisions of this section. The fiduciary's decision to retain or dispose of an asset may be influenced properly by the asset's special relationship or value to the purposes of the trust, estate, or guardianship, or to some or all of the beneficiaries, consistent with the trustee's duty of impartiality, or to the ward.
 - (e) The fiduciary has a duty to pursue an investment strategy that considers both the reasonable production of income and safety of capital, consistent with the fiduciary's duty of impartiality and the purposes of the trust, estate, or guardianship. Whether investments are under productive or over productive of income shall be judged by the portfolio as a whole and not as to any particular asset.
 - (f) The circumstances that the fiduciary may consider in making investment decisions include, without limitation, the general economic conditions, the possible effect of inflation, the expected tax consequences of investment decisions or strategies, the role each investment or course of action plays within the overall portfolio, the expected total return, including both income yield and appreciation of capital, and the duty to incur only reasonable and appropriate costs. The fiduciary may, but need not, consider related trusts, estates, and guardianships, and the income available from other sources to, and the assets of, beneficiaries when making investment decisions.
- (2) The provisions of this section may be expanded, restricted, eliminated, or otherwise altered by express provisions of the governing instrument, whether the instrument was executed before or after the effective date of this section. An express provision need not refer specifically to this statute. The fiduciary is not liable to any person for the fiduciary's reasonable reliance on those express provisions.
- (3) Nothing in this section abrogates or restricts the power of an appropriate court in proper cases:
 - (a) To direct or permit the trustee to deviate from the terms of the governing instrument; or
 - (b) To direct or permit the fiduciary to take or to restrain the fiduciary from taking, any action regarding the making or retention of investments.
- (4) The following terms or comparable language in the investment powers and related provisions of a governing instrument shall be construed as authorizing any investment or strategy permitted under this section: "investments permissible by law for investment of trust funds", "legal investments", "authorized investments", "using the judgment and care under the circumstances then prevailing that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital", "prudent trustee rule", "prudent person rule", and "prudent investor rule".
- (5) This section applies to all existing and future fiduciary relationships subject to this section, but only as to acts or omissions occurring after October 1, 1993.

EXHIBIT B

Fiduciary Duties per ERISA Section 404(a)(1)(A) through (C)

ERISA Sec. 403

FIDUCIARY DUTIES

[P 14,740]

Act Sec. 404. (a)(1) Subject to sections 403(c) and (d), 4042, and 4044, a fiduciary shall discharge his duties with respect to a plan solely in the interest of the participants and beneficiaries and –

(A) for the exclusive purpose of:

- (i) providing benefits to participants and their beneficiaries; and
- (ii) defraying reasonable expenses of administering the plan;

(B) with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

(C) by diversifying the investments of the plan so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and

(D) in accordance with the documents and instruments governing the plan insofar as such documents and instruments are consistent with the provisions of this title or Title IV.

In the case of an eligible individual account plan (as defined in section 407(d)(3)), the diversification requirement of paragraph (1)(C) and the prudence requirement (only to the extent that it requires diversification) of paragraph (1)(B) is not violated by acquisition or holding of qualifying employer real property or qualifying employer securities (as defined in section 407(d)(4) and (5)).

EXHIBIT C

Investment Policy Standards per Section 112.661, Florida Statutes

112.661 Investment policies. – Investment of the assets of any local retirement system or plan must be consistent with a written investment policy adopted by the board. Such policies shall be structured to maximize the financial return to the retirement system or plan consistent with the risks incumbent in each investment and shall be structured to establish and maintain an appropriate diversification of the retirement system or plan's assets.

(1) SCOPE. – The investment policy shall apply to funds under the control of the board.

(2) INVESTMENT OBJECTIVES – The investment policy shall describe the investment objectives of the board.

(3) PERFORMANCE MEASUREMENT. – The investment policy shall specify performance measures as are appropriate for the nature and size of the assets within the board's custody.

(4) INVESTMENT AND FIDUCIARY STANDARDS. – The investment policy shall describe the level of prudence and ethical standards to be followed by the board in carrying out its investment activities with respect to funds described in this section. The board in performing its investment duties shall comply with the fiduciary standards set forth in the Employee Retirement Income Security Act of 1974 at 29 U.S.C. s. 1104(a)(1)(A)-(C). In case of conflict with other provisions of law authorizing investments, the investment and fiduciary standards set forth in this section shall prevail.

(5) AUTHORIZED INVESTMENTS. –

(a) The investment policy shall list investment authorized by the board. Investment not listed in the investment policy are prohibited. Unless otherwise authorized by law or ordinance, the investment of the assets of any local retirement system or plan covered by this part shall be subject to the limitations and conditions set forth in s. 215.47(1) –(6), (8), (9), (11) and (17).

(b) If a local retirement system or plan has investments that, on October 1, 2000, either exceed the applicable limit or do not satisfy the applicable investment standard, such excess or investment not in compliance with the policy may be continued until such time as it is economically feasible to dispose of such investment. However, no additional investment may be made in the investment category which exceeds the applicable limit, unless authorized by law or ordinance.

(6) MATURITY AND LIQUIDITY REQUIREMENTS. – The investment policy shall require that the investment portfolio be structured in such manner as to provide sufficient liquidity to pay obligations as they come due. To that end, the investment policy should direct that, to the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash-flow requirements.

(7) PORTFOLIO COMPOSITION. – The investment policy shall establish guidelines for investments and limits on security issues, issuers, and maturities. Such guidelines shall be commensurate with the nature and size of the funds within the custody of the board.

(8) RISK AND DIVERSIFICATION. – The investment policy shall provide for appropriate diversification of the investment portfolio. Investments held should be diversified to the extent practicable to control the risk of loss resulting from overconcentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are bought and sold. Diversification strategies within the established guidelines shall be reviewed and revised periodically, as deemed necessary by the board.

(9) EXPECTED ANNUAL RATE OF RETURN. – The investment policy shall require that, for each actuarial valuation, the board determine the total expected annual rate of return for the current year, for each of the next several years, and for the long term thereafter. This determination must be filed promptly with the Department of Management Services and with the plan's sponsor and the consulting actuary. The department shall use this determination only to notify the board, the plan's

sponsor, and consulting actuary of material differences between the total expected annual rate of return and the actuarial assumed rate of return.

(10) **THIRD-PARTY CUSTODIAL AGREEMENTS.** – The investment policy shall provide appropriate arrangements for the holding of assets of the board. Securities should be held with a third party, and all securities purchased by, and all collateral obtained by, the board should be properly designated as an asset of the board. No withdrawal of securities, in whole or in part, shall be made from safekeeping except by an authorized member of the board or the board's designee. Securities transactions between a broker-dealer and the custodian involving purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction.

(11) **MASTER REPURCHASE AGREEMENT.** – The investment policy shall require all approved institutions and dealers transacting repurchase agreements to execute and perform as stated in the Master Repurchase Agreement. All repurchase agreement transactions shall adhere to the requirements of the Master Repurchase Agreement.

(12) **BID REQUIREMENT.** – The investment policy shall provide that the board determine the approximate maturity date based on cash-flow needs and market conditions, analyze and select one or more optimal types of investment, and competitively bid the security in question when feasible and appropriate. Except as otherwise required by law, the most economically advantageous bid must be selected.

(13) **INTERNAL CONTROLS.** – The investment policy shall provide for a system of internal controls and operational procedures. The board shall establish a system of internal controls which shall be in writing and made a part of the board's operational procedures. The policy shall provide for review of such controls by independent certified public accountants as part of any financial audit periodically required of the board's unit of local government. The internal controls should be designed to prevent losses of funds which might arise from fraud, error, misrepresentation by third parties, or imprudent actions by the board or employees of the unit of local government.

(14) **CONTINUING EDUCATION.** – The investment policy shall provide for the continuing education of the board members in matters relating to investments and the board's responsibilities.

(15) **REPORTING.** – The investment policy shall provide for appropriate annual or more frequent reporting of investment activities. To that end, the board shall prepare periodic reports for submission to the governing body of the unit of local government which shall include investments in the portfolio by class or type, book value, income earned, and market value as of the report date. Such reports shall be available to the public.

(16) **FILING OF INVESTMENT POLICY.** – Upon adoption by the board, the investment policy shall be promptly filed with the Department of Management Services and the plan's sponsor and consulting actuary. The effective date of the investment policy, and any amendment thereto, shall be the 31st calendar day following the filing date with the plan sponsor.

(17) **VALUATION OF ILLIQUID INVESTMENTS.** – The investment policy shall provide for the valuation of illiquid investments for which a generally recognized market is not available or for which there is no consistent or generally accepted pricing mechanism. If those investments are utilized, the investment policy must include the criteria set forth in s. 215.47(6), except that submission to the Investment Advisory Council is not required. The investment policy shall require that, for each actuarial valuation, the board must verify the determination of the fair market value for those investments and ascertain that the determination complies with all applicable state and federal requirements. The investment policy shall require that the board disclose to the Department of Management Services and the plan's sponsor each such investment for which the fair market value is not provided.

EXHIBIT D

Authorized Investments Described in Section 215.47, Florida Statutes

215.47 Investments; authorized securities; loan of securities. – Subject to the limitations and conditions of the State Constitution or of the trust agreement relating to a trust fund, moneys available for investments under ss. 215.44-215.53 may be invested as follows:

(1) Without limitation in:

(a) Bonds, notes, or other obligations of the United States or those guaranteed by the United States or for which the credit of the United States is pledged for the payment of the principal and interest or dividends thereof.

(b) Bonds, notes, or obligations of any state or organized territory of the United States or the District of Columbia that pledge the full faith and credit of the state, territory, or district; and revenue bonds, notes, or obligations of any state or organized territory of the United States or the District of Columbia additionally secured by the full faith and credit of the state, territory, or district.

(c) Bonds, notes, or obligations of the several counties or districts in any state or organized territory of the United States or the District of Columbia containing a pledge of the full faith and credit of the county or district involved.

(d) Bonds issued or administered by the State Board of Administration secured solely by a pledge of all or part of the 2-cent constitutional fuel tax accruing under the provisions of s. 16, Art. IX of the State Constitution of 1885, as amended, or of s. 9, Art. XII of the 1968 revised State Constitution.

(e) Bonds issued by the State Board of Education pursuant to ss. 18 and 19, Art. XII of the State Constitution of 1885, as amended, or to s. 9 Art. XII of the 1968 revised State Constitution, as amended.

(f) Bonds issued by the Florida Outdoor Recreational Development Council pursuant to s. 17, Art. IX of the State Constitution of 1885, as amended.

(g) Bonds issued by the Florida State Improvement Commission, Florida Development Commission, Division of Bond Finance of the Department of General Services, or Division of Bond Finance of the State Board of Administration.

(h) Savings accounts in, or certificates of deposit of, any bank, savings bank, or savings and loan association incorporated under the laws of this state or organized under the laws of the United States doing business and situated in this state, the accounts of which are insured by the Federal Government or an agency thereof and having a prime quality of the highest letter and numerical ratings as provided for by at least one nationally recognized statistical rating organization, provided such savings accounts and certificates of deposit are secured in the manner prescribed in chapter 280.

(i) Notes, bonds, and other obligations of agencies of the United States.

(j) Commercial paper of prime quality of the highest letter and numerical rating as provided for by at least one nationally recognized rating service.

(k) Time drafts or bills of exchange drawn on and accepted by a commercial bank, otherwise known as banker's acceptances, which are accepted by a member bank of the Federal Reserve System and are of prime quality of the highest letter and numerical ratings as provided for by at least one nationally recognized statistical rating organization.

(l) Negotiable certificates of deposit issued by domestic or foreign financial institutions in United States dollars of prime quality of the highest letter and numerical ratings as provided for by at least one nationally recognized statistical rating organization.

(m) Short-term obligations not authorized elsewhere in this section to be purchased individually or in pooled accounts or other collective investment funds, for the purpose of providing liquidity to any fund or portfolio.

(n) Securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1

et seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.

(o) Bonds, notes, or obligations described in 26 U.S.C. s. 149(g)(3)(B), if investment in such bonds, notes, or obligations is necessary in order to comply with covenants in documents or proceedings relating to bonds issued pursuant to s. 215.555(6). Investments made pursuant to this paragraph may be purchased only from the proceeds of bonds issued pursuant to s. 215.555(6) and must be authorized under documents or proceedings relating to such bonds.

(2) With no more than 25 percent of any fund in:

(a) Bonds, notes or obligations of any state or organized territory of the United States or the District of Columbia; of any municipality or political subdivision or any agency, district, or authority thereof; or of any agency or authority of this state, if the obligations are rated investment grade by at least one nationally recognized statistical rating organization.

(b) Notes secured by first mortgages, insured or guaranteed by the Federal Housing Administration or the United States Department of Veterans Affairs.

(c) Mortgage securities which represent participation in or are collateralized by mortgage loans secured by real property. Such securities must be issued by an agency of or enterprise sponsored by the United States Government, including, but not limited to, the Government National Mortgage Association, the Federal National Mortgage Association, and the Federal Home Loan Mortgage Corporation.

(d) Group annuity contracts of the pension investment type with insurers licensed to do business in this state which are rated investment grade by at least one nationally recognized rating service.

(e) Certain interests in real property and related personal property, including mortgages and related instruments on commercial or industrial real property, with provisions for equity or income participation or with provisions for convertibility to equity ownership; and interests in collective investment funds. Associated expenditures for acquisition and operation of assets purchased under this provision or of investments in private equity or other private investment partnerships or limited liability companies shall be included as a part of the cost of the investment.

1. The title to real property acquired under this paragraph shall be vested in the name of the respective fund.

2. For purposes of taxation of property owned by any fund, the provisions of s. 196.199(2)(b) do not apply.

3. Real property acquired under the provisions of this paragraph shall not be considered state lands or public lands and property as defined in chapter 253, and the provisions of that chapter do not apply to such real property.

(f) Fixed-income obligations not otherwise authorized by this section issued by foreign governments or political subdivisions or agencies thereof, supranational agencies, foreign corporations, or foreign commercial entities, if the obligations are rated investment grade by at least one nationally recognized rating service.

(g) A portion of the funds available for investment pursuant to this subsection may be invested in rated or unrated bonds, notes, or instruments backed by the full faith and credit of the government of Israel.

(h) Obligations of agencies of the government of the United States, provided such obligations have been included in and authorized by the Florida Retirement System Defined Benefit Plan Investment Policy Statement established in s. 215.475.

(i) United States dollar-denominated obligations issued by foreign governments, or political subdivisions or agencies thereof, supranational agencies, foreign corporations, or foreign commercial

entities.

(j) Asset-backed securities not otherwise authorized by this section.

(3) With no more than 80 percent of any fund in common stock, preferred stock, and interest-bearing obligations of a corporation having an option to convert into common stock, provided:

(a) The corporation is organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia; or

(b) The corporation is listed on any one or more of the recognized national stock exchanges in the United States and conforms with the periodic reporting requirements under the Securities Exchange Act of 1934.

(c) Not more than 75 percent of the fund may be in internally managed common stock.

The board shall not invest more than 10 percent of the equity assets of any fund in the common stock, preferred stock, and interest-bearing obligations having an option to convert into common stock, of any one issuing corporation; and the board shall not invest more than 3 percent of the equity assets of any fund in such securities of any one issuing corporation except to the extent a higher percentage of the same issue is included in a nationally recognized market index, based on market values, at least as broad as the Standard and Poor's Composite Index of 500 Companies, or except upon a specific finding by the board that such higher percentage is in the best interest of the fund.

(4) With no more than 80 percent of any fund, in interest-bearing obligations with a fixed maturity of any corporation or commercial entity within the United States.

(5) With no more than 25 percent of any fund in corporate obligations and securities of any kind of a foreign corporation or a foreign commercial entity having its principal office located in any country other than the United States or its possessions or territories, not including United States dollar-denominated securities listed and traded on a United States exchange which are a part of the ordinary investment strategy of the board.

(6) With no more than 5 percent of any fund to be invested as deemed appropriate by the board, notwithstanding investment limitations otherwise expressed in this section. Prior to the board engaging in any investment activity not otherwise authorized under ss. 215.44-215.53, excluding investments in publicly traded securities, options, financial futures, or similar instruments, the board shall present to the Investment Advisory Council a proposed plan for such investment. Said plan shall include, but not be limited to, the expected benefits and potential risks of such activity; methods for monitoring and measuring the performance of the investment; a complete description of the type, nature, extent and purpose of the investment, including description of issuer, security in which investments proposed to be made, voting rights or lack thereof and control to be acquired, restrictions upon voting, transfer, and other material rights of ownership, and the existence of any contracts, arrangements, understandings, or relationships with any person or entity (naming the same) with respect to the proposed investment; and assurances that sufficient investment expertise is available to the board to properly evaluate and manage such activity. The Investment Advisory Council may obtain independent investment counsel to provide expert advice with regard to such proposed investment activity by the board, and the board shall defray such costs.

(7) The State Board of Administration, consistent with its fiduciary duties, may invest up to 1.5 percent of the net assets of the system trust fund in technology and growth investments of businesses domiciled in this state or businesses whose principal address is in this state. As used in this subsection, the term "technology and growth investments" includes, but is not limited to, space technology, aerospace and aviation engineering, computer technology, renewable energy, and medical and life sciences. For the purposes of this chapter, "life sciences" means the use of information technology, engineering, and biological and chemical sciences for the development and production of goods and services, including, but not limited to, drug development, medical implants and devices, bio-related diagnostic products, bioagriculture technologies, biosecurity, biofuels, and bio-related applications.

(8) For the purpose of determining the above investment limitations, the value of bonds shall be the par value thereof, and the value of evidences of ownership and interest-bearing obligations having an option to convert to ownership shall be the cost thereof.

(9) Investments in any securities authorized by this section may be under repurchase agreements or reverse repurchase agreements.

(10) Investments made by the State Board of Administration shall be designed to maximize the financial return to the fund consistent with the risks incumbent in each investment and shall be designed to preserve an appropriate diversification of the portfolio. The board shall discharge its duties with respect to a plan solely in the interest of its participants and beneficiaries. The board in performing the above investment duties shall comply with the fiduciary standards set for the in the Employee Retirement Income Security Act of 1974 at 29 U.S.C.s.1104(a)(1)(A) through (C). In case of conflict with other provisions of law authorizing investments, the investment and fiduciary standards set for the in this subsection shall prevail.

(11) The board is authorized to buy and sell futures and options, provided the instruments for such purpose are traded on a securities exchange or board of trade regulated by the Securities and Exchange Commission or the Commodity Futures Trading Commission, unless the board by rule authorizes a different market.

(12) The board is authorized to invest in domestic or foreign notional principal contracts.

(13) The State Board of Administration, consistent with sound investment policy, may pledge up to 2 percent of the assets of the Florida Retirement System Trust Fund as collateral for housing bonds issued by the State of Florida or its political subdivisions under chapter 159, part V of chapter 420, or chapter 421 as a supplemental income program for the system. With regard to any collateral program, the State Board of Administration is authorized to coordinate or retain other governmental entities of the State of Florida or private entities to administer this program, as well as receive fees for the use of the designated collateral.

(14) The State Board of Administration, consistent with sound investment policy, may invest the earnings accrued and collected upon the investment of the minimum balance of funds required to be maintained in the State Transportation Trust Fund pursuant to s.339.135(6)(b). Such investment shall be limited as provided in s.288.9607(7).

(15) With no more, in the aggregate, than 10 percent of any fund in alternative investments as defined in s.215.44(8)(C)1.a., through participation in the vehicles defined in s.215.44(8)(C)1.b., or in securities or investments that are not publicly traded and are not otherwise authorized by this section.

(16) The State Board of Administration is authorized to invest in domestic and foreign group trusts.

(17) Securities or investments purchased or held under the provisions of this section may be loaned to securities dealers or financial institutions, provided the loan is collateralized by cash or securities having a market value of at least 100 percent of the market value of the securities loaned.

(18) The State Board of Administration may sell short any of the securities and investments authorized under this section.

(19) The State Board of Administration may offer opportunities to small, state-based investment management firms to facilitate their development and growth.

(20) Notwithstanding the provisions in subsection (5) limiting such investments to 25 percent of any fund, the board may invest no more than 35 percent of any fund in corporate obligations and securities of any kind of a foreign corporation or a foreign commercial entity having its principal office located in any country other than the United States or its possessions or territories, not including United States dollar-denominated securities listed and traded on a United States exchange that are a part of the ordinary investment strategy of the board.

Section 215.44 (8)(c)(1) referenced above in 215.47(14) is recited below:

- (c)1. As used in this paragraph, the term:
 - a. “Alternative investment” means an investment by the State Board of Administration in a private equity fund, venture fund, hedge fund, or distress fund or a direct investment in a portfolio company through an investment manager.
 - b. “Alternative investment vehicle” means the limited partnership, limited liability company, or similar legal structure or investment manager through which the State Board of Administration invests in a portfolio company.

EXHIBIT E

Summary of Historical Statutory Provisions
Governing the Authorized Investments of the
Jacksonville Police and Fire Pension Fund

A. Investment Authorizations During the 2005 Legislative Session.

During the 2005 Legislative Session, the Florida Legislature enacted Chapter 2005-330, Laws of Florida (HB1309). This legislative act provided for an amendment to Section 22.04(b) of the Charter of the City of Jacksonville. This amendment provided that the Board shall have the power to invest assets in the Fund in any lawful investment as provided in the applicable provisions of Section 215.47, Florida Statutes. Under Section 112.661(5)(a), the authorized elements of 215.47 are represented by those investments set forth in 215.47(1)-(8), (10) and (16). Upon the passage of the above described 2005 legislative enactment (Chapter 2005-330, Laws of Florida), the Trustees elected to forgo the adoption of the expanded investment capabilities within the Fund's SIP. This action on the part of the Trustees (effectively a self-imposed moratorium) was in response to a challenge issued to the Fund by the State of Florida, Division of Retirement, that the Fund did not have the legal ability to implement the expanded investment capabilities, without placing in peril the future distribution of \$9 million in State revenues (Chapter Funds) to the Fund. In 2009, the Fund filed legal action against the State in an effort to resolve the dispute. See the below Section V(C) for a discussion on the Fund's lawsuit against the State of Florida and the posture of the above described initial moratorium voluntarily issued by the Trustees of the Fund. This legal action was resolved in favor of the Fund in June, 2010 pursuant to a judicial ruling that the Fund possessed the legal ability to undertake the authorized elements of 215.47, Florida Statutes as defined in 112.661(5)(a). See Exhibit H for a copy of the Final Declaratory Judgment.

B. Investment Authorizations During the 2009 Legislative Session.

Action taken by the Florida Legislature during the 2009 Legislative Session expanded the range of investments that may be undertaken by the Jacksonville Police and Fire Pension Fund. The first action taken during the 2009 Session in this regard related to the enactment of Local Bill HB877 which amended Section 22.04(b)(2) of the City Charter. The amendment provided for an increase in authorized real estate investments from 10% to an amount not to exceed 20% of the assets of the plan, at cost. The second action taken during the 2009 Session in this regard related to the enactment of General Bill HB5/SB538 which increased the ability of all police and fire pension plans in the State to undertake the investment of foreign securities up to 25% of plan assets on a market value basis. The former limit of 10% for foreign securities was increased to 25% within Section 175.071(1)(b)(4)(b), Florida Statutes and Section 185.06(1)(b)(4)(b), Florida Statutes. These two legislative enactments served as the catalyst for the Trustees decision to increase the strategic allocation in real estate from 10% to 20% and the strategic allocation in foreign securities from 10% to 20% within the 2009 revisions to the SIP.

C. Investment Authorizations During the 2010 Legislative Session.

Action taken by the Florida Legislature during the 2010 Legislative Session provided for

an increase in the level of authorized investments in foreign securities from 25% to 35%. This increase was implemented pursuant to the enactment of Chapter 2010-180, Laws of Florida (HB 1307) which created Section 215.47(20), Florida Statutes. However, this Section 215.47(20) authorizing an increase in foreign securities from 25% to 35% currently only applies to the program of investments of the State Board of Administration (FRS), excluding other Florida municipal plans. In order for this increased authorization for foreign securities to be available to Florida municipal plans, the Florida Legislature would have to amend Section 112.661(5)(a), Florida Statutes to incorporate by reference the authorizations contained in 215.47(20). To date, the Florida Legislature has not granted such modifications to 112.661(5)(a).

D. Investment Authorizations under 2015 Amendments to Chapter 121 of the Ordinance Code.

Action taken by the City of Jacksonville created Section 121.116 of the Ordinance Code authorized the Board to invest in alternative investments, alternative investment vehicles and portfolio positions as defined in the Section. These include private equity, private debt, venture capital, and natural resources strategies. Further the Section prohibited investment in hedge funds, but allowed any investment made by the City of Jacksonville General Employee Pension Fund or Correctional Officers Pension Fund.

E. Summary of Authorized Investments under Section 215.47, Florida Statutes.

The applicable elements of Section 215.47, Florida Statutes, which now describe the authorized investments for municipal pension plans in the State of Florida are reflected under 215.47 (1)-(8), (10) and (16). This range of authorized investments is universally authorized for all general employee pension plans (non-police and fire) established in the State of Florida. However, this range of authorized investments are generally not available to police and fire pension plans established in the State of Florida inasmuch as such plans are alternatively governed by the more restrictive set of provisions reflected in Sections 175 and 185, Florida Statutes. The Fund filed a lawsuit against the State to compel it to permit the Fund to pursue the authorized investments under the applicable elements of Section 215.47, notwithstanding the more restrictive language in Chapter 175 and 185. Favorable resolution of the pending lawsuit was obtained by a judicial ruling issued in June, 2010 and is reflected herein as Exhibit H. The Fund shall be considered to have adopted the applicable elements of 215.47 as authorized investments for the Fund without the need to undertake further amendments to this SIP. See Exhibit D for a complete description of Section 215.47, Florida Statutes. A summary of the applicable elements of Section 215.47 is offered below. Under the applicable elements of Section 215.47, pension fund assets that are available for investment may be invested:

1. Without limitation in U.S. government and agency securities, various full faith and selected state and municipal securities, various savings accounts and CD's of banks and S&L's, prime quality commercial paper and bankers acceptances, prime quality negotiable CD's issued by domestic or foreign financial institutions denominated in U.S. dollars, various short term investment funds, various mutual funds and similar investment products comprised of U.S. government, agency and instrumentality securities, and repurchase agreements collateralized by U.S. government securities.

2. With no more than 25% in various investment grade state and municipal securities, certain FHA and VA notes, certain CMO's, certain group annuity contracts, certain interests in real property and related personal property with provision for equity and income participation, investment grade foreign fixed income obligations, fixed income obligations of the government of Israel, dollar denominated obligations issued by foreign governments and corporations, and asset backed securities not otherwise described herein.
3. With no more than 80% in domestic equities and convertible bonds listed under major exchanges, and domestic corporate bonds.
4. With no more than 25% in corporate obligations and securities of foreign corporations and entities.
5. With no more than 5% in any other form of investment, provided that such investment plans are presented to the (State) Investment Advisory Council.
6. Transactions involving the purchase and sale of certain futures and options.

F. Restrictions not Reflected in the Applicable Elements of Section 215.47.

Notwithstanding the permitted investments described above which are authorized under Section 215.47, Florida Statutes, Section 22.04 (b)(2) of the Jacksonville City Charter states that "investments in fixed real estate assets shall not exceed 20 percent of the assets of the plan, at cost".

G. Expanded Discussions on Historical Statutory Provisions.

Please refer to Exhibit E for a summary of the statutory provisions that have historically governed the authorized investments of the Fund. This summary separately addresses the following:

1. Authorizations under Chapter 18615, Laws of Florida, Acts of 1937.
2. Authorizations under Sections 175.071 and 185.06, Florida Statutes.
3. Authorizations under Section 22.04 (b) of the Jacksonville City Charter.
4. Authorizations under Section 215.47, Florida Statutes.

H. Authorizations under Chapter 18615, Laws of Florida, Acts of 1937.

The investment of funds for the Police and Fire Pension Fund was originally established pursuant to the enactment of Section 4, Chapter 18615, Laws of Florida, Acts of 1937. These provisions have been amended on a number of occasions since 1937. The wording of Section 4 of this act, as amended, is quoted as follows: The Board shall have the power to:

1. Be the sole entity responsible for administering the Jacksonville Police and Fire Pension Fund.
2. Invest and reinvest the assets of pension fund in:
 - a. Time or savings accounts of a national bank, a state bank insured by the Federal Deposit Insurance Corporation, or a savings and loan association insured by the Federal Savings and Loan Insurance Corporation.
 - b. Obligations of the United States or obligations guaranteed as to principal and interest by the United States.
 - c. Bonds issued by the State of Israel.
 - d. Bonds, stocks, or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia, provided the stock of the corporation is listed on any one or more of the national stock exchanges and the bonds hold a rating in one of the three highest classifications by a major rating service; and the board of trustees shall not invest more than 5 percent of its assets in the common stock or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed 5 percent of the outstanding capital stock of the company, nor shall the aggregate of its investments under this paragraph exceed 50 percent of the fund's assets in bonds, or 60 percent of the fund's assets in common stocks, or investments authorized by general law of the State of Florida for public pension funds. Such investments must be recommended by either a competent nationally recognized investment counseling firm or a corporate trustee who is nationally recognized in pension fund investments.
 - e. At no time shall the investment in real estate and real estate related securities exceed 10 percent of the book value of the fund. Such investments must be recommended by either a competent nationally recognized investment firm or a corporate trustee who is nationally recognized in pension fund investments.

I. Authorizations under Sections 175.071 and 185.06, Florida Statutes.

During the 1960's, the State of Florida established a program wherein police officer and firefighter pension plan throughout the State could enjoy the distribution of state revenues that were based upon the collection of premium taxes assessed against casualty insurance premiums paid by Florida residents (i.e. "Chapter Funds"). As a condition of

receiving such (Chapter Fund) revenues, the recipient pension plans were obliged to adhere to certain investment guidelines. These investment guidelines are reflected in Sections 175.071 and 185.06, Florida Statutes, for firefighter and municipal police officers pension trust funds, respectively. These authorizations may expand the authorized classes of investments reflected in the 1937 Special Act of the Legislature. Senate Bill 1462 was enacted by the Florida Legislature during the 1998 legislative session with an effective date of October 1, 1998. Senate Bill 1462 (designated Chapter 98-134) implemented a number of modifications to Sections 175.071 and 185.06, Florida Statutes. Material modifications include authorizations providing for greater levels of equity investments without a required variance in the approved investment procedures and an authorization to invest up to 10% of plan assets in foreign securities. Local Law Plans have heretofore been permitted to secure certain variances on the investment authorizations and procedures reflected in Sections 175.071 and 185.06, Florida Statutes, by municipal ordinance, Special Act of the Legislature, or resolution of a special fire control district (where applicable), with the exception of the 10% limitation on foreign securities. The 10% limit on foreign securities was subsequently increased to 25% by action of the Florida Legislature during the 2009 Legislative Session which amended the provisions of 175.071 and 185.06 (see HB5/SB538). The City of Jacksonville Police and Fire Pension Fund, as a Local Law Plan, has previously secured variances to Sections 175.071 and 185.06, Florida Statutes. Such variances include an exception to the 50% limitation on equity investments that would otherwise be in effect by alternatively authorizing a 60% limitation on equity investments pursuant to the enactment of HB2265 and HB2417 during the 1996 State legislative session. Earlier variances provided for the authorization of investments in real estate and real estate related securities in amounts not to exceed 10% of the book value of the Fund; which was subsequently increased to 20% of the book value of the Fund by action of the Florida Legislature during the 2009 Legislative Session (see HB877).

J. Authorizations under Section 22.04(b) of Jacksonville City Charter.

As previously mentioned in the above discussion for Section 175.071 and 185.06, Florida Statutes, a Local Law Plan may expand the scope of investment options (other than the revised 20% limit for foreign securities reflected in 175.071 and 185.06, Florida Statutes) pursuant to the enactment of a municipal ordinance or Special Act of the Legislature. The Fund pursued this method of expanding the scope of its investment options by seeking changes to Section 22 of the Jacksonville City Charter, which must additionally be adopted by the State Legislature. Such expansions were initially authorized by the Jacksonville City Council pursuant to the enactment of Resolution 2004-1175-A. This legislation was subsequently introduced into the Florida Legislature as SB1309 and signed into law on June 8, 2005 as Chapter 2005-330, Laws of Florida. This modification effectively incorporated by reference, the scope of investments authorized in Section 215.47, Florida Statutes, with certain restrictions. Notwithstanding this authorization, the Fund agreed to defer the implementation of the expanded investment authorizations reflected in the amended City Charter (Chapter 2005-330, Laws of Florida) until such time as a state-wide version of the Jacksonville expansions could be considered by the Florida Legislature. This deferral was based upon certain discussions with the State of Florida Department of Management Services, Division of Retirement, who had identified certain legal technical barriers to the immediate implementation of the investment changes sought by the Fund.

The state-wide version of the deferred Jacksonville expansions was considered by the Florida Legislature during the 2007 Legislature Session as HB3 and SB 198. However, the 2007 Session ended before action was taken on these bills. Similar action was presented to and considered by the State Legislature during the 2008, 2009 and 2010 Sessions with the same result of no action being taken. The failure of the Florida Legislature to act upon these bills that would have permitted police and fire pension plans to adopt the permitted elements of Section 215.47, Florida Statutes, prompted the Fund to file the legal action described in Section V of the SIP.

In accordance with Section 22.04(b) of the Jacksonville City Charter, as amended by Chapter 2005-330, the Board shall have the power (subject to the successful resolution of legal action filed against the State) to invest and reinvest the assets of the pension fund in:

- a. Any lawful investment as provided in applicable provisions of Section 215.47, Florida Statutes, provided the investment is permitted in the written investment policy adopted by the Board as provided in Chapter 112, Part VII, Florida Statutes.
 - b. Notwithstanding anything to the contrary in the applicable provisions of Section 215.47, Florida Statutes, investments in fixed real estate assets shall not exceed 20 percent of the assets of the Plan, at cost.
3. Investment Plan (or Statement of Investment Policy).
- a. In making investments for the Plan, the Board shall make no investment after June 30, 1996, which is not in conformance with the Plan's Investment Plan. The Investment Plan must include, among other items: the investment objectives; permitted types of securities in which the Board may invest and the limits thereof; the types of securities in which the Board may not invest; the types of securities which may be leveraged or used in leveraging transactions and the limits thereof; if funds are borrowed, the limits thereof and purpose; the criteria to measure annual investment performance; and any other applicable criteria established by the Board.
 - b. The Investment Plan shall be developed by the Plan Administrator and shall be approved by the Board. Upon adoption by the Board, the Investment Plan and any amendments shall be promptly filed with the Division of Retirement, and the Plan's Sponsor and Plan Actuary.
 - c. The effective date of the Investment Plan shall be the 31st calendar day following the filing date with the Plan Sponsor. Investments permitted by the Investment Plan shall not be made prior to the effective date of the Investment Plan.
 - d. The Investment Plan may be amended at any time subject to ss. (b) and (c).
 - e. For each illiquid investment (an investment for which a generally recognized market is not available or for which there is no consistent or generally accepted

pricing mechanism) the Investment Plan shall: include the criteria set forth in s.215.47(6), Florida Statutes; require a statement as to the additional expected yield anticipated to compensate the Plan for the additional risk of such investment which additional yield is not available from an investment for which there is a generally recognized market; require the Board to verify the determination of the fair market value for each such investment as of each date as of which an actuarial valuation is prepared and that the determination complies with all applicable state and federal requirements; and require the Board to disclose to the Division of Retirement and the Plan's Sponsor each such investment as of each date as of which an actuarial valuation is prepared for which the fair market value is not provided.

- f. Immediately prior to the date as of which each actuarial valuation is prepared, the Board shall determine the total expected annual rate of return for the Plan's assets for the year beginning with the date as of which the actuarial valuation is prepared, for each of the next several years and for the long-term thereafter. This determination shall be promptly filed with the Division of Retirement, and the Plan's Sponsor and Plan Actuary.

K. Authorizations under Section 215.47, Florida Statutes.

The Florida Retirement System (through the State Board of Administration) and various local retirement systems established throughout the State of Florida have heretofore enjoyed the ability to conduct their investment programs in accordance with the limitations prescribed by Section 215.47, Florida Statutes. The ability of various local retirement systems to follow the generally expanded investment authorizations provided in Section 215.47 was granted in conjunction with the enactment of Section 112.661, Florida Statutes. Section 112.661 established the requirement that the assets of local retirement systems shall be invested in accordance with an Investment Policy Statement and such section additionally incorporated by reference, the investment authorizations reflected in Section 215.47 (1)-(8), (10) and (16), Florida Statutes. Section 112.661 (5)(a) further provides that the enactment of additional laws or ordinances may further expand the range of authorized investments that may be undertaken by local retirement systems beyond those general investment limitations described under Section 215.47 (1)-(8), (10) and (16).

While the Florida Retirement System and various local retirement systems established throughout the State for general employee plan participants were authorized (based upon the language in Section 112.661, Florida Statutes) to expand the scope of their investment programs in accordance with the permitted elements of Section 215.47, police officer and firefighter pension plans who agreed to accept Chapter Funds were barred from such permitted investments and were alternatively compelled to adhere to the more restrictive program of investments described in Sections 175.071 and 185.06.

While the other police and fire pension plans are currently barred from adopting the permitted elements of 215.47, Florida Statutes, the Jacksonville Police and Fire Pension Fund is positioned to be exempt from the prohibitions extended to other police and fire pension plans. This posture emerges from the actions of the Florida Legislature during the 2005 Legislative Session in enacting Chapter 2005-330, Laws of Florida (HB1309).

This legislation amended the City Charter to specifically allow the Fund to pursue the permitted elements of 215.47. A State Agency challenged the ability of the Fund to implement the expanded investment capabilities of 215.47. In response to this challenge, the Fund filed a lawsuit against the State. Once a favorable resolution to this lawsuit is secured, the Trustees have taken the position that the Fund is automatically considered to have adopted the applicable elements of 215.47 as authorized investments of the Fund without the need to undertake further amendments to the SIP.

A favorable resolution to this lawsuit was secured in June, 2010 by a judicial ruling issued by the Circuit Court of the Second Judicial Circuit, in and for Leon County, Florida that the Fund did in fact possess the legal authority to pursue the permissible elements of 215.47, Florida Statutes under 112.661, Florida Statutes (see Final Declaratory Judgment attached hereto as Exhibit H).

EXHIBIT F

SAMPLE INVESTMENT MANAGER INSTRUCTIONS

Policy:

The portfolio under the supervision of sample manager is intended to be a domestic equity portfolio.

Sample manager has been hired to pursue an investment style, which the Board had defined as a large cap value, domestic equity style. The Board has elected this investment style to be different, yet complement the other domestic equity managers employed. Sample manager is expected to produce investment returns that are 100 basis points over the Russell 1000 Value Index on an annualized basis over rolling three to five year periods, net of fees and rank above median compared to their style peers over the same period. It is understood that investment returns are not guaranteed.

Guidelines:

- A. The portfolio shall be a large cap value, domestic equity portfolio. Sample manager may purchase short-term cash equivalent instruments, which for the purpose of measurement, will be treated as equity reserves, not as fixed income securities. Convertibles are also permissible, however, they will be treated as equities as well. The portfolio is expected to remain fully invested.
- B. It is sample manager's decision as to whether or not to utilize the Short-Term Investment Fund offered by the Custodian Bank, or another cash equivalent vehicle, and in doing so, is responsible for assessing the credit worthiness and relative return attractiveness of any alternative to the custodian's STIF used.
- C. Sample manager may use exchange-traded funds such as S&P Depository Receipts ("Spyders") for the purpose of short-term equitization of unused funds, including cash in the account due to a contribution or pending withdrawal.
- D. The portfolio will be adequately diversified according to the internal policies established by sample manager regarding individual securities and industries to avoid the undue risk inherent in non-diversified holdings. In addition to the limitations set out in the Guidelines, the following limitations will apply:
 - 1. American Depository Receipts are permissible but are limited to a maximum of 15% of the portfolio based on market value.
- E. The portfolio performance will be measured on a total return basis, which includes both income and change in market value.
- F. Sample manager will be reviewed quarterly based on the following:
 - 1. Adherence to style risk assignment, including portfolio characteristics relative to those of the benchmark.
 - 2. The value-added over the Russell 1000 Value Index.

3. The trend of value-added over the Russell 1000 Value Index.
 - a. The value-added over median similar style investment managers.

These guidelines are not to be construed as restrictive to sample manager's ability to follow the strategies it considers are the most appropriate given the Board's directives contained in the Investment Policy and these Instructions, but rather as an exercise of the Board's fiduciary responsibility. If at any time sample manager feels that the Policy or these Instructions are unrealistic, or may be a hindrance in pursuing their investment style, the Board and the Investment Consultant are to be notified immediately in writing.

EXHIBIT G

ANALYSIS OF LONG-TERM CREDIT RATING SCALES
USED BY MAJOR CREDIT RATING ORGANIZAIONS

<u>Moody's Long Term</u>	<u>S&P Long Term</u>	<u>Fitch Long Term</u>	<u>General Category</u>
Aaa Aa1 Aa2 Aa3	AAA AA+ AA AA-	AAA AA+ AA AA-	Prime High Grade
A1 A2 A3	A+ A A-	A+ A A-	Upper Medium Grade
Baa1 Baa2 Baa3	BBB+ BBB BBB-	BBB+ BBB BBB-	Lower Medium Grade
Ba1 Ba2 Ba3	BB+ BB BB-	BB+ BB BB-	Non Investment Grade Speculative
B1 B2 B3	B+ B B-	B+ B B-	Highly Speculative
Caa1	CCC+		Substantial Risks
Caa2	CCC		Extremely Speculative
Caa3	CCC-	CCC	In default with little prospect for recovery
Ca / / /	CC D	DDD DD D	In Default

EXHIBIT H

**IN THE CIRCUIT COURT OF THE SECOND JUDICIAL CIRCUIT,
IN AND FOR LEON COUNTY, FLORIDA**

**BOARD OF TRUSTEES, JACKSONVILLE
POLICE AND FIRE PENSION FUND,
A body politic,**

AND

**JOHN KEANE, a retired firefighter and
Member of the FUND,**

Plaintiffs,

vs.

CASE NO. 2009-CA-194

**STATE OF FLORIDA,
DEPARTEMENT OF MANAGEMENT SERVICES,
DIVISION OF RETIREMENT,**

Defendant.

_____ /

FINAL DELARATORY JUDGMENT

THIS MATTER having come before the Court on the parties' Motions for Summary Judgment, the Court having heard arguments of counsel being fully advised in the premises, is hereby ORDERED AND ADJUGED:

1. Chapter 2005-330, Laws of Florida, is a valid enactment of the Florida Legislature;
2. The Board of Trustees may implement the provisions of Chapter 2005-330, Law of Florida, including the applicable provisions of Section 215.47, Florida Statutes;
3. Each party will bear its own costs and attorneys' fees.

DONE AND ORDERED in Chambers, at Tallahassee, Leon County, Florida, this
14th day of June, 2010.

James O. Shelfer
Circuit Judge

EXHIBIT I

Sec. 121.116. Board of Trustees' Investment Authority.

1. The Board of Trustees is authorized to invest and reinvest the assets of the Pension Fund in any lawful investment as provided in applicable provisions of s.112.661, 175.071, 185.06, 215.47, Florida Statutes, and, is further authorized to invest in alternative investments, alternative investment vehicles and portfolio positions, as those terms are defined in this section.
2. Investments in hedge funds are prohibited.
3. No investment shall be permitted except pursuant to a written investment policy adopted by the Board of Trustees as provided in chapter 112, part VII, Florida Statutes. Prior to the adoption of any change in asset allocation or the introduction of a new asset class, the Board of Trustees shall give 10 days' written notice of the meeting at which the proposed change shall be considered to the City Council Finance Committee.
4. For the purposes of this section, the following terms have the following definitions:
 - a. "Alternative investment" means an investment by the Board of Trustees in a private equity fund which includes all of the private equity sub-strategies, including venture capital, distressed investing, private debt/mezzanine debt, private real assets/natural resources/energy, venture fund, or distress fund or a direct investment in a portfolio company through an investment manager or general partner.
 - b. "Alternative investment vehicle" means the limited partnership, limited liability company, or similar legal structure or investment manager through which the Board invests in a portfolio company.
 - c. "Portfolio company" means a corporation or other issuer, any of whose securities are owned by an alternative investment vehicle or the Board of Trustees and any subsidiary of such corporation or other issuer.
 - d. "Portfolio positions" means individual investments in portfolio companies which are made by the alternative investment vehicles.
 - e. "Proprietor" means an alternative investment vehicle, a portfolio company in which the alternative investment vehicle is invested.
 - (i) The Board of Trustees is authorized to make the same investments the General Employee Pension Fund or the Correctional Officers Pension Fund are permitted to make.

Sec. 121.502. General Responsibilities and Duties of Financial Investment and Advisory Committee. The Financial Investment and Advisory Committee shall have the responsibility and duty to provide advice to the Jacksonville Police and Fire Pension Board of Trustees ("Board") on: (1) financial matters; (2) actuarial practices and assumptions; (3) investment strategy and policy; (4) the selection of outside financial services providers, including investment managers and advisors; and (5) such other matters as requested by the Board.

Sec. 121.503. Financial Investment and Advisory Committee; Membership, Appointment and Terms

1. Financial Investment and Advisory Committee members shall be financially sophisticated professionals with expertise in any or all of the following competencies: actuarial science, fiscal operations, or investment practices. Criteria for service will include knowledge, of and experience and familiarity with, portfolio and/or pension fund management, institutional investment and fiduciary responsibilities.
2. Members of the Financial Investment and Advisory Committee must be residents of Duval, Nassau, St. Johns, Baker or Clay County, Florida. Each member will be nominated by the Board and confirmed by the City Council to serve in a voluntary capacity.
3. The term of office shall be three years. No person shall serve more than three consecutive terms. Of the five persons selected to serve on the initial Committee two members shall serve initial terms of two years. In its confirmation of the Committee Member nominee, the City Council shall designate whether the initial term is for two or for three years.

Sec.121.504. Financial Investment and Advisory Committee; Relationship with Police and Fire Pension Fund Board of Trustees.

1. With regard to general strategy matters such as actuarial practices and assumptions, asset allocation, accounting determinations, risk management, actuarial assumptions, the Financial Investment Advisory Committee may at any time provide advice and recommendations to the Board, which shall receive and act upon such advice and recommendations as the Board, in its fiduciary capacity, shall determine.
2. With regard to the selection (or deselection) of individual investment managers, the Board of Trustees shall not select any investment manager without first obtaining the advice and recommendation of the Financial Investment and Advisory Committee which, with the assistance of the professional staff of the Board, shall review any and all potential asset/investment managers. In selecting (or deselecting) the Board will then make its decision(s) taking into account Financial Investment and Advisory Committee recommendations as well as other information available to the Board.
3. With regard to the selection (or deselection) of other professionals or professional services, including, but not limited to, actuaries, the Financial Investment and Advisory Committee shall furnish advice and recommendations to the Board as requested by the Board, following such processes as may be determined with respect to the particular selection (or deselection).
4. Notwithstanding any provision of this section, nothing shall prohibit the Board from immediately removing a financial advisor, manager, consultant or custodian, when in the opinion of the Board, with the advice of the Investment Consultant, such action is necessary to safeguard the Fund from loss. The assets held by any such deselected manager shall be placed in a pre-selected index fund for the same class of investment until a replacement manager can be selected as provided for in this section.

Sec. 121.505. Financial Investment and Advisory Committee; Fiduciary Responsibilities; Improper Business Relationships

1. Financial Investment and Advisory Committee members shall be deemed to be fiduciaries of the Police and Fire Pension Fund. Each member individually and the Financial Investment and Advisory Committee as a whole shall be required to undergo periodically any and all fiduciary and ethical training required by the Board or by ordinance.
2. Financial Investment and Advisory Committee members shall comply with all requirements of state law with regard to annual public conflict disclosure statements required by members of other public agencies and boards.
3. No business organization or affiliate thereof that is owned or controlled by, or employs, a member of the Financial Advisory and Investment Committee or a spouse, child or sibling of a member of the Financial Investment and Advisory Committee shall directly or indirectly contract with or provide services for the investment of Police and Fire Pension Fund assets during the time of such member's service on the Financial Investment and Advisory Committee or for two (2) years thereafter.

Sec. 121.506. Financial Investment and Advisory Committee; Miscellaneous Provisions

1. The Financial Investment and Advisory Committee shall annually elect a chair and secretary from its members.
2. The Board shall provide administrative support to the Financial Investment and Advisory Committee.

Section 4. Part 6, Chapter 121 Created. Part 6, Ethics, Fiduciary Responsibilities and Best Practices, Chapter 121, *Ordinance Code*, is hereby created to read as follows:

Chapter 121. POLICE AND FIREFIGHTERS PENSION PLAN

* * *

PART 6. ETHICS, FIDUCIARY RESPONSIBILITIES AND BEST PRACTICES

Sec. 121.601. Police and Fire Pension Fund Board of Trustees and Executive Director; Fiduciary Responsibilities; Improper Business Relationships.

1. Police and Fire Pension Fund Board of Trustees members shall be deemed to be fiduciaries of the Police and Fire Pension Fund. Each member individually and the Board of Trustees as a whole shall be required to undergo periodically any and all fiduciary and ethical training required by the Board or by ordinance.
2. Board of Trustee members shall comply with all requirements of state law with regard to annual public conflict disclosure statements required by members of other public agencies and boards.
3. No business organization or affiliate thereof that is owned or controlled by, or employs, a member of the Board of Trustees or a spouse, child or sibling of a member of the Board of Trustees shall directly or indirectly contract with or provide services for the investment of Police and Fire Pension Fund assets during the time of such member's service on the Board of Trustees or for two (2) years thereafter.

Sec. 121.602. Actuarial Assumptions. The assumed annual actuarial rate of return Jacksonville Police and Fire Pension Fund at the date of the adoption of this section shall be 7.0%. This rate shall be modified only as required by law or upon agreement by the City and the Police and Fire Pension Fund Board of Trustees, based on sound actuarial practice

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Title XXXIII
REGULATION OF TRADE, COMMERCE,
INVESTMENTS, AND SOLICITATIONS

Chapter 518
INVESTMENT OF
FIDUCIARY FUNDS

[View Entire
Chapter](#)

518.11 Investments by fiduciaries; prudent investor rule.—

(1) A fiduciary has a duty to invest and manage investment assets as follows:

(a) The fiduciary has a duty 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. If the fiduciary has special skills, or is named fiduciary on the basis of representations of special skills or expertise, the fiduciary is under a duty to use those skills.

(b) No specific investment or course of action is, taken alone, prudent or imprudent. The fiduciary may invest in every kind of property and type of investment, subject to this section. The fiduciary's investment decisions and actions are to be judged in terms of the fiduciary's reasonable business judgment regarding the anticipated effect on the investment portfolio as a whole under the facts and circumstances prevailing at the time of the decision or action. The prudent investor rule is a test of conduct and not of resulting performance.

(c) The fiduciary has a duty to diversify the investments unless, under the circumstances, the fiduciary believes reasonably it is in the interests of the beneficiaries and furthers the purposes of the trust, guardianship, or estate not to diversify.

(d) The fiduciary has a duty, within a reasonable time after acceptance of the trust, estate, or guardianship, to review the investment portfolio and to make and implement decisions concerning the retention and disposition of original preexisting investments in order to conform to the provisions of this section. The fiduciary's decision to retain or dispose of an asset may be influenced properly by the asset's special relationship or value to the purposes of the trust, estate, or guardianship, or to some or all of the beneficiaries, consistent with the trustee's duty of impartiality, or to the ward.

(e) The fiduciary has a duty to pursue an investment strategy that considers both the reasonable production of income and safety of capital, consistent with the fiduciary's duty of impartiality and the purposes of the trust, estate, or guardianship. Whether investments are underproductive or overproductive of income shall be judged by the portfolio as a whole and not as to any particular asset.

(f) The circumstances that the fiduciary may consider in making investment decisions include, without limitation, the general economic conditions, the possible effect of inflation, the expected tax consequences of investment decisions or strategies, the role each investment or course of action plays within the overall portfolio, the expected total return, including both income yield and appreciation of capital, and the duty to incur only reasonable and appropriate costs. The fiduciary may, but need not,

consider related trusts, estates, and guardianships, and the income available from other sources to, and the assets of, beneficiaries when making investment decisions.

(2) The provisions of this section may be expanded, restricted, eliminated, or otherwise altered by express provisions of the governing instrument, whether the instrument was executed before or after the effective date of this section. An express provision need not refer specifically to this statute. The fiduciary is not liable to any person for the fiduciary's reasonable reliance on those express provisions.

(3) Nothing in this section abrogates or restricts the power of an appropriate court in proper cases:

(a) To direct or permit the trustee to deviate from the terms of the governing instrument; or

(b) To direct or permit the fiduciary to take, or to restrain the fiduciary from taking, any action regarding the making or retention of investments.

(4) The following terms or comparable language in the investment powers and related provisions of a governing instrument shall be construed as authorizing any investment or strategy permitted under this section: "investments permissible by law for investment of trust funds," "legal investments," "authorized investments," "using the judgment and care under the circumstances then prevailing that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital," "prudent trustee rule," "prudent person rule," and "prudent investor rule."

(5) This section applies to all existing and future fiduciary relationships subject to this section, but only as to acts or omissions occurring after October 1, 1993.

History.—s. 6, ch. 28154, 1953; s. 2, ch. 93-257; s. 26, ch. 97-98; s. 686, ch. 97-103.

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Title X
PUBLIC OFFICERS, EMPLOYEES,
AND RECORDS

Chapter 112
PUBLIC OFFICERS AND EMPLOYEES:
GENERAL PROVISIONS

[View Entire
Chapter](#)

112.661 Investment policies.—Investment of the assets of any local retirement system or plan must be consistent with a written investment policy adopted by the board. Such policies shall be structured to maximize the financial return to the retirement system or plan consistent with the risks incumbent in each investment and shall be structured to establish and maintain an appropriate diversification of the retirement system or plan's assets.

(1) **SCOPE.**—The investment policy shall apply to funds under the control of the board.

(2) **INVESTMENT OBJECTIVES.**—The investment policy shall describe the investment objectives of the board.

(3) **PERFORMANCE MEASUREMENT.**—The investment policy shall specify performance measures as are appropriate for the nature and size of the assets within the board's custody.

(4) **INVESTMENT AND FIDUCIARY STANDARDS.**—The investment policy shall describe the level of prudence and ethical standards to be followed by the board in carrying out its investment activities with respect to funds described in this section. The board in performing its investment duties shall comply with the fiduciary standards set forth in the Employee Retirement Income Security Act of 1974 at 29 U.S.C. s. 1104(a)(1)(A)-(C). In case of conflict with other provisions of law authorizing investments, the investment and fiduciary standards set forth in this section shall prevail.

(5) **AUTHORIZED INVESTMENTS.**—

(a) The investment policy shall list investments authorized by the board. Investments not listed in the investment policy are prohibited. Unless otherwise authorized by law or ordinance, the investment of the assets of any local retirement system or plan covered by this part shall be subject to the limitations and conditions set forth in s. 215.47(1)-(6), (8), (9), (11) and (17).

(b) If a local retirement system or plan has investments that, on October 1, 2000, either exceed the applicable limit or do not satisfy the applicable investment standard, such excess or investment not in compliance with the policy may be continued until such time as it is economically feasible to dispose of such investment. However, no additional investment may be made in the investment category which exceeds the applicable limit, unless authorized by law or ordinance.

(6) **MATURITY AND LIQUIDITY REQUIREMENTS.**—The investment policy shall require that the investment portfolio be structured in such manner as to provide sufficient liquidity to pay obligations as they come due. To that end, the investment policy should direct that, to the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash-flow requirements.

(7) **PORTFOLIO COMPOSITION.**—The investment policy shall establish guidelines for investments and limits on security issues, issuers, and maturities. Such guidelines shall be commensurate with the nature and size of the funds within the custody of the board.

(8) **RISK AND DIVERSIFICATION.**—The investment policy shall provide for appropriate diversification of the investment portfolio. Investments held should be diversified to the extent practicable to control the risk of loss resulting from overconcentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are bought and sold. Diversification strategies within the established guidelines shall be reviewed and revised periodically, as deemed necessary by the board.

(9) **EXPECTED ANNUAL RATE OF RETURN.**—The investment policy shall require that, for each actuarial valuation, the board determine the total expected annual rate of return for the current year, for each of the next several years, and for the long term thereafter. This determination must be filed promptly with the Department of Management Services and with the plan's sponsor and the consulting actuary. The department shall use this determination only to notify the board, the plan's sponsor, and consulting actuary of material differences between the total expected annual rate of return and the actuarial assumed rate of return.

(10) **THIRD-PARTY CUSTODIAL AGREEMENTS.**—The investment policy shall provide appropriate arrangements for the holding of assets of the board. Securities should be held with a third party, and all securities purchased by, and all collateral obtained by, the board should be properly designated as an asset of the board. No withdrawal of securities, in whole or in part, shall be made from safekeeping except by an authorized member of the board or the board's designee. Securities transactions between a broker-dealer and the custodian involving purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis, if applicable, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction.

(11) **MASTER REPURCHASE AGREEMENT.**—The investment policy shall require all approved institutions and dealers transacting repurchase agreements to execute and perform as stated in the Master Repurchase Agreement. All repurchase agreement transactions shall adhere to the requirements of the Master Repurchase Agreement.

(12) **BID REQUIREMENT.**—The investment policy shall provide that the board determine the approximate maturity date based on cash-flow needs and market conditions, analyze and select one or more optimal types of investment, and competitively bid the security in question when feasible and appropriate. Except as otherwise required by law, the most economically advantageous bid must be selected.

(13) **INTERNAL CONTROLS.**—The investment policy shall provide for a system of internal controls and operational procedures. The board shall establish a system of internal controls which shall be in writing and made a part of the board's operational procedures. The policy shall provide for review of such controls by independent certified public accountants as part of any financial audit periodically required of the board's unit of local government. The internal controls should be designed to prevent losses of funds which might arise from fraud, error, misrepresentation by third parties, or imprudent actions by the board or employees of the unit of local government.

(14) **CONTINUING EDUCATION.**—The investment policy shall provide for the continuing education of the board members in matters relating to investments and the board's responsibilities.

(15) **REPORTING.**—The investment policy shall provide for appropriate annual or more frequent reporting of investment activities. To that end, the board shall prepare periodic reports for submission to the governing body of the unit of local government which shall include investments in the portfolio by class or type, book value, income earned, and market value as of the report date. Such reports shall be available to the public.

(16) **FILING OF INVESTMENT POLICY.**—Upon adoption by the board, the investment policy shall be promptly filed with the Department of Management Services and the plan's sponsor and consulting actuary. The effective date of the investment policy, and any amendment thereto, shall be the 31st calendar day following the filing date with the plan sponsor.

(17) **VALUATION OF ILLIQUID INVESTMENTS.**—The investment policy shall provide for the valuation of illiquid investments for which a generally recognized market is not available or for which there is no consistent or generally accepted pricing mechanism. If those investments are utilized, the investment policy must include the criteria set forth in s. [215.47\(6\)](#), except that submission to the Investment Advisory Council is not required. The investment policy shall require that, for each actuarial valuation, the board must verify the determination of the fair market value for those investments and ascertain that the determination complies with all applicable state and federal requirements. The investment policy shall require that the board disclose to the Department of Management Services and the plan's sponsor each such investment for which the fair market value is not provided.

History.—s. 2, ch. 2000-264; s. 6, ch. 2009-21.

Select Year: 2017

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[Title XIV](#)[Chapter 215](#)[View Entire Chapter](#)**TAXATION AND FINANCE FINANCIAL MATTERS: GENERAL PROVISIONS**

215.47 Investments; authorized securities; loan of securities.—Subject to the limitations and conditions of the State Constitution or of the trust agreement relating to a trust fund, moneys available for investments under ss. [215.44-215.53](#) may be invested as follows:

(1) Without limitation in:

(a) Bonds, notes, or other obligations of the United States or those guaranteed by the United States or for which the credit of the United States is pledged for the payment of the principal and interest or dividends thereof.

(b) Bonds, notes, or obligations of any state or organized territory of the United States or the District of Columbia that pledge the full faith and credit of the state, territory, or district; and revenue bonds, notes, or obligations of any state or organized territory of the United States or the District of Columbia additionally secured by the full faith and credit of the state, territory, or district.

(c) Bonds, notes, or obligations of the several counties or districts in any state or organized territory of the United States or the District of Columbia containing a pledge of the full faith and credit of the county or district involved.

(d) Bonds issued or administered by the State Board of Administration secured solely by a pledge of all or part of the 2-cent constitutional fuel tax accruing under the provisions of s. 16, Art. IX of the State Constitution of 1885, as amended, or of s. 9, Art. XII of the 1968 revised State Constitution.

(e) Bonds issued by the State Board of Education pursuant to ss. 18 and 19, Art. XII of the State Constitution of 1885, as amended, or to s. 9, Art. XII of the 1968 revised State Constitution, as amended.

(f) Bonds issued by the Florida Outdoor Recreational Development Council pursuant to s. 17, Art. IX of the State Constitution of 1885, as amended.

(g) Bonds issued by the Florida State Improvement Commission, Florida Development Commission, ¹Division of Bond Finance of the ²Department of General Services, or Division of Bond Finance of the State Board of Administration.

(h) Savings accounts in, or certificates of deposit of, any bank, savings bank, or savings and loan association incorporated under the laws of this state or organized under the laws of the United States doing business and situated in this state, the accounts of which are insured by the Federal Government or an agency thereof and having a prime quality of the highest letter and numerical ratings as provided for by at least one nationally recognized statistical rating organization, provided such savings accounts and certificates of deposit are secured in the manner prescribed in chapter 280.

(i) Notes, bonds, and other obligations of agencies of the United States.

(j) Commercial paper of prime quality of the highest letter and numerical rating as provided for by at least one nationally recognized rating service.

(k) Time drafts or bills of exchange drawn on and accepted by a commercial bank, otherwise known as banker's acceptances, which are accepted by a member bank of the Federal Reserve System and are of prime quality of the highest letter and numerical ratings as provided for by at least one nationally recognized statistical rating organization.

(l) Negotiable certificates of deposit issued by domestic or foreign financial institutions in United States dollars of prime quality of the highest letter and numerical ratings as provided for by at least one nationally recognized statistical rating organization.

(m) Short-term obligations not authorized elsewhere in this section to be purchased individually or in pooled accounts or other collective investment funds, for the purpose of providing liquidity to any fund or portfolio.

(n) Securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.

(o) Bonds, notes, or obligations described in 26 U.S.C. s. 149(g)(3)(B), if investment in such bonds, notes, or obligations is necessary in order to comply with covenants in documents or proceedings relating to bonds issued pursuant to s. 215.555(6). Investments made pursuant to this paragraph may be purchased only from the proceeds of bonds issued pursuant to s. 215.555(6) and must be authorized under documents or proceedings relating to such bonds.

(2) With no more than 25 percent of any fund in:

(a) Bonds, notes, or obligations of any state or organized territory of the United States or the District of Columbia; of any municipality or political subdivision or any agency, district, or authority thereof; or of any agency or authority of this state, if the obligations are rated investment grade by at least one nationally recognized statistical rating organization.

(b) Notes secured by first mortgages, insured or guaranteed by the Federal Housing Administration or the United States Department of Veterans Affairs.

(c) Mortgage securities which represent participation in or are collateralized by mortgage loans secured by real property. Such securities must be issued by an agency of or enterprise sponsored by the United States Government, including, but not limited to, the Government National Mortgage Association, the Federal National Mortgage Association, and the Federal Home Loan Mortgage Corporation.

(d) Group annuity contracts of the pension investment type with insurers licensed to do business in this state which are rated investment grade by at least one nationally recognized rating service.

(e) Certain interests in real property and related personal property, including mortgages and related instruments on commercial or industrial real property, with provisions for equity or income participation or with provisions for convertibility to equity ownership; and interests in collective investment funds. Associated expenditures for acquisition and operation of assets purchased under this provision or of investments in private equity or other private investment partnerships or limited liability companies shall be included as a part of the cost of the investment.

1. The title to real property acquired under this paragraph shall be vested in the name of the respective fund.

2. For purposes of taxation of property owned by any fund, the provisions of s. 196.199(2)(b) do not apply.

3. Real property acquired under the provisions of this paragraph shall not be considered state lands or public lands and property as defined in chapter 253, and the provisions of that chapter do not apply to such real property.

(f) Fixed-income obligations not otherwise authorized by this section issued by foreign governments or political subdivisions or agencies thereof, supranational agencies, foreign corporations, or foreign commercial entities, if the obligations are rated investment grade by at least one nationally recognized rating service.

(g) A portion of the funds available for investment pursuant to this subsection may be invested in rated or unrated bonds, notes, or instruments backed by the full faith and credit of the government of Israel.

(h) Obligations of agencies of the government of the United States, provided such obligations have been included in and authorized by the Florida Retirement System Defined Benefit Plan Investment Policy Statement established in s. 215.475.

(i) United States dollar-denominated obligations issued by foreign governments, or political subdivisions or agencies thereof, supranational agencies, foreign corporations, or foreign commercial entities.

(j) Asset-backed securities not otherwise authorized by this section.

(3) With no more than 80 percent of any fund in common stock, preferred stock, and interest-bearing obligations of a corporation having an option to convert into common stock, provided:

(a) The corporation is organized under the laws of the United States, any state or organized territory of the United States, or the District of Columbia; or

(b) The corporation is listed on any one or more of the recognized national stock exchanges in the United States and conforms with the periodic reporting requirements under the Securities Exchange Act of 1934.

(c) Not more than 75 percent of the fund may be in internally managed common stock.

The board shall not invest more than 10 percent of the equity assets of any fund in the common stock, preferred stock, and interest-bearing obligations having an option to convert into common stock, of any one issuing corporation; and the board shall not invest more than 3 percent of the equity assets of any fund in such securities of any one issuing corporation except to the extent a higher percentage of the same issue is included in a nationally recognized market index, based on market values, at least as broad as the Standard and Poor's Composite Index of 500 Companies, or except upon a specific finding by the board that such higher percentage is in the best interest of the fund.

(4) With no more than 80 percent of any fund, in interest-bearing obligations with a fixed maturity of any corporation or commercial entity within the United States.

(5) With no more than 25 percent of any fund in corporate obligations and securities of any kind of a foreign corporation or a foreign commercial entity having its principal office located in any country other than the United States or its possessions or territories, not including United States dollar-denominated securities listed and traded on a United States exchange which are a part of the ordinary investment strategy of the board.

(6) With no more than 5 percent of any fund to be invested as deemed appropriate by the board, notwithstanding investment limitations otherwise expressed in this section. Prior to the board engaging in any investment activity not otherwise authorized under ss. 215.44-215.53, excluding investments in publicly traded securities, options, financial futures, or similar instruments, the board shall present to the Investment Advisory Council a proposed plan for such investment. Said plan shall include, but not be

limited to, the expected benefits and potential risks of such activity; methods for monitoring and measuring the performance of the investment; a complete description of the type, nature, extent and purpose of the investment, including description of issuer, security in which investment is proposed to be made, voting rights or lack thereof and control to be acquired, restrictions upon voting, transfer, and other material rights of ownership, and the existence of any contracts, arrangements, understandings, or relationships with any person or entity (naming the same) with respect to the proposed investment; and assurances that sufficient investment expertise is available to the board to properly evaluate and manage such activity. The Investment Advisory Council may obtain independent investment counsel to provide expert advice with regard to such proposed investment activity by the board, and the board shall defray such costs.

(7) The State Board of Administration, consistent with its fiduciary duties, may invest up to 1.5 percent of the net assets of the system trust fund in technology and growth investments of businesses domiciled in this state or businesses whose principal address is in this state. As used in this subsection, the term "technology and growth investments" includes, but is not limited to, space technology, aerospace and aviation engineering, computer technology, renewable energy, and medical and life sciences. For the purposes of this chapter, "life sciences" means the use of information technology, engineering, and biological and chemical sciences for the development and production of goods and services, including, but not limited to, drug development, medical implants and devices, bio-related diagnostic products, bioagriculture technologies, biosecurity, biofuels, and bio-related applications.

(8) For the purpose of determining the above investment limitations, the value of bonds shall be the par value thereof, and the value of evidences of ownership and interest-bearing obligations having an option to convert to ownership shall be the cost thereof.

(9) Investments in any securities authorized by this section may be under repurchase agreements or reverse repurchase agreements.

(10) Investments made by the State Board of Administration shall be designed to maximize the financial return to the fund consistent with the risks incumbent in each investment and shall be designed to preserve an appropriate diversification of the portfolio. The board shall discharge its duties with respect to a plan solely in the interest of its participants and beneficiaries. The board in performing the above investment duties shall comply with the fiduciary standards set forth in the Employee Retirement Income Security Act of 1974 at 29 U.S.C. s. 1104(a)(1)(A) through (C). In case of conflict with other provisions of law authorizing investments, the investment and fiduciary standards set forth in this subsection shall prevail.

(11) The board is authorized to buy and sell futures and options, provided the instruments for such purpose are traded on a securities exchange or board of trade regulated by the Securities and Exchange Commission or the Commodity Futures Trading Commission, unless the board by rule authorizes a different market.

(12) The board is authorized to invest in domestic or foreign notional principal contracts.

(13) The State Board of Administration, consistent with sound investment policy, may pledge up to 2 percent of the assets of the Florida Retirement System Trust Fund as collateral for housing bonds issued by the State of Florida or its political subdivisions under chapter 159, part V of chapter 420, or chapter 421 as a supplemental income program for the system. With regard to any collateral program, the State Board of Administration is authorized to coordinate or retain other governmental entities of the State of Florida or private entities to administer this program, as well as receive fees for the use of the designated collateral.

(14) The State Board of Administration, consistent with sound investment policy, may invest the earnings accrued and collected upon the investment of the minimum balance of funds required to be maintained in the State Transportation Trust Fund pursuant to s. 339.135(6)(b).

(15) With no more, in the aggregate, than 20 percent of any fund in alternative investments through participation in an alternative investment vehicle as those terms are defined in s. 215.4401(3)(a), or in securities or investments that are not publicly traded and not otherwise authorized by this section.

(16) The State Board of Administration is authorized to invest in domestic and foreign group trusts.

(17) Securities or investments purchased or held under the provisions of this section may be loaned to securities dealers or financial institutions, provided the loan is collateralized by cash or securities having a market value of at least 100 percent of the market value of the securities loaned.

(18) The State Board of Administration may sell short any of the securities and investments authorized under this section.

(19) The State Board of Administration may offer opportunities to small, state-based investment management firms to facilitate their development and growth.

(20) Notwithstanding the provisions in subsection (5) limiting such investments to 25 percent of any fund, the board may invest up to 50 percent of any fund in corporate obligations and securities of any kind of a foreign corporation or a foreign commercial entity having its principal office located in any country other than the United States or its possessions or territories, not including United States dollar-denominated securities listed and traded on a United States exchange that are a part of the ordinary investment strategy of the board.

(21) The State Board of Administration, consistent with its fiduciary duties, may invest net assets of the system trust fund in projects deemed eligible under the provisions of s. 373.707.

History.—s. 5, ch. 57-353; s. 1, ch. 61-462; s. 1, ch. 63-341; s. 1, ch. 63-446; s. 1, ch. 65-551; s. 2, ch. 67-354; ss. 22, 35, ch. 69-106; s. 18, ch. 69-216; s. 1, ch. 70-47; ss. 1, 2, ch. 73-183; s. 65, ch. 73-333; s. 14, ch. 77-301; s. 2, ch. 79-262; s. 1, ch. 80-317; s. 123, ch. 81-259; s. 3, ch. 82-45; s. 35, ch. 83-3; s. 16, ch. 83-215; s. 1, ch. 83-229; s. 2, ch. 83-270; s. 1, ch. 84-137; s. 1, ch. 84-166; s. 213, ch. 85-342; s. 54, ch. 86-152; s. 3, ch. 86-236; s. 5, ch. 88-171; s. 2, ch. 88-385; s. 2, ch. 89-299; s. 26, ch. 91-244; s. 150, ch. 92-279; s. 8, ch. 92-312; s. 55, ch. 92-326; s. 5, ch. 93-162; s. 45, ch. 93-187; s. 64, ch. 93-268; s. 2, ch. 94-264; s. 5, ch. 94-332; s. 130, ch. 95-417; s. 5, ch. 96-177; s. 2, ch. 98-47; s. 5, ch. 2004-71; s. 6, ch. 2005-253; s. 3, ch. 2006-205; s. 1, ch. 2007-98; s. 3, ch. 2008-31; s. 12, ch. 2010-139; s. 9, ch. 2010-180; s. 45, ch. 2010-205; s. 2, ch. 2011-101; s. 1, ch. 2012-112; s. 1, ch. 2014-134.

¹**Note.**—Transferred to the State Board of Administration by s. 2, ch. 92-279.

²**Note.**—Redesignated as the Department of Management Services by s. 4, ch. 92-279.



Date: September 14, 2017

To: City of Jacksonville Police & Fire Pension Fund - Financial and Investment Advisory Committee

From: Dan Holmes

CC: Timothy Johnson
Stephen Lundy

Subject: Expiration of Investment Advisory Agreements

Please be advised that a significant number of Investment Advisory Agreements for investment managers employed by the Pension Fund are due to terminate on September 30, 2017. The managers to which this pertains are shown below:

- Northern Trust Aggregate Bond Index
- Northern Trust S&P Index
- Northern Trust EAFE Index
- Eagle Capital Management
- Sawgrass Asset Management`
- Pinnacle Associates Ltd.
- Thompson Siegel & Walmsley, Inc.
- Harvest Fund Advisors LLC
- Tortoise Capital Advisors

Summit recommends each Agreement be extended under the same terms and conditions as contained in the current Agreements for a period of one (1) year. During this extension period, Summit recommends each Agreement be updated by the Fund's legal counsel to reflect best practices which include:

- Conversion of the Agreements from a term period to an "evergreen" status whereby the manager Agreements will continue until terminated with a notice period;
- Accurate reflection of fee schedules which combine assets of the Fund with those of the City of Jacksonville Retirement System where managers are common to both;
- Insertion of MFN clauses where appropriate; and
- Any other Agreement updates deemed advisable by legal counsel.

Please note also the following:

- At this time, Summit does not recommend termination of any investment managers.
- As a result of pension reform, Summit is conducting an asset-liability study. The one year extension will not affect the ability to terminate any manager should the need arise pursuant to any new asset allocation or implementation Fund being adopted as a result of the asset-liability study.

Please contact Timothy Johnson if you have any questions or concerns.