JACKSONVILLE POLICE AND FIRE PENSION FUND
FINANCIAL INVESTMENT AND ADVISORY COMMITTEE (FIAC)
MEETING AGENDA – DECEMBER 9, 2016 @ 3:30PM
RICHARD “DICK” COHEE BOARD ROOM

PFPF MISSION STATEMENT

To provide long term benefits to participants and their beneficiaries

PRESENT

Eric “Brian” Smith Jr., FIAC Chair
Craig Lewis Sr., FIAC Secretary
Rob Kowkabany, FIAC
Rodney Van Pelt, FIAC

STAFF

Timothy H. Johnson, Executive Director – Plan Administrator
Matt Jelinek, Summit Strategies – *via webinar*
Craig Coleman, Summit Strategies – *via webinar*
Devin Carter, Chief Financial Officer
Steve Lundy, Economic Research Analyst
Debbie Manning, Executive Assistant

CITY REPRESENTATIVES INVITED

EXCUSED

Joey Greive, City Treasurer

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

I. CALL TO ORDER

II. PUBLIC SPEAKING PERIOD

III. APPROVAL OF THE FIAC MEETING SUMMARY FOR NOVEMBER 10, 2016, FIAC MEETING SUMMARY FOR OCTOBER 14, 2016, AND SPECIAL MEETING SUMMARY OF OCTOBER 12, 2016 OF THE FIAC AND BOARD OF TRUSTEE’S

IV. <u>OLD BUSINESS</u>

- Fifth FIAC Member - Resume for Tracey A. Devine
- Pension Plan Comparison

IV. <u>EXECUTIVE DIRECTOR'S REPORT</u> – *Timothy H. Johnson*

V. <u>INVESTMENT CONSULTANT REPORTS</u> – *Matt Jelinek / Craig Coleman w Summit*

- Economic & Capital Market Update – November, 2016
- Revised Eagle and Brown Advisory Review
- Net Fee Performance by Asset Classification
- Watch List Discussion
- Trumponomics – *hand out*

VI. <u>NEW BUSINESS</u>

VII. <u>ADJOURNMENT</u>

<u>NOTE</u>: 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 / OR CHANGED PRIOR TO MEETING

JACKSONVILLE POLICE AND FIRE PENSION FUND
FINANCIAL INVESTMENT AND ADVISORY COMMITTEE (FIAC)
SPECIAL MEETING WORKSHOP SUMMARY – NOVEMBER 10, 2016
RICHARD "DICK" COHEE BOARD ROOM

PFPF MISSION STATEMENT

To provide long term benefits to participants and their beneficiaries

PRESENT

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

STAFF

Timothy H. Johnson, Executive Director – Plan Administrator – *conference call*
Dan Holmes, Summit Strategies
Beth McCague, Consultant
Devin Carter, Chief Financial Officer
Steve Lundy, Economic Research Analyst

CITY REPRESENTATIVES INVITED

Joey Greive, City Treasurer

EXCUSED

Rob Kowkabany, FIAC
Rodney Van Pelt, FIAC
Debbie Manning, Executive Assistant

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

I. CALL TO ORDER

Chairman Smith called the meeting to order at 3:45PM

II. PUBLIC SPEAKING PERIOD

There were no requests for public speaking. The public speaking period was closed.

III. APPROVAL OF OCTOBER 14, 2016 FIAC MEETING SUMMARY AND OCTOBER 12, 2016 SPECIAL MEETING SUMMARY OF THE FIAC AND BOARD OF TRUSTEES

Deferred to next month's meeting as there was no quorum.

IV. EXECUTIVE DIRECTOR'S REPORT – *Timothy H. Johnson*

- Fifth FIAC Member - Resume for Tracey A. Devine

Tim Johnson deferred to Chairman Smith.

Chairman Smith said that he had a meeting with Tracey Devine. She stated that she must get approval of her nomination to the FIAC from SunTrust Bank's compliance department. She is interested in becoming a Member on the Committee.

Tim Johnson said that Tracey Devine has stated that she is willing to go through the City Council's "arduous confirmation process." Tim is hopeful that she will be approved by SunTrust's compliance department, and that he would like her recommendation to go to the FIAC as soon as possible.

- Pension Plan Comparison

As requested by Rodney VanPelt, Steve Lundy discussed the Pension Plan Comparison chart he created for the Committee. Van Pelt previously stated he would like to see a comparison of the PFPF's benefits to other Pension Plan benefits across the state in order to see 'how generous' the PFPF Plan is. The chart shows calculations of pension benefits under three PFPF plans, the Tampa Fire & Police Plan, and the Florida Retirement System Plan.

Chairman Smith said that he is very pleased with Steve's work and that he looks forward to reviewing it further.

- Draft for News Releases
  - PFPF Announces New Actuary
  - PFPF Reports Preliminary 2015-2016 Fiscal Year Investment Returns

Tim Johnson explained to the FIAC the two draft press releases that he had written. Tim hopes to 'rebuild public confidence in the PFPF' in part through publishing press releases, which according to Tim 'helps transparency'.

Tim Johnson discussed his Fiscal Year 2016 Investment Returns press release, which shows positive gains for the Fund's investments. He said that he wanted to run it by the FIAC before publishing it.

Chairman Smith stated that he would like his name spelled as follows in all future press releases:

Eric "Brian" Smith Jr.

- 2017 PFPF Calendar

Chairman Smith noted that the calendar is very colorful.

Tim Johnson said that the calendar will be presented next week at the Board of Trustees' meeting, and that it will be published in December 2016.

Tim Johnson asked the FIAC if any meeting dates need to be rescheduled.

Chairman Smith said no changes seem necessary.

Craig Lewis said that the calendar looks good; however they cannot make a motion to approve it since there is no quorum.

Chairman Smith then gave the floor to Dan Holmes.

V. <u>INVESTMENT CONSULTANT REPORTS</u> – *Dan Holmes w Summit Strategies*

Dan Holmes asked the FIAC to recommend any changes to future presentation materials that they felt are necessary, as the materials that he presents are highly customized.

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

Dan Holmes stated that domestic stocks were up over Fiscal Year 2016, emerging markets were up over 16%, and MLPs and High-Yield were up over 14%. Exposure in these areas contributed to the total Fund success.

Dan Holmes then discussed the Asset Allocation vs. Target Allocation as presented on page 12. He said we were close to target in all categories but real estate. Also, capital market assumptions for real estate are changing.

Chairman Smith asked if there are any specific criteria concerning when adjustments are made in order to bring allocations back to the target.

Dan Holmes answered that when an allocation is around plus or minus 5 percent off target, a readjustment will be made. Dan Holmes assesses the allocations at monthly intervals. Dan said he doesn't want to make readjustments too often as to avoid driving up transaction costs.

Chairman Smith asked if rebalances are made about twice per year.

Dan Holmes answered that rebalancing occurs more often, typically around 4 to 5 times per year, on an as-needed basis according to policy.

Dan Holmes directed attention to page 13, which shows how the PFPF's allocation compares to the 'universe of plans'.

Dan Holmes directed attention to page 14, which shows that total fund performance was almost 11 percent, which is in the 13th percentile – ranked near the top of the peer sample.

Chairman Smith asked if the 1-year, 3-year, 5-year data is on a calendar or fiscal year basis. He said he likes calendar year better.

Dan Holmes answered that it is on a calendar year basis.

Dan Holmes directed attention to page 21, which shows that all parts of the Plan allocation are working well except domestic equity, due to manager underperformance.

Dan Holmes said he may want to move to a more passive allocation eventually, but not in the near future.

Craig Lewis asked what Dan's ideal range for passive core was.

Dan Holmes said that he likes to let risk drive some allocation decisions, and this translates to a 50% active and 50% passive allocation in large cap exposure.

Craig Lewis added that 'passive beta is more rich'.

Dan Holmes directed attention to pages 23-24, which show rolling 3-year returns are performing above the benchmark and median historically, until recently, corresponding with the start of Quantitative Easing. The benchmark is now abnormally high, and underperformed the last 3 years.

Dan Holmes directed attention to page 45, which shows the international portfolio. Dan wishes allocation to Silchester was higher, but noted that they are closed to new business. Silchester is overweight to emerging markets, by design, and this helped this year's performance.

Dan Holmes said that active management is the way to go in international, and that over time, he would like to deploy more assets into active international.

Chairman Smith directed attention to the rolling 3-year returns on page 48. He asked what happened in 2014.

Dan Holmes answered and said that we replaced two managers.

Chairman Smith noted that it resulted in 'a nice bump'.

Dan Holmes said that one of those two managers are no longer in business.

Craig Lewis asked if there is any way to see the weightings by country.

Dan Holmes directed attention to page 58, which shows the weightings of Baillie Gifford, and the other managers' weightings are shown in the booklet as well. He noted that Silchester 'loves Japan'.

Dan Holmes directed attention to pages 80-81, which shows that real estate managers have done very well, and that Principal has daily liquidity.

Dan Holmes directed attention back to pages 6-7. Sawgrass and Brown are experiencing performance issues. He stated that whenever one does well, the other does less well, and vice versa. Pinnacle also experienced choppy performance, but was in the 8th percentile.

Dan Holmes said that the bottom line for the quarter was that we experienced very good performance, and that the point is that it pays to be patient and give managers time to do well.

- Eagle and Brown Advisory Review

Dan Holmes said Eagle has a concentrated portfolio. Eagle makes sense and can add performance above the benchmark, but must be sized appropriately. Eagle isn't broken.

Dan Holmes said, "Is Brown Broken?". He said a more appropriate question is, "Is large cap growth broken?". He said we should watch them closely in relation to other managers. He said we may be losing out on fees now, but he doesn't expect it for the future, and that we must be patient.

Chairman Smith asked Dan Holmes if it was his recommendation to not change the manager.

Dan Holmes replied that for now, his answer is yes, and given the risk tolerance of the Board of Trustees and FIAC, now is not the time.

- Approval of Investment Guidelines for Neuberger Berman & Loomis

Chairman Smith stated that the "Investment Manager Instructions" for Loomis Sayles & Co. and Neuberger Berman Trust Company needs to be on next month's FIAC Meeting Agenda.

Dan Holmes reviewed and discussed the Investment Manager Instructions for Neuberger Berman, and the handout for Loomis Sayles. He recommended that these guidelines be shown to the Board of Trustees.

Craig Lewis said that he is comfortable with Dan's recommendations.

Chairman Smith said that although the FIAC cannot vote on this yet because they do not have a quorum, he and Craig Lewis feel comfortable with Dan's recommendations, especially since Dan Holmes has confirmed that these investment managers are complying with the statutory investment requirements.

- Net Fee Performance by Asset Classification
- Watch List Discussion

VI. <u>NEW BUSINESS</u>

VII. <u>ADJOURNMENT</u>

Chairman Smith reiterated that no votes were taken during the meeting, as there was no quorum.

Chairman Smith adjourned the meeting at 5:06PM.

<u>NOTE</u>: If any person decides to appeal any decision made with respect to any matter considered at this public meeting such person will need a record of proceedings, and for such purpose such person may need to ensure that a verbatim record of the proceedings is made at their own expense and that such record includes the testimony and evidence on which the appeal is based. The public meeting may be continued to a date, time, and place to be specified on the record at the meeting.

TO BE APPROVED AT THE FIAC MEETING
HELD ON DECEMBER 9, 2016

____
Craig Lewis, FIAC Secretary

Tracey Alden Devine
116 Coastal Oak Circle
Ponte Vedra Beach, FL 32082

(904) 625-6440 traceydevine@comcast.net

SUMMARY

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

PROFESSIONAL EXPERIENCE

SUNTRUST BANK

Senior Research Analyst, SVP, Investment Advisory Group, Private Wealth Management 2014 - Present

Manage a list of recommended money managers meeting the unique needs of the Bank, Endowment & Foundation, Brokerage and Family Wealth clients. Emphasis placed on proprietary research exhibiting discipline and long-term focus.

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

LEGACY TRUST FAMILY WEALTH OFFICE

Director, Investment Research & Consulting 2012 – 2014

Developed and directed the investment strategy, portfolio management and client consulting for a HNW clientele.

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

WACHOVIA BANK

Managing Director, SVP, Investment Strategy & Research, Wealth Management 2004 – 2009

Directed the development and full execution of a managed money investment solution for Wachovia Wealth Management, the nation's 5th largest wealth manager ($65+ billion AUM).

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

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

Director of Research, VP, Portfolio Strategies, Trust Division 1997 – 2004
Created a new fiduciary research division and proprietary due diligence discipline pertaining to the analysis of money managers utilized throughout fiduciary focused bank channels.

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

Portfolio Manager/Portfolio Manager Associate, AVP, Trust Division 1993 – 1997
Managed investment related decisions for 250+ personal trust relationships.

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

Investment Officer, Brokerage Division 1987 – 1989
Registered Broker servicing client accounts via comprehensive range of financial services utilizing brokerage product array.

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

MERRILL LYNCH, PIERCE FENNER & SMITH 1985 – 1986
Financial Consultant
Prospected, advised, and serviced client accounts.

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

EDUCATION

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

BUSINESS ASSOCIATIONS

CFA Institute & CFA Society of Jacksonville
Investment Management Consultants Association

Pension Plan Comparison

October 11, 2016 - By Steve Lundy

	Group IA	Group IB	Jax PFPF: Group II	FRS	Tampa Fire & Police
Criteria for Group Status	Member of the Fund as of June 19, 2015 with 20 or more years of service	Member of the Fund as of June 19, 2015 with less than 20 years of service	Hired after June 19, 2015	N/A	N/A
Retirement Benefit	3% each year for 1st 20 years; 2% each additional year; based on last 2 years of pensionable pay.	3% each year for 1st 20 years; 2% each additional year; based on last 2 years of pensionable pay. If member has less than 5 years of service as of June 19, 2015, based on last 4 years of pensionable pay.	2.5% each year until 30 years of service (steep reductions for early retirement after 25 years); based on last 5 years of pensionable pay.	3.0% each year; based on the average of the highest 8 fiscal years of salary.	3.15% each year until maximum of 100% of average earnings (highest 3 years of last 10 years of pay).
Active Member Contribution	8%; increases to 10% when across the board raises occur.	8%; increases to 10% when across the board raises occur.	10%	3%	12.5%
Normal Retirement	20 years of service at 60% of Final Average Earnings calculated based on last 2 years of pensionable pay (52 pay periods).	20 years of service at 60% of Final Average Earnings calculated based on last 2 years of pensionable pay (52 pay periods) for members with at least 5 years of service as of June 19, 2015; or last 4 years of pensionable pay (104 pay periods) for members with less than 5 years of service as of June 19, 2015.	30 years of service at 75% of Final Average Earnings calculated based on last 5 years of pensionable pay (130 pay periods); Pay up to $99,999.99, adjusted for inflation annually.	Age 60 with at least 8 years of service or 30 years of service regardless of age.	After at least 10 years of service, but benefits not paid until at least 46 years of age.
Full Retirement	30 years of service at 80% of Final Average Earnings.	30 years of service at 80% of Final Average Earnings.	Same as normal	Same as normal	Same as normal
Vesting	Vested at 5 years, commencing on date of eligible retirement (20 years).	Vested at 5 years, commencing on date of eligible retirement (20 years).	Vested at 10 years, benefit commencing at age 62.	Vested at 8 years. Benefit commences at time eligible for early or normal retirement. Early retirement penalty of 5% per year less than normal retirement.	Vested at 10 years, benefit commencing at age 46.
Survivor Benefit	75% of retiree's pension pay; $200 per child per month benefit; orphan benefit 75% of pension pay.	75% of retiree's pension pay; $200 per child per month benefit; orphan benefit 75% of pension pay.	75% of retiree's normal retirement pension pay; $200 per child per month benefit; orphan benefit 75% of pension pay.	Depends on option selected; 1: Refund of member's contributions if contributions exceed total amount of retirement benefits received; 2: Survivor gets same benefit as member until the 10th year after member's retirement; 3: Survivor receives same reduced benefit as member until death; 4: Upon death of member OR beneficiary reduced benefit is reduced further to 2/3.	Depends on option selected; 1: Refund of member's contributions if contributions exceed total amount of retirement benefits received; 2: Survivor gets 65% of member's benefit until the 10th year after member's retirement; 3: Joint Annuitant - Upon death of member OR beneficiary reduced benefit continues unaffected.
Retiree Cost-Of-Living-Adjustment (COLA)	3% annually each January commencing on first January after retirement.	Blended rate equal to 3% for service time prior to June 19, 2015, AND Social Security COLA (not to exceed 6%) for service time after June 19, 2015, commencing on first January after retirement.	Equal to Social Security COLA but not to exceed 1.5%, commencing on third January after retirement.	3% annually each July commencing on first July after retirement (1st COLA prorated).	COLA will increase OR decrease each year according to the net change in the cost-of-living index from the previous year. Cannot be decreased below the level benefits were first determined.
Disability	60% of last 2 years of pensionable pay (52 pay periods).	60% based on last 2 years of pensionable pay (52 pay periods) for members with more than 5 years of service as of June 19, 2015. If member has less than 5 years of service as of June 19, 2015, based on last 4 years of pensionable pay (104 pay periods).	50% of last 5 years of pensionable pay (130 pay periods).	Minimum 65% for In-Line-of-Duty Disabilities; Minimum 25% for regular disabilities.	In-Line-of-Duty: 65% of current salary plus 1/12th pensionable earnings received within 1 year prior to date of disability. Regular Disability: minimum 25% of current salary OR 2% of average earnings times years of credited service to maximum of 50% of average earnings.

Pension Plan Comparison

October 11, 2016 - By Steve Lundy

	Group IA	Group IB	Jax PFPF: Group II	FRS	Tampa Fire & Police
Deferred Retirement Option Program (DROP)	Participation up to 5 years (130 pay periods) based on years of service; Available to members with 20 but not exceeding 32 years of service; 8.4% annual interest; 2% qualified member contributions during DROP participation.	Participation up to 5 years (130 pay periods) based on years of service; Available to members with 20 but not exceeding 32 years of service; Annual interest equal to actual performance of Fund measured and applied annually: 2% minimum to 14.4% maximum; 2% qualified member contributions during DROP participation.	BACKDROP - Member may retire with reduced pension benefit as calculated at a previous date (-2% per year less than 30) and receive a lump sum check for the accrued amount of pension benefits had the member actually retired on that date, with interest based on the amount earned by the plan (0-10% annual).	Participation up to 5 years, reduced by one month for each month between normal retirement date and DROP enrollment. 1.3% Annual Interest.	Participation up to 5 years based on years of service; Available to members with 20 but not exceeding 30 years of service; interest positive or negative equal to the Fund's net investment return, or a rate determined by the Board; no member contributions while on DROP.
Share Plan	Amount determined annually at the discretion of the Board of Trustees from "Enhanced Benefits" credited to active members' accounts; Paid to members with 10 years of credited service at termination (including entry into DROP or retirement).	Amount determined annually at the discretion of the Board of Trustees from "Enhanced Benefits" credited to active members' accounts; Paid to members with 10 years of credited service at termination (including entry into DROP or retirement).	Amount determined annually at the discretion of the Board of Trustees from "Enhanced Benefits" credited to active members' accounts; Paid to members with 10 years of credited service at termination (or retirement).	N/A	N/A
Pre-Retirement Death Benefit	75% of Normal Retirement; $200 per child per month benefit; orphan benefit 75% of Normal Retirement.	75% of Normal Retirement; $200 per child per month benefit; orphan benefit 75% of Normal Retirement.	75% of Normal Retirement; $200 per child per month benefit; orphan benefit 75% of Normal Retirement.	100% if death occurs in the line of duty; Refund of contributions OR monthly benefit dependent on choice of beneficiary option.	COLA will increase OR decrease each year according to the net change in the cost-of-living index from the previous year. Cannot be decreased below the level benefits were first determined.

*This is an abbreviated summary of the Jax PFPF Plan. Please see underlying law, City Ordinance 121 for the detailed Plan.
**https://www.myfrs.com/FRSPro_ComparePlan.htm
***http://www.tampagov.net/sites/default/files/fire-and-police-pension/files/2014_spd.pdf

Pension Plan Estimate Comparison
BACKDROP & DROP

October 11, 2016 - By Steve Lundy

	Group IA	Group IB	Jax PFPF: Group II	FRS	Tampa Fire & Police
Active Member Contribution	8%; increases to 10% when across the board raises occur.	8%; increases to 10% when across the board raises occur.	10%	3%	12.5%
Retirement Benefit	3% each year for 1st 20 years; 2% each additional year; based on last 2 years of pensionable pay.	3% each year for 1st 20 years; 2% each additional year; based on last 2 years of pensionable pay. If member has less than 5 years of service as of June 19, 2015, based on last 4 years of pensionable pay.	2.5% each year until 30 years of service (steep reductions for early retirement after 25 years); based on last 5 years of pensionable pay.	3.0% each year; based on the average of the highest 8 fiscal years of salary.	3.15% each year until maximum of 100% of average earnings (highest 3 years of last 10 years of pay).
	Retirement Benefit ESTIMATE	**Retirement Benefit ESTIMATE**	**Retirement Benefit ESTIMATE**	**Retirement Benefit ESTIMATE**	**Retirement Benefit ESTIMATE**
Years of Service	30	30	30	30	30
Multiplier	80.0%	80.0%	75.0%	90.0%	94.5%
Salary Year 20	75000	75000	75000	75000	75000
Salary Year 21	76500	76500	76500	76500	76500
Salary Year 22	78030	78030	78030	78030	78030
Salary Year 23	79591	79591	79591	79591	79591
Salary Year 24	81182	81182	81182	81182	81182
Salary Year 25	82806	82806	82806	82806	82806
Salary Year 26	84462	84462	84462	84462	84462
Salary Year 27	86151	86151	86151	86151	86151
Salary Year 28	87874	87874	87874	87874	87874
Salary Year 29	89632	89632	89632	89632	89632
AVG Salary	88753	87030	86185	83716	87886
Pension Benefit	71003	69624	64639	75345	83052
Normal Retirement	20 years of service at 60% of Final Average Earnings calculated based on last 2 years of pensionable pay (52 pay periods).	20 years of service at 60% of Final Average Earnings calculated based on last 2 years of pensionable pay (52 pay periods) for members with at least 5 years of service as of June 19, 2015; or last 4 years of pensionable pay (104 pay periods) for members with less than 5 years of service as of June 19, 2015.	30 years of service at 75% of Final Average Earnings calculated based on last 5 years of pensionable pay (130 pay periods); Pay up to $99,999.99, adjusted for inflation annually.	Age 60 with at least 8 years of service or 30 years of service regardless of age.	After at least 10 years of service, but benefits not paid until at least 46 years of age.
Deferred Retirement Option Program (DROP)	Participation up to 5 years (130 pay periods) based on years of service; Available to members with 20 but not exceeding 32 years of service; 8.4% annual interest; 2% qualified member contributions during DROP participation.	Participation up to 5 years (130 pay periods) based on years of service; Available to members with 20 but not exceeding 32 years of service; Annual interest equal to actual performance of Fund measured and applied annually: 2% minimum to 14.4% maximum; 2% qualified member contributions during DROP participation.	BACKDROP - Member may retire with reduced pension benefit as calculated at a previous date (-2% per year less than 30) and receive a lump sum check for the accrued amount of pension benefits had the member actually retired on that date, with interest based on the amount earned by the plan (0-10% annual).	Participation up to 5 years, reduced by one month for each month between normal retirement date and DROP enrollment. 1.3% Annual Interest.	Participation up to 5 years based on years of service; Available to members with 20 but not exceeding 30 years of service; interest positive or negative equal to the Fund's net investment return, or a rate determined by the Board; no member contributions while on DROP.
	DROP ESTIMATE	**DROP ESTIMATE**	**BACKDROP ESTIMATE**	**DROP ESTIMATE**	**DROP ESTIMATE**
ASSUMPTIONS	Assuming Pension ESTIMATE Above	Assuming Pension ESTIMATE Above	Assuming Pension ESTIMATE Above	Assuming Pension ESTIMATE Above	Assuming Pension ESTIMATE Above
			BACKDROP from 35 to 30 Years of Service		
			75.0% Multiplier @ 30y		
	Assuming 3.0% COLA	Assuming 3.0% COLA	(No COLA on BACKDROP)	3.0% COLA	Assuming 3.0% COLA
	8.4% DROP Rate	Assuming 5.0% DROP Rate	Assuming 5.0% Fund Return	1.3% DROP Rate	Assuming 5.0% DROP Rate
Total BACKDROP/DROP	465100	418300	375029	412800	498900
Pension Benefit	71003	69624	64639	75345	83052

*This is an abbreviated summary of the Jax PFPF Plan. Please see underlying law, City Ordinance 121 for the detailed Plan.

**https://www.myfrs.com/FRSPro_ComparePlan.htm

***http://www.tampagov.net/sites/default/files/fire-and-police-pension/files/2014_spd.pdf

****PFPF DROP estimator program was used for all DROP estimates shown above. Estimates may vary from actual results.

Summit Strategies Group
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Monthly Economic & Capital Market Update

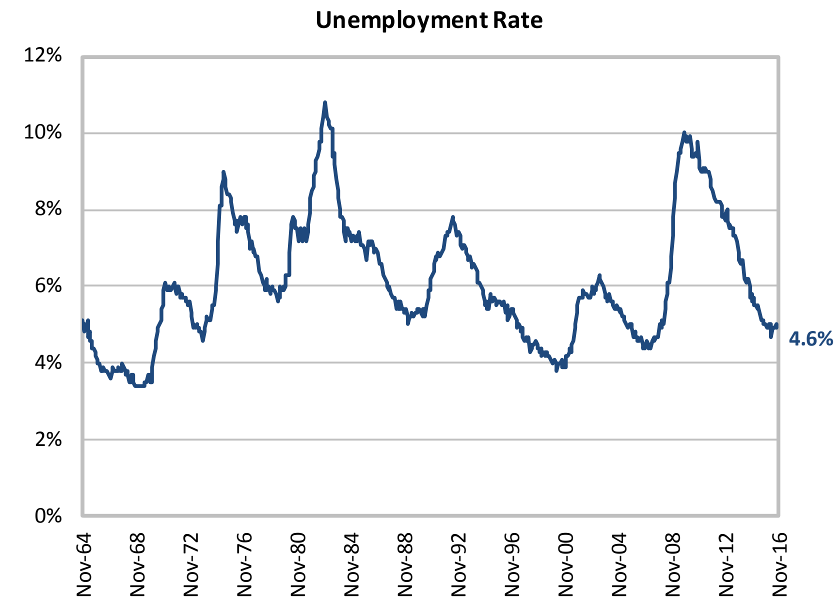
November 2016

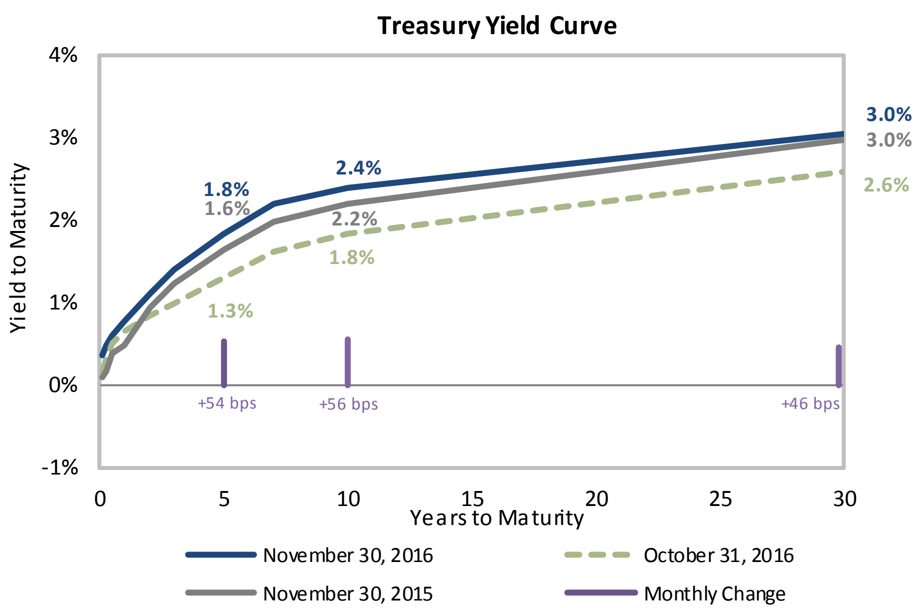
Economy

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

Yield Curve

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





Summit Strategies Group

Growth Assets

November 30, 2016

Public Equities

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

Public Debt

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

Private Equity

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

Private Debt

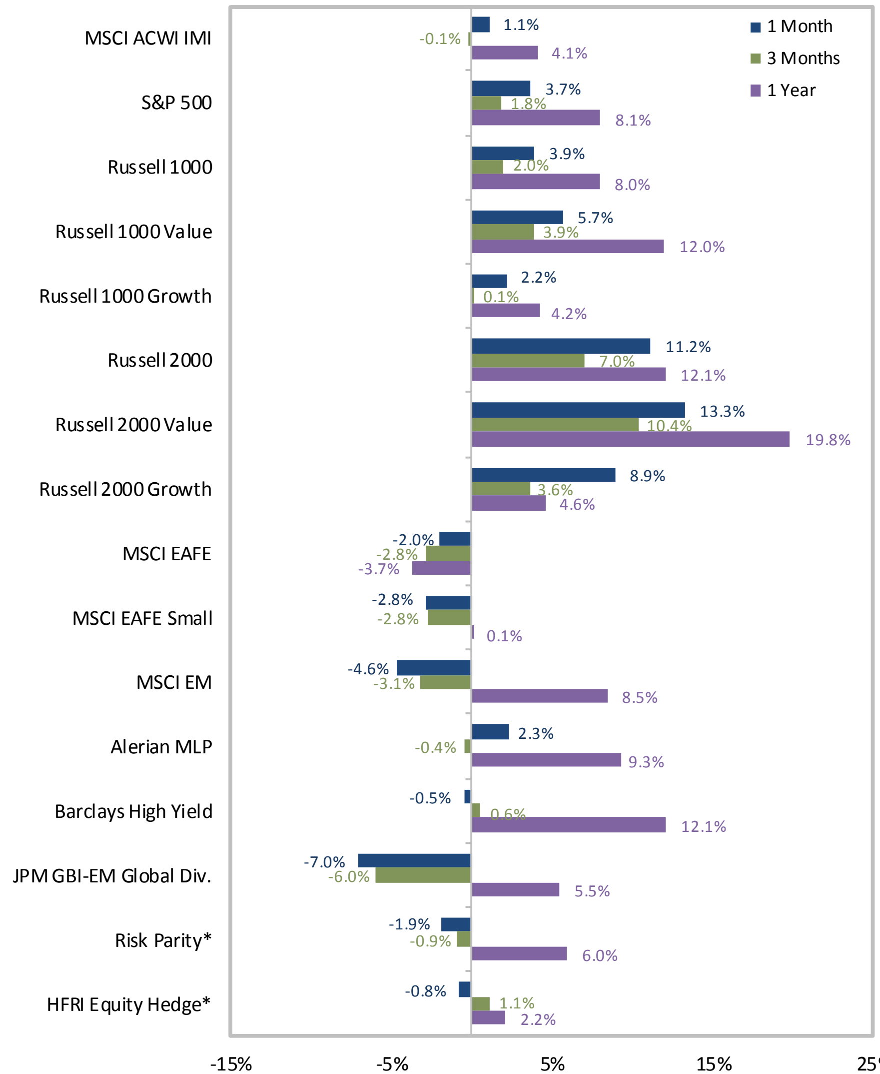
- Debt multiples for both middle market deals and larger deals have on average been lower than those experienced in 2015. After declining significantly during the first half of 2016, multiples of deals less than $50m in EBITDA reverted back to levels seen over the past few years during the third quarter.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

Risk Parity

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

Growth Hedge Funds

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



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

Public Debt

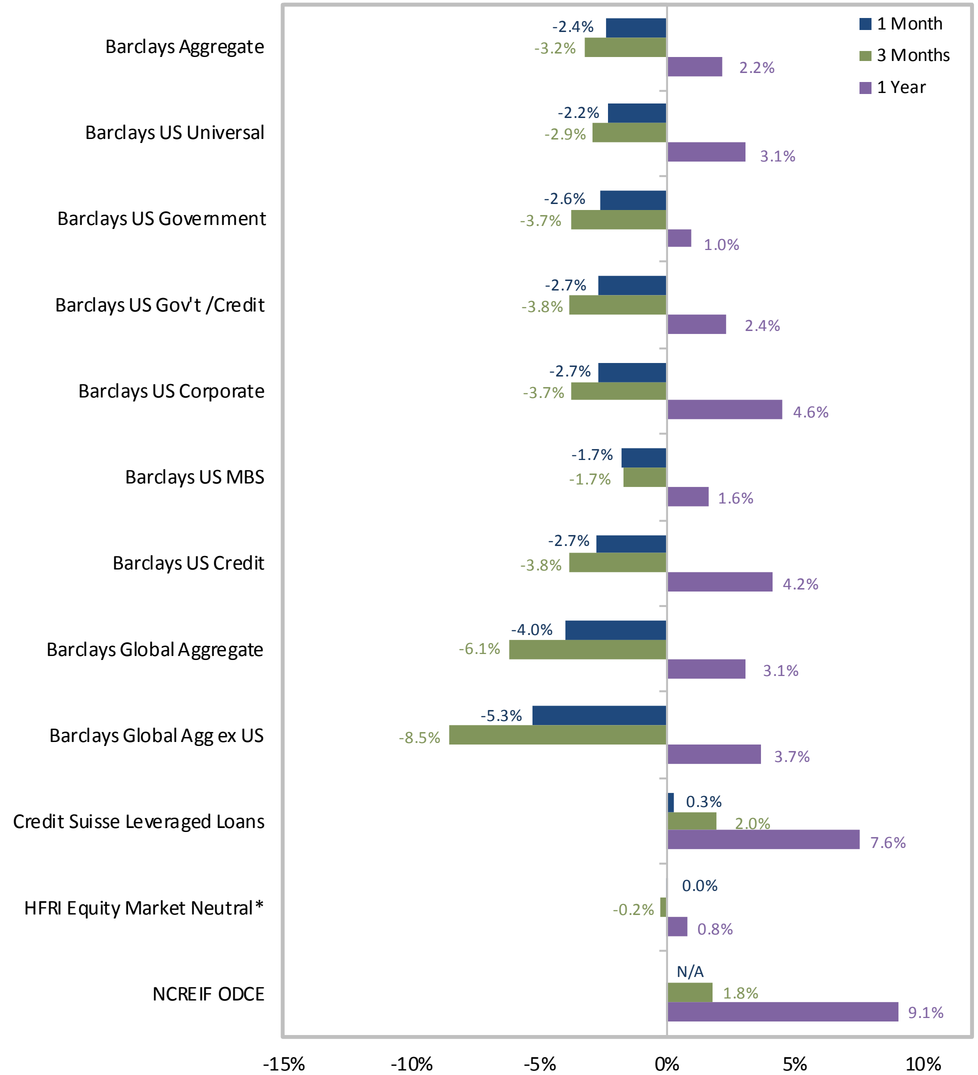
- The 10-year US Treasury yield ended November at 2.4%, up 56 bps from the end of October following the results of the election. The rise in yields experienced during November was the largest for the 10-year Treasury since December 2009.
- Investment grade credit saw spreads tighten by one basis point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

Relative Value Hedge Funds

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

Core Real Estate

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



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

Inflation

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

Deflation

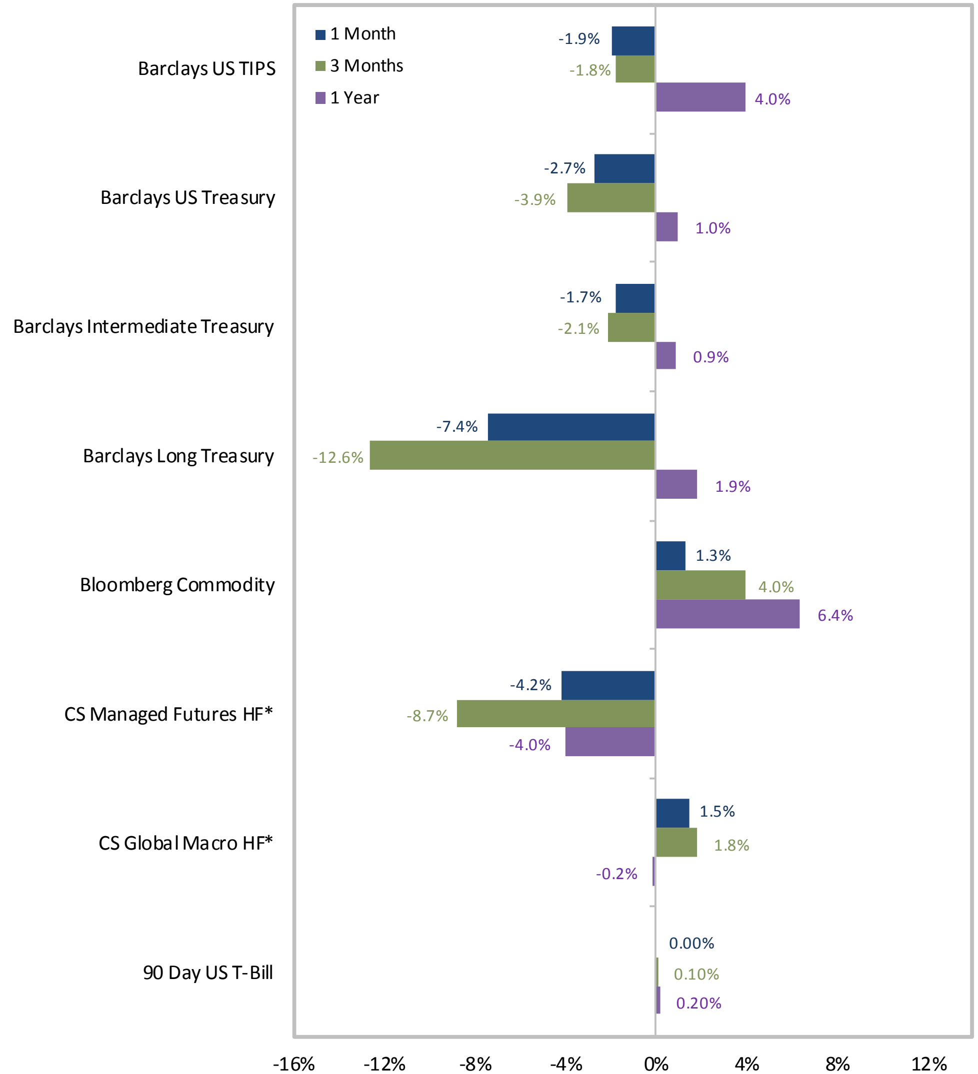
- The Barclays Long Treasury Index returned -7.4% as the yield on the 30-year Treasury increased 45 bps to 3.0%.
- Cash continues to offer no relative return, with 90-day T-bills offering no return during month of November and 0.2% for the one-year return.

Commodities

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

Tactical Trading

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



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Note: All returns are USD.

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Revised Copy

Eagle and Brown Advisory Review
Discussion of Active vs Passive Investing

City of Jacksonville
Police & Fire Pension Fund

December 9, 2016

EXECUTIVE SUMMARY

- The purpose of this presentation is three-fold:
  - Review performance of Eagle Capital Management, LLC and Brown Advisory, LLC.
  - Discuss active vs passive investment in the domestic equity portfolio.
  - Recommend action to the FIAC for consideration.
    - If approved by the FIAC, make the same recommendation to the Board of Trustees.
- **Eagle Review**
  - On a net of fees basis, Eagle had underperformed their benchmark by 3.87% over the last 12 months (ending 10/31/2016) and by 27 basis points over the last three years.
  - Most of the underperformance is attributable to the first half of 2016 where:
    - Eagle held Valeant Pharmaceuticals at a 3.5% portfolio weight and which declined 90%.
    - An underweight to the Utilities sector which rallied when investors became defensive.
  - Longer-term performance remains attractive.
  - Their process is not "broken" but the concentrated nature of the portfolio holdings can lead to higher volatility and periods where it is "out of sync" with the market.
  - Eagle is not a deep value manager; instead they correlate highly with both the Russell 1000 Value and the S&P 500 over time. They are also benchmark agnostic.
- **Brown Review**
  - On a net of fees basis, Brown has underperformed their benchmark by 2.73% since inception. The magnitude of their underperformance in 2016, 2014, and 2013 has created longer-term underperformance over 3, 5, and 7 years.
  - Brown's process is not "broken" per se – Most active large cap growth managers have underperformed the benchmark during this time period, where fundamental stock selection has been made more difficult by the Fed's Quantitative Easing and investors' flight to defensive stocks.
    - Active management's ability to add value is cyclical, and at some point may recover. However, persistency of outperformance by active large cap growth managers remains a question in view of the availability of cheap exposure provided by index funds.

EXECUTIVE SUMMARY

- Active vs Passive
  - Some asset classes require investors pursue active management as no passive options exists.
  - Some asset classes are inefficient to the extent that active management can add excess return, net of fees, over the benchmark – small cap equity and international equity for example.
  - Large cap domestic equity is the most difficult asset class to generate consistent excess returns, net of fees.
    - Reasons include: sell side coverage, capture of earnings surprise, inflexibility of processes to capture/avoid market catalysts, active management fees in a period of low expected returns.
    - Summit believes investors must have a compelling reason to move away from passive management in domestic large cap: e.g. concentrated best ideas approach, process flexibility, managed tracking error, etc.
  - Use of active management requires patience.
    - No manager can be expected to outperform every year.
    - Outperformance over a “market cycle” should be expected, however, a market cycle may take longer than the industry’s 3-5 year convention.
    - Willingness to add capital even when a manager may be below benchmark or peers may be necessary.
  - Passive Management requires understanding that:
    - On a net of fees basis, a small level of underperformance (few basis points) may be locked in as index funds charge fees too.
    - The investor accepts the market return even if it is declining.

EXECUTIVE SUMMARY

- Recommendation
  - A "benchmark aware" approach is recommended for the Pension Plan. This approach is a combination of active and passive investing.
  - The benchmark for the overall domestic equity portfolio is the Russell 3000. What is the best way, over time, to outperform the domestic equity market on a net of fees basis?
    - Maintain a value bias in the overall portfolio.
    - Maintain a small-mid cap bias relative to the benchmark.
    - Minimize the tracking error to the benchmark.
    - Minimize fees.
  - Implementation
    - Weight the domestic portfolio 80% to large cap and 20% to small-mid cap.
    - Keep the small-mid cap actively managed with the current managers.
    - Maintain the value bias by keeping Eagle in place but terminating the active large cap growth equity managers.
    - Minimize the tracking error to the benchmark and reduce fees by increasing the index fund to 60% and decreasing Eagle to 20% of the domestic equity portfolio.
    - Move the S&P 500 index strategy to the Russell 1000 index strategy to further reduce tracking error.

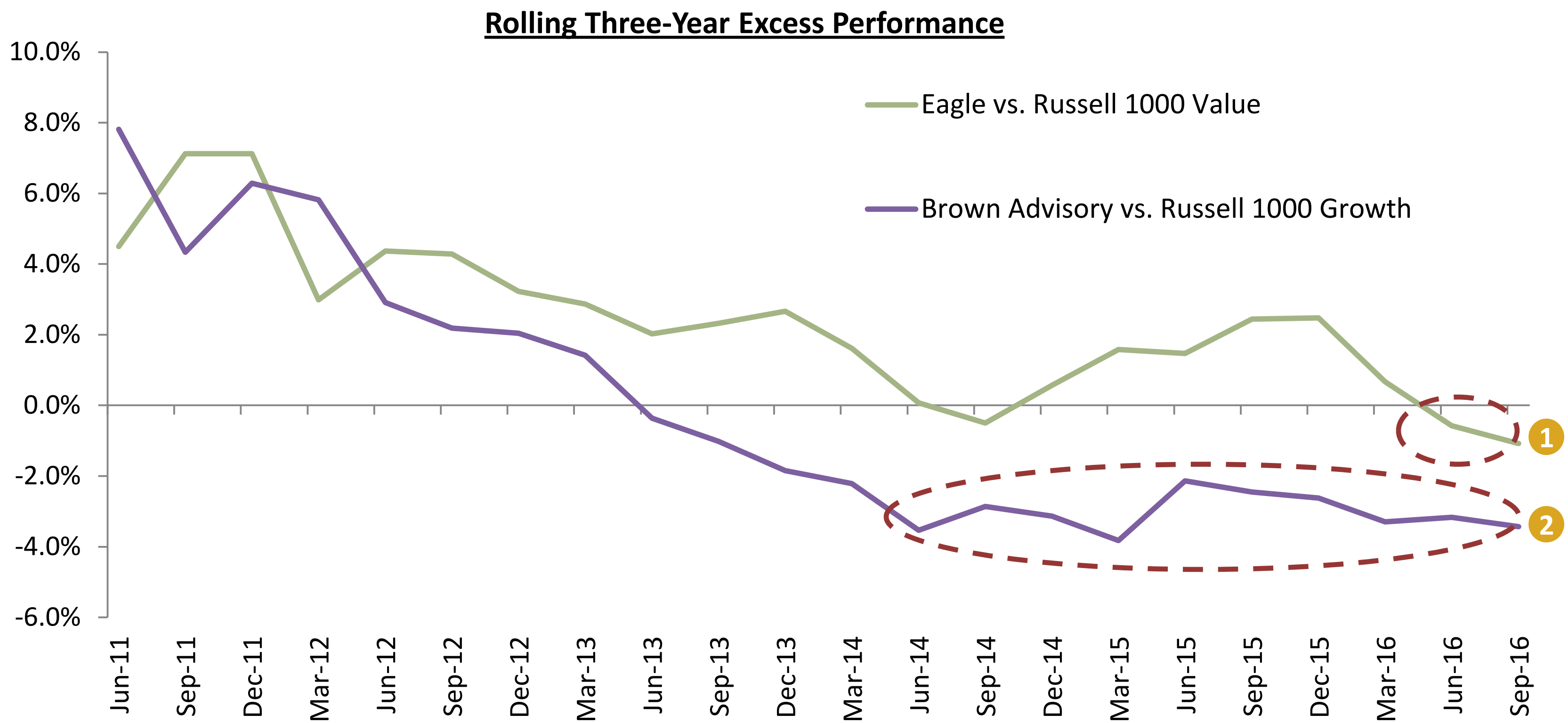
ANNUALIZED PERFORMANCE – NET OF FEES (AS OF OCTOBER 31, 2016)

Manager vs Benchmark					
As of 10/31/16	1 year	3 years	5 years	7 years	10 years
Eagle	**2.50%**	**7.32%**	**13.79%**	**14.75%**	**8.91%**
Russell 1000 Value	6.37%	7.59%	13.31%	12.59%	5.35%
Brown	**0.53%**	**6.63%**	**11.24%**	**13.54%**	**9.43%**
Russell 1000 Growth	2.28%	9.36%	13.65%	13.94%	8.22%

Calendar Year Return										
	YTD 2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Eagle	**3.55%**	**1.15%**	**12.28%**	**35.86%**	**17.47%**	**4.86%**	**20.57%**	**32.17%**	**-34.65%**	**8.03%**
Russell 1000 Value	8.29%	-3.83%	13.45%	32.53%	17.51%	0.39%	15.51%	19.69%	-36.85%	-0.17%
Brown	**0.57%**	**7.71%**	**6.86%**	**29.42%**	**16.18%**	**0.12%**	**25.36%**	**53.05%**	**-36.27%**	**11.84%**
Russell 1000 Growth	3.51%	5.67%	13.05%	33.48%	15.26%	2.64%	16.71%	37.21%	-38.44%	11.81%

Performance reflects City of Jacksonville Police & Fire Pension Fund net of fees returns, linked with composite net of fees returns to lengthen performance history as necessary.

HISTORICAL PERFORMANCE SUMMARY – NET OF FEES (AS OF SEPTEMBER 30, 2016)



1. A historically strong relative performer, Eagle's three-year relative performance (primarily due to performance over the past year) has fallen slightly below over the most recent three-year period.
2. After outperforming on a three-year rolling basis historically, Brown Advisory's performance has significantly trailed its benchmark in recent years.

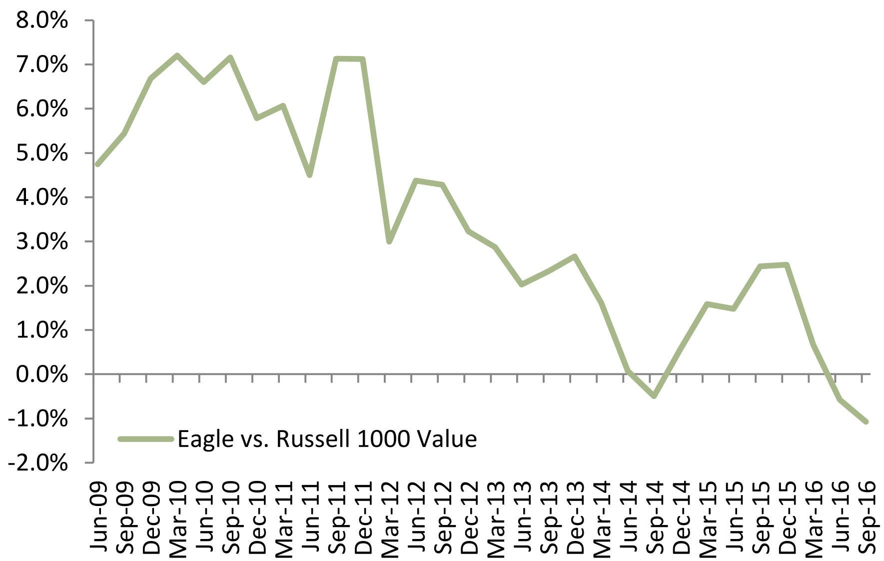
Performance reflects City of Jacksonville Police & Fire Pension Fund net of fees returns, linked with composite net of fees returns to lengthen performance history as necessary.

EAGLE CAPITAL REVIEW (AS OF OCTOBER 31, 2016)

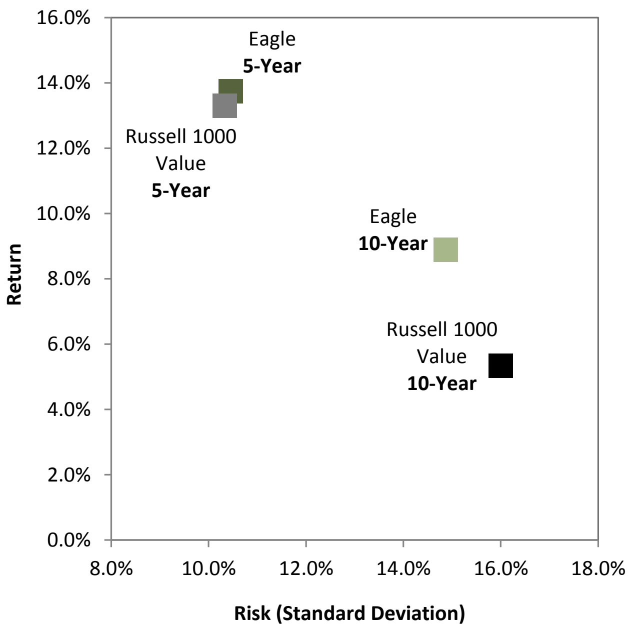
Background

- Eagle Capital is one of four large cap managers in the portfolio (the others being Northern Trust, Brown Advisory, and Sawgrass). Eagle currently manages ~$175 million in assets for the City of Jacksonville Police & Fire Pension Fund (~11% of portfolio assets and ~34% of the large cap equity portfolio assets).
- Recent underperformance warrants further analysis:
  - The strategy has trailed the benchmark by 387 bps over the trailing year, net of fees.
  - Performance also lags the benchmark over the trailing three-year period, by 27 bps; however, the portfolio has outperformed the Russell 1000 Value over the trailing five-year period by 48 bps and 10-year period by 356 bps.

Rolling Three-Year Excess Performance



Risk vs. Return

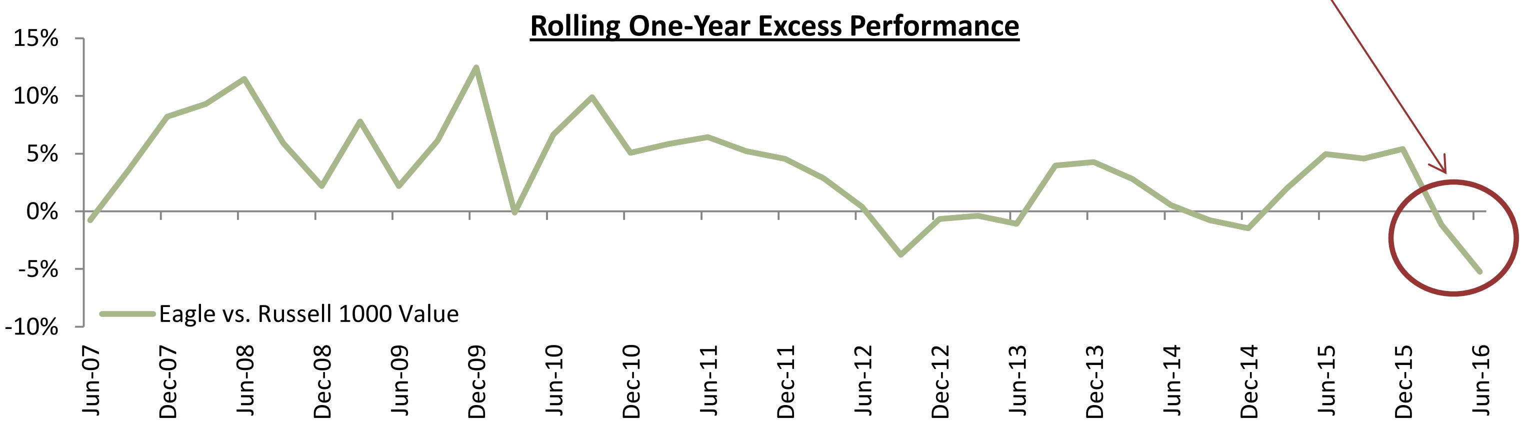


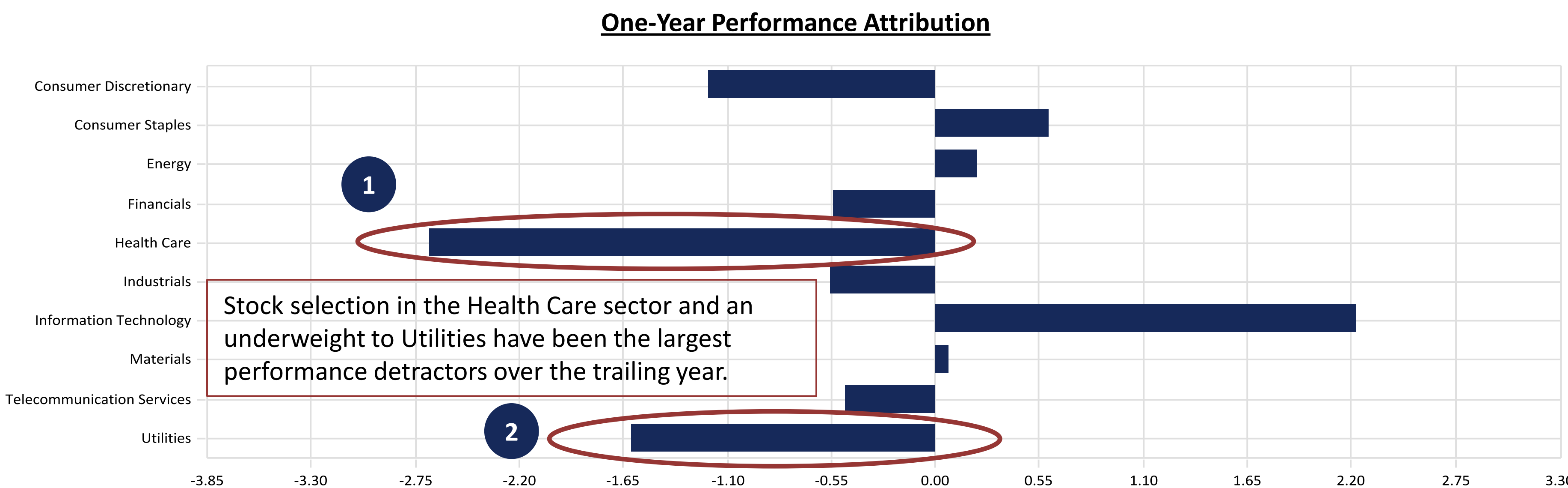
- Eagle has significantly outperformed the benchmark over the trailing 10-year period with a lower volatility. However, over the trailing five years (and three years) performance has fallen closer in line with the benchmark.

Performance reflects City of Jacksonville Police & Fire Pension Fund net of fees returns, linked with composite net of fees returns to lengthen performance history as necessary.

EAGLE CAPITAL – UNDERPERFORMANCE SUMMARY (AS OF JUNE 30, 2016)

- Eagle's recent performance struggles can be almost entirely attributed to performance over the trailing one-year period.

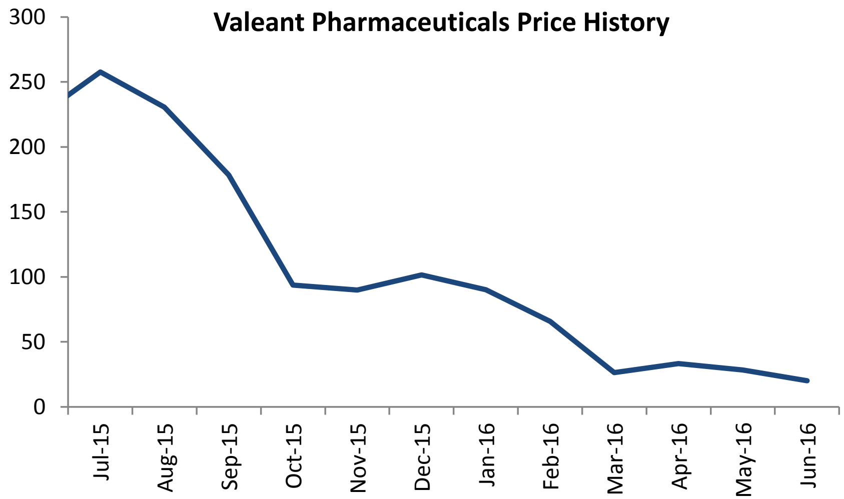




Performance reflects City of Jacksonville Police & Fire Pension Fund net of fees returns, linked with composite net of fees returns to lengthen performance history as necessary.

EAGLE CAPITAL – UNDERPERFORMANCE EXPLAINED

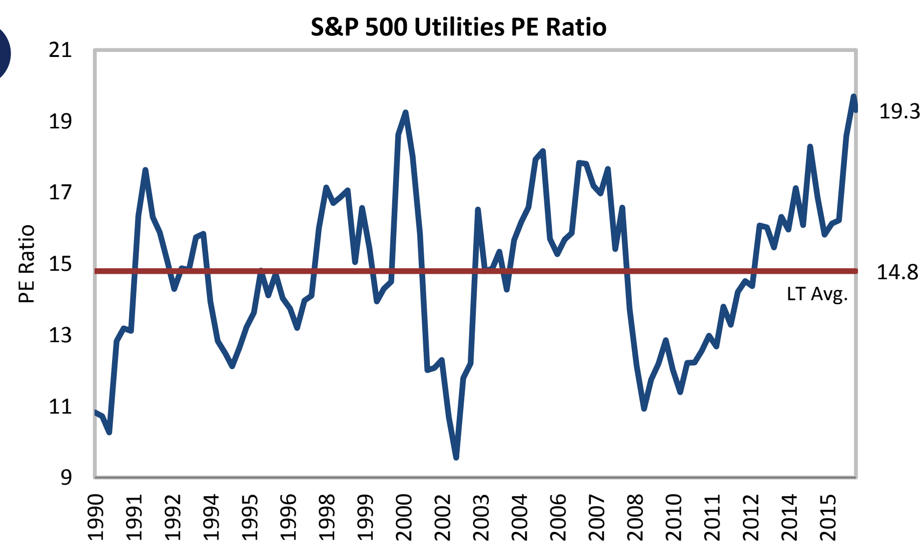
1



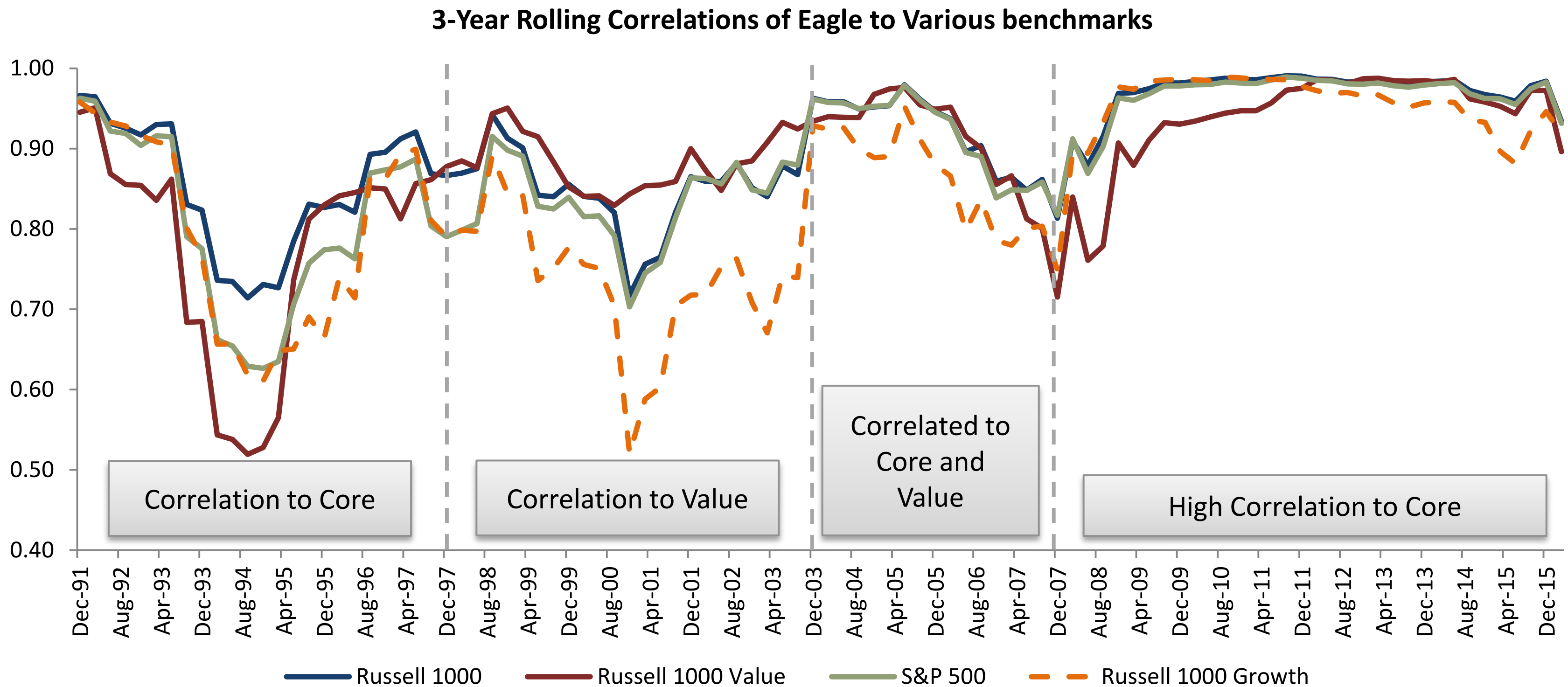
- As shown on the previous page, stock selection in the Health Care sector detracted significantly from performance over the trailing year.
- As a concentrated portfolio, individual stocks can have a material impact on Eagle's performance, as was the case with Valeant Pharmaceuticals over the trailing year.
- At a 3.5% weight in the portfolio in June 2015, Valeant's subsequent 90% year-over-year price decline had a significant negative impact on performance.

2

- Eagle has no exposure to the Utilities sector, compared to the index at ~7%, which has detracted from performance over the trailing year.
- As investors have continued to migrate out the risk/asset curve in search of yield, utilities (typically "defensive", high dividend paying stocks) have performed extremely well, returning 32% over the trailing one-year period, as of June 30, 2016.



EAGLE HAS PERFORMED LIKE A CORE PRODUCT WITH A VALUE BIAS



Takeaways

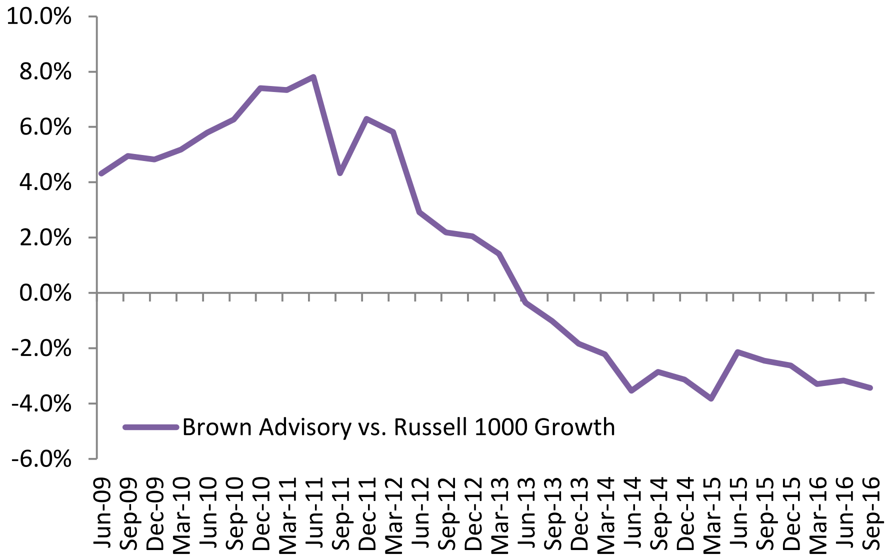
- Correlation to the core indexes is consistent in three of the four periods identified.
- In only one of four periods is Eagle consistently correlated to the Russell 1000 Value.
- As expected, Eagle is least correlated to the Russell 1000 Growth index (compared to core and value indexes).
- **Overall, Summit sees Eagle as a product that performs more core-like with a value bias than pure value.**

BROWN ADVISORY REVIEW (AS OF OCTOBER 31, 2016)

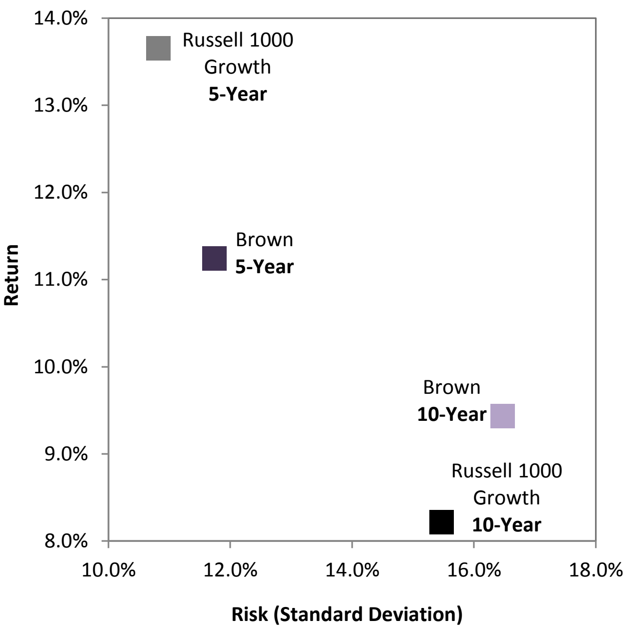
Background

- Brown Advisory is one of four large cap managers in the portfolio (the others being Northern Trust, Eagle, and Sawgrass). Brown Advisory currently manages ~$85 million in assets for the City of Jacksonville Police & Fire Pension Fund (~5% of portfolio assets and ~17% of the large cap equity portfolio assets).
- Recent underperformance warrants further analysis:
  - Below median rolling 3-year performance (versus peers) for the last 12 quarters.
  - Performance currently lags the benchmark for the trailing 1-, 3-, and 5-year periods.

Rolling Three-Year Excess Performance



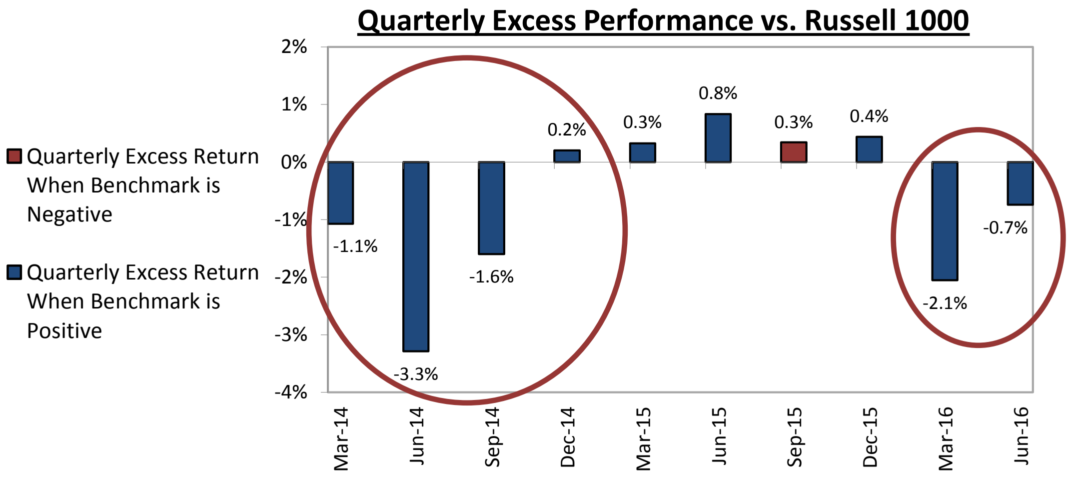
Risk vs. Return



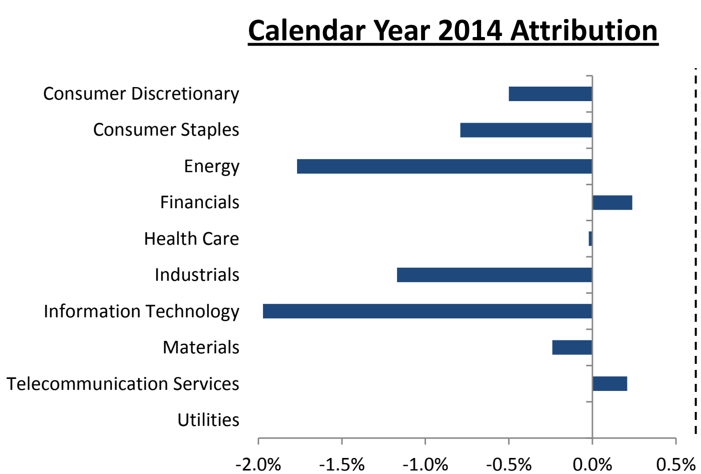
- Over the trailing 10-year period, Brown has outperformed the Russell 1000 Growth, with a slightly higher volatility. However, over the trailing 5-year period, the index has outperformed Brown with a lower volatility.

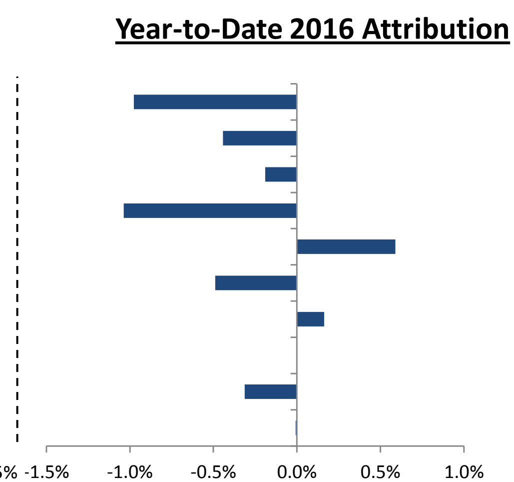
Performance reflects City of Jacksonville Police & Fire Pension Fund net of fees returns, linked with composite net of fees returns to lengthen performance history as necessary.

BROWN ADVISORY – UNDERPERFORMANCE SUMMARY (AS OF JUNE 30, 2016)



One-Year Performance Attribution





- Brown Advisory's underperformance since inception in the portfolio can be entirely explained by relative performance in calendar year 2014 and the first two quarters of 2016.
- Calendar year 2014 performance was hindered primarily by an energy overweight in a timeframe when oil was down close to 50%, in conjunction with poor stock selection in industrials (Flour Corp.) and Technology (Discovery Communications).
- Year-to-date 2016 performance has been hurt by stock selection in the consumer discretionary and financials sectors. Investors searching for yield in the current low interest rate environment has also hurt, as Brown's pure growth, typically low-dividend paying holdings have not seen the gains of more dividend-oriented names.
- While stock selection has hurt, the recent market environment has been very difficult for active managers in general, particularly in the large cap growth space (see next page).

 Performance reflects City of Jacksonville Police & Fire Pension Fund net of fees returns, linked with composite net of fees returns to lengthen performance history as necessary. Summit Strategies Group

ACTIVE VS. PASSIVE IMPLEMENTATION

BIG PICTURE: THE ACTIVE VS. PASSIVE DECISION

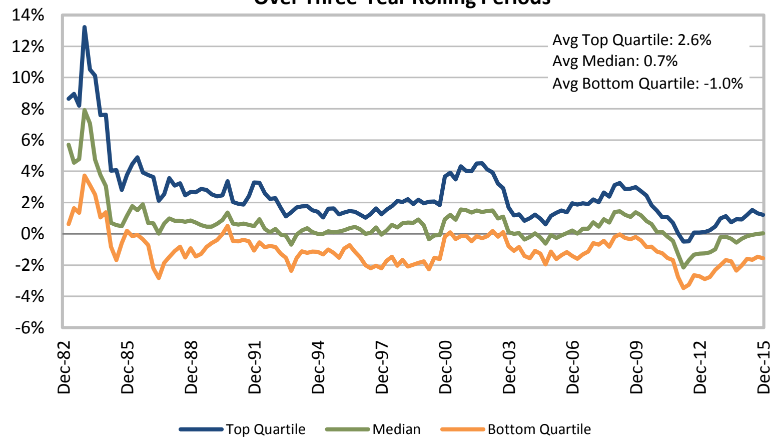
- A rational investor will pay an active management fee <u>only</u> if the perceived alpha potential is in excess of the management fee.
  - Typical target is gross alpha of 2x-4x the fee.
  - Otherwise, the investor:
    - Experiences benchmark (or less) returns, and
    - Experiences high volatility / tracking error.
  - Meanwhile, the manager:
    - Gets wealthy.
- Some asset classes require an investor to pursue active management, as passive implementation is not available or feasible.
  - Private Assets:
    - Private Equity, Private Debt, Private Real Assets (Real Estate, Infrastructure, Natural Resources)
    - Hedge Funds ("Passive" ETFs are available, but the concern is not selecting "alpha" managers and being left with "expensive beta")
    - Risk Parity
- All other (more traditional) asset classes can be garnered passively or actively.
  - Includes asset classes such as Public Equities, Public Fixed Income, Cash.
  - <u>Default position</u> should be passive management, and an investor must be compelled to move away from this position.
  - Reliant upon the skill of the active manager <u>and</u> the staff/consultant skill to select high quality managers.
  - Must be sensitive to not over-diversify, ultimately producing an expensive index with active management fees.
  - Caveat: All asset classes are subject to issues regarding the appropriateness of a benchmark comparison.
  - Active and passive management both go through periods of under/outperformance.
  - Some asset classes are better suited for active management.

INDUSTRY EXCESS RETURN CHARACTERISTICS: DOMESTIC EQUITY *(AS OF DECEMBER 31, 2015)*

Domestic Equity

Large Capitalization

Level of Over/Under Performance vs. Russell 1000
Over Three-Year Rolling Periods

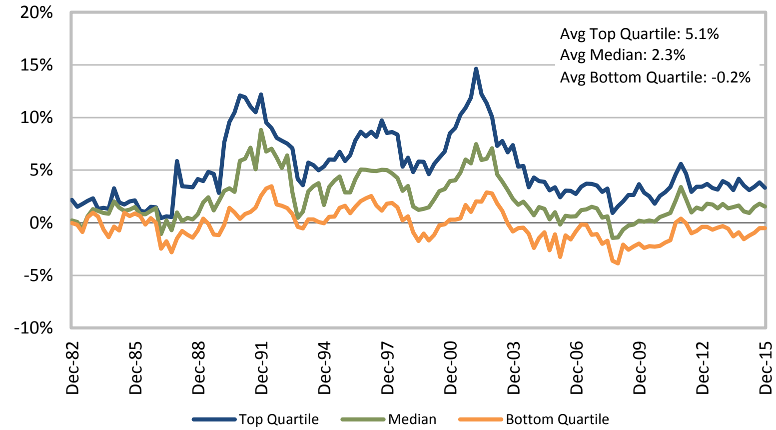


	Median	Top Quartile
Average Alpha	70 bps	260 bps
Average Fee	52 bps	
Multiple of Fee	1.3x	5.0x
Index Fee	2 bps	

- **Historically, a very challenging asset class to garner excess return with active management, net of fees. Index management is very inexpensive.**

Small Capitalization

Level of Over/Under Performance vs. Russell 2000
Over Three-Year Rolling Periods

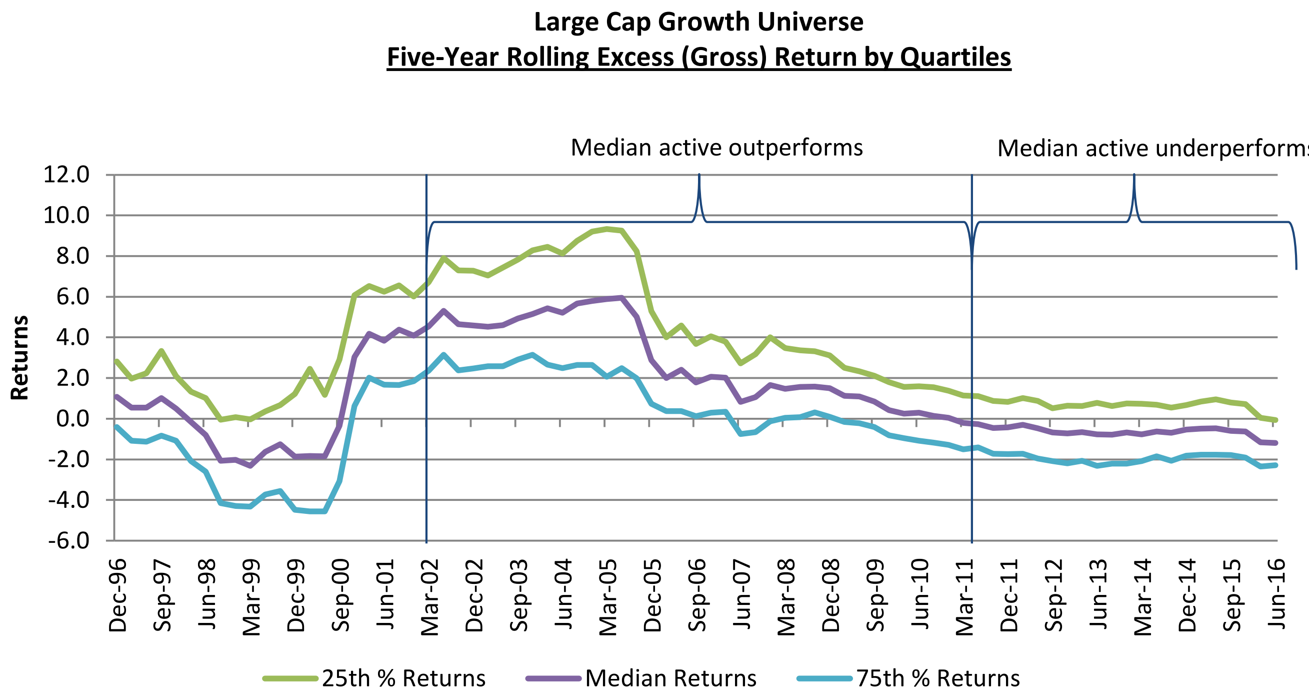


	Median	Top Quartile
Average Alpha	230 bps	510 bps
Average Fee	88 bps	
Multiple of Fee	2.6x	5.8x
Index Fee	7 bps	

- **While an expensive asset class, greater excess returns can be realized with active management. Index management is fairly inexpensive.**

Average fee estimates are for $100 million mandate for Large Cap and a $50 million mandate for Small Cap.

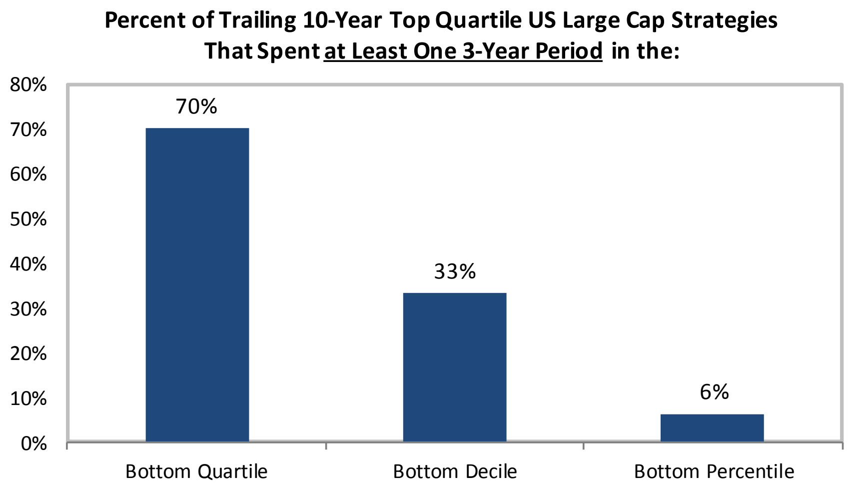
LARGE CAP GROWTH UNIVERSE – EXCESS RETURN CHARACTERISTICS *(AS OF JUNE 30, 2016)*



- Active management's ability to add value is cyclical.
- The five-year rolling excess returns of the median active manager have trailed the benchmark from December 2010 through June 2016.
- The median active manager provided positive excess return from the end of the dot.com bubble until active excess returns began to decay in the aftermath of the Global Financial Crisis and start of quantitative easing.

Universe returns are gross of fees and include all active managers over the time period.

US LARGE CAP MANAGER PERSISTENCE



Source: eVestment Alliance.

Company	Annual Excess Return vs. S&P 500 (1985-2015)	Max Underperformance vs. S&P 500		
		Magnitude	Start	End
Home Depot	14.0%	-187%	Dec-92	Dec-07
Amgen	13.7%	-169%	Jan-92	Apr-98
Nike	12.0%	-259%	Dec-91	Mar-00
UnitedHealth	11.9%	-271%	May-94	Mar-00
Danaher	11.8%	-77%	Jul-88	Jan-92
Henry Jack & Assoc.	11.5%	-173%	Feb-86	Oct-89
Kansas City Southern	11.3%	-135%	Dec-85	Mar-91
Apple	10.8%	-771%	Oct-87	Oct-00
Altria Group	10.4%	-493%	Oct-87	Mar-00
Paychex	10.2%	-94%	Nov-00	Aug-14

Source: Windhorse Capital.

- Consistent short- and long-term outperformance has been hard to come by.
- Of the top quartile strategies over the past decade, 70% spent at least one three-year period in the bottom quartile. Additionally, 33% spent at least one three-year period in the bottom decile.
  - This lack of persistence makes it challenging for investors to remain invested with the same manager during periods of poor performance.
- **Brown's return over the trailing 10 years places it in the <u>second percentile</u> (i.e., top decile) in the US large cap Universe.**

- Unfortunately in the US large cap market, it has not been as easy as "buying the winners and holding them." Many of the top-performing companies over the long term endured periods of significant underperformance.

Universe returns are gross of fees and include all active and inactive managers over the time period (1,999 strategies).

TAKEAWAYS REGARDING LARGE CAP ACTIVE MANAGEMENT

- Unless an investor is willing to embrace the following concepts in implementing an actively managed structure, *there will be a higher likelihood of failure, and the default passive approach would have been preferable:*

  — **Patience:** A long-term time horizon is required. No manager can "get it right" all of the time. Tracking error goes both ways, and excess returns are lumpy in markets that are largely efficient.

  — **Build a Portfolio of Managers with Diversified Style Biases.** If all strategies in the portfolio outperform during the same type of market environment, they will likely all underperform in a different type of market environment. Proper manager sizing and diversification across styles will allow for a portfolio structure that can weather challenging performance cycles.

  — **Avoid Reactionary Responses:** Simply put, chasing recent performance does not work.

  — **Rebalancing Can Be Additive to Performance.** If manager excess return expectations are well defined, mean reversion opportunities will present themselves. Taking money from outperforming strategies and giving it to underperforming strategies can only be implemented successfully if an understanding of when each strategy should and has added value is established up-front.

  — **Dedicate Resources to the Endeavor:** The successful implementation of such a structure requires that resources are continually dedicated to the oversight of the investment program, allowing for the production of analysis to continue to address if the investment program is on track, even at times when it does not appear at first glance to be on track.

THE SPECTRUM OF ACTIVE/PASSIVE IMPLEMENTATION OPTIONS

Passive

- Investment Goal – Track the desired benchmark.
- Pros – Provides low-cost exposure to desired asset class.
- Cons – Zero excess return potential and slightly negative excess return net of fees.
- Investment Case – Active management and manager selection in US large-cap is challenging and has historically gone through extended periods when it has been out of favor.
- Implementation Considerations – Minimize cost and tracking error and maximize liquidity.

Benchmark Aware

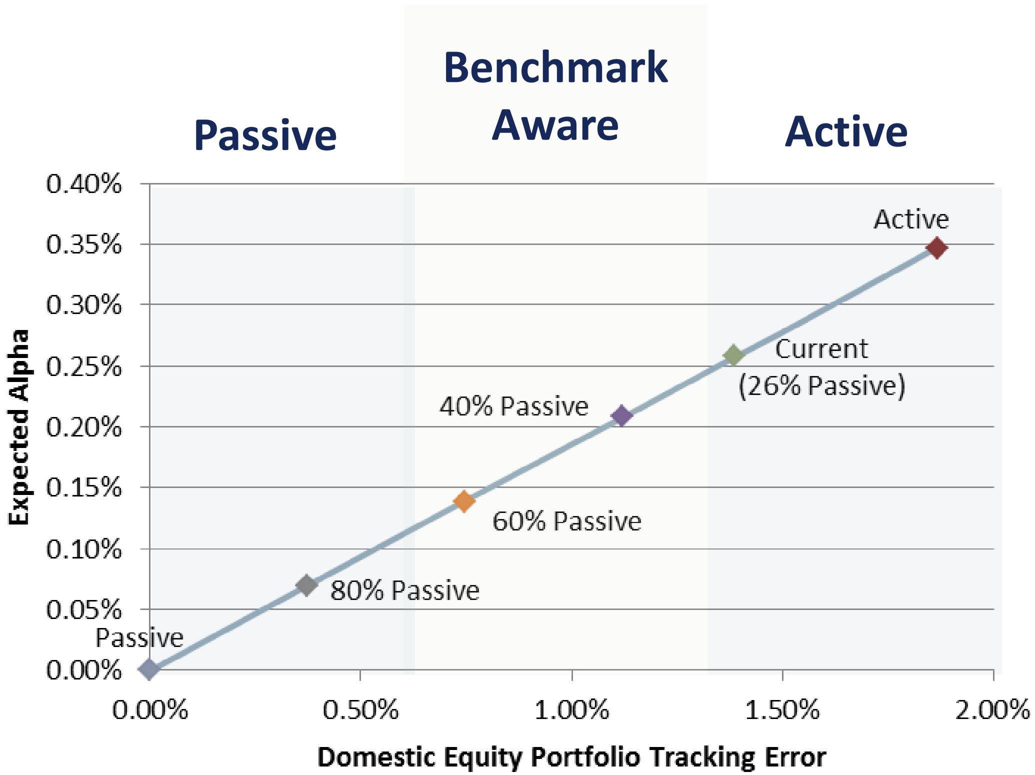
- Investment Goal – Beat desired benchmark while limiting tracking error.
- Pros – Potential excess return upside with limited risk of a blowup.
- Cons – Net of fee excess return is low compared to more active strategies.
- Investment Case – There have been a number of strategies that have produced very consistent levels of excess return while maintaining low tracking error through high diversification.
- Implementation Considerations – Fees matter a lot due to lower expected returns. Many strategies in this category don't explicitly come out and say that this is what they are doing. A large number of strategies in this category fail to outperform.

Very Active

- Investment Goal – Beat desired benchmark.
- Pros – High potential excess return.
- Cons – Excess returns are typically lumpy due to biased investment styles and tracking error is high.
- Investment Case – There have been a number of strategies that have been able to deliver very high excess returns when the strategy's style was in favor and kept up with their benchmark in other periods.
- Implementation Considerations – Hiring, firing, and reweighting these types of strategies at the right times is extremely important. Utilization of multiple strategies using different investment biases often produces higher risk adjusted returns than a single strategy.

Core/Satellite – utilizes a blend of approaches

IMPLEMENTATION OPTIONS



- **Passive** – happiness = beta
- **Benchmark Aware** – happiness = balance between beta and alpha
- **Active** – happiness = alpha

- Summit suggests shifting to a more benchmark aware approach over time, particularly within domestic large cap.
  - The question is, where should I spend my tracking error budget in domestic equities?

FEE IMPACT

- The proposed domestic equity manager line-up and structural changes would realize an immediate savings of approximately $655,000

Fees: Today

Manager Name	Fee Schedule	Mandate ($) (As of 10/31/2016)	Fee (bps)	Fee ($)
NT S&P 500 Index Fund *Large Cap - Passive* *(commingled fund used)*	First $100 million: 5 bps Thereafter: 2 bps	$162,638,658	4 bps	$62,528
Eagle Capital Management *Large Cap Value* *(separate account used)*	First $5 million: 100 bps Thereafter: 75 bps	$174,599,757	76 bps	$1,321,998
Brown Investment Advisory *Large Cap Growth* *(separate account used)*	Base: 20 bps Performance: 18% of Excess Return Max: 85 bps	$84,278,562	20 bps	$168,557
Sawgrass Asset Management *Large Cap Growth* *(separate account used)*	Base: 20 bps Performance: 18% of Excess Return Max: 85 bps	$84,969,279	20 bps	$169,939
Wedge Capital Management *Small Cap Value* *(separate account used)*	First $50 million: 80 bps Thereafter: 70 bps	$64,126,737	78 bps	$498,887
Pinnacle *SMID Cap Growth* *(separate account used)*	First $50 million: 85 bps Thereafter: 70 bps	$62,497,585	82 bps	$512,483
Total		$633,110,578	43.2 bps	$2,734,392

Fees: Proposed

Manager Name	Fee Schedule	Mandate ($) (As of 10/31/2016)	Fee (bps)	Fee ($)
NT Russell 1000 Index Fund *Large Cap - Passive* *(commingled fund used)*	First $100 million: 5 bps Thereafter: 2 bps	$379,866,346.80	3 bps	$105,973
Eagle Capital Management *Large Cap Value* *(separate account used)*	First $5 million: 100 bps Thereafter: 75 bps	$126,622,115.60	76 bps	$962,166
Wedge Capital Management *Small Cap Value* *(separate account used)*	First $50 million: 80 bps Thereafter: 70 bps	$63,311,057.80	78 bps	$493,177
Pinnacle** *SMID Cap Growth* *(separate account used)*	First $50 million: 85 bps Thereafter: 70 bps	$63,311,057.80	82 bps	$518,177
Total		$633,110,578	32.8 bps	$2,079,494

PERFORMANCE RETURNS – LARGE CAP INDICES

- The Russell 1000 and S&P 500 Indices have offered very similar returns over time.

Trailing Returns (9/2016)					
As of 9/30/16	1 Year	3 Years	5 Years	7 Years	10 Years
Russell 1000	14.93	10.78	16.41	13.25	7.40
S&P 500	15.43	11.16	16.37	13.17	7.24

Calendar Year Returns											
As of 9/30/16	YTD	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Russell 1000	7.92	0.92	13.24	33.11	16.42	1.50	16.10	28.43	-37.60	5.77	15.46
S&P 500	7.84	1.38	13.69	32.39	16.00	2.11	15.06	26.46	-37.00	5.49	15.79

CONCLUSIONS AND RECOMMENDATIONS

- Recommendation
  - A more “benchmark aware” approach is recommended for the Pension Plan. This approach is a combination of active and passive investing.
  - The benchmark for the overall domestic equity portfolio is the Russell 3000. What is the best way, over time, to outperform the domestic equity market on a net of fees basis?
    - Maintain a value bias in the overall portfolio.
    - Maintain a small-mid cap bias relative to the benchmark.
    - Minimize the tracking error to the benchmark.
    - Minimize fees.
  - Implementation
    - Weight the domestic portfolio 80% to large cap and 20% to small-mid cap.
    - Keep the small-mid cap actively managed with the current managers.
    - Maintain the value bias by keeping Eagle in place but terminating the active large cap growth equity managers.
    - Minimize the tracking error to the benchmark and reduce fees by increasing the index fund to 60% and decreasing Eagle to 20% of the domestic equity portfolio.
    - Move the S&P 500 index strategy to a Russell 1000 index strategy to further reduce tracking error.

APPENDIX

EAGLE CAPITAL MANAGEMENT, LLC – EAGLE EQUITY

FIRM DETAILS

Address: 499 Park Ave.
New York, NY 10022
Phone: 212.293.4040
Asset Class: Large Cap Value
Benchmark: Russell 1000 Value
Founded: 1988
Ownership: 100% employee owned
Assets Under Management: $25.0 billion

PRODUCT DETAILS

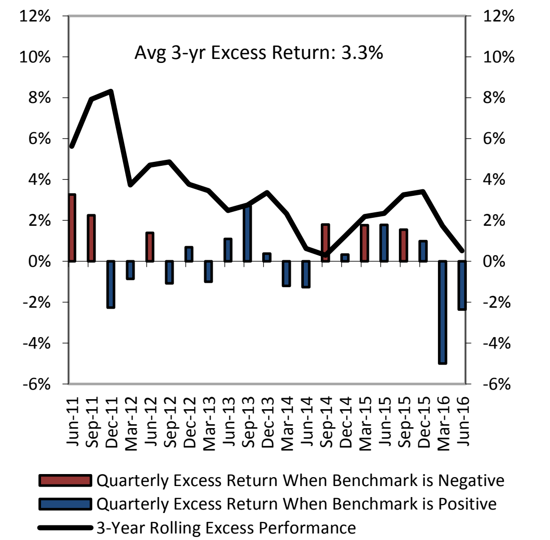
Inception: December 1988
Assets Under Management: $25.0 billion
Vehicles Offered: SA (closed)
Separate Account Minimum: $5 million
Portfolio Managers/Dual Role PMs: 1
Avg. Yrs of Experience: 48
Avg. Yrs at Firm: 28
Research Analysts: 5
Avg. Yrs of Experience: 20
Avg. Yrs at Firm: 13
Fee Schedule (SA): 1.00% on the first $5 million
0.75% on the balance
(Performance-based fees are available)

CHARACTERISTICS

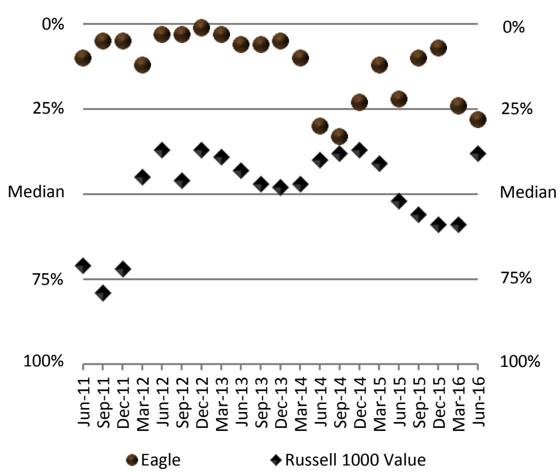
	Portfolio	Benchmark
No of Securities:	27	692
Portfolio Turnover:	20%	N/A
Dividend Yield:	1.1%	2.6%
Equity P/E:	18.3x	17.9x
Avg. Mkt Cap:	$166.0 billion	$114.1 billion
Last 3 Years:		
Tracking Error:	4.4%	N/A
Information Ratio:	0.1	N/A
Sharpe Ratio:	1.0	1.1

ROLLING PERFORMANCE AND RANKINGS

Three-Year Rolling/Quarterly Excess Performance vs. Russell 1000 Value Index



Manager vs. Large Cap Value Universe Rolling Three-Year Periods



QUALITATIVE OVERVIEW

- Eagle Capital Management, LLC was founded in late 1988 by Ravenel and Beth Curry. After the passing of Beth in 2015, 10 employees own 100% of the firm. Ravenel has been the portfolio manager since inception, though the strategy has become more team oriented over the last 10 years. Ravenel was formerly a partner at H.C. Wainwright and the portfolio manager of the Duke Endowment prior to co-founding ECM.
- This firm is focused on one strategy. Ravenel Curry leads the six-person team and is supported by Richard Ong, Mary Kush, Boykin Curry, Alex Henry, and Adrian Meli.
- Through industry contacts, reports, other investors, and trade shows, the team generates 100 new ideas a year. These are added to an existing inventory of 30 to 40 names per analyst. From this pool, approximately 50 names undergo a rigorous research process to identify companies with superior management, attractive current valuation, and a plan for significant growth that has not yet been recognized by the market. Approximately 5-10 of these names will be added to the portfolio each year.
- The strategy is opportunistic with regard to market cap, often with sizable positions in the mid cap space. Position sizes are limited to 5% at the time of purchase and 10% overall. Sector and industry exposure is limited to 25%. Expected alpha is 200 to 300 bps over the S&P 500, though they are comfortable with any benchmark over a 3- to 5-year horizon. Portfolios hold 25-35 stocks, and turnover averages 15%-30%.

QUALITATIVE RANKING

FIRM	-2 -1 0 1 2
Empl Ownership	
Mgmt Consistency	
Integration	
Cost	
Litigation	
Responsiveness	
TOTAL	+6

PRODUCT	-2 -1 0 1 2
History	
Size	
Growth	
Asset Split	
TOTAL	+1

PERSONNEL	-3 -2 -1 0 1 2 3
Staff Depth	
Experience	
Stability	
Support	
TOTAL	+7

PHILOSOPHY	-3 -2 -1 0 1 2 3
Philosophy	
Purchase Discipline	
Sell Discipline	
Research	
Trading Skills	
Decision Process	
Characteristics	
TOTAL	+9

TOTAL QUALITATIVE SCORE: +23

 Performance reflects gross of fees composite returns.

BROWN ADVISORY, LLC – LARGE CAP GROWTH

FIRM DETAILS

Address:	901 South Bond Street, Ste. 400 Baltimore, MD 21231
Phone:	410.537.5400
Asset Class:	Large Cap Growth
Benchmark:	Russell 1000 Growth
Founded:	1993
Ownership:	70% employee owned; 30% owned by Board of Directors, clients, and investors

Assets Under Management: $20.4 billion

PRODUCT DETAILS

Inception: April 1993

Assets Under Management: $11.6 billion

Vehicles Offered: SA, MF

Separate Account Minimum: $5 million

Mutual Fund Minimum (BAFGX): $1 million

Portfolio Managers/Dual Role PMs: 1

Avg. Yrs of Experience: 29

Avg. Yrs at Firm: 19

Research Analysts: 22

Avg. Yrs of Experience: 12

Avg. Yrs at Firm: 6

Fee Schedule (SA):	0.80% on first $10 million
	0.65% on next $15 million
	0.50% on next $25 million
	0.40% on balance
(MF):	0.72% on all assets

CHARACTERISTICS

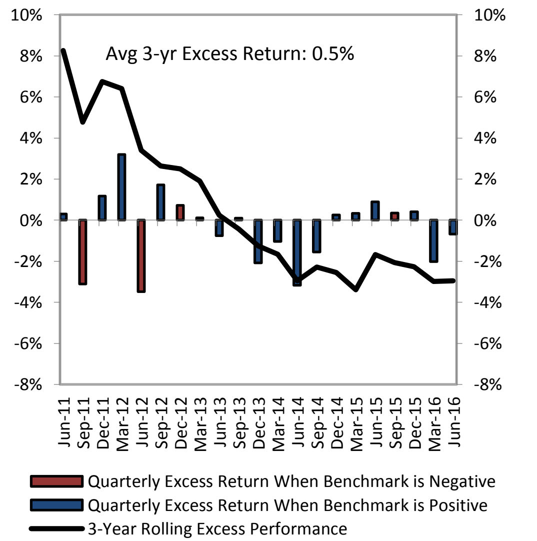
	Portfolio	Benchmark
No of Securities:	36	600
Portfolio Turnover:	25%	N/A
Dividend Yield:	0.5%	1.6%
Equity P/E:	32.2x	23.7x
Avg Market Cap:	$92.7 billion	$133.2 billion
Last 3 Years:		
Tracking Error:	2.6%	N/A
Information Ratio:	-1.2	N/A
Sharpe Ratio:	1.2	1.5

Performance reflects gross of fees composite returns.

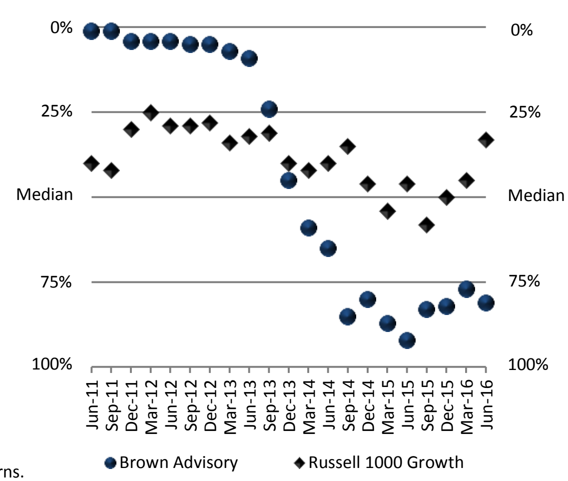
*As of 3/31/2016

ROLLING PERFORMANCE AND RANKINGS

Three-Year Rolling/Quarterly Excess Performance vs. Russell 1000 Growth Index



Manager vs. Large Cap Growth Universe Rolling Three-Year Periods



QUALITATIVE OVERVIEW

- Brown Advisory was established in 1993 as an investment management arm of Alex Brown and Sons. Key professionals made an employee-led buyout in 1998 to gain independence from investment banking conflicts. 70% of the equity is held by a diverse group of employees, and 30% is held by members of the independent Board of Directors and a group of clients.
- Ken Stuzin took over as the lead manager for institutional large cap growth accounts in 2001 and proceeded to build out the research team. The 22 analysts on this team average twelve years of investment experience and six years with the firm.
- The process is designed to find quality sustainable growth companies through bottom-up research, focused on both traditional and non-traditional growth sectors. A quantitative screen, based on several growth and balance sheet metrics, is used to narrow the initial universe. Companies must have sustainable earnings growth rates of 14% or better. Favored companies will have large and enduring market opportunities, an experienced management team, and proprietary products or services. The firm tries to identify companies with a culture that rewards innovation and is adaptable to change. Patience on valuation is a key to factor in the strategy's buy and sell discipline.
- Portfolios are relatively concentrated (30-35 stocks) with name turnover averaging 35%. Analysts remain style agnostic, which brings periods of significant benchmark risk, especially in momentum-driven or narrow markets.

QUALITATIVE RANKING

FIRM	-2 -1 0 1 2
Empl Ownership	
Mgmt Consistency	
Integration	
Cost	
Litigation	
Responsiveness	
TOTAL	+8

PRODUCT	-2 -1 0 1 2
History	
Size	
Growth	
Asset Split	
TOTAL	+4

PERSONNEL	-3 -2 -1 0 1 2 3
Staff Depth	
Experience	
Stability	
Support	
TOTAL	+6

PHILOSOPHY	-3 -2 -1 0 1 2 3
Philosophy	
Purchase Discipline	
Sell Discipline	
Research	
Trading Skills	
Decision Process	
Characteristics	
TOTAL	+9

TOTAL QUALITATIVE SCORE: +27

Poor Average Above Average Exceptional
-10 0 +10 +20 +30

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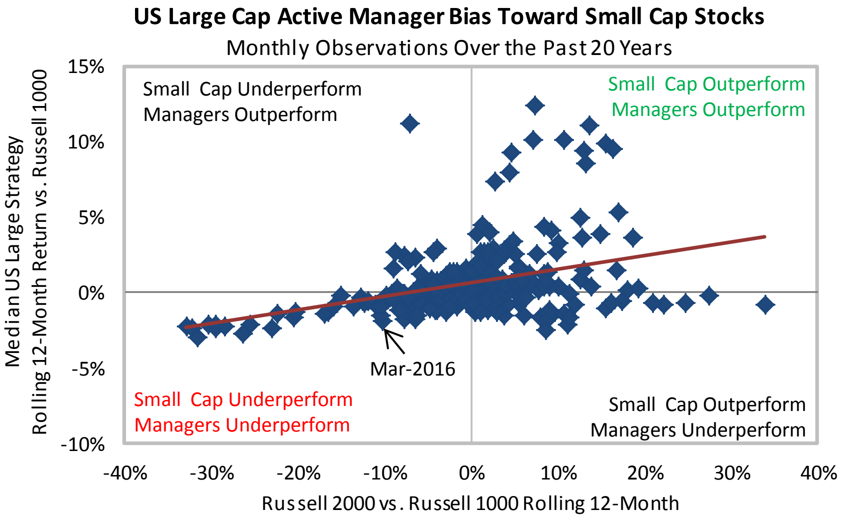
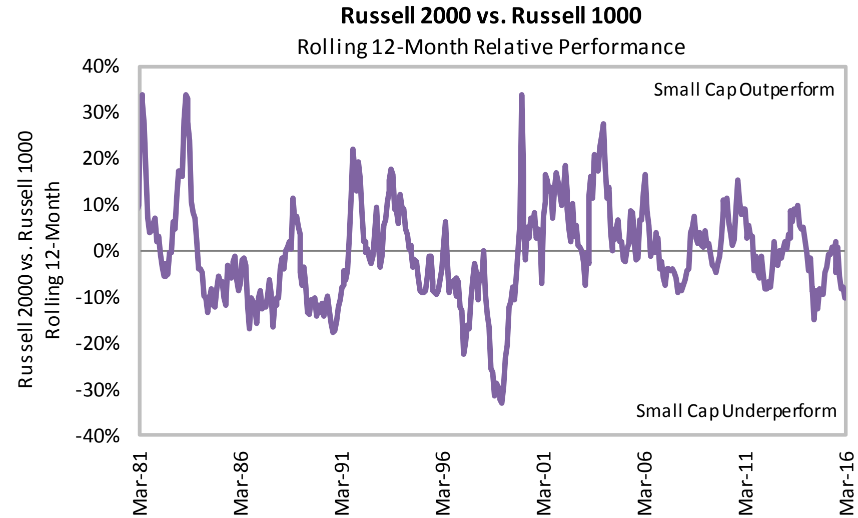
US LARGE CAP ACTIVE MANAGEMENT



Source: eVestment.



Source: Bloomberg.

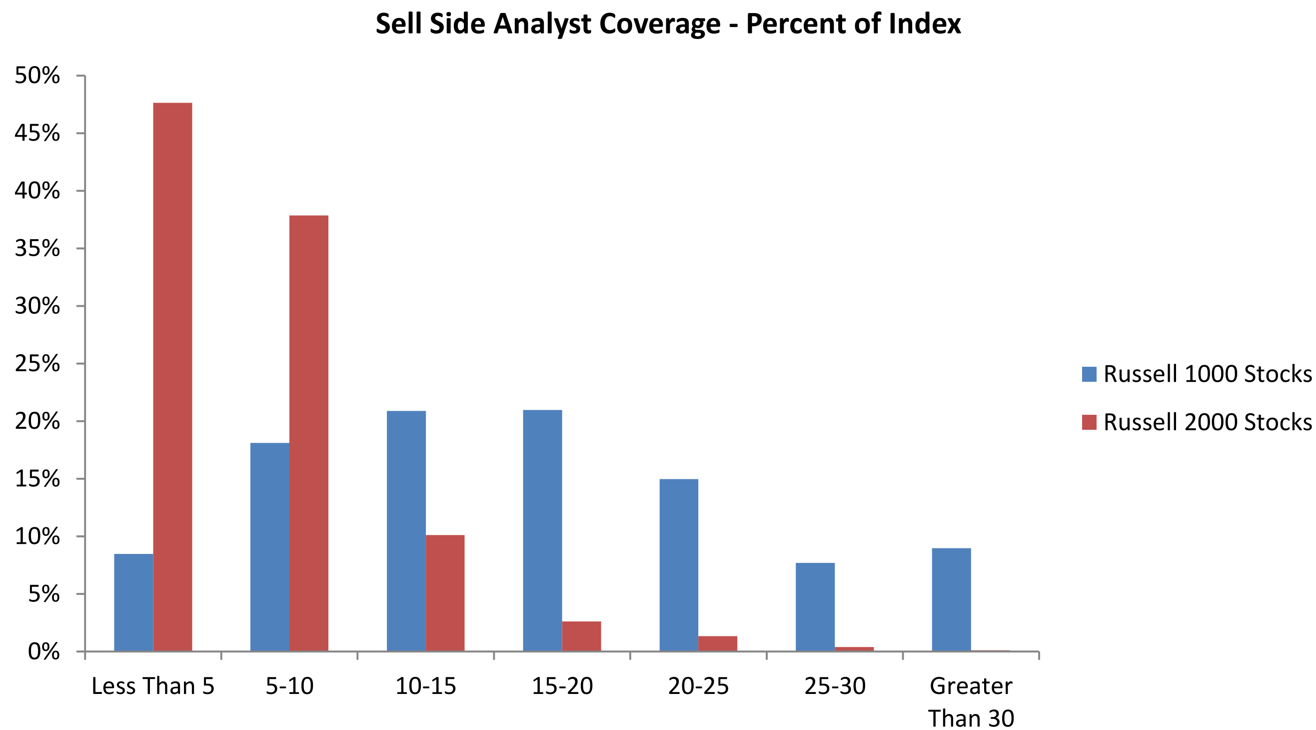
- Historically there has been a positive relationship between small cap equity performance (vs. large cap) and active manager performance (vs. benchmarks).
  - Generally, small cap outperformance has resulted in better active manager performance vs. passive indices.
- During the most recent 12-month period, the median US large active manager underperformed by 1.9%, and the Russell 2000 underperformed the Russell 1000 by 10.3%.

- Historically, US small cap stocks have outperformed large cap stocks during 53% of monthly rolling 12-month periods.
- At current valuations, US small caps are fairly valued relative to large cap, suggesting small cap performance should not be as much of a drag on active management going forward.

	Russell 2000	Russell 1000	Premium/ Discount
Current PE Ratio	40.5x	20.2x	2.0x
Historical Avg (ex GFC)	36.0x	16.9x	2.1x
Absolute Valuation Premium	12%	19%	

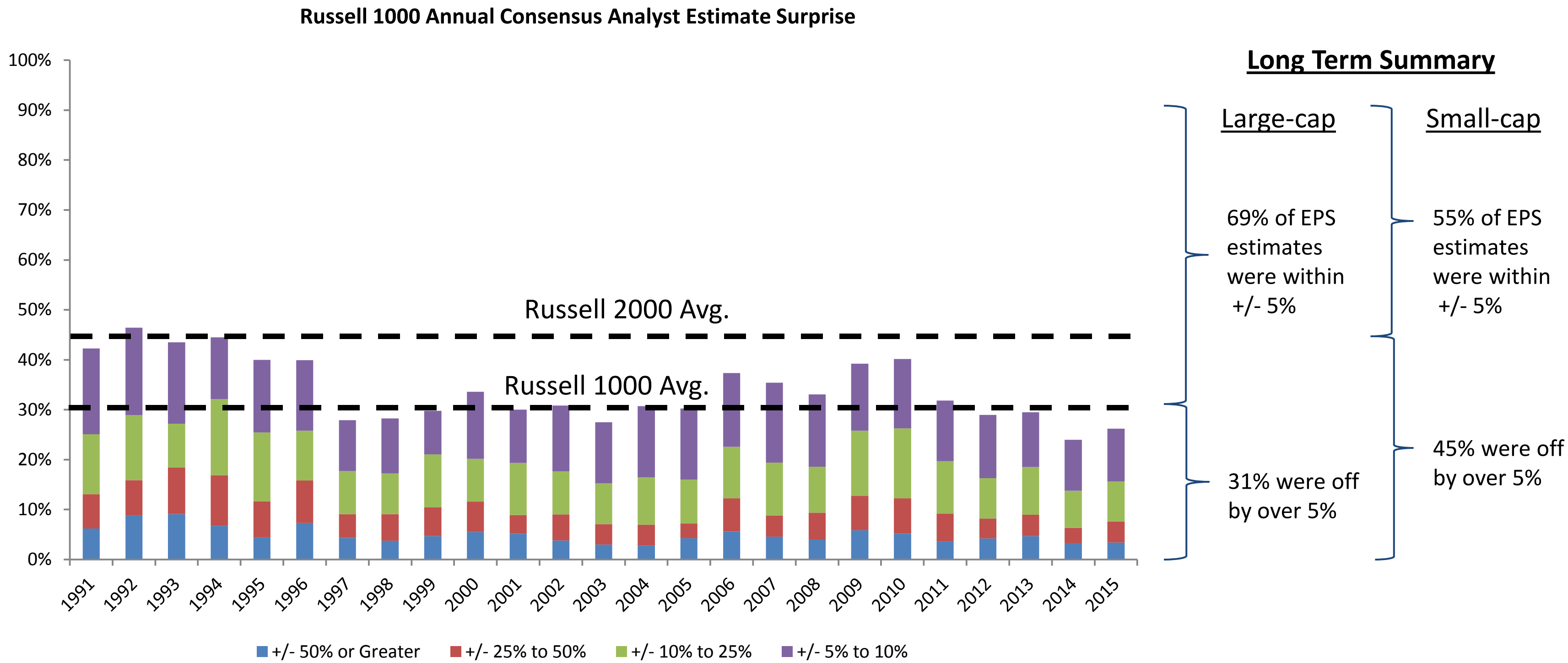
Source: Bloomberg.

US EQUITY SELL SIDE ANALYST COVERAGE: LARGE VERSUS SMALL



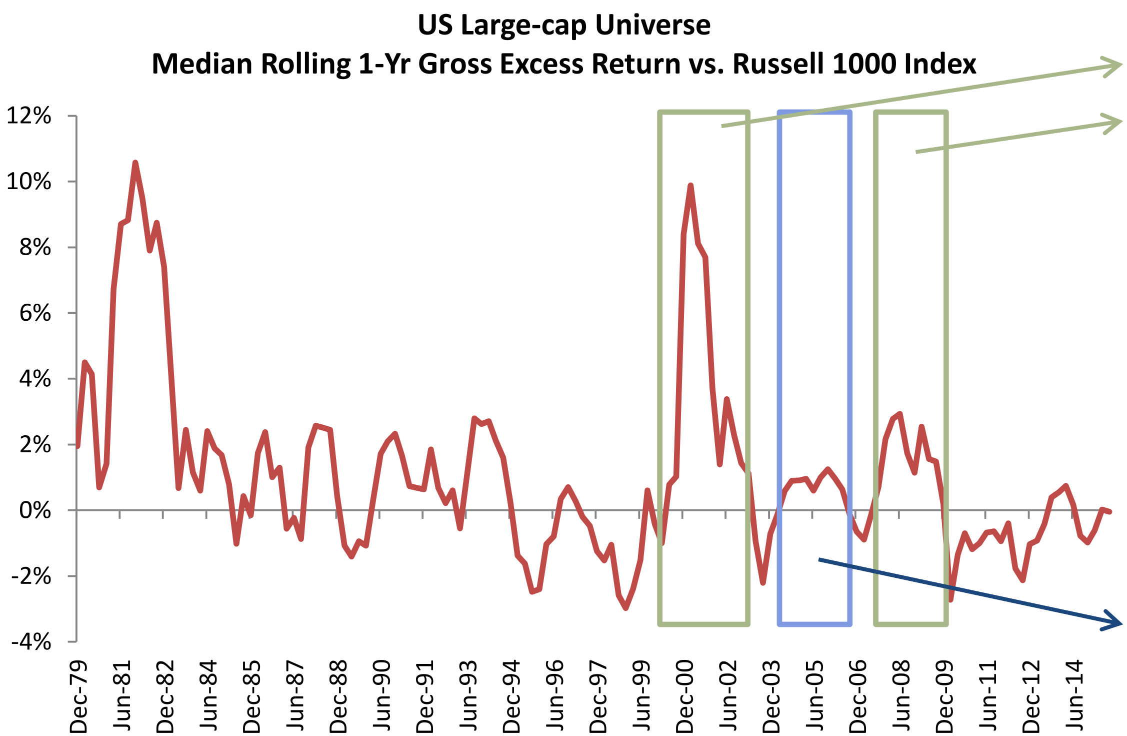
- The median stock in the Russell 1000 Index currently has 16 independent sell-side analysts providing an EPS estimate for the next 12-month period. The most noteworthy stocks in the index have as many as 45 estimates – Google 45, Schlumberger 44, Facebook 44, Halliburton 42, Apple 41, Salesforce.com 40, etc.
- It is hard to comprehend how an asset management firm can add much value by creating the 42nd opinion on Apple.
- Coverage of small-cap stocks is dramatically lower, which is consistent with the less efficient, higher value added reality of the asset class.
  - 85% of small cap names have less than ten analysts covering the stock.

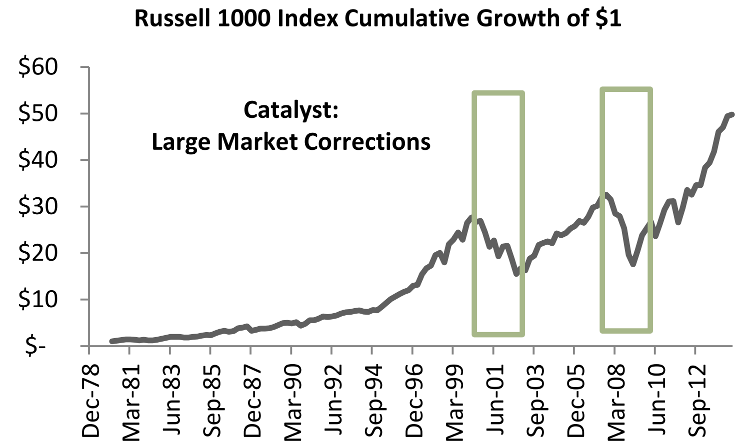
HOW "RIGHT" ARE ANALYSTS? EPS SURPRISE WITHIN LARGE CAP AND SMALL CAP

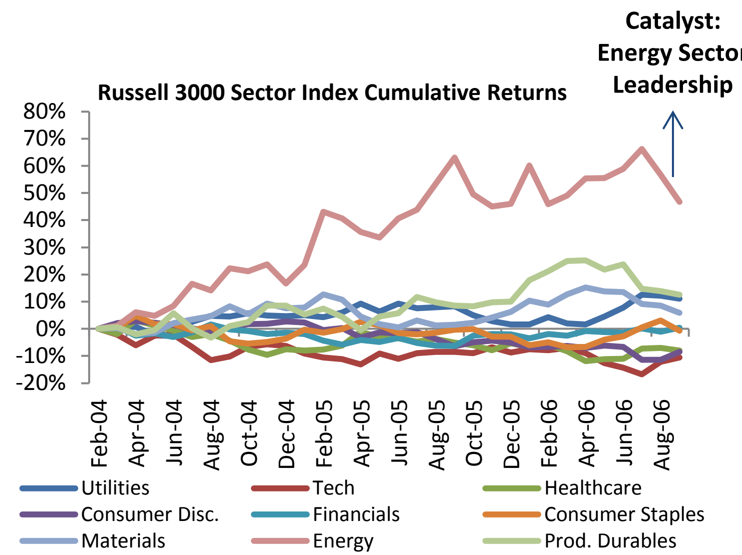


- Fundamental research analysts at asset management firms generally take a view on whether a company is positioned to exceed or miss sell-side analyst estimates. When a company posts results widely off from sell-side estimates, the surprise results often are the catalyst for a large stock price move and future estimate revisions.
- Within the Russell 1000 stock universe, sell-side analysts have historically been very accurate at estimating company results. In 2015, only 254 of the 1000 companies in the index surprised analyst estimates by greater or less than 5%. This implies that the opportunity set for fundamental analysts in US large-cap is fairly small.

MOST RECENT ENVIRONMENTS WHEN ACTIVE MANAGEMENT WORKED

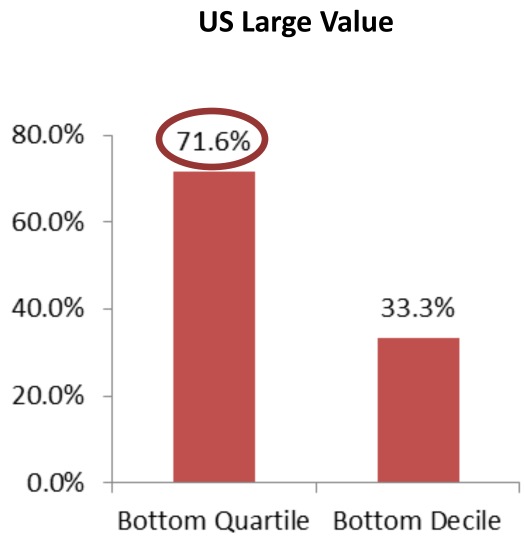


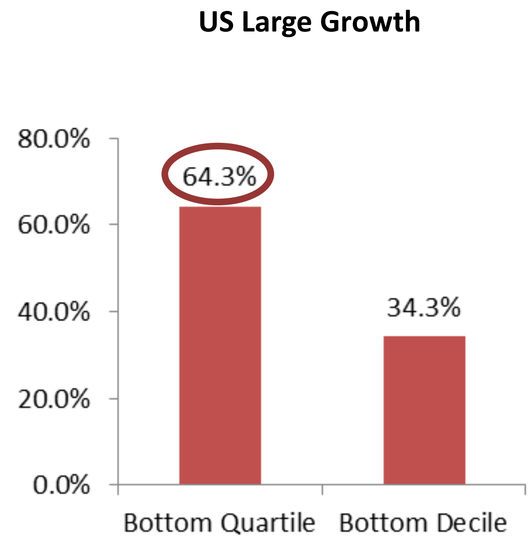




LONG-TERM INVESTING PROOF STATEMENT: EVEN THE GOOD MANAGERS APPEAR "DUMB" SOMETIMES

Percentage of Top-Quartile Managers over Most Recent 10 Years Who Ranked Poorly for at Least One 3-Year Period





- The most successful large cap strategies over the most recent (March 2016) trailing 10-year period have almost all been significantly out of favor for a period of time.

- Investors that have been able to weather the storm and remain invested in these managers have been rewarded; however, many of these managers will admit that a large number of clients hire and fire them at the absolute worst times.

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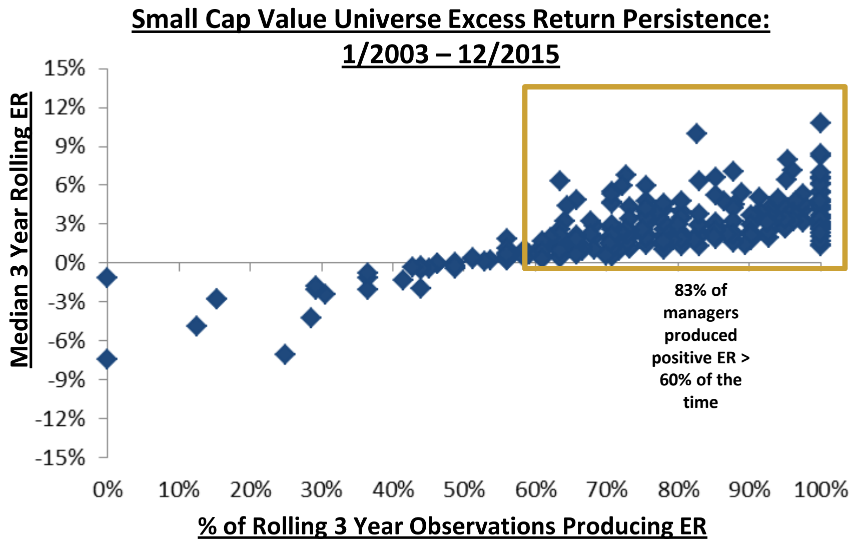
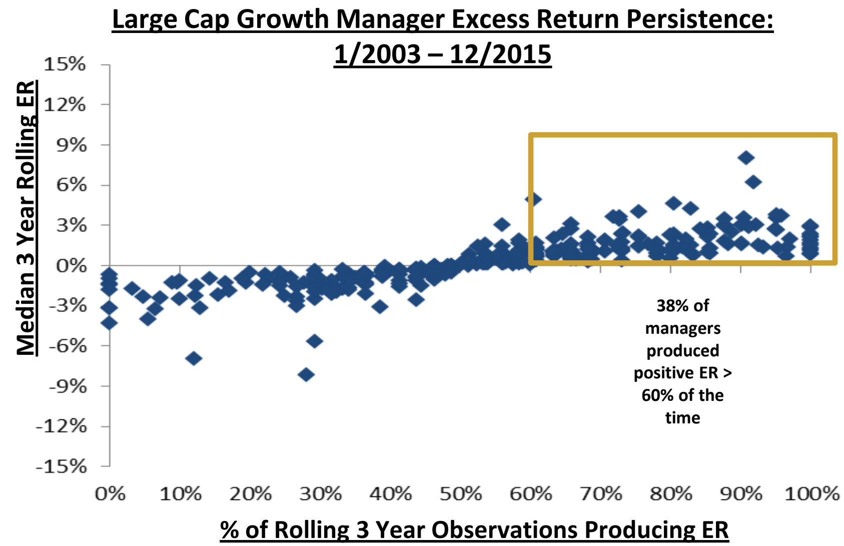
LARGE CAP GROWTH INDEXATION – AN INEXPENSIVE ALTERNATIVE TO ACTIVE MANAGEMENT





- Some asset classes (such as small cap value - upper left) are more inefficient, where active managers have more consistently added value over time.
- The large cap growth space (upper right) has historically been one of the more difficult asset classes for managers to consistently add value. While Summit still believes alpha in the large cap growth space exists, the evidence is also supportive of the utilization of less expensive, passive alternatives for large cap growth allocations.
- Because the asset class is large and liquid, several good options exist that tightly track the Russell 1000 Growth Index.

Universe returns are gross of fees and include all active managers over the time period.

City of Jacksonville Police and Fire Pension Fund
Net Fee Performance by Asset Classification
As of September 30, 2016

	Alloc%	1 month	3-month	YTD	FYTD	1-year	3-year	5-year	10-year
Total Fund	100.00%								
US Equity	40.18%								
Intl Equity	20.87%								
Fixed Income	20.64%								
Real Estate	11.85%								
MLP/Energy	6.35%								N/A
Cash	0.11%								

Favorable versus Index (equal or above) Caution versus Index (0.1% - 1.0% below) Alert versus Index (>1.1% below)

- Domestic Equity: 2016 has been a very challenging environment for active management. Magnitude of recent underperformance has pulled trailing 3- and 5-year returns below benchmark.
- International Equity: Emerging market exposure has been primary driver of performance.
- Fixed Income: Credit exposure has been primary driver of performance.
- Real Estate: JP Morgan has underperformed net of fees.
- MLPS; Strong absolute returns in 2016 and FYTD. High quality bias caused drag on relative performance CYTD.

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Watch List Discussion

City of Jacksonville Police & Fire Pension Fund

October 2016

EXECUTIVE SUMMARY

- Given past discussion with the FIAC and Executive Director, Summit believes discussion of a “watch list” process is appropriate.
- This presentation describes what a watch list is and how it functions.
- Further, the presentation outlines which investment managers Summit recommends be added to the watch list along with an explanation of the underlying issues.
- At this time, Summit does not believe a deeper review and discussion are necessary regarding any of the City of Jacksonville Police & Fire Pension Fund’s current managers.

PURPOSE AND OPERATION OF A WATCH LIST

- The purpose of a watch list is to help fiduciaries maintain a prudent decision-making process in the retention/termination of investment managers. It does this by:
  - Identifying any issues of importance/concern.
  - Providing for enhanced on-going scrutiny of these issues.
- Issues that would cause an investment manager to be placed on a watch list include the following:
  - Ownership Change
  - Turnover of Key Personnel
  - Style Drift or Change in Strategy
  - Persistent Underperformance Relative to Benchmark or Peers
  - Regulatory Issues
  - Significant Asset Growth in Capital Constrained Asset Classes
  - Shift of Investment Strategy at the Total Portfolio Level
  - Significant Perceived Overvaluation of a Sector/Asset Class
- Regarding underperformance, the following would trigger an investment manager being placed on the watch list:
  - 1-year trailing performance in the bottom quartile of the peer sample.
  - 3-, 5-year trailing performance below the benchmark and median of the peer sample.
- Identification of any issues/concerns would trigger:
  - Meeting/Phone interview with the investment manager to discuss the issues.
  - A memorandum outlining the issue from Summit to the FIAC and Board of Trustees along with a “hold” or “terminate” recommendation.
  - Ongoing monitoring and reporting until the issue is resolved.

MANAGERS RECOMMENDED FOR WATCH LIST STATUS (AS OF JUNE 30, 2016)

Manager	Reason	Discussion	Recommendation
Pinnacle (US SMID Cap Growth Equity)	1-year performance in bottom quartile. 3-year performance in bottom quartile and below benchmark.	• Outperformed by over 600 bps in the fourth quarter of 2015; underperformance in 2016 has been driven by a reversal of what worked in that time period. • An overweight position and stock selection in biotechnology accounted for approximately half of the relative underperformance on a 2016 CYTD basis. • Stock selection in the consumer discretionary sector (media content providers and cruise lines) accounted for the other half of relative underperformance CYTD. • The magnitude of 2016 CYTD underperformance has negatively impacted 3-year performance relative to peers and the benchmark.	Hold: This is a low turnover, higher volatility manager who has consistently added value when evaluated over rolling three-and five-year cycles. Their willingness to actively invest in biotechnology is a key differentiator (and a source of alpha) relative to peers. Significant outperformance in 3Q16 has manager above benchmark for 1- and 5-year periods.
Baillie Gifford (International Growth Equity)	1-year performance in bottom quartile. 5-year performance below benchmark and peer median.	• Emerging markets exposure, especially in China, hurt relative and absolute performance in 2015. • Significant recovery in 2016 as emerging markets have recovered. • Longer-term performance remains strong.	Hold: Issues seen as short term. 3Q16 performance has manager above benchmark for 1- and 5-year periods.
Acadian (Emerging Markets Equity)	1-year performance in bottom quartile.	• The portfolio's value bias has been a detractor for the last year. • Underweights to Russia and Indonesia also detracted slightly.	Hold: Issues seen as short term. 2016 CYTD performance has improved on an absolute and relative basis
JP Morgan (Core Real Estate)	1-year performance in bottom quartile. 3-year performance below benchmark and peer median.	• The fund is a core-only offering, investing in high quality assets and providing a lower risk profile than peers; the fund's beta is typically around 0.9x the peer set (and uses less leverage), which has not been a benefit in the recent past. • Long-term performance remains strong versus peers over the trailing 10-year period.	Hold: Relative performance issues seen as short term; redemption queue currently takes over two quarters to clear. 3Q16 performance has manager above benchmark over all periods.