



POLICE AND FIRE PENSION FUND

ONE WEST ADAMS STREET, SUITE 100

JACKSONVILLE, FLORIDA 32202-3616

"We Serve...and We Protect"

RECEIVED
SEP 22 2014

**CITY COUNCIL
JACKSONVILLE, FLORIDA**

Phone: (904) 255-7373

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September 22, 2014

Honorable Clay E. Yarborough, Council President
117 W. Duval Street, Suite 425
Jacksonville, FL 32202

Dear President Yarborough:

I request your support to increase the FY2014 budget that City Council appropriated to the Police and Fire Pension Fund (PFPF).

The increase is due to the outstanding performance of the fund's money manager's during the fiscal year. Through August 31, 2014, the investments have increased \$139.1 million more than budgeted during the fiscal year. The earnings rate to date is 14.4% as compared to the 7% the budget was based on in June 2013 when approved and submitted to City Council. Additionally, the investments increased significantly after the budget was submitted during September 2013 by \$54.3 million or 4.1% greater than forecast, which also increased the beginning investment base for FY2014.

Most of the \$193.4 million investment portfolio increase is due to the performance of the active managed part of the portfolio in the MLP's/Energy, real estate, and equities sectors. The active managed portfolios are higher cost money managers which resulted in increasing the average manager fee in basis points for the portfolio from a budgeted 49.4 BP to 54.1 BP of investments.

The additional budget amount requested is \$1,944,481 which would result in a revised City Council appropriated budget of \$10,193,836 for the PFPF.

At Friday's (September 19, 2014) PFPF Board meeting, the Board of Trustees approved an increase in the professional services budget (Item 2014-09-6) for increases in fees charged by the Fund's money managers. This action increased the PFPF Board of Trustees' approved budget from \$9,093,836 to \$10,193,836. The Council Auditor was notified last Friday of this action.

Sincerely,

John Keane, Executive Director-Administrator

Cc: Honorable Council Member Richard Clark, Finance Committee Chair
Kirk Sherman, Council Auditor