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Prospective Fee Review

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

May 20, 2016

DOMESTIC AND INTERNATIONAL EQUITY

Manager Name		Fee Schedule	Mandate (\$) (as of 3/31/2016)	Prospective Annual Fee* (as of 3/31/2016)		Peer Fees (at Jacksonville Police & Fire asset levels)	Peer Median Fee
				(bps)	(\$)		
US Equity	NT S&P 500 Index Fund <i>Large Cap - Passive</i> <i>(commingled fund used)</i>	First \$100 million: 2.5 bps Thereafter: 1.5 bps	\$84,144,827	3 bps	\$21,036	Evestment Alliance (CF) 25th Percentile: 5 bps Median: 5 bps 75th Percentile: 6 bps	\$42,072
	Eagle Capital Management** <i>Large Cap Value</i> <i>(separate account used)</i>	First \$5 million: 100 bps Thereafter: 75 bps	\$171,694,039	75 bps	\$1,293,840	Evestment Alliance (SA) 25th Percentile: 42 bps Median: 47 bps 75th Percentile: 54 bps	\$806,962
	GAMCO <i>Large Cap Value</i> <i>(separate account used)</i>	78 bps	\$0	78 bps	\$0	Evestment Alliance (SA) 25th Percentile: N/A Median: N/A 75th Percentile: N/A	\$0
	Brown Investment Advisory** <i>Large Cap Growth</i> <i>(separate account used)</i>	\$0-\$50 million: 65 bps \$50-\$100 million: 55 bps \$100-\$150 million: 45 bps Greater than \$150 million: 40 bps	\$89,831,287	40 bps	\$359,325	Evestment Alliance (SA) 25th Percentile: 50 bps Median: 54 bps 75th Percentile: 63 bps	\$485,089
	Sawgrass Asset Management <i>Large Cap Growth</i> <i>(separate account used)</i>	Base: 20 bps Performance: 18% of Excess Return Max: 85 bps	\$89,831,287	20 bps	\$179,663	Evestment Alliance (SA) 25th Percentile: 50 bps Median: 54 bps 75th Percentile: 63 bps	\$485,089
	DePrince Race & Zollo <i>Small Cap Value</i> <i>(separate account used)</i>	First \$65 million: 90 bps Next \$35 million: 75 bps Thereafter: 50 bps	\$100,752,470	84 bps	\$851,262	Evestment Alliance (SA) 25th Percentile: 73 bps Median: 82 bps 75th Percentile: 92 bps	\$826,170
	Pinnacle** <i>SMID Cap Growth</i> <i>(separate account used)</i>	First \$100 million: 70 bps Thereafter: 50 bps	\$90,656,602	62 bps	\$561,200	Evestment Alliance (SA) 25th Percentile: 75 bps Median: 80 bps 75th Percentile: 85 bps	\$725,253
International Equity	NT EAFE Index Fund <i>Developed - Passive</i> <i>(commingled fund used)</i>	First \$50 million: 8 bps Thereafter: 6 bps	\$119,970,482	7 bps	\$81,982	Evestment Alliance (CF) 25th Percentile: 9 bps Median: 12 bps 75th Percentile: 18 bps	\$143,965
	Baillie Gifford** <i>Developed Growth</i> <i>(commingled fund used)</i>	51 bps	\$87,162,479	51 bps	\$444,529	Evestment Alliance (CF) 25th Percentile: 70 bps Median: 78 bps 75th Percentile: 100 bps	\$679,867
	Silchester <i>Developed Value</i> <i>(commingled fund used)</i>	First \$25 million: 100 bps Next \$25 million: 65 bps Next \$25 million: 55 bps Thereafter: 50 bps	\$61,384,585	77 bps	\$475,115	Evestment Alliance (CF) 25th Percentile: 68 bps Median: 75 bps 75th Percentile: 82 bps	\$460,384
	Acadian Emerging Mkts Equity II Fund** <i>Emerging Markets</i> <i>(commingled fund used)</i>	First \$50 million: 75 bps Next \$50 million: 65 bps Thereafter: 50 bps	\$80,234,888	61 bps	\$493,018	Evestment Alliance (CF) 25th Percentile: 80 bps Median: 90 bps 75th Percentile: 100 bps	\$722,114

*Performance/incentive fees not included; only base management fees shown.

**Manager aggregates AUM of City of Jacksonville Police & Fire and City of Jacksonville Employee Retirement System for fee purposes.

*** Summit's peer fee estimation for private real estate is 100-200 bps, similar to the eVestment data.

City of Jacksonville Police & Fire Pension Fund

FIXED INCOME, REAL ESTATE, AND MLPS/ENERGY

Manager Name		Fee Schedule	Mandate (\$) (as of 3/31/2016)	Prospective Annual Fee* (as of 3/31/2016)		Peer Fees (at Jacksonville Police & Fire asset levels)	Peer Median Fee
				(bps)	(\$)		
Fixed Income	NTGI Aggregate Bond Index <i>US Core - Passive</i> <i>(commingled fund used)</i>	First \$100 million: 5 bps Thereafter: 3 bps	\$164,886,184	4 bps	\$69,466	Evestment Alliance (CF) 25th Percentile: 4 bps Median: 5 bps 75th Percentile: 7 bps	\$82,443
	Eaton Vance Instl Senior Loan Trust <i>Bank Loans</i> <i>(commingled fund used)</i>	0-\$50 million: 50 bps \$50-\$100 million: 50 bps Over \$100 million: 40 bps	\$39,012,999	50 bps	\$195,065	Evestment Alliance (CF) 25th Percentile: 47 bps Median: 50 bps 75th Percentile: 55 bps	\$195,065
	Thompson Siegel Fixed <i>US Core</i> <i>(separate account used)</i>	First \$75 million: 20 bps Thereafter: 15 bps	\$157,694,540	17 bps	\$274,042	Evestment Alliance (SA) 25th Percentile: 22 bps Median: 24 bps 75th Percentile: 27 bps	\$378,467
Real Estate	JP Morgan <i>Private Real Estate</i> <i>(commingled fund used)</i>	First \$40 million: 100 bps Next \$25 million: 90 bps Thereafter: 85 bps	\$138,582,328	90 bps	\$1,250,450	Evestment Alliance (CF)*** 25th Percentile: 88 bps Median: 96 bps 75th Percentile: 100 bps	\$1,330,390
	Principal Global Investments** <i>Private Real Estate</i> <i>(commingled fund used)</i>	80 bps	\$43,056,762	80 bps	\$344,454	Evestment Alliance (CF)*** 25th Percentile: 88 bps Median: 100 bps 75th Percentile: 100 bps	\$430,568
MLP's/Energy	Harvest MLP <i>Master Limited Partnership</i> <i>(separate account used)</i>	First \$100 million: 75 bps Next \$50 million: 70 bps Next \$50 million: 65 bps Next \$50 million: 60 bps Next \$50 million: 55 bps Thereafter: 50 bps	\$40,919,570	75 bps	\$306,897	Evestment Alliance (SA) 25th Percentile: 73 bps Median: 75 bps 75th Percentile: 90 bps	\$306,897
	Tortoise MLP <i>Master Limited Partnership</i> <i>(separate account used)</i>	75 bps	\$41,770,061	75 bps	\$313,275	Evestment Alliance (SA) 25th Percentile: 73 bps Median: 75 bps 75th Percentile: 90 bps	\$313,275
Total (including cash)			\$1,602,398,527	47 bps	\$7,514,619	53 bps	\$8,414,071

*Performance/incentive fees not included; only base management fees shown.

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*** Summit's peer fee estimation for private real estate is 100-200 bps, similar to the eVestment data.

FEE SURVEY

- The 2014 Callan Investment Management Fee Survey (as referenced by the Forensic Investigation of the Jacksonville Police and Fire Pension Fund report by Benchmark Financial Services) offers the following observations:
 - Investment management fees represent 46 basis points on average of all fund sponsors total assets, which have increased over the last five years, compared to 47 basis points for the Fund.
 - The average total investment management fee for public pension plans was 34 basis points. While this is 13 basis points lower than that of the Fund, it should be noted that the fund sponsor respondent group on which the fee survey is based on, is skewed toward larger funds. The average asset size of the fund sponsor respondents is \$12 billion. Furthermore, the majority of the fund sponsor respondents are public plans (41%), and 56% of the respondents have assets greater than \$2 billion, with 19% having greater than \$15 billion in assets. The fee survey shows that fund size materially impacts the total investment management fees paid. The largest funds enjoy a price break for investing more money in individual mandates.
 - Regarding the issue of comparing Fund investment management fees to actual fees paid rather than published fees, the following table prepared from the fee survey shows the fund generally pays fees in line with or better than the median actual fees produced in the fee survey.

	Callan Survey Published Fees	Callan Survey "Actual" Fees	Jacksonville P&F Actual Fees	Callan "Actual" Observations
Passive US Large Cap	4 bps	3 bps	2.5 bps	9
Active US Large Cap	53 bps	50 bps	52 bps	15
Active US Small Cap	81 bps	71 bps	74 bps	14
Passive International Developed	11 bps	7 bps	7 bps	1
Active International Developed	66 bps	64 bps	62 bps	5
Active Emerging Markets	90 bps	88 bps	61 bps	3
Passive Core Fixed Income	5 bps	N/A	4 bps	N/A
Bank Loans	50 bps	50 bps	50 bps	6
Active Core Fixed Income	24 bps	19 bps	17 bps	11
Core Real Estate	88 bps	N/A*	88 bps	N/A

- Regarding actual fees paid according to style peer group, the Callan fee survey only provides style peer group information based on published fees instead of actual fees – the same as the eVestment universe.
- The Report states a personal belief that not all fees were disclosed by Summit and expresses an opinion that fees could have been reduced saving the Fund \$6 million annually or \$36 million over the last six year. Benchmark also estimates investment management fees are understated by \$2 million annually and provides an opinion that “virtually all the US Equity investment managers are 50 percent higher than they should be.” All fees have been disclosed. The performance-based fees were disclosed but not calculated because the report was prospective in nature. Calculation of the figures above by Benchmark are not supported by calculations or empirical proof in the Report.