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

PRESENT

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

STAFF

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

EXCUSED

Rob Kowkabany

CITY REPRESENTATIVES INVITED

Joey Greive, Fund Treasurer

GUESTS

I. CALL TO ORDER

II. PUBLIC SPEAKING PERIOD

III. MEETING SUMMARY TO BE APPROVED

Committee action requested

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

POLICE AND FIRE PENSION FUND
FINANCIAL INVESTMENT AND ADVISORY COMMITTEE
WORKSHOP AGENDA – JULY 14, 2017 – 3:30 PM
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2. Meeting Summary of the FIAC Workshop held June 9, 2017.
Copies held in the meeting files.

V. OLD BUSINESS

VI. EXECUTIVE DIRECTOR'S REPORT

Timothy H. Johnson

Contract Renewal Discussion

Committee action requested

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

Pension Reform Administration Discussion

1. Reform Working Group

VII. INVESTMENT CONSULTANT REPORTS

Dan Holmes

1. Flash Report – June 30, 2017
2. Economic & Capital Market Update – June 30, 2017
3. Recommended Rebalancing
Committee action requested
4. Sawgrass Review
Committee action requested

VIII. NEW BUSINESS

1. External Auditor (CRI)
Committee action requested
2. FIAC Meeting Attendance Discussion

IX. ADJOURNMENT

NOTES:

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

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

Additional items may be added / changed prior to meeting.

SL

**JACKSONVILLE POLICE AND FIRE PENSION FUND
FINANCIAL INVESTMENT AND ADVISORY COMMITTEE
MEETING SUMMARY – MAY 11, 2017 – 3:30PM
RICHARD “DICK” COHEE BOARD ROOM**

PRESENT

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

STAFF

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

EXCUSED

Craig Lewis Sr., Secretary
Joey Greive, Fund Treasurer

I. CALL TO ORDER

Chairman Brian Smith called the meeting to order at 3:35PM.

II. PUBLIC SPEAKING PERIOD

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

III. MEETING SUMMARY TO BE APPROVED

1. Meeting Summary of the FIAC Meeting held April 21, 2017.
Copies held in the meeting files.

A motion was made by Rob Kowkabany, to approve the summary of the FIAC meeting held on April 21, 2017, seconded by Rodney Van Pelt. The vote passed unanimously.

IV. EDUCATIONAL OPPORTUNITIES

1. May 31 – June 2, 2017 - FL Division of Retirement – 38th Annual Police Officers' and Firefighters' Pension Trustees' School – Tallahassee, FL

Timothy Johnson informed the FIAC that one member of the Pension Advisory Committee will be attending the event in Tallahassee. Timothy Johnson said he will email a link to the members of the FIAC with more information on the event. He also informed the FIAC that the PFPF will pay for the trip if they choose to attend.

Timothy Johnson then explained the role of the Pension Advisory Committee to the FIAC.

Rob Kowkabany asked if any staff attend the Pension Advisory Committee meetings, and Timothy Johnson replied that he attends along with Steve Lundy and Chuck Hayes.

Tracey Devine asked if this educational event is national or local.

Timothy Johnson said that it is for the State of Florida. Timothy Johnson said that he recently attended another similar event in Orlando along with Trustee Lt. Chris Brown.

The educational opportunities were received as information by the FIAC.

V. OLD BUSINESS

VI. EXECUTIVE DIRECTOR'S REPORT

Timothy H. Johnson

Timothy Johnson said that there are no big tasks today, in contrast to the busy month of April. He said that Dan Holmes will fill the FIAC in on the Loomis Sayles issue.

Dan Holmes said that the General Employees' Pension Plan (GEPP) and the PFPF both have hired Loomis Sayles as a money manager. A comingled Fund is preferred. The Office of General Counsel has been working with Loomis Sayles' lawyers on a contract that will comply with the requirements of Florida Law. After a long back and forth, separate accounts, instead of a comingled Fund, may be necessary.

Timothy Johnson said that he is encouraged that progress is being made.

Timothy Johnson updated the FIAC on the past couple of weeks regarding the 2017 pension reform. He started to discuss the changes to the ordinance that the Board of Trustees recommended to the City Council.

Timothy Johnson briefly described the minimum liquidity ratio. The Board of Trustees recommended a 7:1 ratio; the Council passed a 5:1 ratio.

Timothy Johnson described the 2015 pension reform and consent decree, and that the Board of Trustees recommended that it be amended to reflect the intention of the 2017 pension reform ordinance to replace them. However, the Council has not made any amendments to the 2015 ordinance or consent decree.

Timothy Johnson updated the FIAC on John Keane's lawsuit against the Board of Trustees.

Timothy Johnson updated the FIAC on the Payroll Growth Rate Assumption. The City Council approved the Board of Trustees' recommendation of a 1.25% assumption.

Timothy Johnson described the monthly agenda review conference call to the FIAC. He also described his intention to hold a strategic planning session with the chairs of the Board and the Committees, counsel, and union leadership to discuss implementation of the 2017 pension reform.

Timothy Johnson also informed the FIAC of many contracts coming up for renewal, and that the 2017 pension reform will close the plan, putting everything under a 'new paradigm'.

VII. INVESTMENT CONSULTANT REPORTS

Dan Holmes

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

Dan Holmes covered many current economic factors influencing the global markets, including the French Presidential Election, US hiring trends, wage growth, and the expectation of the Federal Reserve raising rates at their next meeting. Dan Holmes said that US equities are positive, but not as strong as international equities and emerging markets.

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Rodney Van Pelt said that the PFPF's asset allocation is heavy in equities, and is positively affecting growth. He asked if there is any way to remain in the current state of 'imbalance'.

Dan Holmes said that this should call into question the plan's asset allocation going forward, and that this needs to be addressed.

Tracey Devine asked if the plan is within its asset allocation limits.

Dan Holmes replied that yes, it is within limits.

Rodney Van Pelt asked if Dan Holmes could add info in current litigation affecting money managers on the watch list.

Tracey Devine said that for large firms, be careful what you ask for. Tracey Devine said that larger firms are involved in many lawsuits; however with smaller boutiques, this addition would be more appropriate.

Dan Holmes said it would be possible to add information about current litigation; however it would add many pages to the document.

Dan Holmes then reviewed the April Flash Report with the FIAC (handout).

The FIAC discussed the asset allocations, benchmarking, weights, and measures used by Summit Strategies for reporting. Dan Holmes gave a hypothetical, simpler example of an allocation calculation in order to explain the methods used.

Rodney Van Pelt asked what indicators are used in various environments in which managers perform well to index, and how allocation is adjusted accordingly.

Tracey Devine explained structural differences between index funds and actively managed funds, and the current trajectory of the market as it is trending.

Rodney Van Pelt asked if Dan Holmes could prepare a presentation on alternatively structured index funds.

Dan Holmes said he will provide one.

POLICE AND FIRE PENSION FUND
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Timothy Johnson briefly discussed the asset liabilities study, and that it could take 8 months from the beginning to end.

Dan Holmes said that it could take Summit Strategies about 2-3 months from when they get the information from the actuary.

Rodney Van Pelt recommended that we add a new index fund to the PFPF's toolbox, even if there is \$0.00 allocated to it, in order to have it available rapidly in case it would be needed in the future.

Dan Holmes said that he can bring up the topic at the next Board of Trustees Meeting.

Tracey Devine asked Dan Holmes to provide information for the next FIAC meeting in June.

2. Investment Performance Review – March 31, 2017

Dan Holmes briefly discussed the Investment Performance Review with the FIAC.

3. Watch List – Q1, 2017

Dan Holmes briefly discussed the manager Watch List. He noted that Pinnacle is on the list because of Key Man Risk. One of the three in their team is experiencing health issues. JP Morgan is performing under the benchmark; however Dan Holmes is not overly concerned.

Dan Holmes said that Sawgrass is in the bottom quartile for performance in 1 and 3 year periods. Sawgrass knows this and they want to come to speak at the next FIAC meeting in June.

VIII. NEW BUSINESS

IX. ADJOURNMENT

Chairman Brian Smith adjourned the meeting at about 5:15PM.

NOTES:

POLICE AND FIRE PENSION FUND
FINANCIAL INVESTMENT AND ADVISORY COMMITTEE
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Additional items may be added / changed prior to meeting.

SL

Craig Lewis, FIAC Secretary

To be approved at the FIAC Meeting on June 9, 2017

**JACKSONVILLE POLICE AND FIRE PENSION FUND
FINANCIAL INVESTMENT AND ADVISORY COMMITTEE
WORKSHOP SUMMARY – JUNE 9, 2017 – 3:30PM
RICHARD “DICK” COHEE BOARD ROOM**

PRESENT

Rob Kowkabany
Rodney Van Pelt

STAFF

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

EXCUSED

Eric “Brian” Smith Jr., Chairman
Tracey Devine
Craig Lewis Sr., Secretary

GUESTS

Chris Greco, Sawgrass Asset Management
Marty LaPrade, Sawgrass Asset Management

I. CALL TO ORDER

Timothy Johnson called the workshop to order at 3:40PM.

II. PUBLIC SPEAKING PERIOD

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

III. MEETING SUMMARY TO BE APPROVED

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

Timothy Johnson informed the Committee that since there are only two FIAC members present, thus there is no quorum, and no votes may be made. May's meeting Summary approval has been deferred to July's regularly scheduled meeting. Today's FIAC meeting will be classified as a workshop.

V. OLD BUSINESS

VI. EXECUTIVE DIRECTOR'S REPORT

Timothy H. Johnson

Contract Renewal Discussion

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

Timothy Johnson told the FIAC that two contracts are up for renewal this September: the Investment Consultant, Summit Strategies, and the Custodian, Northern Trust. Timothy Johnson said that he would like for the Board of Trustees to extend these two contracts for one more year. He said that it may not be the best time to change partners right now, given the fact that the Fund is undergoing pension reform.

Rodney Van Pelt asked what the original duration of these contracts was.

Steve Lundy said that the contracts are included in the workshop book.

Dan Holmes said that Summit Strategies' contract had already expired and was extended until this September.

Timothy Johnson noted that Summit Strategies has had a relationship as Investment Consultant with the PFPF for more than 10 years.

Timothy Johnson said that he would ask the FIAC to extend the contracts in the July FIAC meeting, assuming there will be a quorum.

3. External Auditor (CRI)

Timothy Johnson said that the PFPF's contract for an external auditor has also expired. The PFPF's previous external auditor, KBLD, has retired. Timothy Johnson contacted the City, and has been in contact with the City's external

auditor, CRI. CRI has responded to the PFPF and has matched KBLD's fees. Timothy Johnson said that the PFPF would be able to 'piggyback' on the City's contract with CRI.

Rodney Van Pelt asked if CRI performs the City's annual audit.

Timothy Johnson said that yes, they do, and they also provide audit services for the General Employees' Pension Plan.

Pension Reform Administration Discussion

1. Asset Liabilities Study

Timothy Johnson said that he has gathered insight from Dan Holmes on the asset liabilities study, and that there is a difference now in respect to the closing of the plan, because there is a dedicated funding source.

Timothy Johnson said that the plan is expected to be 100% funded in 2056. If the plan is not fully funded by then, the surtax can be extended until fully funded status is reached.

Timothy Johnson said that there are two views on investment strategy for the future. First, the plan could take a conservative strategy: low risk, low return. Secondly, the plan could value the surtax as an investment and afford to consider investing in riskier assets in pursuit of higher returns.

2. Oct. 1 2017 Actuarial Valuation

Timothy Johnson informed the FIAC that since the PFPF's last Actuarial Valuation, the PFPF has a new actuary, and new pension reform. He said this means that there is a 'new guy counting the beans, and new rules on how our beans should be counted'.

Rodney Van Pelt said that he would like to know how a closed plan impacts the actuarial valuation concerning how assumptions are assessed – how impacts are calculated and how they are derived, like the Surtax Growth Rate Assumption.

Rodney Van Pelt said that although the FIAC cannot dictate what the Surtax Growth Rate Assumption is, we can officially say what we think it should be.

Timothy Johnson said that the actuary would present to the FIAC around October or November.

Rodney Van Pelt discussed the rates of return for the PFPF as they relate to assessing the Assumed Actuarial Rate of Return for future years.

Dan Holmes said that it would be difficult to predict what the rates of return will be on a 30-year horizon. Summit Strategies uses a 10-year horizon at maximum.

VII. INVESTMENT CONSULTANT REPORTS

Dan Holmes

1. Flash Report – May 31, 2017

The Flash Report was received as information by the FIAC.

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

The Economic & Capital Market Update was received as information by the FIAC.

3. Recommended Rebalancing

The Recommended Rebalancing was received as information by the FIAC. A vote could not be taken because there was no quorum.

4. Sawgrass Manager Review

Dan Holmes said that since the plan has so much invested in high risk assets, Sawgrass is useful because they provide downside protection.

Rodney Van Pelt said he feels that the plan should avoid trying to micromanage its asset allocation. He reminded Dan Holmes that he mentioned a new index fund last month.

Dan Holmes said that the alternate index fund will be presented to the FIAC next month. The new index fund would utilize 'smart beta', which relates to reweighting on alternative factors such as valuation and momentum.

Rodney Van Pelt added that the real test would be if the index could outperform over time.

Dan Holmes said that it would be hard to tell, as the index does not have a long history.

VIII. NEW BUSINESS

1. Sawgrass Asset Management Presentation

Chris Greco gave a quick summary on Sawgrass. He noted that the firm has had a 2.5 year relationship with the PFPP, is a local firm in Jacksonville Beach, and that 2/3 of its clients are municipal pension funds. He said that the firm is 100% employee owned, and that it grew out of Barnett Bank.

Marty LaPrade asked the FIAC for questions, given the short amount of time available.

Rodney Van Pelt asked about Sawgrass' low volatility approach, and how it affects their ability to outperform the index.

Marty LaPrade said that the strategy of Sawgrass isn't exactly to be low volatility. He said that Sawgrass' strategy is to look at companies that are mispriced with low volatility. He said that he believes this strategy is superior to highly emotional growth strategies.

*Marty LaPrade continued the presentation, highlighting in detail the performance of Sawgrass in many different historical market situations.
(refer to the Sawgrass Presentation attachment for greater detail)*

Rodney Van Pelt asked how qualitative factors influence Sawgrass' investment strategy, such as CEO changes.

Marty LaPrade said that all situations are unique, and are considered. He used the example of Steve Jobs and Apple's stock.

Rodney Van Pelt asked if Sawgrass considers any companies to be the 'gold standard' as industry leaders, such as Apple.

Marty LaPrade said that Apple is a good example of a 'gold standard', although Sawgrass recently trimmed their holding in Apple. He said that Apple is a more emotional product, and that Sawgrass' strategy is to trade around that. Sawgrass is always looking at fundamentals.

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WORKSHOP SUMMARY – JUNE 9, 2017 – 3:30 PM
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Chris Greco thanked the FIAC for allowing them to present, and invited everyone at the workshop to visit Sawgrass' office in Jacksonville Beach whenever they would like.

IX. ADJOURNMENT

Timothy Johnson adjourned the workshop at 5:08PM.

NOTES:

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Additional items may be added / changed prior to meeting.

SL

Craig Lewis, FIAC Secretary

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



Summit Strategies Group

8182 Maryland Avenue, 6th Floor

St. Louis, Missouri 63105

314.727.7211

City of Jacksonville Police & Fire Pension Fund

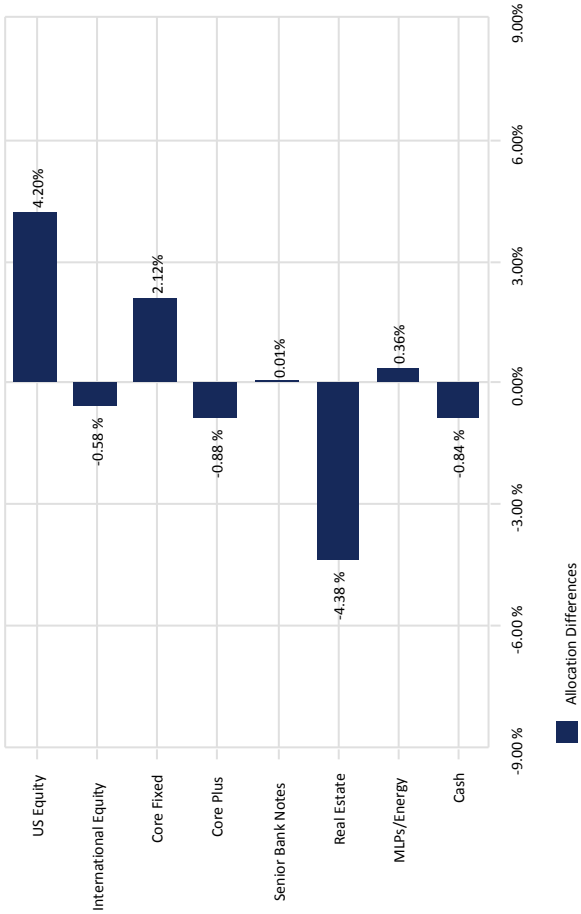
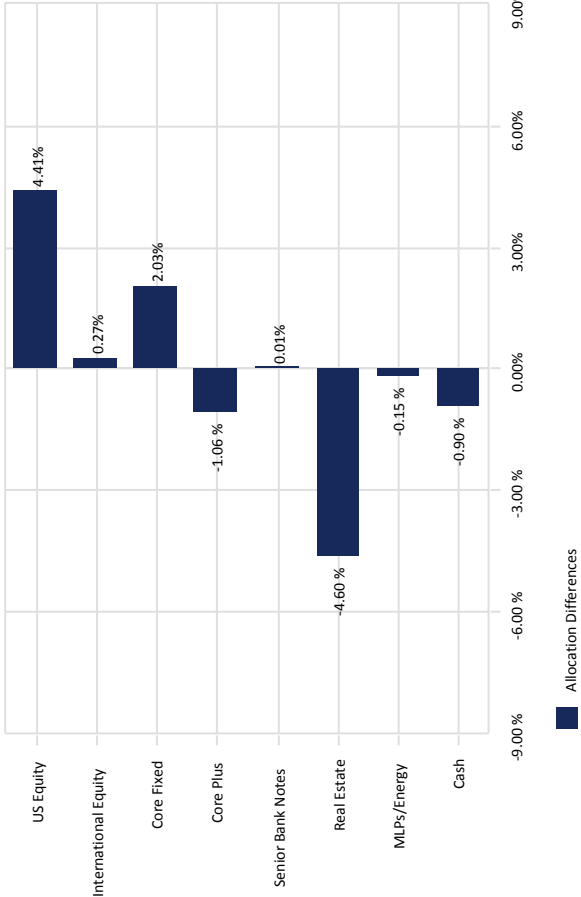
Preliminary Flash Report

June 30, 2017

City of Jacksonville Police & Fire Pension Fund

Asset Allocation vs. Target Allocation

June 30, 2017



June 30, 2017

March 31, 2017

	Market Value (\$)	Allocation (%)	Target (%)
US Equity	831,003,769	43.41	39.00
International Equity	388,023,166	20.27	20.00
Core Fixed	115,364,893	6.03	4.00
Core Plus	276,378,600	14.44	15.50
Senior Bank Notes	118,889	0.01	0.00
Real Estate	199,168,185	10.40	15.00
MLPs/Energy	102,324,814	5.35	5.50
Cash	1,826,268	0.10	1.00
Total Fund	1,914,208,584	100.00	100.00

	Market Value (\$)	Allocation (%)	Target (%)
US Equity	803,256,839	43.20	39.00
International Equity	361,161,001	19.42	20.00
Core Fixed	113,736,148	6.12	4.00
Core Plus	271,824,997	14.62	15.50
Senior Bank Notes	118,582	0.01	0.00
Real Estate	197,564,525	10.62	15.00
MLPs/Energy	108,965,252	5.86	5.50
Cash	2,933,099	0.16	1.00
Total Fund	1,859,560,443	100.00	100.00

City of Jacksonville Police & Fire Pension Fund

Asset Allocation & Performance Gross of Fees

June 30, 2017

	Asset \$	Asset %	Performance(%)										Inception Date
			1 Month	3 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year	15 Year	Since Inception	
Total Fund	1,914,208,584	100.00	0.53	3.00	8.84	10.03	14.89	5.21	9.78	5.83	7.02	8.22	Apr-1989
Total Fund Policy			0.38	2.26	6.84	8.26	12.22	4.97	9.19	5.27	6.94	8.23	
Excess Return			0.15	0.74	2.00	1.77	2.67	0.24	0.59	0.56	0.08	-0.01	
Total Equity	1,219,026,935	63.68	0.82	4.71	13.02	15.06	22.36	6.45	12.28	5.55	-	5.40	Jun-2007
US Equity	831,003,769	43.41	0.99	3.46	10.28	14.73	20.57	8.21	13.81	7.41	8.47	10.26	Jan-1988
US Equity Index			0.90	3.02	8.93	13.52	18.51	9.10	14.58	7.30	8.83	10.53	
Excess Return			0.09	0.44	1.35	1.21	2.06	-0.89	-0.77	0.11	-0.36	-0.27	
International Equity	388,023,166	20.27	0.45	7.49	19.38	16.42	26.38	3.26	9.33	1.40	6.12	5.27	Feb-1999
International Equity Index			0.35	5.99	14.45	13.08	21.00	1.27	7.70	1.07	6.49	4.35	
Excess Return			0.10	1.50	4.93	3.34	5.38	1.99	1.63	0.33	-0.37	0.92	
Fixed Income	391,862,382	20.47	0.03	1.60	2.93	1.03	2.15	3.08	2.60	4.65	4.66	6.39	Jan-1988
Fixed Income Index			-0.09	1.51	2.56	-0.49	-0.04	2.58	2.27	4.51	4.50	6.44	
Excess Return			0.12	0.09	0.37	1.52	2.19	0.50	0.33	0.14	0.16	-0.05	
Real Estate	199,168,185	10.40	-0.00	0.67	2.64	5.01	7.23	10.78	12.09	7.14	-	9.20	Apr-2005
NCREIF Fund Index - ODCE (VW) [M]			0.00	0.00	1.77	3.93	6.07	10.72	11.41	5.07	-	7.48	
Excess Return			0.00	0.67	0.87	1.08	1.16	0.06	0.68	2.07	-	1.72	
NCREIF Property Index			0.00	0.00	1.55	3.30	5.13	9.53	10.11	6.24	-	9.21	Jan-1978
MLPs/Energy			0.09	-6.09	-1.59	0.74	4.25	-7.92	7.68	-	-	8.83	Mar-2011
S&P MLP Index	102,324,814	5.35	-0.24	-6.38	-2.92	0.30	3.23	-11.25	2.48	-	-	3.03	
Excess Return			0.33	0.29	1.33	0.44	1.02	3.33	5.20	-	-	5.80	
Cash	1,826,268	0.10	0.11	0.23	0.87	1.02	1.14	0.82	0.88	1.18	8.08	8.22	Dec-1998

City of Jacksonville Police & Fire Pension Fund

Asset Allocation & Performance Net of Fees

June 30, 2017

	Asset \$	Asset %	Performance(%)										Inception Date
			1 Month	3 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year	15 Year	Since Inception	
Total Fund	1,914,208,584	100.00	0.53	2.95	8.66	9.77	14.48	4.77	9.30	5.47	6.66	8.02	Apr-1989
Total Fund Policy			0.38	2.26	6.84	8.26	12.22	4.97	9.19	5.27	6.94	8.23	
Excess Return			0.15	0.69	1.82	1.51	2.26	-0.20	0.11	0.20	-0.28	-0.21	
Total Equity	1,219,026,935	63.68	0.81	4.64	12.87	14.81	21.96	6.00	11.78	5.18	-	5.04	Jun-2007
US Equity	831,003,769	43.41	0.99	3.39	10.13	14.45	20.15	7.73	13.26	7.02	8.21	10.13	Jan-1988
US Equity Index			0.90	3.02	8.93	13.52	18.51	9.10	14.58	7.30	8.83	10.53	
Excess Return			0.09	0.37	1.20	0.93	1.64	-1.37	-1.32	-0.28	-0.62	-0.40	
International Equity	388,023,166	20.27	0.43	7.43	19.22	16.20	26.02	2.87	8.94	1.03	5.86	5.06	Feb-1999
International Equity Index			0.35	5.99	14.45	13.08	21.00	1.27	7.70	1.07	6.49	4.35	
Excess Return			0.08	1.44	4.77	3.12	5.02	1.60	1.24	-0.04	-0.63	0.71	
Fixed Income	391,862,382	20.47	0.03	1.59	2.90	0.96	2.04	2.95	2.44	4.52	4.58	6.34	Jan-1988
Fixed Income Index			-0.09	1.51	2.56	-0.49	-0.04	2.58	2.27	4.51	4.50	6.44	
Excess Return			0.12	0.08	0.34	1.45	2.08	0.37	0.17	0.01	0.08	-0.10	
Real Estate	199,168,185	10.40	-0.00	0.61	2.21	4.51	6.30	9.83	11.09	6.43	-	8.60	Apr-2005
NCREIF Fund Index - ODCE (VW) [M]			0.00	0.00	1.77	3.93	6.07	10.72	11.41	5.07	-	7.48	
Excess Return			0.00	0.61	0.44	0.58	0.23	-0.89	-0.32	1.36	-	1.12	Jan-1978
NCREIF Property Index			0.00	0.00	1.55	3.30	5.13	9.53	10.11	6.24	-	9.21	
MLPs/Energy	102,324,814	5.35	0.09	-6.18	-1.95	0.28	3.59	-8.60	6.90	-	-	8.10	Mar-2011
S&P MLP Index			-0.24	-6.38	-2.92	0.30	3.23	-11.25	2.48	-	-	3.03	
Excess Return			0.33	0.20	0.97	-0.02	0.36	2.65	4.42	-	-	5.07	
Cash	1,826,268	0.10	0.11	0.23	0.87	1.02	1.14	0.82	0.88	1.01	7.96	8.12	Dec-1998

City of Jacksonville Police & Fire Pension Fund

Asset Allocation & Performance Gross of Fees

June 30, 2017

	Performance(%)											Inception Date
	Asset \$	Asset %	1 Month	3 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year	Since Inception	
US Equity												
NT S&P 500 Index Fund	279,528,358	14.60	0.63	3.10	9.36	13.55	17.92	9.69	14.68	7.20	5.74	Jan-1999
S&P 500			0.62	3.09	9.34	13.52	17.90	9.61	14.63	7.18	5.73	
Excess Return			0.01	0.01	0.02	0.03	0.02	0.08	0.05	0.02	0.01	
Eagle Capital Management	205,839,688	10.75	2.20	3.88	10.71	18.56	24.58	10.26	15.88	-	13.82	Apr-2011
Russell 1000 Value Index			1.63	1.34	4.66	11.64	15.53	7.36	13.94	-	11.44	
Excess Return			0.57	2.54	6.05	6.92	9.05	2.90	1.94	-	2.38	
Brown Investment Advisory	94,438,588	4.93	-0.76	5.61	15.61	10.37	14.44	8.54	-	-	8.89	Nov-2013
Russell 1000 Growth Index			-0.26	4.67	13.99	15.15	20.42	11.11	-	-	12.54	
Excess Return			-0.50	0.94	1.62	-4.78	-5.98	-2.57	-	-	-3.65	
Sawgrass Asset Management	97,771,851	5.11	0.27	3.23	10.15	11.81	12.46	9.05	-	-	10.99	Nov-2013
Russell 1000 Growth Index			-0.26	4.67	13.99	15.15	20.42	11.11	-	-	12.54	
Excess Return			0.53	-1.44	-3.84	-3.34	-7.96	-2.06	-	-	-1.55	
Pinnacle	79,423,028	4.15	1.23	4.64	16.37	20.30	32.82	8.48	16.39	-	21.74	Mar-2009
Russell 2500 Growth Index			2.28	4.13	10.63	13.51	21.44	7.65	14.33	-	19.57	
Excess Return			-1.05	0.51	5.74	6.79	11.38	0.83	2.06	-	2.17	
Wedge Capital Mgmt	74,002,257	3.87	2.03	0.09	0.96	12.73	-	-	-	-	12.93	Sep-2016
Russell 2000 Value Index			3.50	0.67	0.54	14.69	-	-	-	-	15.59	
Excess Return			-1.47	-0.58	0.42	-1.96	-	-	-	-	-2.66	
International Equity												
NT EAFE Index Fund	18,493,500	0.97	-0.17	6.33	14.18	13.51	20.87	1.51	9.04	-	7.11	Apr-2012
MSCI EAFE Index (Net)			-0.18	6.12	13.81	13.00	20.27	1.15	8.69	-	6.74	
Excess Return			0.01	0.21	0.37	0.51	0.60	0.36	0.35	-	0.37	
Silchester	142,590,860	7.45	0.48	6.06	14.42	17.33	25.26	5.47	-	-	9.35	Sep-2013
MSCI EAFE Value Index (Net)			0.30	4.78	11.12	15.75	25.01	-0.59	-	-	4.71	
Excess Return			0.18	1.28	3.30	1.58	0.25	6.06	-	-	4.64	
Baillie Gifford	114,592,688	5.99	-0.20	10.67	25.46	17.00	30.46	4.70	11.51	-	7.20	Mar-2011
MSCI EAFE Growth Index (Net)			-0.65	7.52	16.68	10.24	15.70	2.81	9.19	-	5.08	
Excess Return			0.45	3.15	8.78	6.76	14.76	1.89	2.32	-	2.12	
Acadian Emerging Mkts Equity II Fund	112,346,118	5.87	1.18	5.76	20.59	17.30	28.79	2.20	-	-	4.32	Jan-2014
MSCI Emerging Markets (Net)			1.01	6.27	18.43	13.50	23.75	1.07	-	-	2.65	
Excess Return			0.17	-0.51	2.16	3.80	5.04	1.13	-	-	1.67	

City of Jacksonville Police & Fire Pension Fund

Asset Allocation & Performance Gross of Fees

June 30, 2017

Performance(%)												
	Asset \$	Asset %	1 Month	3 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date
Fixed Income												
NTGI Aggregate Bond Index	26,527,395	1.39	-0.11	1.46	2.32	-0.81	-0.36	2.52	-	-	2.25	Feb-2013
			-0.10	1.45	2.27	-0.77	-0.31	2.48	-	2.26		
			-0.01	0.01	0.05	-0.04	-0.05	0.04	-	-0.01		
Neuberger Berman	164,910,987	8.62	0.00	1.47	2.89	-	-	-	-	-	2.89	Jan-2017
			-0.10	1.45	2.27	-	-	-	-	2.27		
			0.10	0.02	0.62	-	-	-	-	0.62		
Loomis, Sayles & Company	111,467,613	5.82	0.33	1.98	-	-	-	-	-	-	3.33	Feb-2017
			-0.10	1.45	-	-	-	-	-	2.07		
			0.43	0.53	-	-	-	-	-	1.26		
Thompson Siegel Fixed	88,837,497	4.64	-0.23	1.43	2.73	0.72	1.98	3.38	3.24	5.25	6.22	Aug-1991
			-0.10	1.45	2.27	-0.77	-0.31	2.48	2.21	4.41		
			-0.13	-0.02	0.46	1.49	2.29	0.90	1.03	0.84	0.29	
Eaton Vance Instl Senior Loan Trust	118,889	0.01										
Real Estate												
JP Morgan	151,377,458	7.91	-0.00	0.75	2.69	4.90	7.07	10.48	11.96	5.92	8.19	Apr-2005
			0.00	0.00	1.77	3.93	6.07	10.72	11.41	5.07	7.48	
			0.00	0.75	0.92	0.97	1.00	-0.24	0.55	0.85	0.71	
Principal Global Investments	47,790,727	2.50	0.00	1.00	3.11	5.96	8.39	11.94	-	-	12.45	Apr-2013
			0.00	0.00	1.77	3.93	6.07	10.72	-	11.52		
			0.00	1.00	1.34	2.03	2.32	1.22	-	0.93		
MLPs/Energy												
Harvest MLP	50,944,354	2.66	-0.21	-6.74	-2.66	-0.98	3.36	-7.92	7.20	-	8.84	Mar-2011
			-0.24	-6.38	-2.92	0.30	3.23	-11.25	2.48	-	3.03	
			0.03	-0.36	0.26	-1.28	0.13	3.33	4.72	-	5.81	
Tortoise MLP	51,380,459	2.68	0.39	-5.45	-0.51	2.50	5.14	-8.02	8.11	-	8.78	Mar-2011
			-0.24	-6.38	-2.92	0.30	3.23	-11.25	2.48	-	3.03	
			0.63	0.93	2.41	2.20	1.91	3.23	5.63	-	5.75	
Cash	1,826,268	0.10	0.11	0.23	0.87	1.02	1.14	0.82	0.88	1.18	8.22	Dec-1998

City of Jacksonville Police & Fire Pension Fund

Asset Allocation & Performance Net of Fees

June 30, 2017

	Performance(%)											Inception Date
	Asset \$	Asset %	1 Month	3 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year	Since Inception	
US Equity												
NT S&P 500 Index Fund	279,528,358	14.60	0.63	3.10	9.36	13.54	17.91	9.67	14.64	7.16	5.72	Jan-1999
			0.62	3.09	9.34	13.52	17.90	9.61	14.63	7.18	5.73	
			0.01	0.01	0.02	0.02	0.01	0.06	0.01	-0.02	-0.01	
Eagle Capital Management	205,839,688	10.75	2.20	3.88	10.50	18.15	24.01	9.55	15.08	-	13.05	Apr-2011
Russell 1000 Value Index			1.63	1.34	4.66	11.64	15.53	7.36	13.94	-	11.44	
Excess Return			0.57	2.54	5.84	6.51	8.48	2.19	1.14	-	1.61	
Brown Investment Advisory	94,438,588	4.93	-0.76	5.61	15.51	10.15	14.12	8.31	-	-	8.66	Nov-2013
Russell 1000 Growth Index			-0.26	4.67	13.99	15.15	20.42	11.11	-	-	12.54	
Excess Return			-0.50	0.94	1.52	-5.00	-6.30	-2.80	-	-	-3.88	
Sawgrass Asset Management	97,771,851	5.11	0.27	3.18	10.05	11.58	12.17	8.80	-	-	10.74	Nov-2013
Russell 1000 Growth Index			-0.26	4.67	13.99	15.15	20.42	11.11	-	-	12.54	
Excess Return			0.53	-1.49	-3.94	-3.57	-8.25	-2.31	-	-	-1.80	
Pinnacle	79,423,028	4.15	1.23	4.64	16.17	19.88	32.02	7.72	15.56	-	21.02	Mar-2009
Russell 2500 Growth Index			2.28	4.13	10.63	13.51	21.44	7.65	14.33	-	19.57	
Excess Return			-1.05	0.51	5.54	6.37	10.58	0.07	1.23	-	1.45	
Wedge Capital Mgmt	74,002,257	3.87	2.03	0.09	0.96	12.73	-	-	-	-	12.93	Sep-2016
Russell 2000 Value Index			3.50	0.67	0.54	14.69	-	-	-	-	15.59	
Excess Return			-1.47	-0.58	0.42	-1.96	-	-	-	-	-2.66	
International Equity												
NT EAFE Index Fund	18,493,500	0.97	-0.17	6.33	14.18	13.48	20.81	1.44	8.97	-	7.05	Apr-2012
MSCI EAFE Index (Net)			-0.18	6.12	13.81	13.00	20.27	1.15	8.69	-	6.74	
Excess Return			0.01	0.21	0.37	0.48	0.54	0.29	0.28	-	0.31	
Silchester	142,590,860	7.45	0.42	5.90	14.03	16.71	24.36	4.67	-	-	8.50	Sep-2013
MSCI EAFE Value Index (Net)			0.30	4.78	11.12	15.75	25.01	-0.59	-	-	4.71	
Excess Return			0.12	1.12	2.91	0.96	-0.65	5.26	-	-	3.79	
Baillie Gifford	114,592,688	5.99	-0.20	10.67	25.46	16.97	30.40	4.35	11.06	-	6.79	Mar-2011
MSCI EAFE Growth Index (Net)			-0.65	7.52	16.68	10.24	15.70	2.81	9.19	-	5.08	
Excess Return			0.45	3.15	8.78	6.73	14.70	1.54	1.87	-	1.71	
Acadian Emerging Mkts Equity II Fund	112,346,118	5.87	1.18	5.76	20.43	17.14	28.28	1.75	-	-	3.89	Jan-2014
MSCI Emerging Markets (Net)			1.01	6.27	18.43	13.50	23.75	1.07	-	-	2.65	
Excess Return			0.17	-0.51	2.00	3.64	4.53	0.68	-	-	1.24	

City of Jacksonville Police & Fire Pension Fund

Asset Allocation & Performance Net of Fees

June 30, 2017

		Performance(%)										Since Inception	Inception Date
	Asset \$	Asset %	1 Month	3 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year			
Fixed Income													
NTGI Aggregate Bond Index	26,527,395	1.39	-0.11	1.46	2.32	-0.82	-0.38	2.49	-	-	2.22		Feb-2013
Bimbg. Barc. U.S. Aggregate			-0.10	1.45	2.27	-0.77	-0.31	2.48	-	-	2.26		
Excess Return			-0.01	0.01	0.05	-0.05	-0.07	0.01	-	-	-0.04		
Neuberger Berman	164,910,987	8.62	0.00	1.47	2.89	-	-	-	-	-	2.89		Jan-2017
Bimbg. Barc. U.S. Aggregate			-0.10	1.45	2.27	-	-	-	-	-	2.27		
Excess Return			0.10	0.02	0.62	-	-	-	-	-	0.62		
Loomis, Sayles & Company	111,467,613	5.82	0.33	1.98	-	-	-	-	-	-	3.33		Feb-2017
Bimbg. Barc. U.S. Aggregate			-0.10	1.45	-	-	-	-	-	-	2.07		
Excess Return			0.43	0.53	-	-	-	-	-	-	1.26		
Thompson Siegel Fixed	88,837,497	4.64	-0.23	1.43	2.64	0.60	1.81	3.20	3.07	5.11	6.17		Aug-1991
Thompson Policy Index			-0.10	1.45	2.27	-0.77	-0.31	2.48	2.21	4.41	5.93		
Excess Return			-0.13	-0.02	0.37	1.37	2.12	0.72	0.86	0.70	0.24		
Eaton Vance Instl Senior Loan Trust	118,889	0.01											
Real Estate													
JP Morgan	151,377,458	7.91	-0.00	0.75	2.26	4.47	6.13	9.52	10.94	5.21	7.59		Apr-2005
NCREIF Fund Index - ODCE (VW) [M]			0.00	0.00	1.77	3.93	6.07	10.72	11.41	5.07	7.48		
Excess Return			0.00	0.75	0.49	0.54	0.06	-1.20	-0.47	0.14	0.11		
Principal Global Investments	47,790,727	2.50	0.00	1.00	2.91	5.54	7.74	11.12	-	-	11.58		Apr-2013
NCREIF Fund Index - ODCE (VW) [M]			0.00	0.00	1.77	3.93	6.07	10.72	-	-	11.52		
Excess Return			0.00	1.00	1.14	1.61	1.67	0.40	-	-	0.06		
MLPs/Energy													
Harvest MLP	50,944,354	2.66	-0.21	-6.74	-3.00	-1.33	2.83	-8.57	6.45	-	8.11		Mar-2011
S&P MLP Index			-0.24	-6.38	-2.92	0.30	3.23	-11.25	2.48	-	3.03		
Excess Return			0.03	-0.36	-0.08	-1.63	-0.40	2.68	3.97	-	5.08		
Tortoise MLP	51,380,459	2.68	0.39	-5.63	-0.88	1.93	4.36	-8.73	7.31	-	8.05		Mar-2011
S&P MLP Index			-0.24	-6.38	-2.92	0.30	3.23	-11.25	2.48	-	3.03		
Excess Return			0.63	0.75	2.04	1.63	1.13	2.52	4.83	-	5.02		
Cash	1,826,268	0.10	0.11	0.23	0.87	1.02	1.14	0.82	0.88	1.01	8.12		Dec-1998

City of Jacksonville Police & Fire Pension Fund

Historical Hybrid Composition

As of June 30, 2017

Total Fund Policy			US Equity Index	
	(%)	(%)		(%)
Jan-2017			Jul-2009	
Russell 3000 Index	39.00	Russell 3000 Index	Russell 3000 Index	100.00
MSCI AC World ex USA (Net)	20.00	MSCI AC World ex USA (Net)		
Blmbg. Barc. U.S. Aggregate	4.00	Blmbg. Barc. U.S. Aggregate	Jan-1988	
Blmbg. Barc. U.S. Universal Index	15.50	NCREIF Fund Index-ODCE (VW) [M]	Dow Jones US Total Stock Market Index	100.00
NCREIF Fund Index-ODCE (VW) [M]	15.00	S&P MLP Index		
S&P MLP Index	5.50		International Equity Index	
Citigroup 3 Month T-Bill	1.00	Jun-2011		(%)
		Russell 3000 Index		
Sep-2016		MSCI EAFE Index	Oct-2009	
Russell 3000 Index	39.00	Blmbg. Barc. U.S. Aggregate	MSCI AC World ex USA	100.00
MSCI AC World ex USA (Net)	20.00	NCREIF Fund Index-ODCE (VW) [M]		
Blmbg. Barc. U.S. Aggregate	19.50	S&P MLP Index	Feb-1999	
NCREIF Fund Index-ODCE (VW) [M]	15.00		MSCI EAFE Index	100.00
S&P MLP Index	5.50	Jul-2009		
Citigroup 3 Month T-Bill	1.00	Russell 3000 Index		
		MSCI EAFE Index	Fixed Income Index	
Mar-2016		Blmbg. Barc. U.S. Aggregate		(%)
Russell 3000 Index	39.00	NCREIF Fund Index-ODCE (VW) [M]		
MSCI AC World ex USA (Net)	20.00		Jan-2017	
Blmbg. Barc. U.S. Aggregate	20.50		Blmbg. Barc. U.S. Aggregate	20.51
NCREIF Fund Index-ODCE (VW) [M]	15.00		Blmbg. Barc. U.S. Universal Index	79.49
S&P MLP Index	5.50			
		Oct-2008	Jan-1976	
Mar-2013		Dow Jones US Total Stock Market Index	Blmbg. Barc. U.S. Aggregate	100.00
Russell 3000 Index	35.00	MSCI EAFE Index		
MSCI AC World ex USA (Net)	20.00	BofA Merrill Lynch Gov Corp Master		
Blmbg. Barc. U.S. Aggregate	22.50	NCREIF Fund Index-ODCE (VW) [M]	Thompson Policy Index	
NCREIF Fund Index-ODCE (VW) [M]	15.00			(%)
S&P MLP Index	7.50	Apr-1989		
		Dow Jones US Total Stock Market Index	Oct-2009	
		MSCI EAFE Index	Blmbg. Barc. U.S. Aggregate	100.00
		BofA Merrill Lynch Gov Corp Master		
		NCREIF Fund Index-ODCE (VW) [M]	Dec-1975	
			BofA Merrill Lynch Gov Corp Master	100.00

City of Jacksonville Police & Fire Pension Fund

Asset Allocation Compliance

June 30, 2017

	% Target	% Actual	% Difference from Target	Current Target (\$)	Actual (\$)	Difference (\$)
Total Fund	100.00	100.00	0.00	1,914,208,584	1,914,208,584	-
Total Equity	59.00	63.68	4.68	1,129,383,064	1,219,026,935	(89,643,871)
US Equity	39.00	43.41	4.41	746,541,348	831,003,769	(84,462,422)
Large Cap	31.40	35.40	4.00	601,061,495	677,578,485	(76,516,990)
Large Cap Core	0.00	14.60	14.60	-	279,528,358	(279,528,358)
NT S&P 500 Index Fund	-	14.60	-	-	279,528,358	-
Large Cap Value	0.00	10.75	10.75	-	205,839,688	(205,839,688)
Eagle Capital Management	-	10.75	-	-	205,839,688	-
Large Cap Growth	0.00	10.04	10.04	-	192,210,439	(192,210,439)
Brown Investment Advisory	-	4.93	-	-	94,438,588	-
Sawgrass Asset Management	-	5.11	-	-	97,771,851	-
Non Large Cap	7.60	8.02	0.42	145,479,852	153,425,284	(7,945,432)
Wedge Capital Mgmt	-	3.87	-	-	74,002,257	-
Pinnacle	-	4.15	-	-	79,423,028	-
International Equity	20.00	20.27	0.27	382,841,717	388,023,166	(5,181,449)
International Developed Markets	14.00	14.40	0.40	267,989,202	275,677,048	(7,687,846)
NT EAFE Index Fund	-	0.97	-	-	18,493,500	-
Baillie Gifford	-	5.99	-	-	114,592,688	-
Silchester	-	7.45	-	-	142,590,860	-
International Emerging Markets	6.00	5.87	(0.13)	114,852,515	112,346,118	2,506,397
Acadian Emerging Mkts Equity II Fund	-	5.87	-	-	112,346,118	-
Fixed Income	19.50	20.47	0.97	373,270,674	391,862,382	(18,591,708)
Core Fixed Income	4.00	6.03	2.03	76,568,343	115,364,893	(38,796,549)
NTGI Aggregate Bond Index	-	1.39	-	-	26,527,395	-
Thompson Siegel Fixed	-	4.64	-	-	88,837,497	-
Core Plus	15.50	14.44	(1.06)	296,702,330	276,378,600	20,323,731
Neuberger Berman	-	8.62	-	-	164,910,987	-
Loomis, Sayles & Company	-	5.82	-	-	111,467,613	-
Senior Bank Notes	0.00	0.01	0.01	-	118,889	(118,889)
Eaton Vance Instl Senior Loan Trust	-	0.01	-	-	118,889	-
Real Estate	15.00	10.40	(4.60)	287,131,288	199,168,185	87,963,102
Real Estate excluding Haverly & Admin	15.00	10.40	(4.60)	287,131,288	199,168,185	87,963,102
JP Morgan	5.00	7.91	2.91	95,710,429	151,377,458	(55,667,029)
Principal Global Investments	5.00	2.50	(2.50)	95,710,429	47,790,727	47,919,702
Non Core Real Estate (TBD)	5.00	0.00	(5.00)	95,710,429	-	95,710,429
Total Alternatives Composite	5.50	5.35	(0.15)	105,281,472	102,324,814	2,956,659
MLP's/Energy	5.50	5.35	(0.15)	105,281,472	102,324,814	2,956,659
Tortoise MLP	-	2.68	-	-	51,380,459	-
Harvest MLP	-	2.66	-	-	50,944,354	-
Cash	1.00	0.10	(0.90)	19,142,086	1,826,268	17,315,818

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Monthly Economic & Capital Market Update

June 2017

Economic Perspective

June 30, 2017

Economy

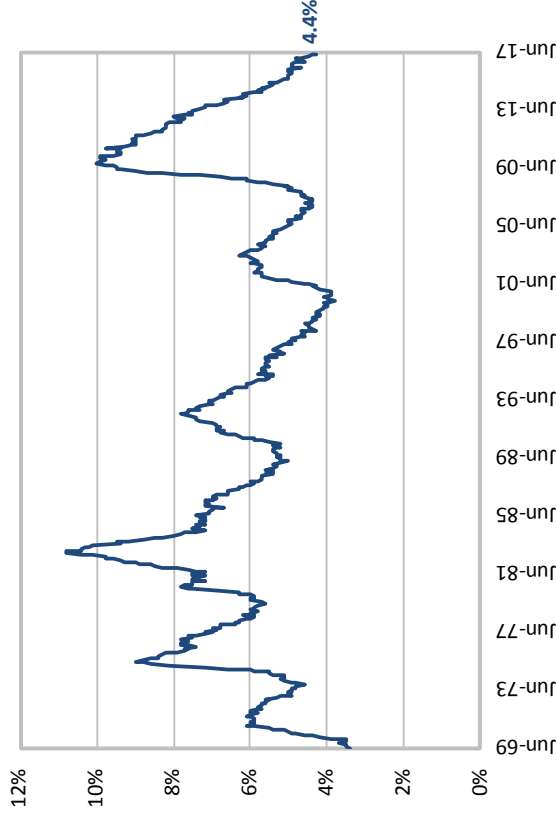
- Economic conditions throughout the world continued to improve during June, lifting global equity indices to new all-time highs. Low interest rates, increased consumer sentiment, and higher company earnings have helped generate strong equity market gains over the past year.
- The US economy saw positive job growth for the 81st consecutive month during June. Employers added 222,000 new payrolls, exceeding economists' expectations of 175,000 new jobs, and the unemployment rate increased 10 bps from May's 16-year low of 4.3%. Wage growth, as measured by the change in average hourly earnings of private sector workers, was 2.5% over the 12 months ending in June, unchanged month-over-month. Payrolls from April and May were revised upward by 47,000 total jobs. Job gains averaged 194,000 per month during the second quarter, above the average of 185,000 per month since the beginning of 2010.
- Real GDP grew at a 1.4% annual rate during the first quarter of 2017 according to the final estimate released by the Bureau of Economic Analysis. The estimate was revised upward from the second estimate of 1.2%, reflecting positive changes in nonresidential fixed income, personal consumption, and state and local government spending. GDP growth for Q2 2017 is estimated to have been 2.7% annualized according to the Atlanta Federal Reserve.

- Economic activity in both the manufacturing and services sectors continues to expand, as measured by purchasing managers indices (PMI). The US ISM Manufacturing PMI expanded 2.9 points in June to 57.8; an index reading over 50 suggests expansion in the sector. Manufacturing has now been a boost to US growth for ten consecutive months, following a period during which slowing trading partner growth and a strong US dollar weighed on US manufacturing. The Non-Manufacturing (or services) PMI also continues to reflect strength, led by strong consumer spending; US services have expanded 90 consecutive months.

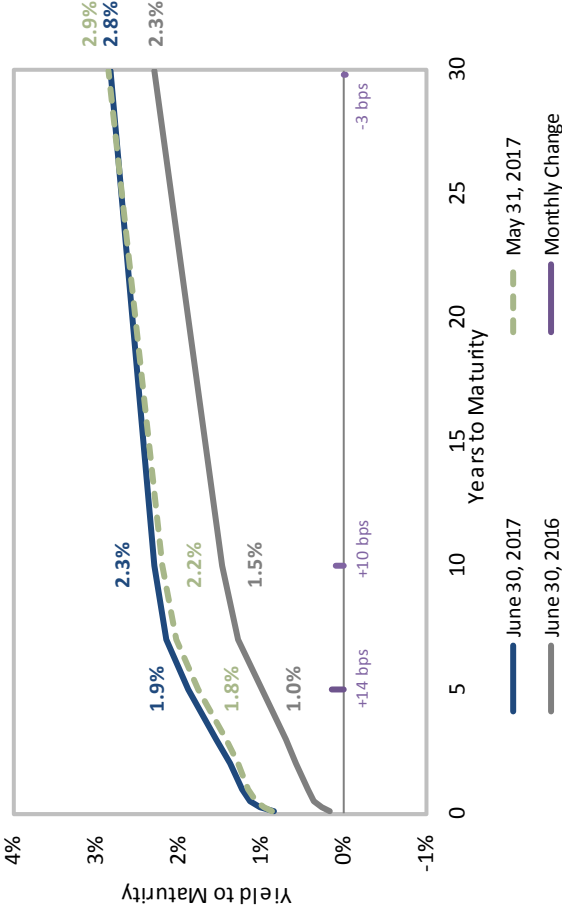
Yield Curve

- The spread between 2-year and 30-year Treasuries tightened 13 bps to 145 bps in June. Over the past two years the 2-30 spread has tightened by 103 bps, with the long end of the curve mostly unchanged while short-term yields have been lifted by Federal Reserve rate hikes. The 20-year average spread between 2-year and 30-year Treasuries is 190 bps.

Unemployment Rate



Treasury Yield Curve



Growth Assets

June 30, 2017

Public Equities

- Global stocks achieved modest gains for the month, with US markets outperforming international by 60 bps. Over the first half of 2017 MSCI ACWI IMI earned 11.3%, the best performance over the first half of a year for the Index since 2003. Strong gains in the equity markets over the past year have been supported by an improvement in earnings growth, but price gains continue to outpace earnings and valuations remain elevated as a result.
- Master limited partnerships (MLPs) returned -0.6% in June, led by underperformance in exploration and production (E&P) and energy services sectors. Year-to-date, the Alerian MLP Index has returned -2.7% and the distribution yield has increased 10 bps to 7.2%.

Public Debt

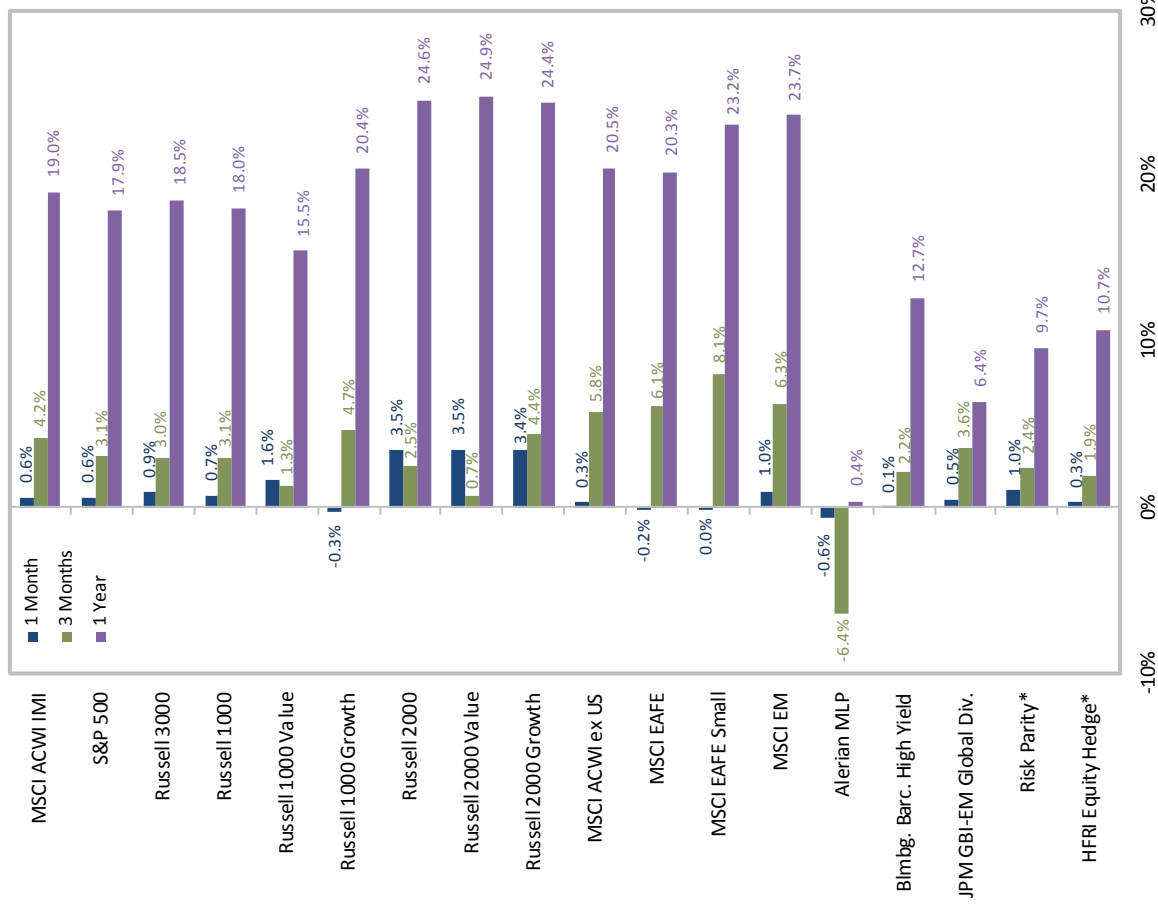
- The Bloomberg Barclays High Yield Index gained 0.1% during June as coupon payments were nearly offset by price declines. High yield spreads were mostly unchanged, ending the month at 364 bps over treasuries.
- Local currency-denominated emerging market debt returned 0.5%, with currency detracting approximately 0.2%. EM local bonds ended June yielding 6.15%, 13 bps lower month-over-month.

Private Assets

- The strong fundraising environment for private equity has continued into 2017, as the industry is likely to have seen the highest levels of first quarter capital raising since the global financial crisis. Preqin expects Q1 fundraising to surpass the \$90b raised by funds closed in Q1 2016. Purchase price multiples for middle-market LBOs, as measured by S&P Leveraged Commentary and Data (S&P LCD), have remained relatively stable from 2016 at 9.6x YTD.
- In Q1 2017, private debt funds raised a total of \$21b, surpassing last year's Q1 level of \$11b, as the momentum for direct lending strategies continued; direct lending funds accounted for 62% of total capital raised. Nearly two-thirds of all private debt funds closed during the quarter exceeded their target size.

Hedge Funds

- Risk parity funds gained in May, with positive contributions from equity and nominal bond allocations. Commodities were negative and inflation-linked bonds were generally unchanged.
- Growth hedge funds gained in May, with the largest gains coming from long/short equity. Merger arbitrage strategies were also positive, while activist and distressed debt funds detracted.



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

Income Assets

June 30, 2017

Public Debt

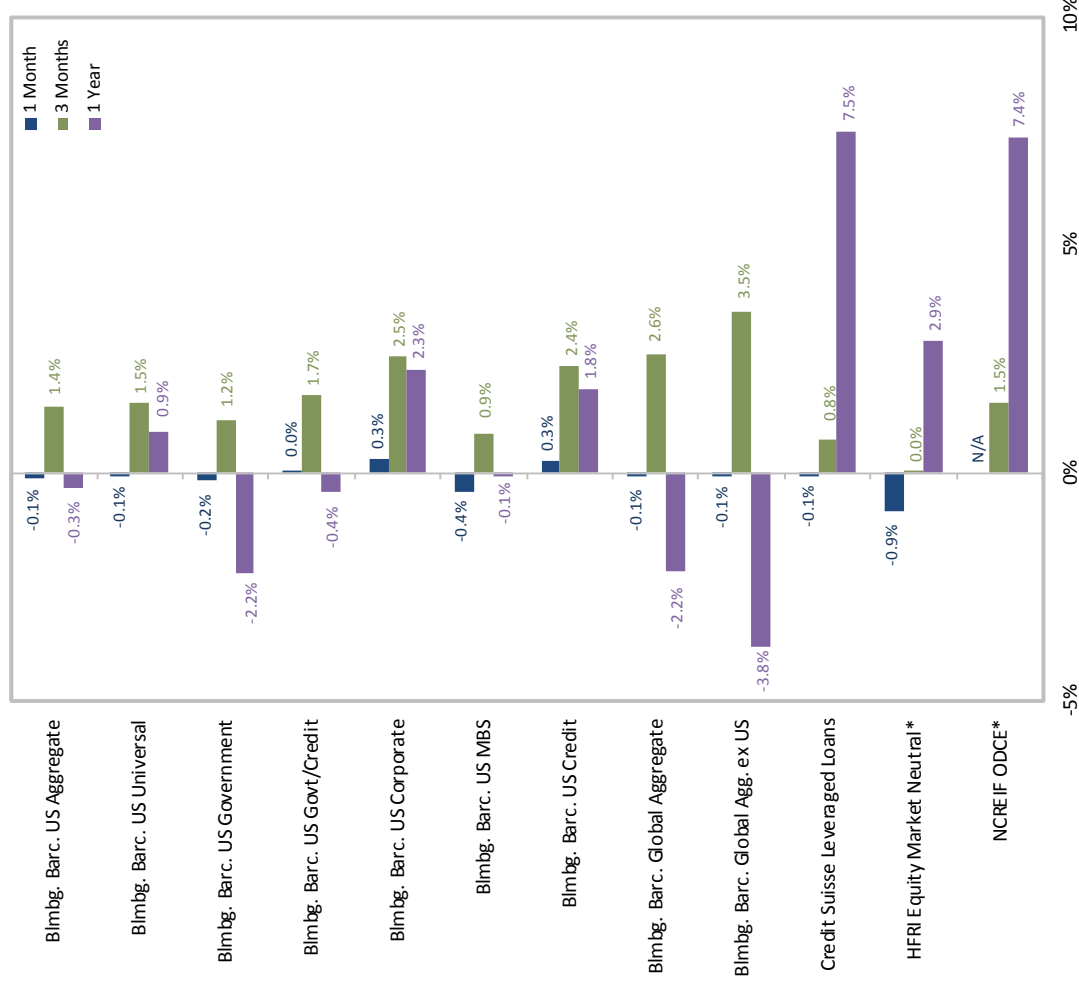
- The yield curve continued to flatten during June; the Federal Reserve once again raised short-term interest rates 25 bps while yields along the long end of the curve declined.
- The 10-year US Treasury yield ended June at 2.3%; June was the first month of 2017 in which the trading range of the 10-year Treasury did not exceed 20 bps, with the yield trading within a 17 bps range.
- The Bloomberg Barclays Aggregate returned -0.1% for June, slightly out of trend as the Index has had a negative return for only one other month in 2017. The longer duration portion of the Index continued to outperform and lower-quality outperformed higher-quality issues.
- The Bloomberg Barclays Global Aggregate reversed the positive momentum observed in prior months, returning -0.1% for June. Price return was the sole detractor during the month, while coupon and currency partially offset price losses.
- Public bank loans, as measured by the Credit Suisse Leveraged Loan Index, returned -0.1% for the month. Principal returns were negative due to technical outflows from the asset class, as well as outsized losses in the energy and retail space (which make up small portions of the Index). The trailing 12-month default rate in loans has remained relatively constant year-to-date at 1.5%, approximately in line with forecasts. Recovery rates have averaged 73% year-to-date compared to 63% in 2016.

Relative Value Hedge Funds

- Relative value hedge funds posted mixed performance in May. Equity market neutral funds were negative, while credit and volatility arbitrage contributed gains.

Core Real Estate

- Core real estate returns for the first quarter of 2017 were 1.8% gross, 1.5% net, bringing the one-year gain for core funds to 7.4%. Continued strong gains in the commercial real estate market have coincided with the US economic expansion, with strong labor market growth fueling demand while supply remains limited. Of note is that in recent quarters price appreciation has slowed compared to prior in the expansion, with a larger percentage of real estate gains now being generated through income.



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

Inflation

- TIPS experienced their largest monthly decline since November 2016 during June. Declining inflation expectations and rising real yields resulted in returns of -0.9% for the Bloomberg Barclays US TIPS Index. 10-year market-implied inflation expectations ended the month 9 bps lower at 1.74%.

Deflation

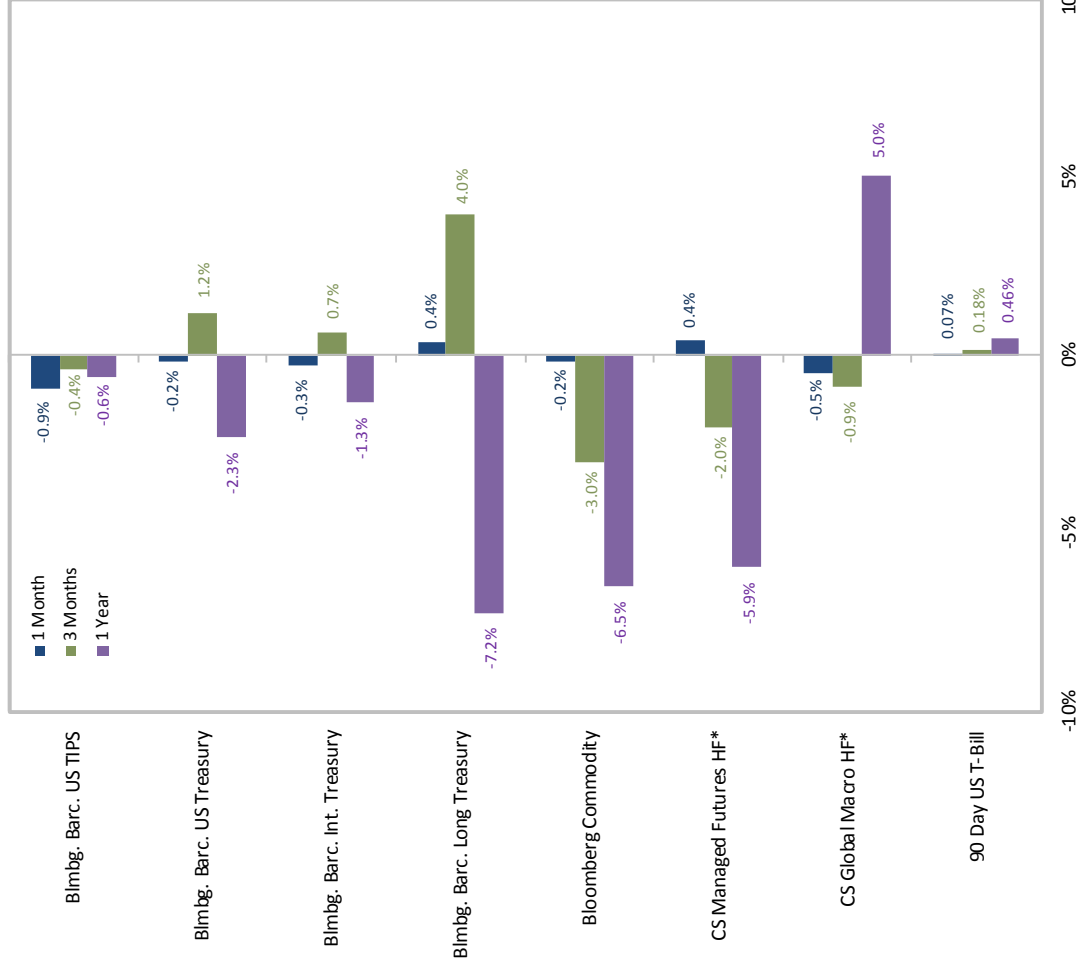
- The Bloomberg Barclays Long Treasury Index returned 0.4% for the month, 0.1% of which can be attributed to price return and the remainder to coupon. 30-year Treasury yields ended the month 2 bps lower at 2.84%.
- Cash continues to offer low returns, as 90-day T-bills gained 7 bps during June and 46 bps over the past year.

Commodities

- The Bloomberg Commodity Index returned -0.2%, with the largest detractors being soft commodities (-6.6%) and energy (-3.7%). Conversely, grains and industrial metals produced strong performance as they returned 6.2% and 3.4%, respectively. The Bloomberg Commodity Index returned -6.5% for the trailing year, with soft commodities and energy being the main detractors from performance.

Tactical Trading

- Tactical trading hedge funds were mixed in May. Global macro strategies detracted while trend following strategies saw modest gains.



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

DISCLOSURES

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Private investments and hedge funds are subject to less regulation than other types of pooled vehicles. Alternative investments may involve a substantial degree of additional risk, including the risk of total loss of an investor's capital and lack of liquidity, and therefore may not be appropriate for all investors. Clients should review the Offering Memorandum, the Subscription Agreement, and any other applicable documents prior to investing. Summit does not provide legal or accounting advice. Clients should consult with their own legal advisor and/or accountant on these opportunities, including the review of any Subscription Document, Offering Memorandum, or Partnership Agreement.

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



Date: June 7, 2017

To: Tim Johnson, Board of Trustees and FIAC, City of Jacksonville PFPF

From: Dan Holmes

Subject: Recommended Rebalancing

Based on the Preliminary Flash Report dated May 31, 2017, domestic equities are 4.2% over the target allocation. In order to reduce the overweight, I recommend the following rebalancing:

- Reduce domestic large cap equities by \$40 million
 - \$20 million from the S&P 500 index fund
 - \$10 million from Eagle
 - \$5 million each from Brown and Sawgrass
- Increase International equities by \$18 million
 - \$15 million to Baillie Gifford
 - \$3 million to Acadian
- Increase Core Plus fixed income by \$20 million
 - \$10 million each to Neuberger Berman and Loomis Sayles
- Increase MLPs by \$2 million
 - \$1 million each to Tortoise and Harvest

Please let me know if you have any questions.



Summit Strategies Group

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Sawgrass – Large Cap Growth Manager Review

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

June 9, 2017

BACKGROUND & RECOMMENDATION

Background

- The FIAC has been monitoring the underperformance of Sawgrass Asset Management for a number of quarters.
- The purpose of today's presentation is to review and analyze Sawgrass's performance, and to discuss whether or not any action needs to be taken.

Summary

- Sawgrass has underperformed its Russell 1000 Growth benchmark over the trailing year by 5.5% and the trailing three years by 2.3%, net of fees.
- With a process focused on high-quality companies and valuations, Sawgrass's portfolio will tend to be less volatile with lower sensitivity to market movements than most large cap growth strategies.
- Given the more risk-aware, defensive nature of the strategy, Sawgrass should not be expected to keep pace during momentum-driven markets or low-quality rallies; it should, however, be expected to protect on the downside in the event that a period of negative stock market sentiment should emerge.
- Sawgrass's results, more so than some other managers, should be viewed primarily through a risk lens; the strategy realizing a slightly higher standard deviation than the benchmark in a given time period would be much more worrisome than a period of underperformance of a similar magnitude.

Recommendation

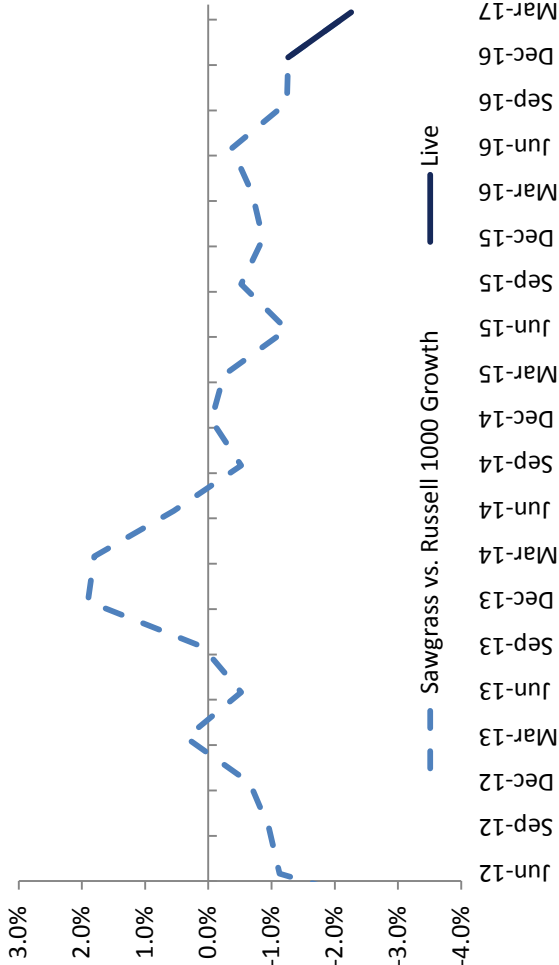
- Given the performance-based fee in place (0.20% base fee with an 18% excess performance share, capped at 0.85%), Summit recommends that the Fund maintain its allocation to Sawgrass to dampen volatility and provide downside market protection in the future.

SAWGRASS REVIEW (AS OF MARCH 31, 2017)

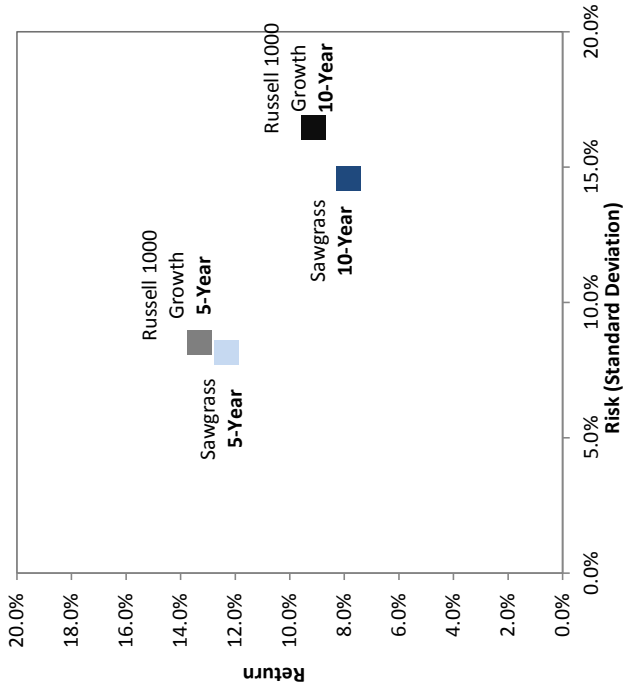
Background

- Sawgrass was hired in November 2013 to manage a large cap growth mandate for the Fund; it is currently one of four U.S. large cap equity managers within the portfolio and one of two U.S. large cap growth managers (the other being Brown Advisory).
- The ~\$95 million allocation to Sawgrass equates to a ~12% weight in the U.S. Equity Portfolio and a ~5% Total Fund weight.
- Recent underperformance warrants further analysis:
 - The strategy has trailed the benchmark by 5.5% over the trailing year, net of fees.
 - Performance also lags the benchmark over the trailing three-year period, by 2.3%, net of fees.

Rolling Three-Year Excess Performance



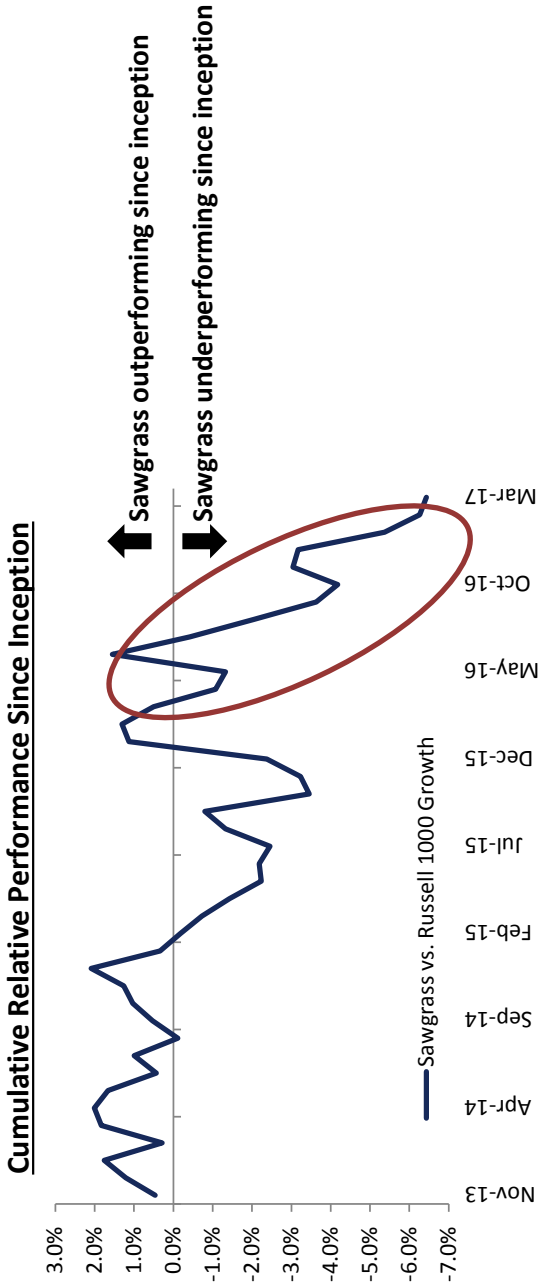
Risk vs. Return



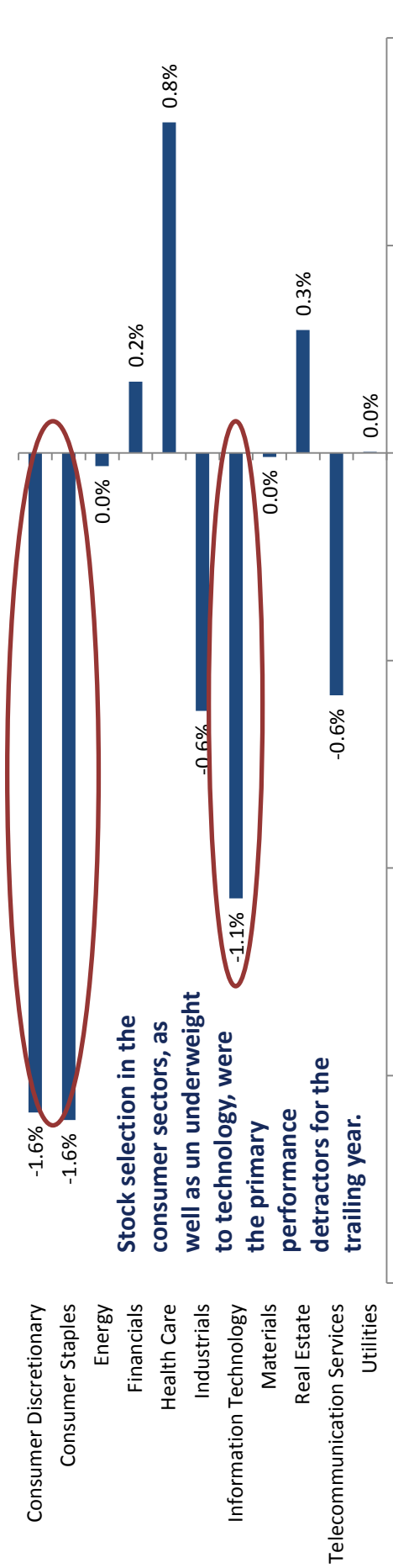
- Sawgrass has lagged the benchmark over both the trailing 5- and 10-year periods, but with less volatility over both timeframes (particularly the trailing ten years).

UNDERPERFORMANCE SUMMARY (AS OF MARCH 31, 2017)

- Sawgrass's underperformance since inception in the Fund can be entirely attributed to performance over the trailing year.
- As of 3/31/2016, the portfolio was outperforming the Russell 1000 Growth since inception by 18 bps.
- As of 3/31/2017, the portfolio was lagging the benchmark since inception by 146 bps.



One-Year Performance Attribution

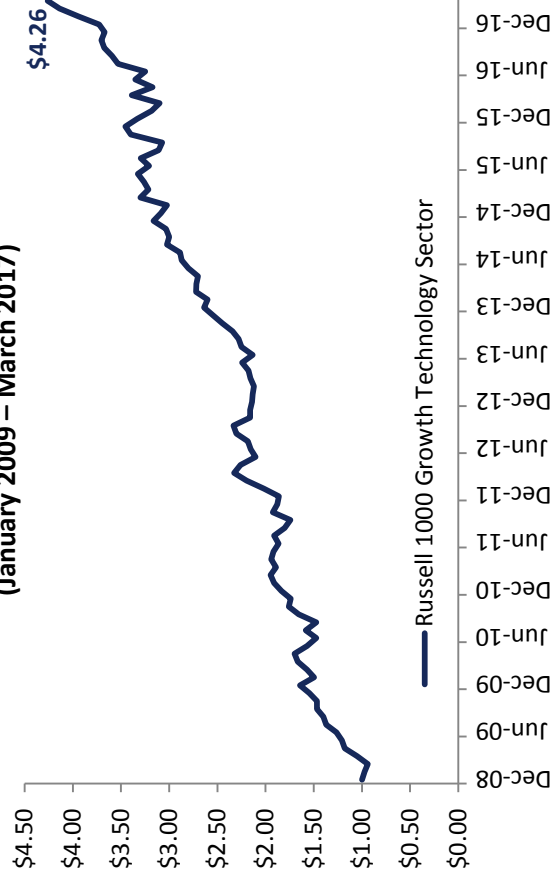


TRAILING ONE-YEAR UNDERPERFORMANCE (AS OF MARCH 31, 2017)

- Stock selection within the Consumer Discretionary and Consumer Staples sectors was a detrimental to the portfolio's performance over the trailing year.
- Generally, high-beta, momentum-driven stocks were in favor over the trailing year, with investors preferring risk rather than the more stable, higher-quality names typically held by Sawgrass.

Company	Sector	Russell 1000			Performance Attribution
		Sawgrass Average Weight	Growth Average Weight	1-Year Stock Return	
AutoZone	Consumer Discretionary	2.8%	0.2%	-9%	-0.7%
Coca-Cola	Consumer Staples	3.6%	1.3%	-5%	-0.5%
Dollar Tree	Consumer Discretionary	2.1%	0.2%	-5%	-0.4%
CVS Health Corp	Consumer Staples	1.8%	0.9%	-23%	-0.4%
Kroger	Consumer Staples	1.2%	0.3%	-22%	-0.3%
McCormick & Co	Consumer Staples	2.2%	0.1%	0%	-0.3%
General Mills	Consumer Staples	1.8%	0.4%	-4%	-0.3%
Total:					-2.9%

Growth of \$1 - Technology Sector
(January 2009 – March 2017)



- In addition to certain stocks owned by Sawgrass detracting from relative performance, stocks that the portfolio did not own, mainly in the technology sector (Amazon and Facebook), also hurt relative performance.
- Sawgrass had an average allocation of 22% to technology stocks over the trailing year, compared to 30% for the index. Thus, a 26% one-year return for the sector resulted in ~100 bps of underperformance for Sawgrass.
- The technology sector has seen significant growth for eight straight years, with earnings and volatility metrics that can be cost prohibitive for a valuation-focused manager like Sawgrass.

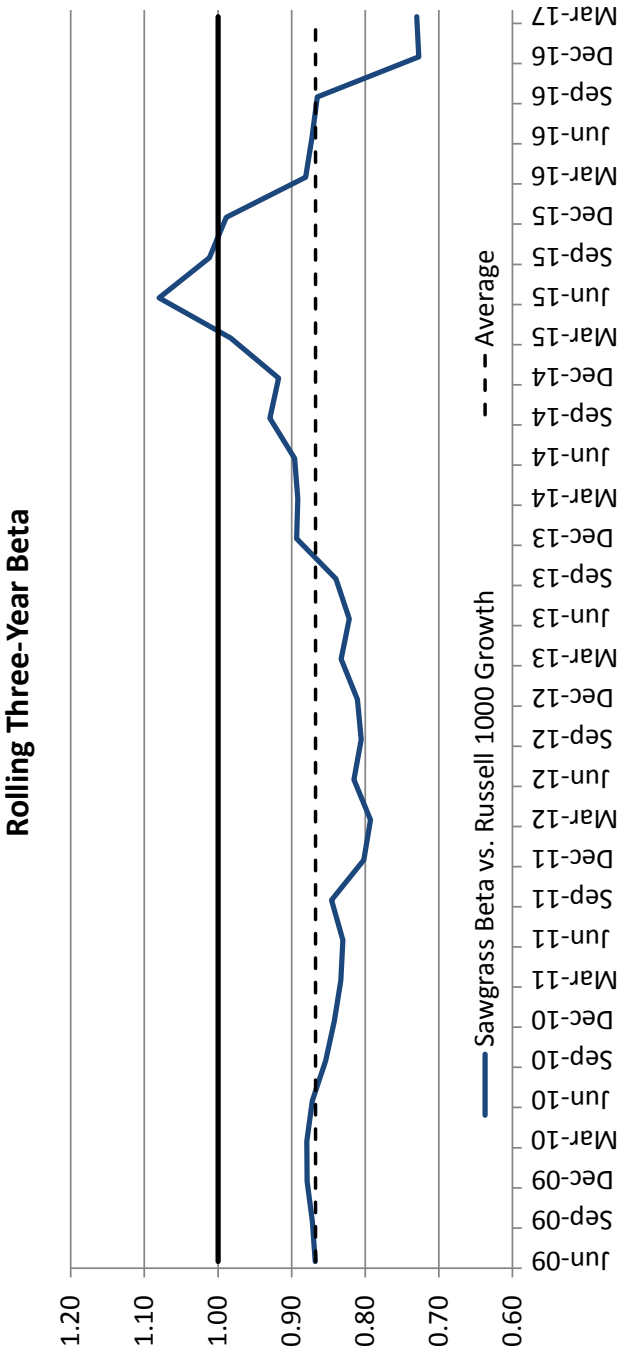
PERFORMANCE STATISTICS (AS OF MARCH 31, 2017)

As of 3/31/2017		Sawgrass	Russell 1000 Growth
3 Year Performance:			
Annualized Return		9.0%	11.3%
Annualized St. Dev		6.3%	7.6%
Sharpe Ratio		1.40	1.47
Tracking Error		3.7%	0.0%
Info Ratio		-0.61	0.00
Batting Average		50.0%	0.0%
Up Market Capture		79.6%	100.0%
Down Market Capture		81.7%	100.0%
5 Year Performance:			
Annualized Return		12.3%	13.3%
Annualized St. Dev		8.4%	8.7%
Sharpe Ratio		1.46	1.51
Tracking Error		3.3%	0.0%
Info Ratio		-0.31	0.00
Batting Average		50.0%	0.0%
Up Market Capture		90.3%	100.0%
Down Market Capture		82.0%	100.0%
7 Year Performance:			
Annualized Return		12.7%	13.7%
Annualized St. Dev		11.6%	13.5%
Sharpe Ratio		1.09	1.01
Tracking Error		3.9%	0.0%
Info Ratio		-0.24	0.00
Batting Average		53.6%	0.0%
Up Market Capture		88.9%	100.0%
Down Market Capture		83.4%	100.0%
10 Year Performance:			
Annualized Return		7.9%	9.1%
Annualized St. Dev		14.8%	16.7%
Sharpe Ratio		0.49	0.51
Tracking Error		4.0%	0.0%
Info Ratio		-0.32	0.00
Batting Average		47.5%	0.0%
Up Market Capture		86.2%	100.0%
Down Market Capture		90.3%	100.0%

- While Sawgrass has underperformed the benchmark over the trailing 3-, 5-, 7-, and 10-year periods, it has also had a lower volatility than the benchmark over those periods.
 - The strategy's volatility is among the lowest in the large cap growth universe, with a process focusing on fundamentals and financial statement analysis to uncover potential "blowups" before they get into the portfolio.
- The strategy generally will not keep up with the benchmark in momentum-driven or low-quality market runs, given the team's valuation discipline and practice of selling stocks that have reached their target prices.
 - This is evidenced by up market captures of ~80-90%, indicating that the strategy hasn't kept pace in quarters when the market was positive; however, similar down market capture metrics indicate that the strategy has significantly preserved capital when the market has sold off.

SAWGRASS PORTFOLIO BETA

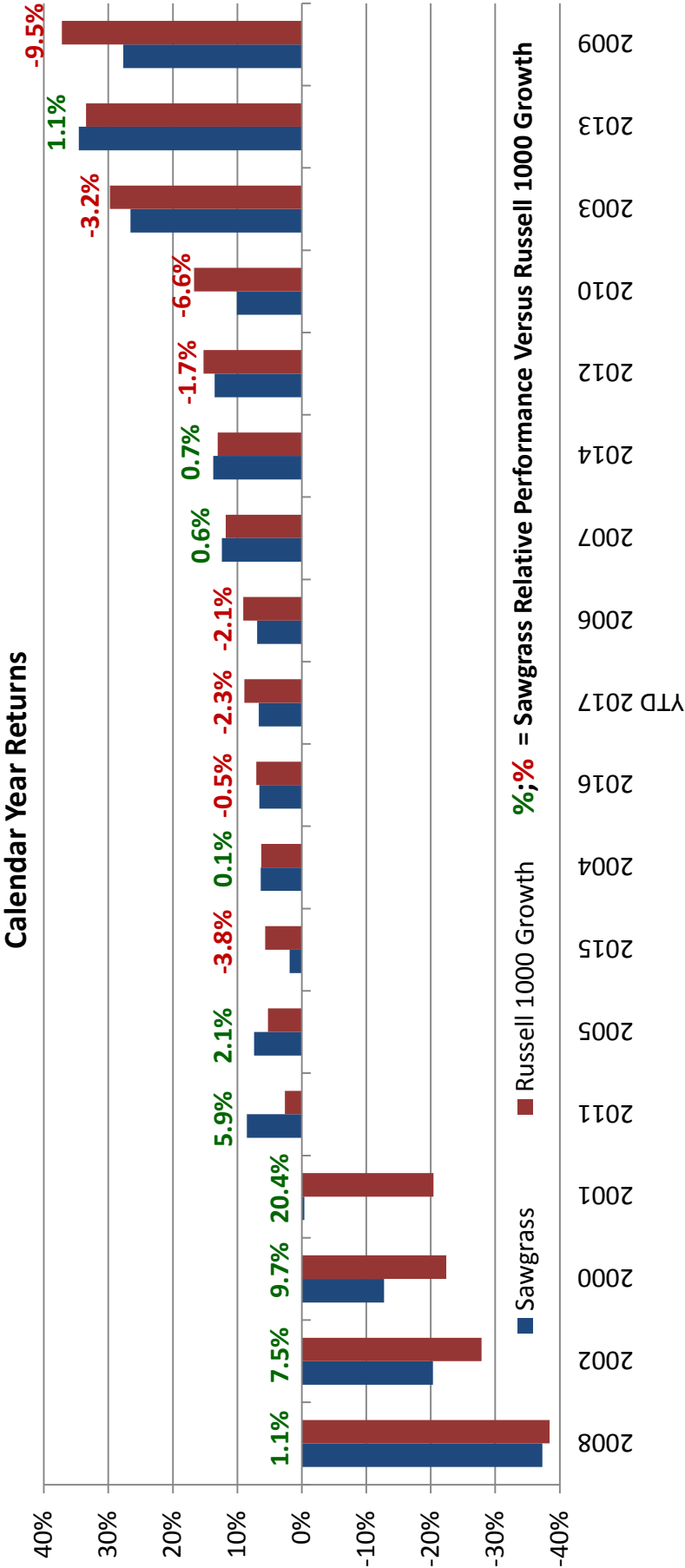
- **Beta** measures the sensitivity or magnitude of a portfolio’s response (in terms of return) to changes in a given market or benchmark.
- A beta greater than 1 indicates that a portfolio is expected to be more volatile than the benchmark, while a beta less than 1 indicates a portfolio with a lower expected volatility.
- Sawgrass’s beta (3-year) versus the Russell 1000 Growth Index has been relatively low over time, averaging 0.87 over the past ten years.
- This indicates that Sawgrass’s portfolio would be expected to underperform the benchmark by 13% in up markets and outperform by 13% in down markets (e.g., a return of 8.7% when the market is up 10% and a return of -8.7% when the market is down 10%).
- Given that the Russell 1000 Growth Index has produced positive returns for each of the past eight calendar years (2009 - 2016), it’s not surprising that Sawgrass has had trouble keeping up with the benchmark over this timeframe.



CALENDAR YEAR PERFORMANCE COMPARISON

- Calendar-year performance for Sawgrass and the Russell 1000 Growth Index is summarized below, shown in ascending order of the performance of the Russell 1000 Growth Index.
- In calendar years that the Russell 1000 Growth Index returned less than 5.5%, Sawgrass outperformed 100% of the time (6 out of 6 years).
- In calendar years that the Russell 1000 Growth Index returned over 5.5%, Sawgrass outperformed 33% of the time (4 out of 12 years)
- Every calendar year since 2011 has fallen into the latter group.

Given Sawgrass’s typically more defensive and low volatility nature, the portfolio can be expected to be in a strong position for relative outperformance should a period of negative market sentiment emerge.



CORRELATION ANALYSIS

Three-Year Excess Return Correlation vs. Russell 3000 Index

	Sawgrass	NT S&P 500	Brown Advisory	Eagle	WEDGE	Pinnacle
Sawgrass	1.00	0.62	0.42	-0.37	-0.46	-0.50
NT S&P 500	0.62	1.00	0.08	0.00	-0.74	-0.31
Brown Advisory	0.42	0.08	1.00	-0.05	-0.51	0.08
Eagle	-0.37	0.00	-0.05	1.00	-0.13	0.42
WEDGE	-0.46	-0.74	-0.51	-0.13	1.00	-0.09
Pinnacle	-0.50	-0.31	0.08	0.42	-0.09	1.00

Five-Year Excess Return Correlation vs. Russell 3000 Index

	Sawgrass	NT S&P 500	Brown Advisory	Eagle	WEDGE	Pinnacle
Sawgrass	1.00	0.48	0.34	-0.36	-0.37	-0.46
NT S&P 500	0.48	1.00	-0.11	0.01	-0.68	-0.38
Brown Advisory	0.34	-0.11	1.00	-0.07	-0.36	0.20
Eagle	-0.36	0.01	-0.07	1.00	-0.17	0.40
WEDGE	-0.37	-0.68	-0.36	-0.17	1.00	-0.10
Pinnacle	-0.46	-0.38	0.20	0.40	-0.10	1.00

- Relative to Brown (the other U.S. large cap growth equity manager in the Fund) Sawgrass provides significant diversification benefits vs. Eagle, WEDGE, and Pinnacle from an excess return correlation perspective.
- Brown provides better diversification benefits vs. the NT S&P 500 Index Fund.
- The two managers appear to be good complements in the portfolio as their excess return profiles appear to be significantly different, while each offer stronger excess return diversification benefits to varying managers in the U.S. Equity Portfolio.

SAWGRASS ASSET MANAGEMENT, LLC – DIVERSIFIED LARGE CAP GROWTH EQUITY

FIRM DETAILS

Address: 1579 The Greens Way
Suite 20
Jacksonville, FL 32250
Phone: 904.493.5500
Asset Class: Large Cap Growth
Benchmark: Russell 1000 Growth
Founded: 1998
Ownership: 100% employee owned
Assets Under Management: \$4.0 billion

PRODUCT DETAILS

Inception: March 1998
Assets Under Management: \$2.1 billion
Vehicles Offered: SA, \$1 million minimum
Portfolio Managers/Dual Role PMs: 5
Avg. Yrs of Experience: 31
Avg. Yrs at Firm: 16
Research Analysts: 1
Avg. Yrs of Experience: 11
Avg. Yrs at Firm: 4
Performance-Based Fee:
Base: 0.20%
Share: 18%
Cap: 0.85%

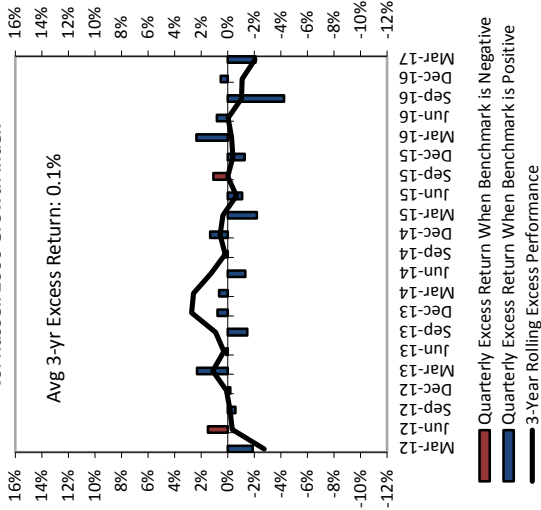
CHARACTERISTICS

	Portfolio	Benchmark
No of Securities:	53	609
Portfolio Turnover:	40%	N/A
Dividend Yield:	1.6%	1.5%
Equity P/E:	23.0x	24.0x
Avg Market Cap:	\$179.6 billion	\$179.1 billion
Last 3 Years:		
Tracking Error:	3.7%	N/A
Information Ratio:	-0.55	N/A
Sharpe Ratio:	1.4	1.5

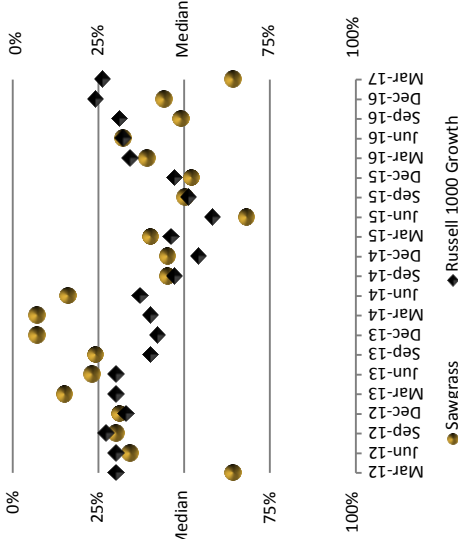
9 Performance reflects gross of fees composite returns.

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

- The firm was founded in 1998 by three principals and five other investment professionals which had previously worked together at Barnett Capital Advisors, the investment management arm of Barnett Bank. Their money management experience dates back to 1983, whereas their decision to form their own firm resulted from the 1997 acquisition of Barnett by NationsBank.
- The firm's three founding principals, Andrew Cantor, Dean McQuiddy, and Brian Monroe, own the controlling interest of the firm. Control has remained constant with the only change being a broadening of inside ownership as the total partner stake has increased from its original allotment of 50%. The firm is now 100% employee owned by seven staff members, following the '06 buyout of outside silent partner and seed investor, AmSouth Bank.
- By combining quantitative models with bottom-up fundamental research in a consistent and structured investment discipline, the strategy focuses on companies with greater earnings potential than the market, looking for the most successful and fastest growing companies. Factors crucial in their analysis are earnings momentum, earnings estimates, and reasonable valuation relative to the Russell 1000 Growth Index.
- This is a team approach with Martin LaPrade being the ultimate decision maker. Portfolios exhibit characteristics consistent with a quality growth style, with low tracking error, and volatility statistics. The firm's primary objective is to provide growth exposure, while adding value by avoiding torpedo stocks and preserving capital.

QUALITATIVE RANKING

FIRM	-2	-1	0	1	2
Empl Ownership	+	+	+	+	+
Mgmt Consistency	+	+	+	+	+
Integration	+	+	+	+	+
Cost	+	+	+	+	+
Litigation	+	+	+	+	+
Responsiveness	+	+	+	+	+
TOTAL	+9				

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

PRODUCT	-2	-1	0	1	2
History	+	+	+	+	+
Size	+	+	+	+	+
Growth	+	+	+	+	+
Asset Split	+	+	+	+	+
TOTAL	+5				

PHILOSOPHY	-3	-2	-1	0	1	2	3
Philosophy	+	+	+	+	+	+	+
Purchase Discipline	+	+	+	+	+	+	+
Sell Discipline	+	+	+	+	+	+	+
Research	+	+	+	+	+	+	+
Trading Skills	+	+	+	+	+	+	+
Decision Process	+	+	+	+	+	+	+
Characteristics	+	+	+	+	+	+	+
TOTAL	+8						

TOTAL QUALITATIVE SCORE:



SAWGRASS ASSET MANAGEMENT, LLC – LARGE CAP GROWTH EQUITY

Key Differentiator: Offers consistent growth exposure with significantly less volatility than the index and peers.

- **Investment Thesis:**

- **Low Volatility Approach** – The strategy’s volatility is among the lowest in the large cap growth universe. The approach focuses on fundamentals and financial statement analysis to uncover potential blowups before they get into the portfolio.
- **Experienced Team** – Portfolio Managers Marty LaPrade and Dean McQuiddy have run growth portfolios together for over two decades and have 38 and 33 years of investment experience, respectively. They have each seen multiple investment market cycles and have demonstrated the ability to add value.
- **Client-Centric Firm** – The firm excels in client service and communication has been superb. In addition, the firm is very accommodative to fee negotiations and is open to performance based fees.
- **Downside Market Performance** – The firm prides itself on capital preservation. Downside market capture is key to avoiding permanent losses in capital and Sawgrass has a demonstrated history of protecting in down markets.

- **Risks/Concerns:**

- **Momentum** – This strategy will likely not keep pace during a momentum-driven or low-quality market run as their valuation discipline has the team selling names as they reach valuation targets.

- **Performance Review and Expectations:**

- The portfolio underperformed the Russell 1000 Growth by 209 bps (gross) in the first quarter and by 538 bps for the trailing year. Stock selection was the primary detractor – especially among consumer discretionary stocks. Not owning Amazon or Facebook also accounted for over half of the quarter’s underperformance. For the trailing year, the strategy was penalized for poor overall selection in technology, consumer discretionary, consumer staples, and industrials. Poor stock selection in technology was largely a result of not owning Amazon or Facebook – which accounted for over 180 bps of the trailing year’s underperformance.
- There is not a high excess return target for this strategy, nor is high tracking error expected. Sawgrass is expected to provide around 100 basis points of net excess return with less volatility than the benchmark and do well during both growth and value market cycles.

Style definitions are defined by analysis of historical return patterns and underlying investment philosophies of the strategies. Strategies are labeled within a “best fit” context to help differentiate.

Analyst Coverage: This is typically a small cap value strategy relying on the fact that sell side coverage is light and that the broader market has yet to properly recognize the actual opportunities/fundamentals of a company. (High-moderate tracking)

Catalyst: A manager that is looking for stocks in which the market has yet to price in present or future changes – i.e., management changes, new products, structural/regulatory changes in the industry, etc. (High-moderate tracking)

Deep Value: There is typically a right price for anything. Managers are typically looking for companies with depressed valuations (PE/PB/PCF). Despite market/structural/industry headwinds, are the future earnings of the company worth more than the present stock price? Long-term in nature. Value characteristics will typically be meaningfully cheaper than the value benchmark. (High tracking)

Fundamental Value: (Relative Value) Value and growth are not mutually exclusive. These managers are typically looking for companies with reasonable growth prospects that are trading at compelling valuations. They will typically have more of a quality bias than a deep value manager and value characteristics are generally in-line to slightly more rich than that of the value benchmarks. (Moderate tracking)

Fundamental Growth: These are growth at a reasonable price managers (GARP). These managers are similar to fundamental value but are ultimately more growth oriented. They will typically be looking for more conservative and less volatile growth companies than High Growth or Momentum managers. (Moderate tracking)

High Growth: These are still fundamentally based managers but they are looking for better than market growth characteristics. They typically have a growth hurdle rate for their stocks of more than 12%. Sell discipline can be a concern. (Moderate tracking)

Momentum: These are managers that invest in markets or stocks that are going up. They typically are looking for secular trends or opportunities that they believe will offer tailwinds. (Personal bias – these are generally traders and not investors; momentum should not be a standalone process but maybe a small part of an overall strategy). Sell discipline is a real concern. (High tracking)

Quality: These managers typically have a definition of quality incorporating the company's balance sheet, industry fundamentals and/or management. Quality and risk (volatility) reduction go hand in hand here. Valuation and growth of the company are secondary to the quality metric. Tracking error will typically be high but overall volatility or Beta has historically been low. Portfolios (from a valuation perspective) are often times more expensive than the benchmark

Quantitative: Generally these are multifactor model driven, risk aware strategies. Broad factors generally include (valuation, business momentum, industry momentum and fundamentals, country price momentum, management). Models can (but are not always) be designed to assess industry fundamentals/opportunities or country fundamentals/opportunities. Most of these strategies have a targeted tracking error

Top Down: These are generally thematic managers with limited “bets” centered around broad macro change or views that are not reflected in the market today. These can include industry trends, commodity plays, or country views

Note: Summit Strategies Group (Summit) has prepared this report for the exclusive use by its clients. The information herein was obtained from various sources, which Summit believes to be reliable, and may contain opinions developed by Summit. Summit does not guarantee the accuracy or completeness of the opinions, observations or other information contained in this report. The opinions, market commentary, portfolio holdings and characteristics are as of the date shown and are subject to change. Past performance is no guarantee of future performance. No graph, chart, or formula can, in and of itself, be used to determine which managers or investments to buy or sell. Any forward-looking projection contained herein is based on assumptions that Summit believes may be reasonable, but are subject to a wide range of risks, uncertainties and the possibility of loss. Accordingly, there is no assurance that any estimated performance figures will occur in the amounts and during the periods indicated, or at all. Actual results and performance will differ from those expressed or implied by such forward-looking projections. Any information contained in this report is for information purposes only and should not be construed to be an offer to buy or sell any securities, investment consulting or investment management.

May 29, 2017

To the Board of Directors and Timothy Johnson, Executive Director
Jacksonville Police and Fire Pension Fund
One West Adams Street, Suite 100
Jacksonville, FL 32202

We are pleased to confirm our understanding of the services we are to provide the Jacksonville Police and Fire Pension Fund (the "Fund") for the year ended September 30, 2017. We will audit the financial statements of the Fund, including the related notes to the financial statements, as of and for the year ended September 30, 2017. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the Fund's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the Fund's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis.
- 2) Schedule of Changes in Net Pension Liability and Related Ratios for the Senior Staff Voluntary Retirement Plan
- 3) Schedule of Contributions for the Senior Staff Voluntary Retirement Plan
- 4) Schedule of City Contributions
- 5) Schedule of Investment Returns – Annual money-weighted rate of return, net of investment expenses
- 6) Schedule of Changes in Net Pension Liability and Related Ratios

Audit Objectives

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the Fund and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of the Fund's financial statements. Our report will be addressed to the Board of Directors of the Fund. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that the Fund is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Audit Procedures—General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures—Internal Control

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Fund's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Other Services

We will also assist in preparing the financial statements and related notes of the Fund in conformity with U.S. generally accepted accounting principles based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Management Responsibilities

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with U.S. generally accepted accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that we report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements,

performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them

Engagement Administration, Fees, and Other

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash, investment, or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to the Fund; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Carr, Riggs & Ingram, LLC and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to applicable regulatory bodies or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Carr, Riggs & Ingram, LLC's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by applicable regulatory bodies.

Robert J. Lemmon is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fee for these services will be a fixed fee of \$30,000. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Dispute Resolution

In the event of a dispute between the parties which arises out of or relates to this contract or engagement letter, the breach thereof or the services provided or to be provided hereunder, and, if the dispute cannot be settled through negotiation, the parties agree that before initiating arbitration, litigation or some other dispute resolution procedure, they will first try in good faith to resolve the dispute through non-binding mediation. The mediation will be administered by the American Arbitration Association under its *Dispute Resolution Rules for Professional Accounting and Related Services Disputes*. The costs of any mediation proceedings shall be shared equally by all parties.

Electronic Data Communication and Storage and Use of Third Party Service Provider

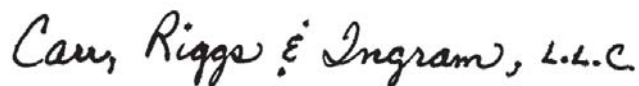
In the interest of facilitating our services to your company, we may send data over the Internet, securely store electronic data via computer software applications hosted remotely on the Internet, or allow access to data through third-party vendors' secured portals or clouds. Electronic data that is confidential to your company may be transmitted or stored using these methods. We may use third-party service providers to store or transmit this data, such as, but not limited to, providers of tax return preparation software. In using these data communication and storage methods, our firm employs measures designed to maintain data security. We use reasonable efforts to keep such communications and data access secure in accordance with our obligations under applicable laws and professional standards. We also require our third-party vendors to do the same.

You recognize and accept that we have no control over the unauthorized interception or breach of any communications or data once it has been sent or has been subject to unauthorized access, notwithstanding all reasonable security measures employed by us or our third-party vendors. You consent to our use of these electronic devices and applications and submission of confidential client information to third-party service providers during this engagement.

To enhance our services to you, we will use a combination of remote access, secure file transfer, virtual private network or other collaborative, virtual workspace or other online tools or environments. Access through any combination of these tools allows for on-demand and/or real-time collaboration across geographic boundaries and time zones and allows CRI and you to share data, engagement information, knowledge, and deliverables in a protected environment. In order to use certain of these tools and in addition to execution of this acknowledgement and engagement letter, you may be required to execute a separate client acknowledgement or agreement and agree to be bound by the terms, conditions and limitations of such agreement. You agree that CRI has no responsibility for the activities of its third-party vendors supplying these tools and agree to indemnify and hold CRI harmless with respect to any and all claims arising from or related to the operation of these tools. While we may back up your files to facilitate our services, you are solely responsible for the backup of your files and records; therefore, we recommend that you also maintain your own backup files of these records.

We appreciate the opportunity to be of service to the Fund and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,



Carr Riggs & Ingram

CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Timothy Johnson, Executive Director
Jacksonville Police and Fire Pension Fund
May 29, 2017
Page: 6

RESPONSE:

This letter correctly sets forth the understanding of the Jacksonville Police and Fire Pension Fund.

Management signature: _____

Title: _____

Date: _____

Governance signature: _____

Title: _____

Date: _____