

**JACKSONVILLE POLICE AND FIRE PENSION FUND
FINANCIAL INVESTMENT AND ADVISORY COMMITTEE (FIAC)
MEETING AGENDA – OCTOBER 14, 2016
RICHARD “DICK” COHEE BOARD ROOM**

PFPF MISSION STATEMENT

To provide long term benefits to participants and their beneficiaries

PRESENT

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

STAFF

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

CITY REPRESENTATIVES INVITED

Joey Greive, City Treasurer

EXCUSED

Rodney Van Pelt, FIAC

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

I. CALL TO ORDER

II. PUBLIC SPEAKING PERIOD

III. APPROVAL OF SEPTEMBER 9, 2016 FIAC MEETING SUMMARY

IV. EXECUTIVE DIRECTOR'S REPORT – *Tim Johnson / Beth McCague / Steve Lundy*

- Monthly Status Report
- Actuarial Interview Evaluations
- Annual Cycle of Work
- Pension Plan Comparison

V. INVESTMENT CONSULTANT REPORTS – *Dan Holmes w Summit Strategies*

- Economic & Capital Market Update – September, 2016
- Flash Report – September 30, 2016
- Eagle and Brown Advisory Review (watch list)

VI. NEW BUSINESS

VII. ADJOURNMENT

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

ADDITIONAL ITEMS MAY BE ADDED / OR CHANGED PRIOR TO MEETING

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Tim Johnson, Executive Director – Plan Administrator
Dan Holmes, Summit Strategies – *via phone*
Debbie Manning, Executive Assistant
Beth McCague, Consultant

EXCUSED

Devin Carter, Chief Financial Officer
Steve Lundy, Pension Benefits Specialist/Economic Research

GUESTS

Jason French, Capital Financial Strategies

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

I. CALL TO ORDER

CHAIRMAN SMITH CALLED THE MEETING TO ORDER AT 3:30PM

II. PUBLIC SPEAKING PERIOD

THERE WERE NO REQUESTS FOR PUBLIC SPEAKING. THE PUBLIC SPEAKING PERIOD WAS CLOSED. (SEE LATER IN THE SUMMARY FOR A REQUEST)

III. APPROVAL OF JUNE 10, 2016 FIAC MEETING SUMMARY

AFTER A REVIEW OF THE SUMMARY FROM THE JUNE 10, 2016 FIAC MEETING, A MOTION WAS MADE BY RODNEY VAN PELT TO STRIKE A PORTION OF THE SUMMARY (PAGE 3, THIRD AND FOURTH PARAGRAPH). SECONDED BY CRAIG LEWIS. VOTE WAS UNANIMOUS.

A MOTION WAS MADE BY RODNEY VAN PELT TO APPROVE THE AMENDED MEETING SUMMARY OF JUNE 10, 2016. SECONDED BY CRAIG LEWIS. VOTE WAS UNANIMOUS.

IV. EXECUTIVE DIRECTOR'S REPORT – *Tim Johnson and Beth McCague*

- **BOARD (COMMITTEE) BOOK**

TIM JOHNSON HAS BEEN ON THE JOB APPROXIMATELY 45 DAYS. THE PEOPLE OF JACKSONVILLE ARE VERY GRACIOUS. TIM WANTS TO TURN THE PENSION FUND AROUND. BE POSITIVE.

THERE ARE FIVE GOALS THE EXECUTIVE DIRECTOR PLANS TO WORK ON:

1. GOVERNANCE - ADMINISTER THE BEST PRACTICE. BOARD BOOK SHOULD BE TO THE COMMITTEE ONE WEEK IN ADVANCE FOR REVIEW.
2. SOLVENCY – CITY OF JAX PASSING OF REFERENDUM NO 1.
3. TRANSPARENCY
4. MEMBER SERVICES – CAN ADD SERVICES TO HELP MEMBERS PREPARE FOR A SECURE RETIREMENT.
5. OUTREACH

ANNUAL CYCLE OF WORK TO BE PROVIDED. SOME EXAMPLES OF THE CYCLE OF WORK:

- RECRUIT THE FIFTH MEMBER FOR THE FIAC
- RECOMMENDATION FOR ACTUARY
- INTERNAL AUDIT
- EXTERNAL AUDIT
- TAKE A LOOK AT COMMISSION RECAPTURE

CALL CHAIRMAN SMITH BEFORE THE MEETINGS TO DISCUSS AGENDA.

RODNEY VAN PELT WOULD LIKE INFORMATION REGARDING EDUCATION OF THE PLAN ITSELF, ALSO COMMENTS ON THE DROP. THE PUBLIC SAYS IT IS A WASTE. RODNEY WOULD ALSO LIKE TO SEE A COMPARISON OF THE FUND TO OTHER CITIES.

TIM SAID THE GOVERNANCE MANUAL, WHICH WILL BE AVAILABLE NEXT MONTH, WILL PROVIDE GUIDELINES AND METRICS TO COMPARE PERFORMANCE OF THE FUND.

- **REVIEW OF STAFF RECOMMENDATION REGARDING SELECTION OF NEW ACTUARY**

BETH MCCAGUE SAID WE DID NOT HAVE FIAC MEETINGS IN JULY AND AUGUST. PREVIOUSLY IN JUNE, THERE WAS CONVERSATION REGARDING THE ACTUARY.

BETH SAID THERE WERE EIGHT RESPONSES TO THE ACTUARY RFP. THE STAFF REVIEWED THE RESPONSES AND CHOSE THREE:

- **FOSTER & FOSTER**
- **GABRIEL ROEDER SMITH & COMPANY**
- **THE NYHART COMPANY**

WE HOPE TO INTERVIEW THE SECOND WEEK IN OCTOBER. INTERVIEWS FOR EACH FIRM WILL LAST APPROXIMATELY ONE HOUR. A LIST OF QUESTIONS WILL BE PREPARED FOR THE INTERVIEWS.

A RECOMMENDATION WAS MADE TO HAVE JOINT INTERVIEWS OF THE ACTUARIES WITH THE BOARD, AND THEN ALLOW TIME FOR DISCUSSION WITH THE BOARD. FIAC WILL THEN MEET SEPARATELY TO DELIBERATE AND MAKE A RECOMMENDATION TO THE BOARD.

A RECOMMENDATION WAS ALSO MADE TO ESTABLISH A POLICY MANUAL FOR THE FIAC.

ACTUARIAL PROCESS FROM TIM JOHNSON:

THE THREE BODIES WORK IN CONCERT TOGETHER, NOT INDEPENDENTLY. EVENTUALLY, FIAC WILL BE GRANTED AUTHORIZATION FOR THE BOARD.

A SUMMARY OF THE THREE FIRMS CHOSEN WILL BE PROVIDED.

- **FIAC VACANCY**

BETH MCCAGUE SAID WE ARE LOOKING FOR A REALLY EXPERIENCED MEMBER TO ADD TO THE FIAC. BETH HAS SPOKEN TO MR. WARD, AND HE HAS TALKED WITH CRAIG LEWIS AND TRUSTEE PATSY. PER CRAIG LEWIS, HE COULD BE A GOOD FIT.

- **ROLE OF THE FIAC**

BETH MCCAGUE SAID THE FIAC SHOULD BE MORE PROACTIVE. BETH HOPES THE COMMITTEE WILL BLOSSOM FAR BEYOND WHAT THE CITY INTENDED, AND MAKE A NAME FOR YOURSELVES.

TIM JOHNSON WOULD RECOMMEND FIAC CHAIRMAN MAKE RECOMMENDATIONS TO THE BOARD UNLESS THE CHAIRMAN DESIGNATES SOMEONE ELSE.

IT WAS ASKED IF FIAC WOULD WANT TO ESTABLISH SUBCOMMITTEES?

CHAIRMAN SMITH IS IN FAVOR OF COMMITTEES. FIAC MEMBERS SHOULD CONSIDER AND DISCUSS AT THE NEXT MEETING.

V. INVESTMENT CONSULTANT REPORTS – *Dan Holmes w Summit Strategies*

- **FLASH REPORT – JULY 31, 2016**
- **MONTHLY ECONOMIC & CAPITAL MARKET UPDATE – JULY 2016**

CONFERENCE CALL WITH DAN HOLMES BEGAN AT 4:30PM.

DAN HOLMES GAVE HIGHLIGHTS OF THE FLASH REPORT FOR JULY. ASSETS WERE UP TO 1.7 BILLION DOLLARS. GREAT MONTH FOR PORTFOLIO – UP OVER 6%, FISCAL YEAR UP 9.8%. NET OF FEES 9.4% UP.

RODNEY VAN PELT HAD QUESTIONS REGARDING EAGLE. HE FEELS WE SHOULD HAVE FURTHER DISCUSSIONS AND REVISIT EAGLE 1, 3, AND 5 YEARS. DAN WILL GET US INFORMATION FOR NEXT MONTH. QUESTION THEM ON 3 – 5 YEAR HORIZON ON NET OF FEE BASIS.

DAN SAID EAGLE RUNS A CONCENTRATED PORTFOLIO. THEY HAVE A LONGER HOLDING PERIOD.

JUNE ENDED WITH BREXIT. THE US HAS STARTED TO RECOVER, BUT NOT INTERNATIONAL.

- **STATEMENT OF INVESTMENT POLICY – EXECUTIVE SUMMARY**

DAN HOLMES SAID THIS WAS SELF EXPLANATORY. SUMMIT CHANGED THE TARGET ASSET ALLOCATION, SHORTENED POLICY, AND REMOVED DUPLICATION.

- **REVIEW OF QUARTERLY FUND PERFORMANCE REVIEW**

RECEIVED AS INFORMATION. UPDATED WITH THE JULY FLASH REPORT REVIEW.

- **PORTFOLIO REBALANCE TRANSITION UPDATE**

DAN HOLMES SAID THE PORTFOLIO REBALANCE TRANSITION WENT VERY WELL.

PUBLIC SPEAKING REQUEST

JASON FRENCH, WITH CAPITAL FINANCIAL STRATEGIES, SPOKE TO THE COMMITTEE. HE SAYS THE CITY IS RUNNING OUT OF MONEY. HE WOULD LIKE TO TALK WITH THE BOARD.

VI. NEW BUSINESS

VII. ADJOURNMENT

CHAIRMAN SMITH ADJOURNED THE MEETING AT 5:00PM

NOTE: 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.

Craig Lewis, Secretary

October Executive Directors Report

Meet with Jason French and Louis Body of Capital Financial Strategies following public comment at September's FIAC meeting to discuss potential services firm could provide. (ie outsource CIO and member education)

Email from Rodney VanPelt suggesting flash reports prepared by Summit be illustrated in a red light, green light scorecard format. This will make the issues obvious at a glance. For example, Total Fund results would be shown in a table similar to the excel attachment. From here it would be easy to identify watch lists, action plans, etc.

Potential sub committees: Actuary (RFP and 2016 assumptions) RFP (Custody, Investment, Outsource CIO), Audit (RFP and internal/external audits), Reporting, Asset Liability Study, Fee analysis

Meeting to review work cycle with chairman.

Month	FIAC
<i>September</i>	Recruit 5th FIAC member
<i>October</i>	Actuary Interviews; Meet new committee member
<i>November</i>	Internal Audit
<i>December</i>	10/1/2016 Actuarial Report
<i>January</i>	External Audit
<i>February</i>	Outsource CIO
<i>March</i>	Commission Recapture
<i>April</i>	Custody RFP; Investment Consultant RFP; Audit RFP
<i>May</i>	2017-18 Operating Budget
<i>June</i>	Risk-Adjusted Return vs. Fee Analysis
<i>July</i>	Asset Liability Study
<i>August</i>	
<i>September</i>	
<i>October</i>	

Meeting with Bill Gassett of Ameriprise Financial following public comment at Sept Board meeting.

Evaluation Matrix

Actuarial and Consulting Services

Firm: Foster & Foster, Gabriel, Roeder & Smith, and Nyhart

Date: 10/12/16

Evaluate each criterion on a scale of 1 (low) to 10 (high).

1. Experience working with public pension plans. This includes relevant experience of the firm and the proposed team who will be providing actuarial services. (20%) _____
2. Demonstrate ability to effectively communicate actuarial principles, recommendations, and challenges to stakeholders. (20%) _____
3. Developing recommendations for an appropriate actuarial cost method for public pension plan which also includes recommendations for amortization of unfunded liabilities. (20%) _____
4. Demonstration of the firm's ongoing monitoring to assure adherence to legal and accounting standards. (20%) _____
5. Cost/Fee Structure (20%)._____

Summary of Cost			
	Foster & Foster	GRS	Nyhart
Annual Actuarial Valuation Report	\$ 45,000	\$ 32,000	\$ 53,000
Experience Study (occurs in 3rd year)	\$ 20,000	\$ 17,500	\$ 27,000
Senior Consultant (hourly rate)	\$ 300	\$ 454	\$ 375
Senior Staff (hourly rate)	\$ 250	\$ 272	\$ 290
Staff (hourly rate)	\$ 150	\$ 202	\$ 185
Administrative (hourly rate)	\$ 100	\$ 140	\$ 95

Final Score

	Gabriel, Foster & Foster	Roeder & Smith	Nyhart
Evaluator 1	62	100	68
Evaluator 2	94	96	92
Evaluator 3	100	100	100
Evaluator 4	72	86	78
Evaluator 5	76	92	92
Evaluator 6	90	90	100
Evaluator 7	62	80	66
Evaluator 8	76	94	92
Average	79.00	92.25	86.00

DRAFT 2016/2017 PFPF Annual Cycle of Work

Year	Month	Administration	FIAC	Advisory	Board of Trustees
2016	September	Board/Committee Books, Digitize Records, Hire Public Records Specialist, Summary Plan Update, DROP Enrollment Statistic		DROP Workshop	OGC Legal Training
	October	Org Assessment/Business Plan/Performance Reviews/Update Job Descriptions	Reporting Subcommittee, Actuarial RFP, Review Year-End Financial Performance	New Member Orientation	CSO Purchase of Time Opinion
	November	Staff Restructuring, PR Plan (Branding, Update PR Materials, Outreach)	Recruit 5th FIAC Member	Election to replace David McCall, City Employee Transfer Clarification	Share Plan/Holiday Bonus
	December	Confirm COLA calculation, City Pension Payment Due, Holiday Bonus Paid, DROP Enrollment Statistics	Review Internal Audit, Review 10-1-16 Actuarial Report	Subcommittee on use of PFPF Building	Appoint to replace Bill Scheu
2017	January	Actuarial Report Due to City, Share Plan Credited, 1099s	Review External Audit, Custody RFP	Annual Member Statements	Fiduciary Training
	February	State Report Due, 945 Taxes Due, Governor SSN Letter	Investment Con. RFP	Election to replace Brady Rigdon	
	March	Publish FY2016 Annual Report, DROP Enrollment Statistics	Review HB 1297 Actuarial Assumptions	Share Plan/Holiday Bonus Policy Subcommittee	
	April	MFN Affidavits	Auditor RFP	Election of seven new members	Election of P&F Members
	May	Workers' Comp Policy Renewal, Renewal of VoteNet Contract	2017 Asset Liability Study (IPS Review, Alternative Investments)	Fiduciary Training	Evaluation of Executive Director
	June	Est Building as Profit Center, Financial Interest Statements, Property & Casualty Insurance Renewal, DROP Enrollment Statistics	IPS Review		
	July	Create Member Uses of PFPF Building	Securities Lending Review		
	August	Affidavits	2017/2018 Operating Budget		
	September	Update Summary Plan, DROP Enrollment Statistics	Trading Cost Review		

Pension Plan Comparison					
October 11, 2016 - By Steve Lundy					
Group IA		Group IB	Jax PFPF: Group II	FRS	Tampa Fire & Police
Criteria for Group Status	Member of the Fund as of June 19, 2015 with 20 or more years of service	Member of the Fund as of June 19, 2015 with less than 20 years of service	Hired after June 19, 2015	N/A	N/A
Retirement Benefit	3% each year for 1st 20 years; 2% each additional year; based on last 2 years of pensionable pay.	3% each year for 1st 20 years; 2% each additional year; based on last 2 years of pensionable pay. If member has less than 5 years of service as of June 19, 2015, based on last 4 years of pensionable pay.	2.5% each year until 30 years of service (steep reductions for early retirement after 25 years); based on last 5 years of pensionable pay.	3.0% each year; based on the average of the highest 8 fiscal years of salary.	3.15% each year until maximum of 100% of average earnings (highest 3 years of last 10 years of pay).
Active Member Contribution	8%; increases to 10% when across the board raises occur.	8%; increases to 10% when across the board raises occur.	10%	3%	12.5%
Normal Retirement	20 years of service at 60% of Final Average Earnings calculated based on last 2 years of pensionable pay (52 pay periods).	20 years of service at 60% of Final Average Earnings calculated based on last 2 years of pensionable pay (52 pay periods) for members with at least 5 years of service as of June 19, 2015; or last 4 years of pensionable pay (104 pay periods) for members with less than 5 years of service as of June 19, 2015.	30 years of service at 75% of Final Average Earnings calculated based on last 5 years of pensionable pay (130 pay periods); Pay up to \$99,999.99, adjusted for inflation annually.	Age 60 with at least 8 years of service or 30 years of service regardless of age.	After at least 10 years of service, but benefits not paid until at least 46 years of age.
Full Retirement	30 years of service at 80% of Final Average Earnings.	30 years of service at 80% of Final Average Earnings.	Same as normal	Same as normal	Same as normal
Vesting	Vested at 5 years, commencing on date of eligible retirement (20 years).	Vested at 5 years, commencing on date of eligible retirement (20 years).	Vested at 10 years, benefit commencing at age 62.	Vested at 8 years. Benefit commences at time eligible for early or normal retirement. Early retirement penalty of 5% per year less than normal retirement.	Vested at 10 years, benefit commencing at age 46.
Survivor Benefit	75% of retiree's pension pay; \$200 per child per month benefit; orphan benefit 75% of pension pay.	75% of retiree's pension pay; \$200 per child per month benefit; orphan benefit 75% of pension pay.	75% of retiree's normal retirement pension pay; \$200 per child per month benefit; orphan benefit 75% of pension pay.	Depends on option selected; 1: Refund of member's contributions if contributions exceed total amount of retirement benefits received; 2: Survivor gets same benefit as member until the 10th year after member's retirement; 3: Survivor receives same reduced benefit as member until death; 4: Upon death of member OR beneficiary reduced benefit is reduced further to 2/3.	Depends on option selected; 1: Refund of member's contributions if contributions exceed total amount of retirement benefits received; 2: Survivor gets 65% of member's benefit until the 10th year after member's retirement; 3: Joint Annuitant - Upon death of member OR beneficiary reduced benefit continues unaffected.
Retiree Cost-Of-Living-Adjustment (COLA)	3% annually each January commencing on first January after retirement.	Blended rate equal to 3% for service time prior to June 19, 2015, AND Social Security COLA (not to exceed 6%) for service time after June 19, 2015, commencing on first January after retirement.	Equal to Social Security COLA but not to exceed 1.5%, commencing on third January after retirement.	3% annually each July commencing on first July after retirement (1st COLA prorated).	COLA will increase OR decrease each year according to the net change in the cost-of-living index from the previous year. Cannot be decreased below the level benefits were first determined.
Disability	60% of last 2 years of pensionable pay (52 pay periods).	60% based on last 2 years of pensionable pay (52 pay periods) for members with more than 5 years of service as of June 19, 2015. If member has less than 5 years of service as of June 19, 2015, based on last 4 years of pensionable pay (104 pay periods).	50% of last 5 years of pensionable pay (130 pay periods).	Minimum 65% for In-Line-of-Duty Disabilities; Minimum 25% for regular disabilities.	In-Line-of-Duty: 65% of current salary plus 1/12th pensionable earnings received within 1 year prior to date of disability. Regular Disability: minimum 25% of current salary OR 2% of average earnings times years of credited service to maximum of 50% of average earnings.

Pension Plan Comparison					
October 11, 2016 - By Steve Lundy					
Group IA		Group IB	Jax PFPF: Group II	FRS	Tampa Fire & Police
Deferred Retirement Option Program (DROP)	Participation up to 5 years (130 pay periods) based on years of service; Available to members with 20 but not exceeding 32 years of service; 8.4% annual interest; 2% qualified member contributions during DROP participation.	Participation up to 5 years (130 pay periods) based on years of service; Available to members with 20 but not exceeding 32 years of service; Annual interest equal to actual performance of Fund measured and applied annually: 2% minimum to 14.4% maximum; 2% qualified member contributions during DROP participation.	BACKDROP - Member may retire with reduced pension benefit as calculated at a previous date (-2% per year less than 30) and receive a lump sum check for the accrued amount of pension benefits had the member actually retired on that date, with interest based on the amount earned by the plan (0-10% annual).	Participation up to 5 years, reduced by one month for each month between normal retirement date and DROP enrollment. 1.3% Annual Interest.	Participation up to 5 years based on years of service; Available to members with 20 but not exceeding 30 years of service; interest positive or negative equal to the Fund's net investment return, or a rate determined by the Board; no member contributions while on DROP.
Share Plan	Amount determined annually at the discretion of the Board of Trustees from "Enhanced Benefits" credited to active members' accounts; Paid to members with 10 years of credited service at termination (including entry into DROP or retirement).	Amount determined annually at the discretion of the Board of Trustees from "Enhanced Benefits" credited to active members' accounts; Paid to members with 10 years of credited service at termination (including entry into DROP or retirement).	Amount determined annually at the discretion of the Board of Trustees from "Enhanced Benefits" credited to active members' accounts; Paid to members with 10 years of credited service at termination (or retirement).	N/A	N/A
Pre-Retirement Death Benefit	75% of Normal Retirement; \$200 per child per month benefit; orphan benefit 75% of Normal Retirement.	75% of Normal Retirement; \$200 per child per month benefit; orphan benefit 75% of Normal Retirement.	75% of Normal Retirement; \$200 per child per month benefit; orphan benefit 75% of Normal Retirement.	100% if death occurs in the line of duty; Refund of contributions OR monthly benefit dependent on choice of beneficiary option.	COLA will increase OR decrease each year according to the net change in the cost-of-living index from the previous year. Cannot be decreased below the level benefits were first determined.

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

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

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

Pension Plan Estimate Comparison

BACKDROP & DROP

October 11, 2016 - By Steve Lundy

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

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

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

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

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



Summit Strategies Group

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St. Louis, Missouri 63105

314.727.7211

Monthly Economic & Capital Market Update

September 2016

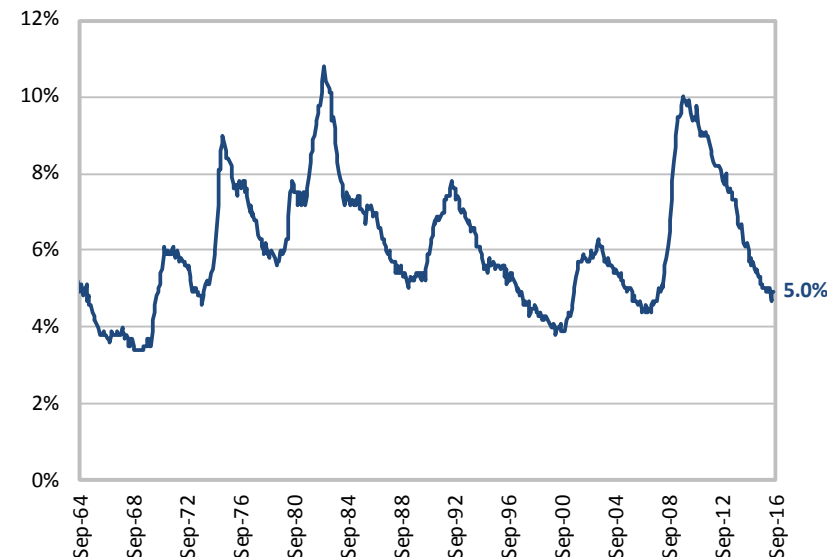
Economy

- September proved to be a relatively uneventful month for the economy and markets. The US Federal Reserve met and did not raise interest rates, as expected. Market-implied interest rate projections at the end of September suggested an approximately 60% chance the Fed raises rates in December (up 10 percentage points since August). While the next move from the Fed is likely to be an interest rate increase, central banks outside the US, particularly in Europe and Japan, are continuing to increase monetary policy accommodation. In this regard, the Bank of Japan increased the scope of its quantitative easing to include a target rate of 0% on 10-year Japanese government bonds during September.
- The US economy saw positive job growth for the 72nd consecutive month in September, adding 156,000 payrolls during the month. Despite September's figure coming in below economists' expectations of 175,000 new jobs, the labor market continues to expand at a pace that is likely to put upward pressure on inflation in coming months. Wages, as measured by average hourly earnings of private-sector workers, rose 2.6% over the 12 months ending September, matching the highest wage growth of the expansion. Historically there has been a strong relationship between wage growth and inflation in the US, as consumer spending is the biggest driver of changes in GDP and inflation. The unemployment rate and labor force participation rate both rose 10 basis points to 5.0% and 62.9%, respectively, and payrolls from July and August were revised downward by 7,000 total jobs.
- Real GDP grew at a 1.4% annualized rate during the second quarter of 2016 according to the final estimate from the Bureau of Economic Analysis. This estimate was above expectations for 1.2% growth, yet it marks the third straight quarter of growth below 2.0%. An increase in consumer spending contributed to the increase in real GDP but was modestly offset by drawdowns in inventory, as GDP less inventory investment increased 2.6% in the second quarter.
- The ISM non-manufacturing Purchasing Managers Index report rose to 57.1 in September, exceeding expectations of 53.0 and suggesting that August's figure of 51.4 was likely an outlier. The 5.7 point increase from last month is the largest increase on record for the Index, which uses 50.0 as a neutral reference point, or level of zero demand growth. September marked the 80th consecutive month of growth in the US services sector.

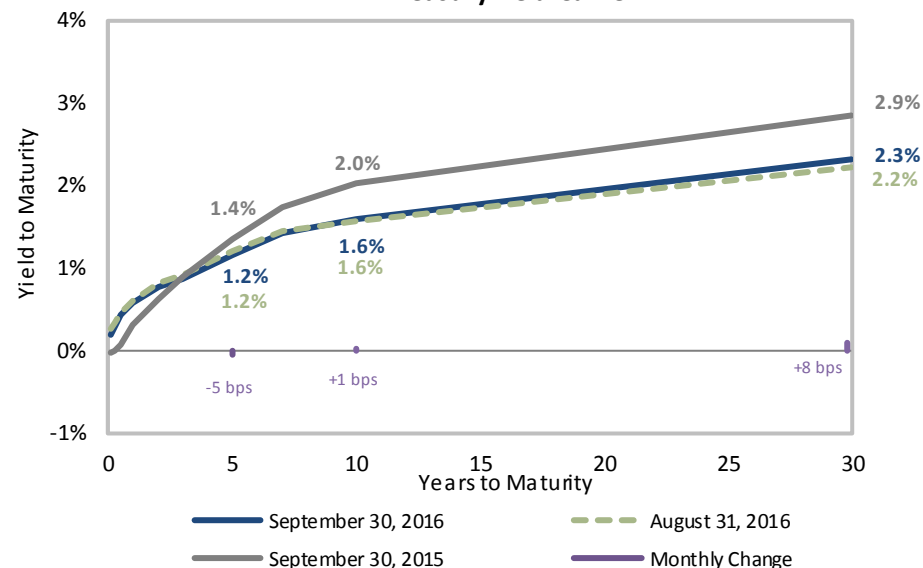
Yield Curve

- The yield curve was mostly unchanged during September. The spread between 2-year and 30-year Treasuries expanded 12 bps to 155 bps in September, remaining below the 30-year average spread of 167 bps.

Unemployment Rate



Treasury Yield Curve



Public Equities

- During the month of September global equity markets were positive across the board. Within the US market, small cap stocks outperformed their larger counterparts by 100 bps, bringing the one-year outperformance of small cap over large cap to 60 bps. International markets outperformed the US, with the MSCI EAFE Index and the MSCI EAFE Small Cap Index ending the month up 1.2% and 3.0%, respectively. As commodities continued to rebound, specifically oil, emerging markets continued to perform well, posting a return of 1.3% for the month.
- Master limited partnerships (MLPs) were up 1.9% for the month of September, regaining ground after returning -1.3% in August. Energy services were the biggest contributor for the month and year-to-date periods, returning 8.2% and 56.9%, respectively. The downstream sector was the only negative performer for the month, returning -3.6%; year-to-date downstream remains down -5.2%. MLP year-to-date returns were 15.9% as of the end of September.

Public Debt

- High yield continued its impressive 2016 run, posting gains for the seventh straight month. Spreads continued to tighten across the board, coming in by 7 bps.
- Local currency-denominated emerging market debt was the best-performing fixed income asset class for the month, with the index returning 2.1%. Yield compression was the primary driver of returns, with currency appreciation contributing as well.

Private Equity

- Larger deals continue to sell for relatively higher price multiples with the average over the first half of 2016 greater than the 2015 average, although there was a decrease in the second quarter of 2016. In contrast to this, deals involving companies that have less than \$50m in EBITDA experienced significantly lower multiples in the second quarter, with an average of 7.2x for the period; this is dramatically lower than the 10.7x average experienced in 2015. Data and manager sentiment suggest the lower multiples in the middle market demonstrate managers staying disciplined on pricing and walking away from deals with higher valuations, causing fewer deals to be completed.

Private Debt

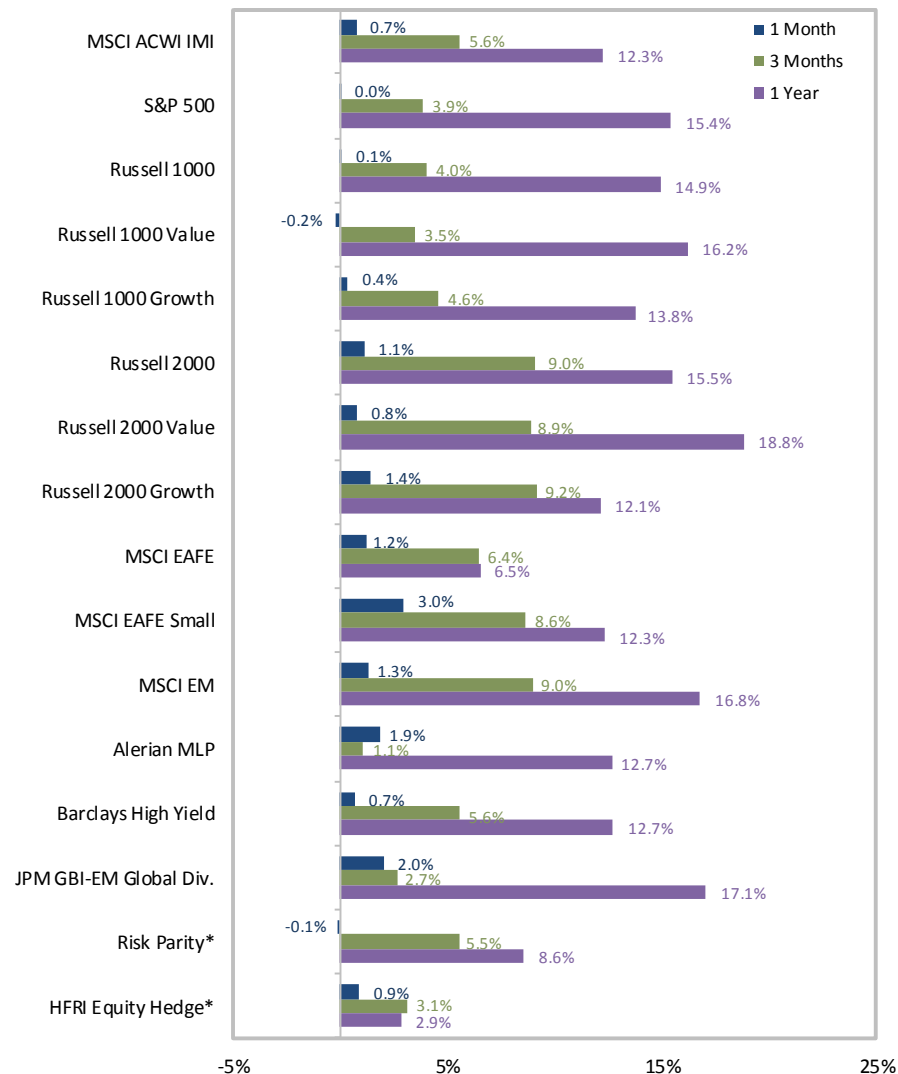
- Debt multiples suggest a similar dichotomy between middle market deals and larger deals. Average debt multiples for deals larger than \$50m in EBITDA essentially held constant with the multiples experienced in 2015 while deals in the middle market decreased markedly from 5.3x to 4.3x over the first half of 2016.

Risk Parity

- Risk parity strategies saw modest declines in August. Nominal bonds and commodities detracted while equities contributed.

Growth Hedge Funds

- Growth hedge funds contributed gains in August, led by activist and distressed strategies. Long/short equity also performed well, particularly value-oriented funds.



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

Public Debt

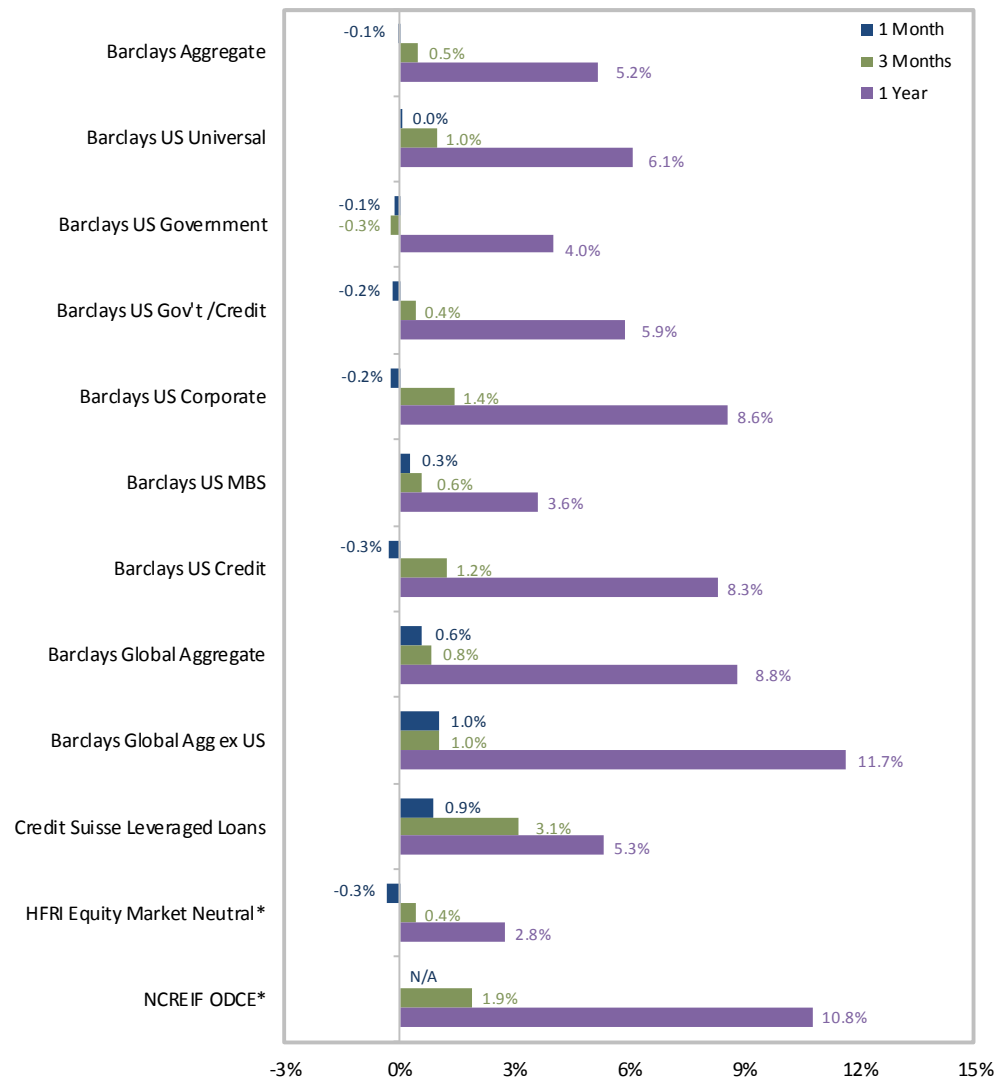
- The 10-year US Treasury yield ended September at 1.6%, the highest month-end yield since May's 1.8%. Markets are not expecting a Federal Reserve rate increase in November, though market-implied odds of a rate increase in December ended the month over 50%.
- Investment grade credit saw spreads increase during the month by 2 bps, and over the quarter spreads widened by 14 bps.
- Both the MBS and ABS segments of the Barclays Aggregate were the top-performing segment of the index during the month, returning 28 bps and 26 bps respectively.
- International bonds returned 1.0% during the month, with yield declines primarily driving returns.
- Leveraged loan prices continued to climb during the month, with almost 60% of the index trading above par at the end of September compared to __% one year ago.

Relative Value Hedge Funds

- Income hedge funds were mixed in August. Equity market neutral funds detracted, while fixed income-oriented strategies contributed.

Core Real Estate

- The second quarter NCREIF ODCE Index return was 2.1% gross, 1.9% net, with 110 bps of the return comprised of income, and appreciation making up the other 100 bps. While these returns reflect a drop in appreciation from previous quarters they remain in line with historic norms. Seventy-six consecutive months of job growth in the US have been a tailwind for core real estate returns.



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

Inflation

- Inflation expectations continued to increase in September. At the end of the month ten-year breakeven inflation expectations were 1.62% compared to 1.47% at the end of August.

Deflation

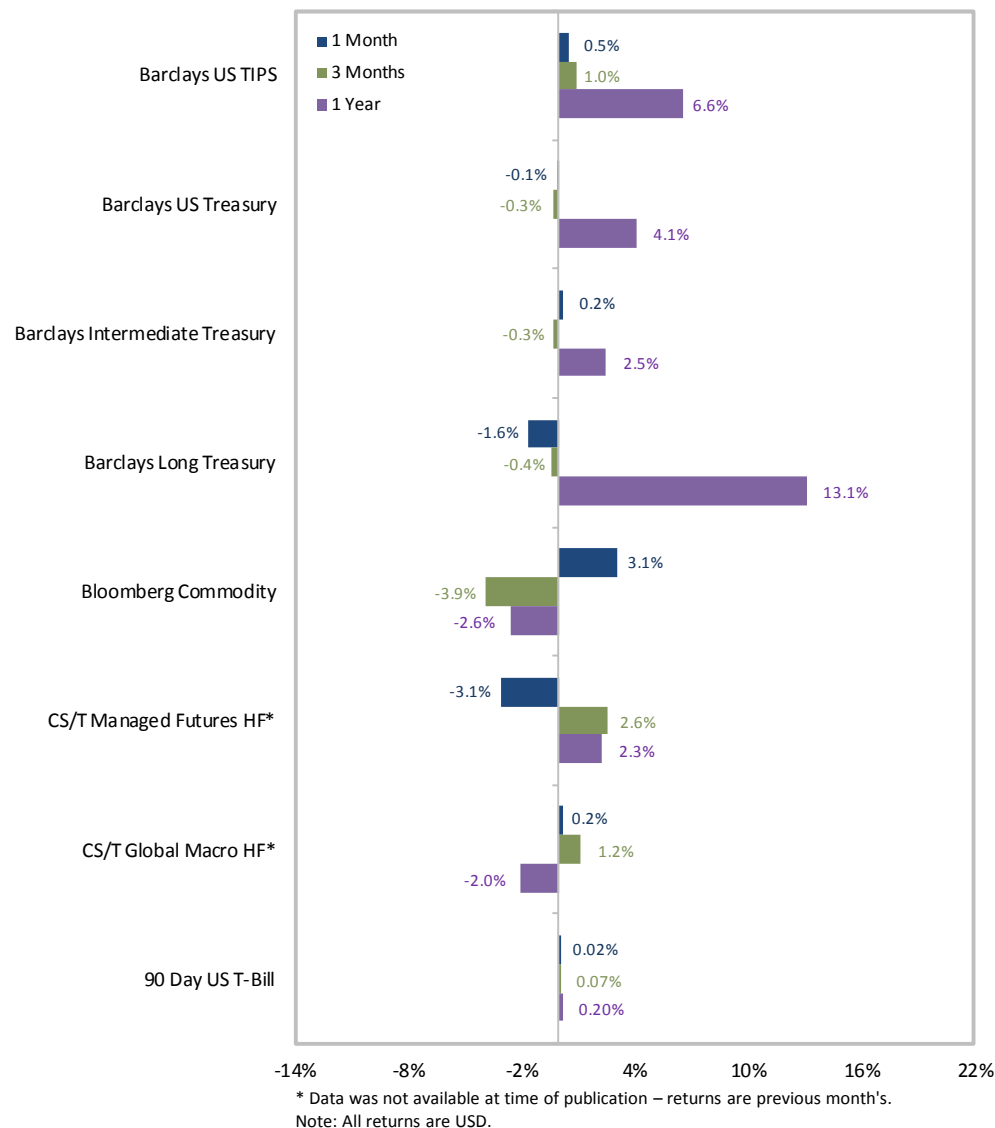
- The Barclays Long Treasury Index had a negative return for the second straight month, as the yield of the Index increased 10 bps to 2.21% versus 2.11% at the end of August.

Commodities

- The Bloomberg Commodity Index gained 3.1% during September. Wheat was up 11.4% for the month of September, but remains down 21.6% for the trailing 12-month period. Energy outperformed as WTI crude oil advanced 7.9%, and heating oil and gasoline gained 8.3% and 5.3%, respectively. Outperformance in energy was stimulated by production freeze agreements made by OPEC leaders at the end of September, as well as a weaker US dollar. Live cattle and lean hogs were major detractors from performance; although they only account for approximately 4% of the Index, the sectors were down 11.7% and 22.0% for the month, respectively.

Tactical Trading

- Diversification hedge funds detracted in August. CTAs detracted on trend reversals, while global macro funds were slightly positive.



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City of Jacksonville Police & Fire Pension Fund

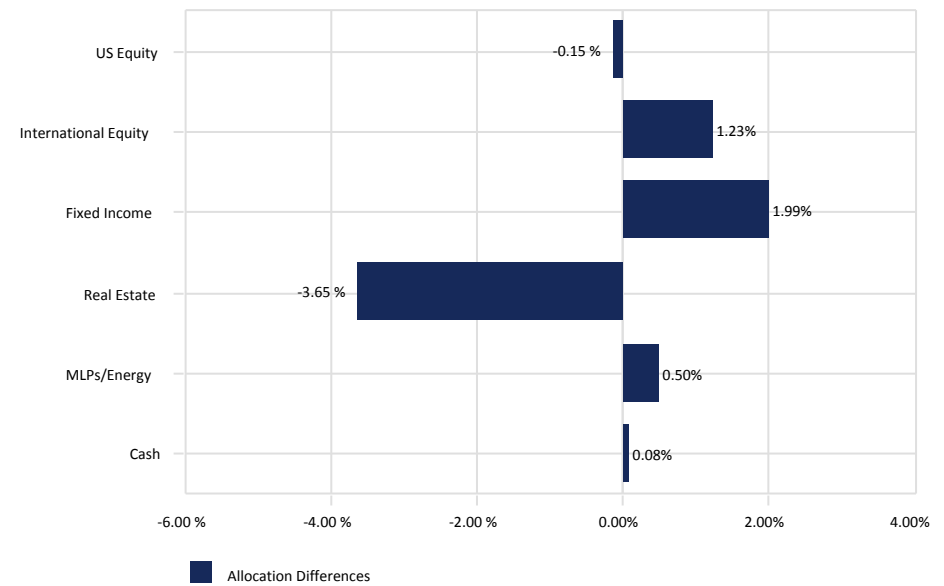
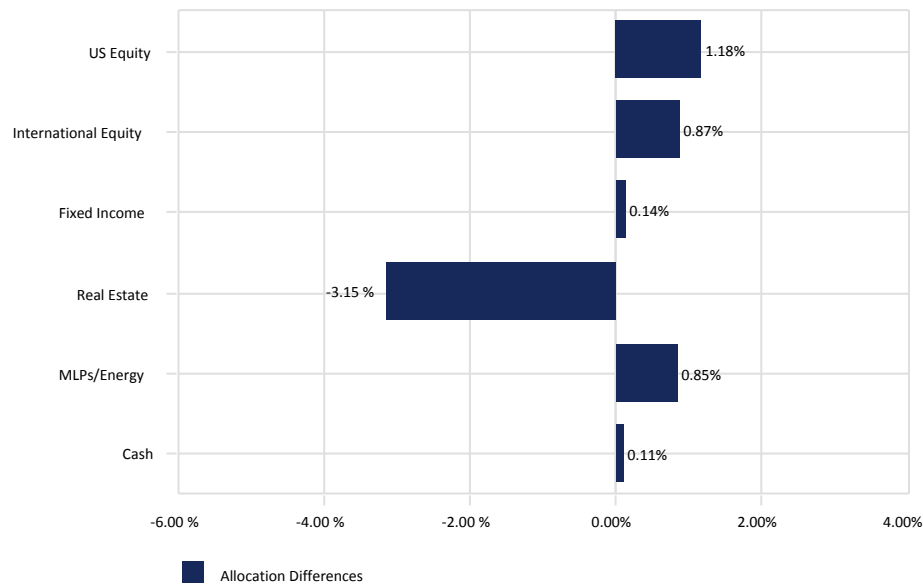
Flash Report

September 30, 2016

City of Jacksonville Police & Fire Pension Fund

Asset Allocation vs. Target Allocation

September 30, 2016



September 30, 2016

	<u>Market Value</u> <u>(\$)</u>	<u>Allocation</u> <u>(%)</u>	<u>Target</u> <u>(%)</u>
US Equity	642,525,647	40.18	39.00
International Equity	333,729,597	20.87	20.00
Fixed Income	330,054,270	20.64	20.50
Real Estate	189,585,522	11.85	15.00
MLPs/Energy	101,576,733	6.35	5.50
Cash	1,754,355	0.11	0.00
Total Fund	1,599,226,126	100.00	100.00

June 30, 2016

	<u>Market Value</u> <u>(\$)</u>	<u>Allocation</u> <u>(%)</u>	<u>Target</u> <u>(%)</u>
US Equity	636,040,652	38.85	39.00
International Equity	347,470,257	21.23	20.00
Fixed Income	368,229,746	22.49	20.50
Real Estate	185,740,455	11.35	15.00
MLPs/Energy	98,156,472	6.00	5.50
Cash	1,388,981	0.08	0.00
Total Fund	1,637,026,562	100.00	100.00

City of Jacksonville Police & Fire Pension Fund

Asset Allocation & Performance Gross of Fees

September 30, 2016

	Asset \$	Asset %	Performance(%)							
			1 Month	3 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Total Fund Composite	1,599,226,126	100.00	0.79	4.42	7.28	10.98	10.98	6.18	10.41	6.05
<i>Total Fund Policy</i>			<i>0.39</i>	<i>3.34</i>	<i>7.37</i>	<i>10.34</i>	<i>10.34</i>	<i>6.17</i>	<i>10.04</i>	<i>5.52</i>
Excess Return			0.40	1.08	-0.09	0.64	0.64	0.01	0.37	0.53
Total Equity	976,255,245	61.05	0.92	6.34	7.17	13.08	13.08	6.25	12.76	-
US Equity	642,525,647	40.18	0.45	5.09	6.83	13.47	13.47	8.46	15.29	7.54
<i>US Equity Index</i>			<i>0.16</i>	<i>4.40</i>	<i>8.18</i>	<i>14.96</i>	<i>14.96</i>	<i>10.44</i>	<i>16.36</i>	<i>7.47</i>
Excess Return			0.29	0.69	-1.35	-1.49	-1.49	-1.98	-1.07	0.07
International Equity	333,729,597	20.87	1.77	8.56	7.70	12.05	12.05	1.83	7.54	2.02
<i>International Equity Index</i>			<i>1.28</i>	<i>7.00</i>	<i>6.29</i>	<i>9.80</i>	<i>9.80</i>	<i>0.64</i>	<i>6.52</i>	<i>1.90</i>
Excess Return			0.49	1.56	1.41	2.25	2.25	1.19	1.02	0.12
Fixed Income	330,054,270	20.64	0.15	1.09	6.39	5.69	5.69	3.83	3.25	4.78
<i>Blmbg. Barc. U.S. Aggregate</i>			<i>-0.06</i>	<i>0.46</i>	<i>5.80</i>	<i>5.19</i>	<i>5.19</i>	<i>4.03</i>	<i>3.08</i>	<i>4.79</i>
Excess Return			0.21	0.63	0.59	0.50	0.50	-0.20	0.17	-0.01
Real Estate	189,585,522	11.85	0.65	2.12	6.32	9.83	9.83	12.32	12.82	7.96
<i>NCREIF Fund Index - ODCE [M]</i>			<i>0.00</i>	<i>0.00</i>	<i>4.36</i>	<i>7.85</i>	<i>7.85</i>	<i>11.69</i>	<i>11.94</i>	<i>5.80</i>
Excess Return			0.65	2.12	1.96	1.98	1.98	0.63	0.88	2.16
<i>NCREIF Property Index</i>			<i>0.00</i>	<i>0.00</i>	<i>4.29</i>	<i>7.33</i>	<i>7.33</i>	<i>10.66</i>	<i>10.79</i>	<i>7.04</i>
MLPs/Energy	101,576,733	6.35	2.02	3.49	15.47	14.53	14.53	1.51	11.12	-
<i>S&P MLP Index</i>			<i>1.68</i>	<i>2.92</i>	<i>18.03</i>	<i>10.12</i>	<i>10.12</i>	<i>-4.38</i>	<i>5.51</i>	<i>-</i>
Excess Return			0.34	0.57	-2.56	4.41	4.41	5.89	5.61	-
Cash	1,754,355	0.11	0.06	0.12	0.22	0.27	0.27	0.70	0.70	3.42

City of Jacksonville Police & Fire Pension Fund

Asset Allocation & Performance Gross of Fees

September 30, 2016

	Performance(%)											
	Asset \$	Asset %	1 Month	3 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date
US Equity												
NT S&P 500 Index Fund	165,659,609	10.36	0.02	3.85	7.88	15.50	15.50	11.23	16.42	7.26	5.23	Jan-1999
S&P 500			0.02	3.85	7.84	15.43	15.43	11.16	16.37	7.24	5.22	
Excess Return			0.00	0.00	0.04	0.07	0.07	0.07	0.05	0.02	0.01	
Eagle Capital Management	173,637,760	10.86	0.59	5.09	3.47	10.29	10.29	9.50	16.44	-	12.31	Apr-2011
Russell 1000 Value Index			-0.21	3.48	10.00	16.19	16.19	9.70	16.15	-	10.85	
Excess Return			0.80	1.61	-6.53	-5.90	-5.90	-0.20	0.29	-	1.46	
Brown Investment Advisory	85,568,469	5.35	0.47	3.69	2.34	10.33	10.33	-	-	-	7.60	Nov-2013
Russell 1000 Growth Index			0.37	4.58	6.00	13.76	13.76	-	-	-	10.53	
Excess Return			0.10	-0.89	-3.66	-3.43	-3.43	-	-	-	-2.93	
Sawgrass Asset Management	87,446,789	5.47	-0.84	0.58	5.22	11.61	11.61	-	-	-	9.72	Nov-2013
Russell 1000 Growth Index			0.37	4.58	6.00	13.76	13.76	-	-	-	10.53	
Excess Return			-1.21	-4.00	-0.78	-2.15	-2.15	-	-	-	-0.81	
Wedge Capital Mgmt	64,190,864	4.01	0.10	-	-	-	-	-	-	-	0.10	Sep-2016
Russell 2000 Value Index			0.79	-	-	-	-	-	-	-	0.79	
Excess Return			-0.69	-	-	-	-	-	-	-	-0.69	
Pinnacle	66,022,157	4.13	3.54	10.41	1.89	12.53	12.53	6.78	17.03	-	21.14	Mar-2009
Russell 2500 Growth Index			0.29	6.98	6.95	11.02	11.02	7.43	16.20	-	19.68	
Excess Return			3.25	3.43	-5.06	1.51	1.51	-0.65	0.83	-	1.46	
International Equity												
NT EAFE Index Fund	82,791,648	5.18	1.26	6.48	2.10	6.81	6.81	0.77	-	-	5.34	Apr-2012
MSCI EAFE Index (Net)			1.23	6.43	1.73	6.52	6.52	0.48	-	-	5.02	
Excess Return			0.03	0.05	0.37	0.29	0.29	0.29	-	-	0.32	
Baillie Gifford	97,966,173	6.13	3.53	11.48	8.95	15.76	15.76	2.32	10.46	-	5.20	Mar-2011
MSCI EAFE Growth Index (Net)			1.49	4.96	2.63	9.47	9.47	2.39	8.73	-	3.95	
Excess Return			2.03	6.52	6.32	6.29	6.29	-0.07	1.73	-	1.25	
Silchester	64,131,151	4.01	0.82	6.76	5.58	9.16	9.16	4.09	-	-	6.10	Sep-2013
MSCI EAFE Value Index (Net)			0.97	7.99	0.82	3.52	3.52	-1.49	-	-	0.99	
Excess Return			-0.15	-1.23	4.76	5.64	5.64	5.58	-	-	5.11	
Acadian Emerging Mkts Equity II Fund	88,840,625	5.56	1.32	9.79	17.04	16.40	16.40	-	-	-	-0.42	Jan-2014
MSCI Emerging Markets (Net)			1.29	9.03	16.02	16.78	16.78	-	-	-	-1.27	
Excess Return			0.03	0.76	1.02	-0.38	-0.38	-	-	-	0.85	

City of Jacksonville Police & Fire Pension Fund

Asset Allocation & Performance Gross of Fees

September 30, 2016

	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	125,231,526	7.83	-0.06	0.46	5.87	5.23	5.23	4.08	-	-	2.94	Feb-2013
<i>Blmbg. Barc. U.S. Aggregate</i>			-0.06	0.46	5.80	5.19	5.19	4.03	-	-	2.94	
Excess Return			0.00	0.00	0.07	0.04	0.04	0.05	-	-	0.00	
Eaton Vance Instl Senior Loan Trust	41,168,899	2.57	0.89	2.89	7.82	5.67	5.67	3.47	-	-	3.55	Mar-2013
<i>CS Leveraged Loan Index</i>			0.87	3.10	7.46	5.35	5.35	3.62	-	-	3.79	
Excess Return			0.02	-0.21	0.36	0.32	0.32	-0.15	-	-	-0.24	
Thompson Siegel Fixed	163,653,845	10.23	0.13	1.25	6.52	6.14	6.14	4.34	4.14	5.40	6.38	Aug-1991
<i>Thompson Policy Index</i>			-0.06	0.46	5.80	5.19	5.19	4.03	3.08	4.71	6.15	
Excess Return			0.19	0.79	0.72	0.95	0.95	0.31	1.06	0.69	0.23	
Real Estate												
JP Morgan	144,301,596	9.02	0.65	2.06	6.09	9.67	9.67	12.09	12.71	6.74	8.29	Apr-2005
<i>NCREIF Fund Index - ODCE [M]</i>			0.00	0.00	4.36	7.85	7.85	11.69	11.94	5.80	7.44	
Excess Return			0.65	2.06	1.73	1.82	1.82	0.40	0.77	0.94	0.85	
Principal Global Investments	45,283,926	2.83	0.64	2.30	7.09	10.35	10.35	13.06	-	-	13.42	Apr-2013
<i>NCREIF Fund Index - ODCE [M]</i>			0.00	0.00	4.36	7.85	7.85	11.69	-	-	12.25	
Excess Return			0.64	2.30	2.73	2.50	2.50	1.37	-	-	1.17	
MLPs/Energy												
Harvest MLP	51,449,602	3.22	2.02	4.39	17.93	13.44	13.44	1.41	11.26	-	10.28	Mar-2011
<i>S&P MLP Index</i>			1.68	2.92	18.03	10.12	10.12	-4.38	5.51	-	3.38	
Excess Return			0.34	1.47	-0.10	3.32	3.32	5.79	5.75	-	6.90	
Tortoise MLP	50,127,131	3.13	2.02	2.57	13.04	15.68	15.68	1.50	10.91	-	9.53	Mar-2011
<i>S&P MLP Index</i>			1.68	2.92	18.03	10.12	10.12	-4.38	5.51	-	3.38	
Excess Return			0.34	-0.35	-4.99	5.56	5.56	5.88	5.40	-	6.15	
Cash	1,754,355	0.11	0.06	0.12	0.22	0.27	0.27	0.70	0.70	3.42	8.52	Dec-1998

City of Jacksonville Police & Fire Pension Fund

Asset Allocation & Performance Net of Fees

September 30, 2016

	Asset \$	Asset %	Performance(%)							
			1 Month	3 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year
Total Fund Composite	1,599,226,126	100.00	0.74	4.29	6.91	10.48	10.48	5.68	9.89	5.70
<i>Total Fund Policy</i>			<i>0.39</i>	<i>3.34</i>	<i>7.37</i>	<i>10.34</i>	<i>10.34</i>	<i>6.17</i>	<i>10.04</i>	<i>5.52</i>
Excess Return			0.35	0.95	-0.46	0.14	0.14	-0.49	-0.15	0.18
Total Equity	976,255,245	61.05	0.88	6.23	6.79	12.57	12.57	5.75	12.23	-
US Equity	642,525,647	40.18	0.43	4.98	6.43	12.94	12.94	7.92	14.70	7.18
<i>US Equity Index</i>			<i>0.16</i>	<i>4.40</i>	<i>8.18</i>	<i>14.96</i>	<i>14.96</i>	<i>10.44</i>	<i>16.36</i>	<i>7.47</i>
Excess Return			0.27	0.58	-1.75	-2.02	-2.02	-2.52	-1.66	-0.29
International Equity	333,729,597	20.87	1.70	8.45	7.35	11.60	11.60	1.42	7.13	1.67
<i>International Equity Index</i>			<i>1.28</i>	<i>7.00</i>	<i>6.29</i>	<i>9.80</i>	<i>9.80</i>	<i>0.64</i>	<i>6.52</i>	<i>1.90</i>
Excess Return			0.42	1.45	1.06	1.80	1.80	0.78	0.61	-0.23
Fixed Income	330,054,270	20.64	0.15	1.08	6.30	5.55	5.55	3.68	3.09	4.66
<i>Blmbg. Barc. U.S. Aggregate</i>			<i>-0.06</i>	<i>0.46</i>	<i>5.80</i>	<i>5.19</i>	<i>5.19</i>	<i>4.03</i>	<i>3.08</i>	<i>4.79</i>
Excess Return			0.21	0.62	0.50	0.36	0.36	-0.35	0.01	-0.13
Real Estate	189,585,522	11.85	0.46	1.71	5.60	8.82	8.82	11.27	11.75	7.29
<i>NCREIF Fund Index - ODCE [M]</i>			<i>0.00</i>	<i>0.00</i>	<i>4.36</i>	<i>7.85</i>	<i>7.85</i>	<i>11.69</i>	<i>11.94</i>	<i>5.80</i>
Excess Return			0.46	1.71	1.24	0.97	0.97	-0.42	-0.19	1.49
<i>NCREIF Property Index</i>			<i>0.00</i>	<i>0.00</i>	<i>4.29</i>	<i>7.33</i>	<i>7.33</i>	<i>10.66</i>	<i>10.79</i>	<i>7.04</i>
MLPs/Energy	101,576,733	6.35	1.93	3.30	14.82	13.67	13.67	0.74	10.32	-
<i>S&P MLP Index</i>			<i>1.68</i>	<i>2.92</i>	<i>18.03</i>	<i>10.12</i>	<i>10.12</i>	<i>-4.38</i>	<i>5.51</i>	<i>-</i>
Excess Return			0.25	0.38	-3.21	3.55	3.55	5.12	4.81	-
Cash	1,754,355	0.11	0.06	0.12	0.22	0.27	0.27	0.70	0.35	3.24

City of Jacksonville Police & Fire Pension Fund

Asset Allocation & Performance Net of Fees

September 30, 2016

	Performance(%)											
	Asset \$	Asset %	1 Month	3 Month	CYTD	FYTD	1 Year	3 Year	5 Year	10 Year	Since Inception	Inception Date
US Equity												
NT S&P 500 Index Fund	165,659,609	10.36	0.02	3.85	7.86	15.47	15.47	11.20	16.37	7.22	5.21	Jan-1999
S&P 500			0.02	3.85	7.84	15.43	15.43	11.16	16.37	7.24	5.22	
Excess Return			0.00	0.00	0.02	0.04	0.04	0.04	0.00	-0.02	-0.01	
Eagle Capital Management	173,637,760	10.86	0.59	4.97	2.98	9.57	9.57	8.71	15.59	-	11.52	Apr-2011
Russell 1000 Value Index			-0.21	3.48	10.00	16.19	16.19	9.70	16.15	-	10.85	
Excess Return			0.80	1.49	-7.02	-6.62	-6.62	-0.99	-0.56	-	0.67	
Brown Investment Advisory	85,568,469	5.35	0.47	3.60	2.11	10.03	10.03	-	-	-	7.39	Nov-2013
Russell 1000 Growth Index			0.37	4.58	6.00	13.76	13.76	-	-	-	10.53	
Excess Return			0.10	-0.98	-3.89	-3.73	-3.73	-	-	-	-3.14	
Sawgrass Asset Management	87,446,789	5.47	-0.84	0.53	5.10	11.43	11.43	-	-	-	9.50	Nov-2013
Russell 1000 Growth Index			0.37	4.58	6.00	13.76	13.76	-	-	-	10.53	
Excess Return			-1.21	-4.05	-0.90	-2.33	-2.33	-	-	-	-1.03	
Wedge Capital Mgmt	64,190,864	4.01	0.10	-	-	-	-	-	-	-	0.10	Sep-2016
Russell 2000 Value Index			0.79	-	-	-	-	-	-	-	0.79	
Excess Return			-0.69	-	-	-	-	-	-	-	-0.69	
Pinnacle	66,022,157	4.13	3.27	10.13	1.25	11.64	11.64	5.95	16.15	-	20.41	Mar-2009
Russell 2500 Growth Index			0.29	6.98	6.95	11.02	11.02	7.43	16.20	-	19.68	
Excess Return			2.98	3.15	-5.70	0.62	0.62	-1.48	-0.05	-	0.73	
International Equity												
NT EAFE Index Fund	82,791,648	5.18	1.26	6.48	2.07	6.75	6.75	0.71	-	-	5.28	Apr-2012
MSCI EAFE Index (Net)			1.23	6.43	1.73	6.52	6.52	0.48	-	-	5.02	
Excess Return			0.03	0.05	0.34	0.23	0.23	0.23	-	-	0.26	
Baillie Gifford	97,966,173	6.13	3.53	11.48	8.78	15.43	15.43	1.86	9.93	-	4.76	Mar-2011
MSCI EAFE Growth Index (Net)			1.49	4.96	2.63	9.47	9.47	2.39	8.73	-	3.95	
Excess Return			2.03	6.52	6.15	5.96	5.96	-0.53	1.20	-	0.81	
Silchester	64,131,151	4.01	0.76	6.55	4.97	8.32	8.32	3.28	-	-	5.27	Sep-2013
MSCI EAFE Value Index (Net)			0.97	7.99	0.82	3.52	3.52	-1.49	-	-	0.99	
Excess Return			-0.21	-1.44	4.15	4.80	4.80	4.77	-	-	4.28	
Acadian Emerging Mkts Equity II Fund	88,840,625	5.56	1.06	9.50	16.14	15.51	15.51	-	-	-	-0.89	Jan-2014
MSCI Emerging Markets (Net)			1.29	9.03	16.02	16.78	16.78	-	-	-	-1.27	
Excess Return			-0.23	0.47	0.12	-1.27	-1.27	-	-	-	0.38	

City of Jacksonville Police & Fire Pension Fund

Asset Allocation & Performance Net of Fees

September 30, 2016

	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	125,231,526	7.83	-0.06	0.46	5.85	5.20	5.20	4.05	-	-	2.91	Feb-2013
Blmbg. Barc. U.S. Aggregate			-0.06	0.46	5.80	5.19	5.19	4.03	-	-	2.94	
Excess Return			0.00	0.00	0.05	0.01	0.01	0.02	-	-	-0.03	
Eaton Vance Instl Senior Loan Trust	41,168,899	2.57	0.89	2.89	7.53	5.24	5.24	3.00	-	-	3.06	Mar-2013
CS Leveraged Loan Index			0.87	3.10	7.46	5.35	5.35	3.62	-	-	3.79	
Excess Return			0.02	-0.21	0.07	-0.11	-0.11	-0.62	-	-	-0.73	
Thompson Siegel Fixed	163,653,845	10.23	0.13	1.21	6.38	5.96	5.96	4.16	3.97	5.28	6.33	Aug-1991
Thompson Policy Index			-0.06	0.46	5.80	5.19	5.19	4.03	3.08	4.71	6.15	
Excess Return			0.19	0.75	0.58	0.77	0.77	0.13	0.89	0.57	0.18	
Real Estate												
JP Morgan	144,301,596	9.02	0.42	1.59	5.33	8.62	8.62	11.00	11.62	6.06	7.69	Apr-2005
NCREIF Fund Index - ODCE [M]			0.00	0.00	4.36	7.85	7.85	11.69	11.94	5.80	7.44	
Excess Return			0.42	1.59	0.97	0.77	0.77	-0.69	-0.32	0.26	0.25	
Principal Global Investments	45,283,926	2.83	0.58	2.09	6.45	9.47	9.47	12.14	-	-	12.48	Apr-2013
NCREIF Fund Index - ODCE [M]			0.00	0.00	4.36	7.85	7.85	11.69	-	-	12.25	
Excess Return			0.58	2.09	2.09	1.62	1.62	0.45	-	-	0.23	
MLPs/Energy												
Harvest MLP	51,449,602	3.22	1.84	4.21	17.27	12.57	12.57	0.63	10.44	-	9.51	Mar-2011
S&P MLP Index			1.68	2.92	18.03	10.12	10.12	-4.38	5.51	-	3.38	
Excess Return			0.16	1.29	-0.76	2.45	2.45	5.01	4.93	-	6.13	
Tortoise MLP	50,127,131	3.13	2.02	2.38	12.40	14.82	14.82	0.72	10.13	-	8.80	Mar-2011
S&P MLP Index			1.68	2.92	18.03	10.12	10.12	-4.38	5.51	-	3.38	
Excess Return			0.34	-0.54	-5.63	4.70	4.70	5.10	4.62	-	5.42	
Cash	1,754,355	0.11	0.06	0.12	0.22	0.27	0.27	0.70	0.35	3.24	8.42	Dec-1998

City of Jacksonville Police & Fire Pension Fund

Benchmark Composition Total Fund & US Equity & International Equity

As of September 30, 2016

Total Fund Policy Index

	<u>(%)</u>
Mar-2016	
Russell 3000 Index	39.00
MSCI AC World ex USA (Net)	20.00
Blmbg. Barc. U.S. Aggregate	20.50
NCREIF Fund Index - ODCE [M]	15.00
S&P MLP Index	5.50
Mar-2013	
Russell 3000 Index	35.00
MSCI AC World ex USA (Net)	20.00
Blmbg. Barc. U.S. Aggregate	22.50
NCREIF Fund Index - ODCE [M]	15.00
S&P MLP Index	7.50
Apr-2012	
Russell 3000 Index	40.00
MSCI AC World ex USA (Net)	20.00
Blmbg. Barc. U.S. Aggregate	25.00
NCREIF Fund Index - ODCE [M]	10.00
S&P MLP Index	5.00
Jun-2011	
Russell 3000 Index	40.00
MSCI EAFE Index	20.00
Blmbg. Barc. U.S. Aggregate	25.00
NCREIF Fund Index - ODCE [M]	10.00
S&P MLP Index	5.00

Jul-2009

Russell 3000 Index	40.00
MSCI EAFE Index	20.00
Blmbg. Barc. U.S. Aggregate	25.00
NCREIF Fund Index - ODCE [M]	15.00

Oct-2008

Dow Jones US Total Stock Market Index	50.00
MSCI EAFE Index	10.00
BofA Merrill Lynch Gov Corp Master	30.00
NCREIF Fund Index - ODCE [M]	10.00

Apr-1989

Dow Jones US Total Stock Market Index	50.00
MSCI EAFE Index	10.00
BofA Merrill Lynch Gov Corp Master	35.00
NCREIF Fund Index - ODCE [M]	5.00

US Equity Index

	<u>(%)</u>
Jul-2009	
Russell 3000 Index	100.00
Jan-1988	
Dow Jones US Total Stock Market Index	100.00

International Equity Index

	<u>(%)</u>
Oct-2009	
MSCI AC World ex USA	100.00
Feb-1999	
MSCI EAFE Index	100.00

Thompson Siegal Policy

	<u>(%)</u>
Oct-2009	
Blmbg. Barc. U.S. Aggregate	100.00
Dec-1975	
BofA Merrill Lynch Gov Corp Master	100.00

City of Jacksonville Police & Fire Fund
Asset Allocation as of September 30, 2016

	% Current Target	% Actual	% Difference from Current Target	\$ Current Target	\$ Actual	\$ Difference
A. Total Equity	59.00%	61.05%	2.05%	\$943,543,414	\$976,255,245	\$32,711,831
1. Domestic Large Cap Equity (70% of Domestic)	31.40%	32.04%	0.64%	502,157,003	512,312,627	10,155,623
NT S&P 500 Index Fund		10.36%	10.36%		165,659,609	165,659,609
Eagle Capital Management		10.86%	10.86%		173,637,760	173,637,760
Brown Advisory		5.35%	5.35%		85,568,469	85,568,469
Sawgrass Asset Management		5.47%	5.47%		87,446,789	87,446,789
2. Domestic Small/Mid Cap Equity (30% of Domestic)	7.60%	8.14%	0.54%	121,541,186	130,213,021	8,671,835
Wedge Capital Mgmt		4.01%	4.01%		64,190,864	64,190,864
Pinnacle		4.13%	4.13%		66,022,157	66,022,157
3. International Equity Developed	14.00%	15.31%	1.31%	223,891,658	244,888,972	20,997,314
NT EAFE Index Fund		5.18%	5.18%		82,791,648	82,791,648
Baillie Gifford		6.13%	6.13%		97,966,173	97,966,173
Silchester		4.01%	4.01%		64,131,151	64,131,151
4. International Emerging Markets	6.00%	5.56%	(0.44%)	95,953,568	88,840,625	(7,112,942)
Acadian Emerging Markets		5.56%	5.56%		88,840,625	88,840,625
B. Total Fixed Income	20.50%	20.75%	0.25%	\$327,841,356	\$331,808,626	\$3,967,270
1. Core Fixed Income	4.00%	18.06%	14.06%	63,969,045	288,885,371	224,916,326
NTGI Aggregate Bond Index		7.83%	7.83%		125,231,526	125,231,526
Thompson Siegel Fixed		10.23%	10.23%		163,653,845	163,653,845
2. Core Plus	15.50%	0.00%	(15.50%)	247,880,049	0	(247,880,049)
Manager TBD		0.00%	0.00%		0	0
3. Senior Bank Notes	0.00%	2.57%	2.57%	0	41,168,899	41,168,899
Eaton Vance Instl Senior Loan Trust		2.57%	2.57%		41,168,899	41,168,899
4. TIPS	0.00%	0.00%	0.00%	0	0	0
NTGI TIPS		0.00%	0.00%		0	0
5. Emerging Market Debt	0.00%	0.00%	0.00%	0	0	0
Manager TBD		0.00%	0.00%		0	0
6. Cash/Paid Receipts	1.00%	0.11%	(0.89%)	15,992,261	1,754,355	(14,237,906)
C. Total Real Assets	20.50%	18.21%	(2.29%)	\$327,841,356	\$291,162,255	(\$36,679,101)
1. Real Estate	15.00%	11.85%	(3.15%)	239,883,919	189,585,522	(50,298,397)
JPM RE Strategic Property	5.00%	9.02%	4.02%	79,961,306	144,301,596	64,340,290
Principal Global Investments	5.00%	2.83%	(2.17%)	79,961,306	45,283,926	(34,677,381)
Non-Core Real Estate (TBD)	5.00%	0.00%	(5.00%)	79,961,306	0	(79,961,306)
2. MLPs / Timber / Commodities	5.50%	6.35%	0.85%	87,957,437	101,576,733	13,619,296
Harvest MLP		3.22%	3.22%		51,449,602	51,449,602
Tortoise MLP		3.13%	3.13%		50,127,131	50,127,131
D. TOTAL FUND	100.00%	100.00%			\$1,599,226,125	

DISCLAIMER

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Summit Strategies Group

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Eagle and Brown Advisory Review

City of Jacksonville Police & Fire Pension Fund

October 2016

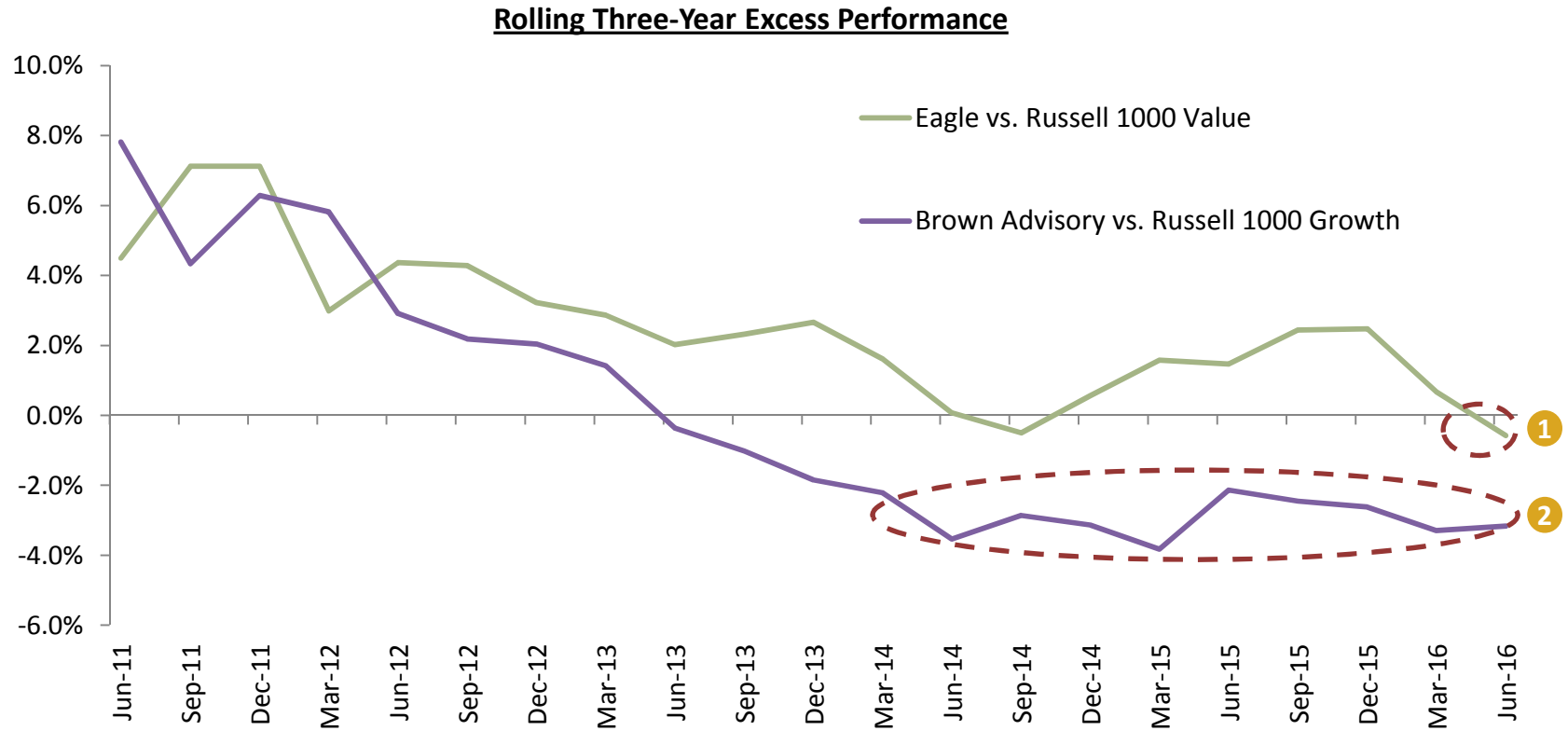
City of Jacksonville Police & Fire Pension Fund

ANNUALIZED PERFORMANCE – NET OF FEES

Manager vs Benchmark										
As of 6/30/16	1 year		3 years		5 years		7 years		10 years	
Eagle	-2.95%		9.29%		11.17%		15.99%		8.78%	
Russell 1000 Value	2.86%		9.87%		11.35%		14.50%		6.13%	
Brown	0.95%		9.90%		9.78%		15.49%		10.23%	
Russell 1000 Growth	3.02%		13.07%		12.35%		15.52%		8.78%	
Calendar Year Return										
	YTD 2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Eagle	-1.89%	1.15%	12.28%	35.86%	17.47%	4.86%	20.57%	32.17%	-34.65%	8.03%
Russell 1000 Value	6.30%	-3.83%	13.45%	32.53%	17.51%	0.39%	15.51%	19.69%	-36.85%	-0.17%
Brown	-1.44%	7.71%	6.86%	29.42%	16.18%	0.12%	25.36%	53.05%	-36.27%	11.84%
Russell 1000 Growth	1.36%	5.67%	13.05%	33.48%	15.26%	2.64%	16.71%	37.21%	-38.44%	11.81%

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

HISTORICAL PERFORMANCE SUMMARY – NET OF FEES



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

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

City of Jacksonville Police & Fire Pension Fund

EAGLE CAPITAL MANAGEMENT, LLC – EAGLE EQUITY

FIRM DETAILS

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

PRODUCT DETAILS

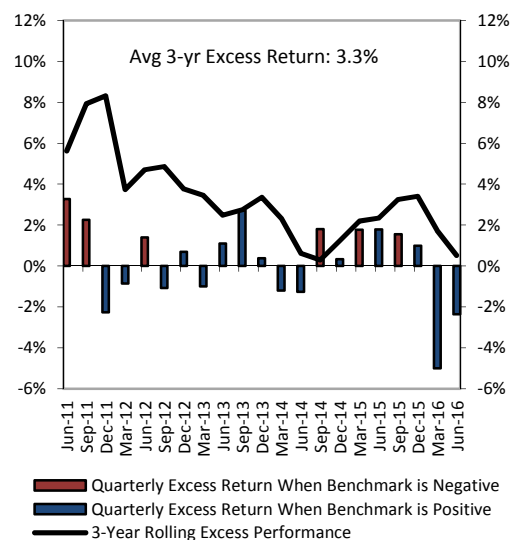
Inception: December 1988
Assets Under Management: \$25.0 billion
Vehicles Offered: SA (closed)
Separate Account Minimum: \$5 million
Portfolio Managers/Dual Role PMs: 1
Avg. Yrs of Experience: 48
Avg. Yrs at Firm: 28
Research Analysts: 5
Avg. Yrs of Experience: 20
Avg. Yrs at Firm: 13
Fee Schedule (SA):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

CHARACTERISTICS

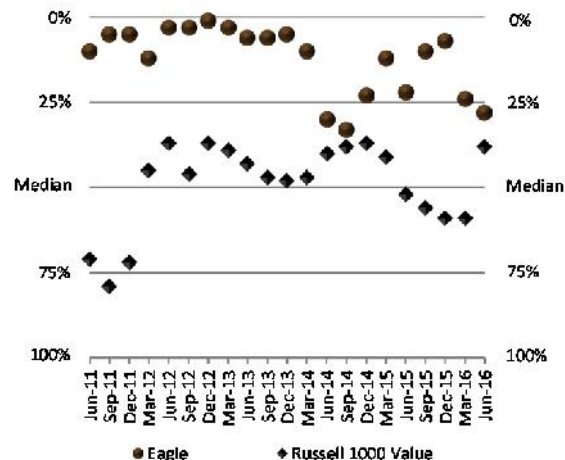
	Portfolio	Benchmark
No of Securities:	27	692
Portfolio Turnover:	20%	N/A
Dividend Yield:	1.1%	2.6%
Equity P/E:	18.3x	17.9x
Avg. Mkt Cap:	\$166.0 billion	\$114.1 billion
Last 3 Years:		
Tracking Error:	4.4%	N/A
Information Ratio:	0.1	N/A
Sharpe Ratio:	1.0	1.1

ROLLING PERFORMANCE AND RANKINGS

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



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



QUALITATIVE OVERVIEW

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

QUALITATIVE RANKING

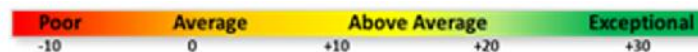
FIRM	-2	-1	0	1	2
Empl Ownership					
Mgmt Consistency					
Integration					
Cost					
Litigation					
Responsiveness					
TOTAL					+6

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

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

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

TOTAL QUALITATIVE SCORE:	+23
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EAGLE CAPITAL REVIEW

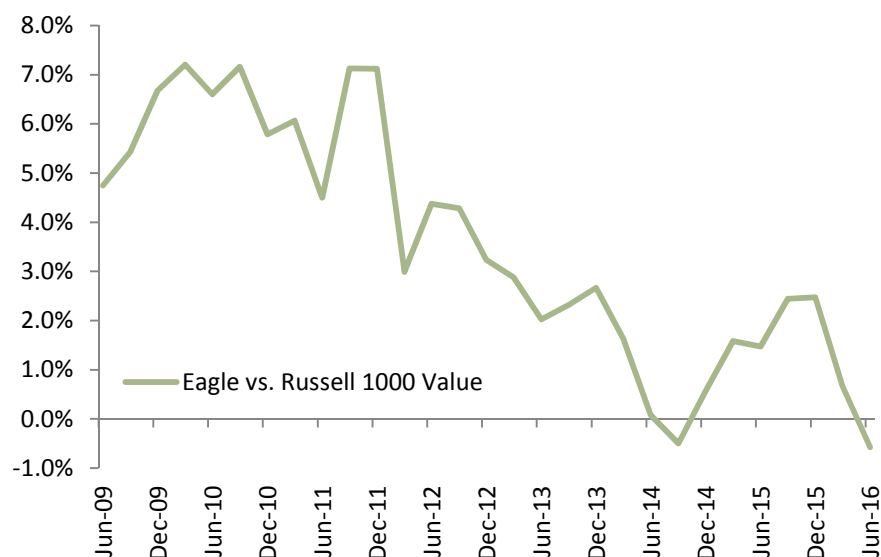
Background

Eagle Capital is one of four large cap managers in the portfolio (the others being Northern Trust, Brown Advisory, and Sawgrass). Eagle currently manages ~\$175 million in assets for the City of Jacksonville Police & Fire Pension Fund (~10% of portfolio assets and ~33% of the large cap equity portfolio assets).

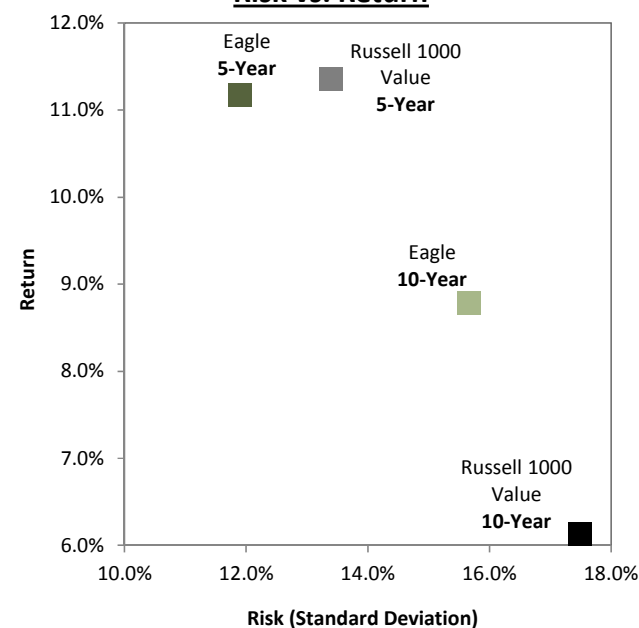
Recent underperformance warrants further analysis:

- The strategy has trailed the benchmark by 581 bps over the trailing year, net of fees, as of June 30, 2016.
- Performance lags the benchmark over the trailing one-, three-, and five-year periods, although it only trails by 58 bps over the trailing three years and 18 bps over the trailing five years, net of fees.

Rolling Three-Year Excess Performance



Risk vs. Return

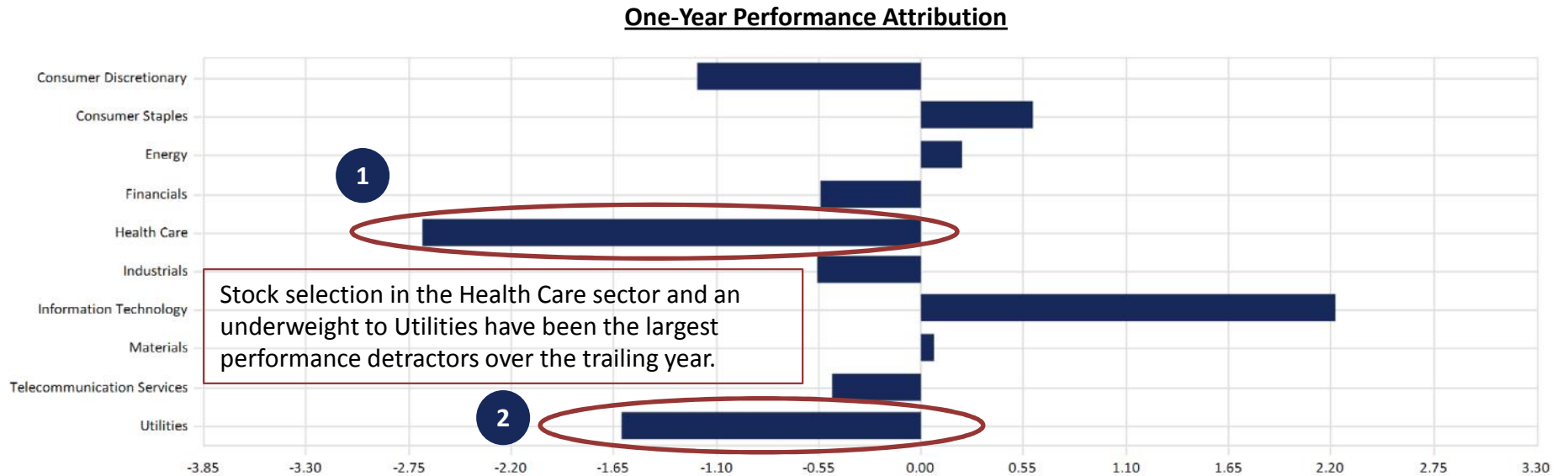
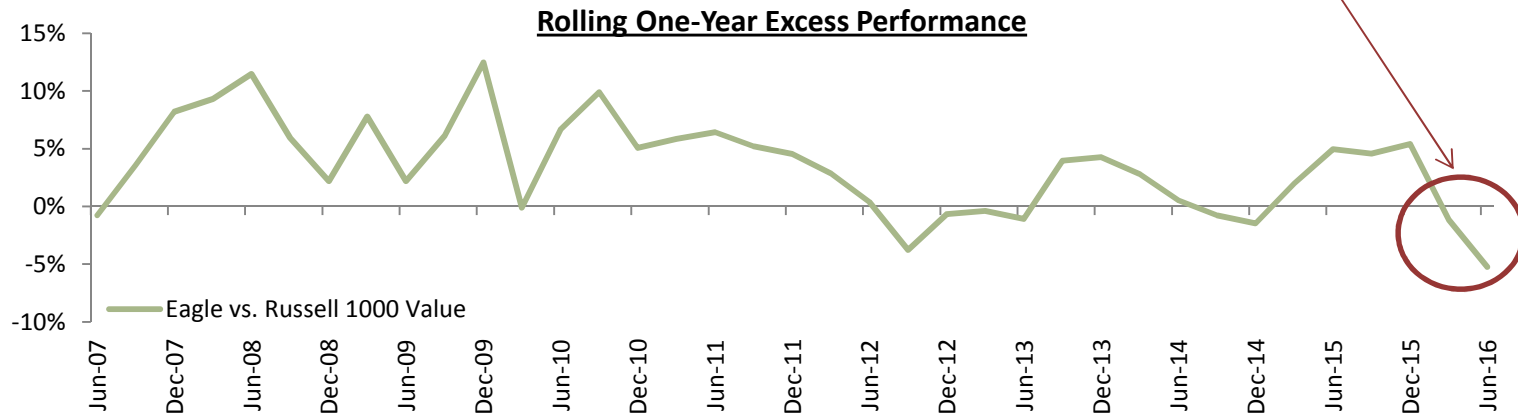


Eagle has significantly outperformed the benchmark over the trailing 10-year period with a lower volatility. However, over the trailing five years (and three years) performance has fallen in line to slightly below the benchmark.

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

EAGLE CAPITAL – UNDERPERFORMANCE SUMMARY

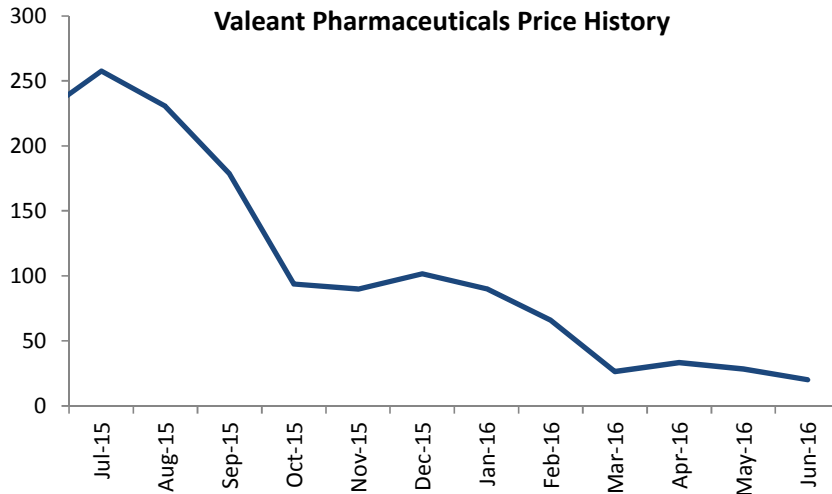
Eagle’s recent performance struggles can be almost entirely attributed to performance over the trailing one-year period.



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

EAGLE CAPITAL – UNDERPERFORMANCE EXPLAINED

1



As shown on the previous page, stock selection in the Health Care sector detracted significantly from performance over the trailing year.

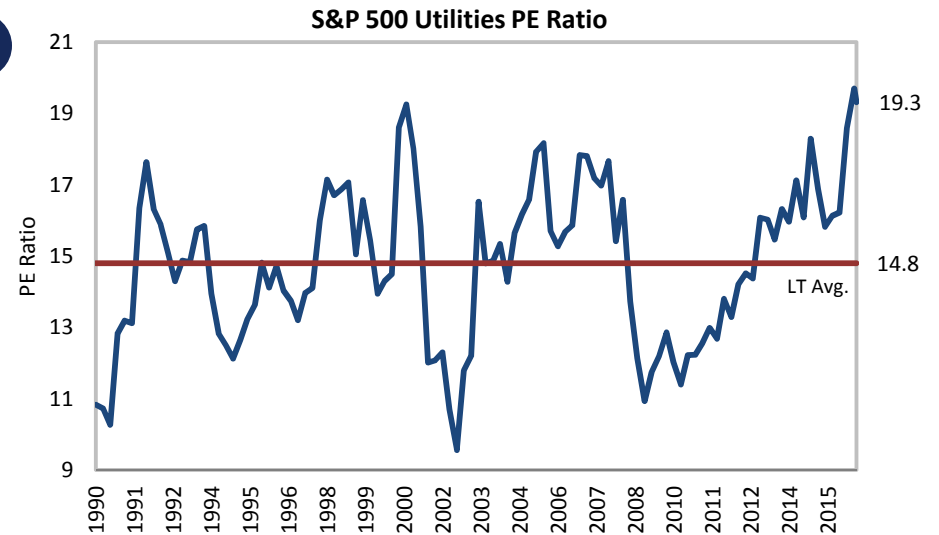
As a concentrated portfolio, individual stocks can have a material impact on Eagle's performance, as was the case with Valeant Pharmaceuticals over the trailing year.

At a 3.5% weight in the portfolio in June 2015, Valeant's subsequent 90% year-over-year price decline had a significant negative impact on performance.

Eagle has no exposure to the Utilities sector, compared to the index at ~7%, which has detracted from performance over the trailing year.

As investors have continued to migrate out the risk/asset curve in search of yield, utilities (typically "defensive", high dividend paying stocks) have performed extremely well, returning 32% over the trailing one-year period.

2



City of Jacksonville Police & Fire Pension Fund

BROWN ADVISORY, LLC – LARGE CAP GROWTH

FIRM DETAILS

Address: 901 South Bond Street, Ste. 400
Baltimore, MD 21231

Phone: 410.537.5400

Asset Class: Large Cap Growth

Benchmark: Russell 1000 Growth

Founded: 1993

Ownership: 70% employee owned; 30% owned by Board of Directors, clients, and investors

Assets Under Management: \$20.4 billion

PRODUCT DETAILS

Inception: April 1993

Assets Under Management: \$11.6 billion

Vehicles Offered: SA, MF

Separate Account Minimum: \$5 million

Mutual Fund Minimum (BAFGX): \$1 million

Portfolio Managers/Dual Role PMs: 1

Avg. Yrs of Experience: 29

Avg. Yrs at Firm: 19

Research Analysts: 22

Avg. Yrs of Experience: 12

Avg. Yrs at Firm: 6

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

(MF): 0.72% on all assets

CHARACTERISTICS

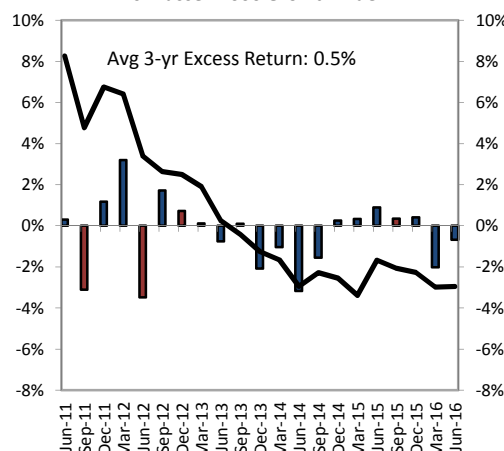
	Portfolio	Benchmark
No of Securities:	36	600
Portfolio Turnover:	25%	N/A
Dividend Yield:	0.5%	1.6%
Equity P/E:	32.2x	23.7x
Avg Market Cap:	\$92.7 billion	\$133.2 billion
Last 3 Years:		
Tracking Error:	2.6%	N/A
Information Ratio:	-1.2	N/A
Sharpe Ratio:	1.2	1.5

Performance reflects gross of fees composite returns.

*As of 3/31/2016

ROLLING PERFORMANCE AND RANKINGS

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

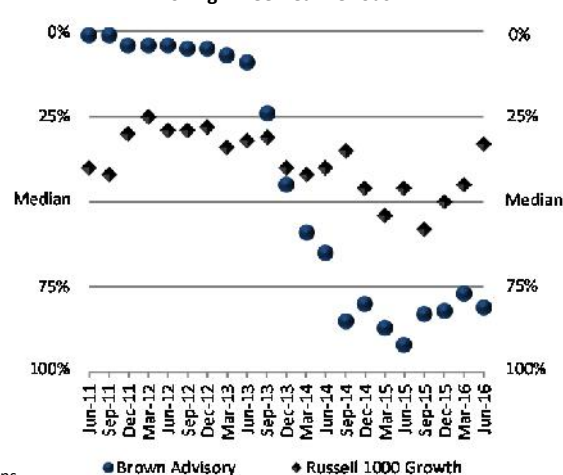


Quarterly Excess Return When Benchmark is Negative

Quarterly Excess Return When Benchmark is Positive

3-Year Rolling Excess Performance

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



QUALITATIVE OVERVIEW

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

QUALITATIVE RANKING

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

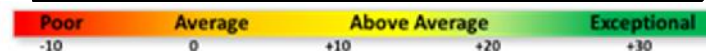
PERSONNEL	-3	-2	-1	0	1	2	3
Staff Depth							
Experience							
Stability							
Support							
TOTAL							+6

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

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

TOTAL QUALITATIVE SCORE:

+27



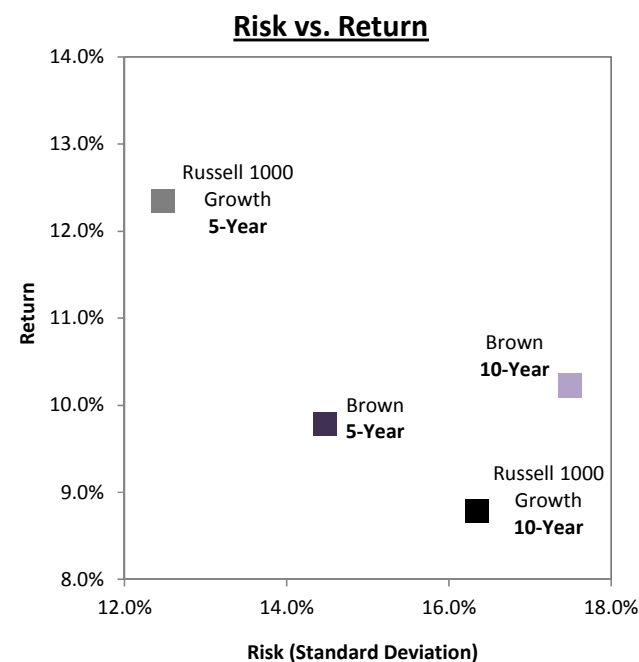
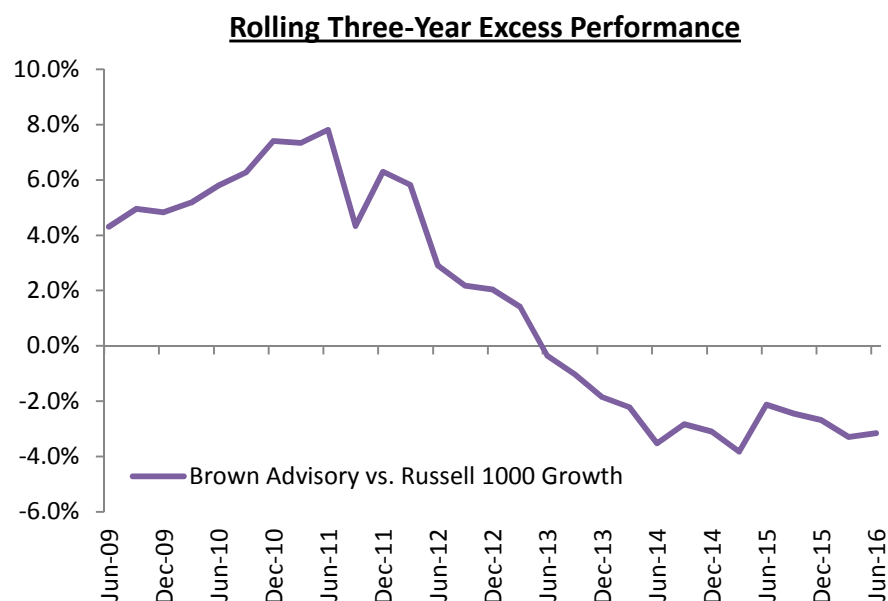
BROWN ADVISORY REVIEW

Background

Brown Advisory is one of four large cap managers in the portfolio (the others being Northern Trust, Eagle, and Sawgrass). Brown Advisory currently manages ~\$85 million in assets for the City of Jacksonville Police & Fire Pension Fund (~5% of portfolio assets and ~16% of the large cap equity portfolio assets).

Recent underperformance warrants further analysis:

- Below median rolling 3-year performance (versus peers) for the last 11 quarters.
- Performance currently lags the benchmark for the trailing 1-, 3-, and 5-year periods.

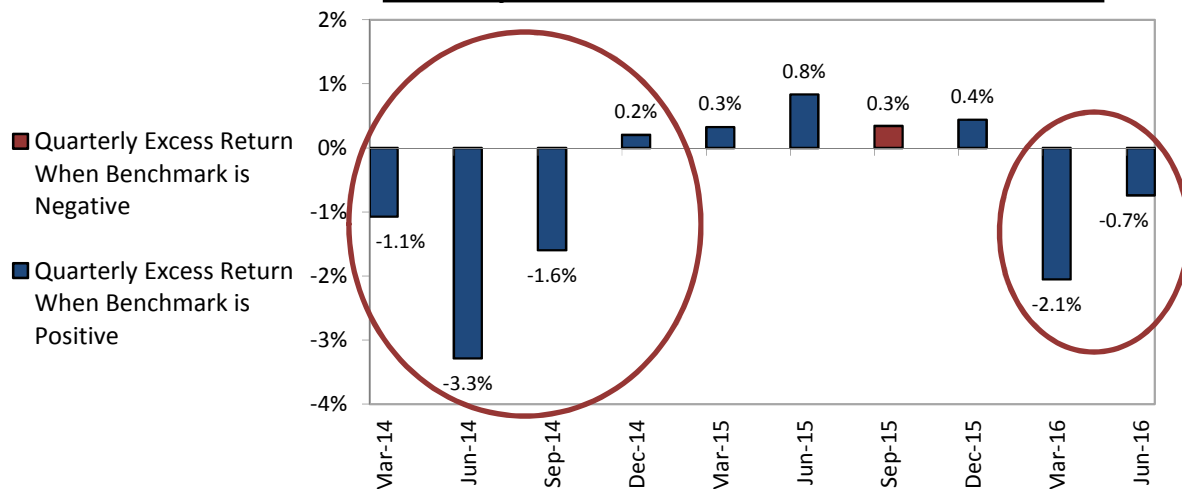


Over the trailing 10-year period, Brown has outperformed the Russell 1000 Growth, with a slightly higher volatility. However, over the trailing 5-year period, the index has outperformed Brown with a lower volatility.

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

BROWN ADVISORY – UNDERPERFORMANCE SUMMARY

Quarterly Excess Performance vs. Russell 1000 Growth



Brown Advisory's underperformance since inception in the portfolio can be entirely explained by relative performance in calendar year 2014 and the first two quarters of 2016.

Calendar year 2014 performance was hindered primarily by an energy overweight in a timeframe when oil was down close to 50%, in conjunction with poor stock selection in industrials (Flour Corp.) and Technology (Discovery Communications).

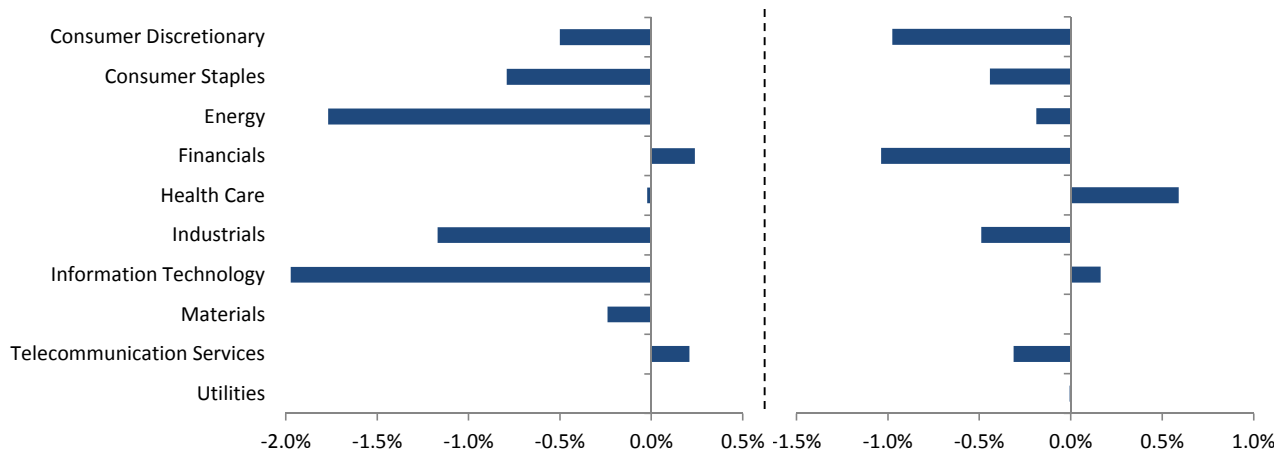
Year-to-date 2016 performance has been hurt by stock selection in the consumer discretionary and financials sectors. Investors searching for yield in the current low interest rate environment has also hurt, as Brown's pure growth, typically low-dividend paying holdings have not seen the gains of more dividend-oriented names.

While stock selection has hurt, the recent market environment has been very difficult for active managers in general, particularly in the large cap growth space (see next page).

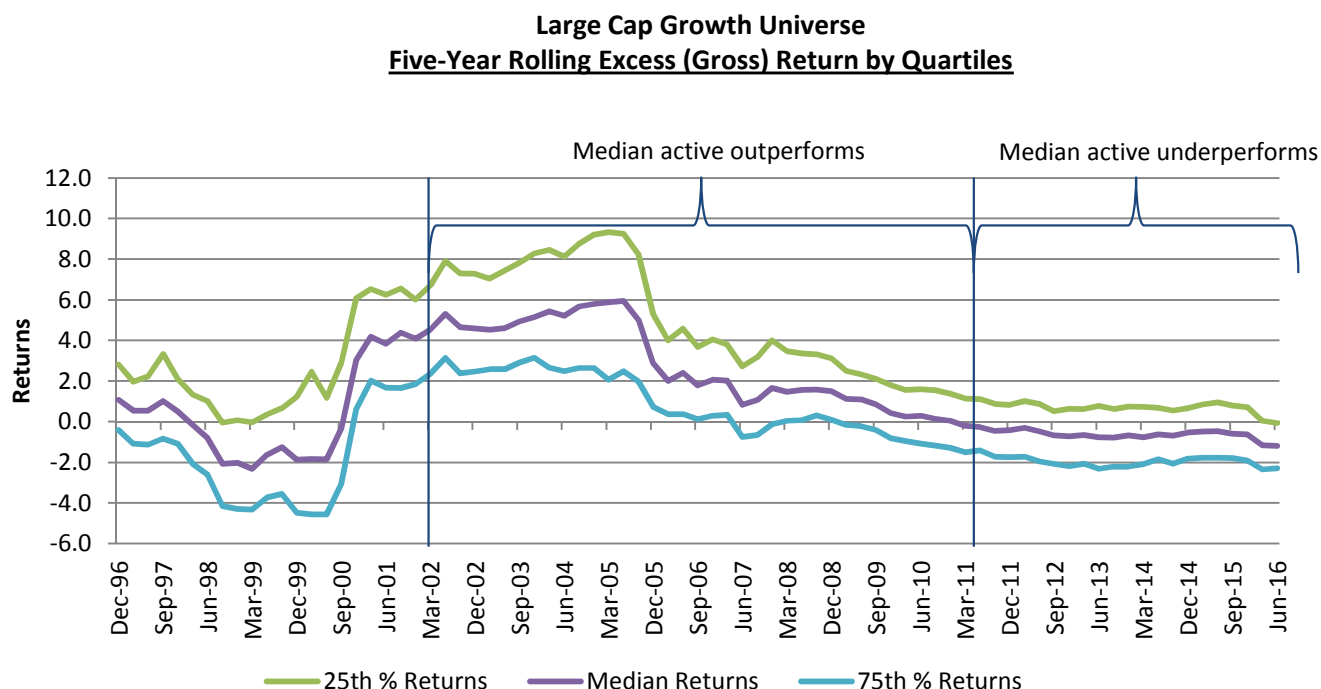
One-Year Performance Attribution

Calendar Year 2014 Attribution

Year-to-Date 2016 Attribution



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

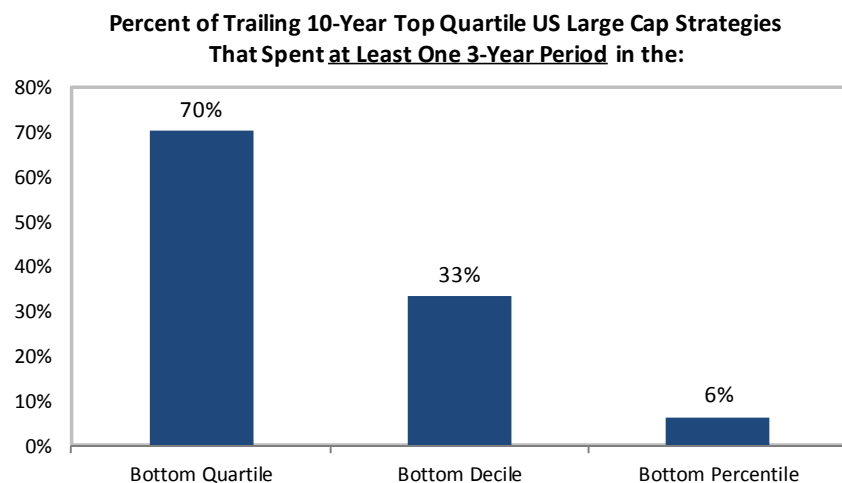


Active management's ability to add value is cyclical.

The five-year rolling excess returns of the median active manager have trailed the benchmark from December 2010 through June 2016.

The median active manager provided positive excess return from the end of the dot.com bubble until active excess returns began to decay in the aftermath of the Global Financial Crisis and start of quantitative easing.

US LARGE CAP MANAGER PERSISTENCE



Source: eVestment Alliance.

Consistent short- and long-term outperformance has been hard to come by.

Of the top quartile strategies over the past decade, 70% spent at least one three-year period in the bottom quartile. Additionally, 33% spent at least one three-year period in the bottom decile.

- This lack of persistence makes it challenging for investors to remain invested with the same manager during periods of poor performance.

Brown's return over the trailing 10 years places it in the second percentile (i.e., top decile) in the US large cap Universe.

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

Source: Windhorse Capital.

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

ACTIVE VS. PASSIVE IMPLEMENTATION

BIG PICTURE: THE ACTIVE VS. PASSIVE DECISION

A rational investor will pay an active management fee only if the perceived alpha potential is in excess of the management fee.

- Typical target is gross alpha of 2x-4x the fee.
- Otherwise, the investor:
 - Experiences benchmark (or less) returns, and
 - Experiences high volatility / tracking error.
- Meanwhile, the manager:
 - Gets wealthy.

Some asset classes require an investor to pursue active management, as passive implementation is not available or feasible.

- Private Assets:
 - Private Equity, Private Debt, Private Real Assets (Real Estate, Infrastructure, Natural Resources)
 - Hedge Funds (“Passive” ETFs are available, but the concern is not selecting “alpha” managers and being left with “expensive beta”)
 - Risk Parity

All other (more traditional) asset classes can be garnered passively or actively.

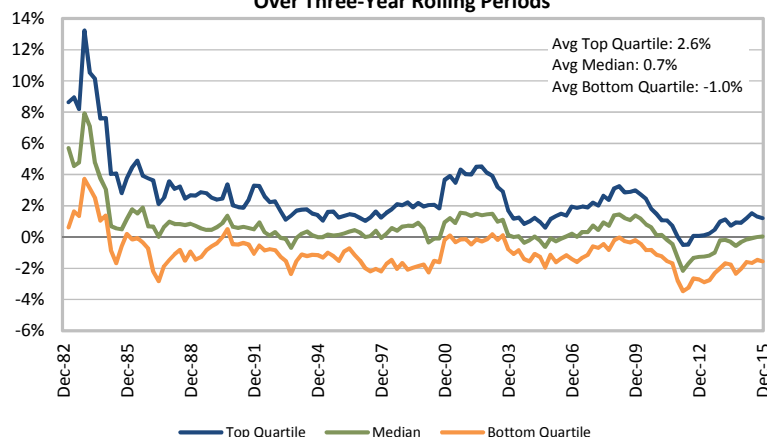
- Includes asset classes such as Public Equities, Public Fixed Income, Cash.
- Default position should be passive management, and an investor must be compelled to move away from this position.
- Reliant upon the skill of the active manager and the staff/consultant skill to select high quality managers.
- Must be sensitive to not over-diversify, ultimately producing an expensive index with active management fees.
- Caveat: All asset classes are subject to issues regarding the appropriateness of a benchmark comparison.
- Active and passive management both go through periods of under/outperformance.
- Some asset classes are better suited for active management.

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

Domestic Equity

Large Capitalization

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

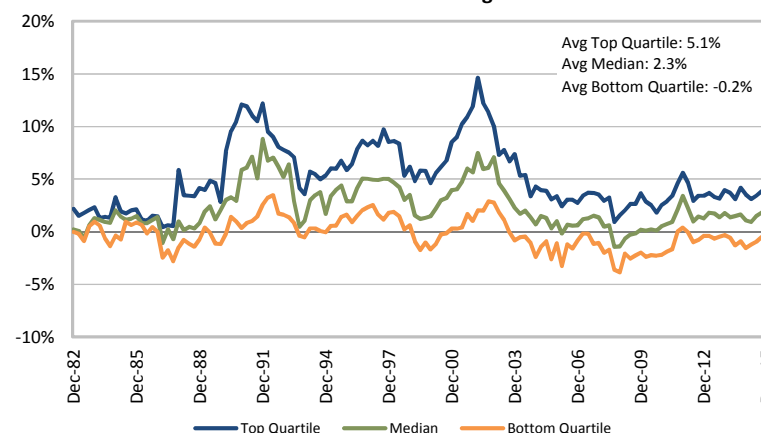


	Median	Top Quartile
Average Alpha	70 bps	260 bps
Average Fee	52 bps	
Multiple of Fee	1.3x	5.0x
Index Fee	2 bps	

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

Small Capitalization

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



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

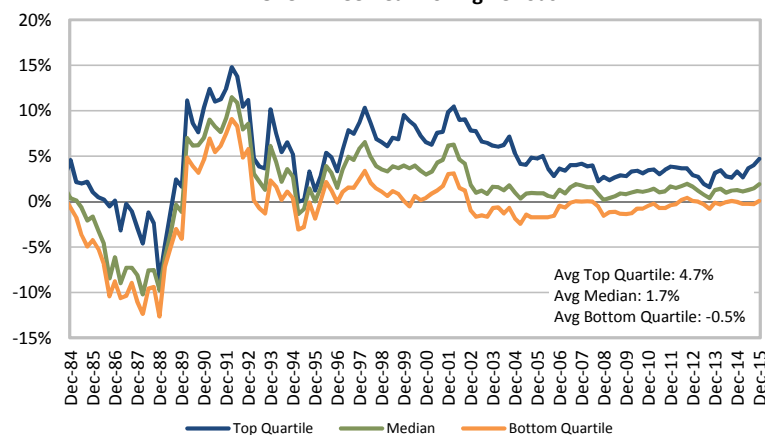
While an expensive asset class, greater excess returns can be realized with active management. Index management is fairly inexpensive.

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

International Equity

Developed International

Level of Over/Under Performance vs. MSCI EAFE
Over Three-Year Rolling Periods

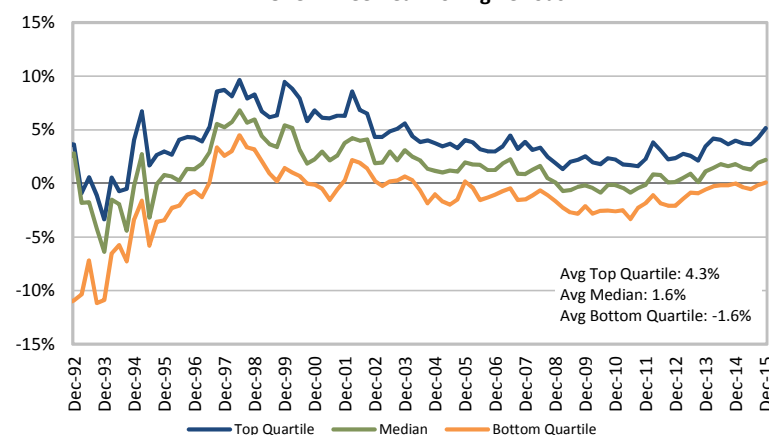


	Median	Top Quartile
Average Alpha	170 bps	470 bps
Average Fee	68 bps	
Multiple of Fee	2.5x	6.9x
Index Fee	7 bps	

The most substantial upside relative to the size of the active management fee.

Emerging Markets

Level of Over/Under Performance vs. MSCI Emerging Markets
Over Three-Year Rolling Periods



	Median	Top Quartile
Average Alpha	160 bps	430 bps
Average Fee	90 bps	
Multiple of Fee	1.8x	4.8x
Index Fee	20 bps	

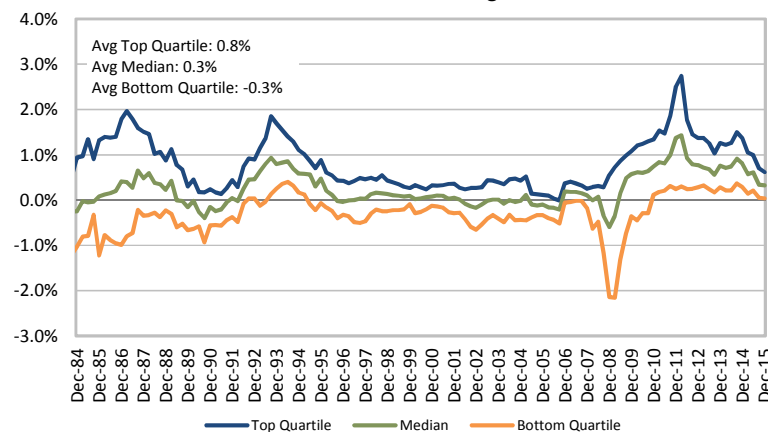
Substantial return difference between 1st quartile and median; asset class can be garnered inexpensively.

INDUSTRY EXCESS RETURN CHARACTERISTICS: FIXED INCOME (AS OF DECEMBER 31, 2015)

Fixed Income

Core Fixed Income

Level of Over/Under Performance vs. Barclays Aggregate Over Three-Year Rolling Periods

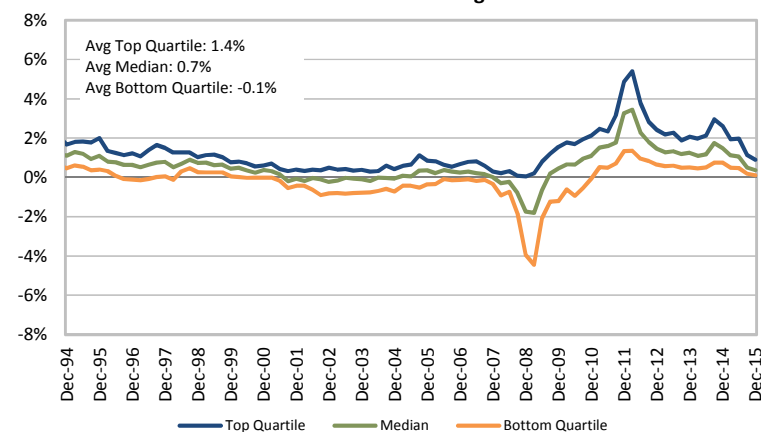


	Median	Top Quartile
Average Alpha	30 bps	80 bps
Average Fee	26 bps	
Multiple of Fee	1.2x	3.1x
Index Fee	~9 bps*	

Challenging to garner material excess returns from active management, net of fees.

Core Plus Fixed Income

Level of Over/Under Performance vs. Barclays Universal Over Three-Year Rolling Periods



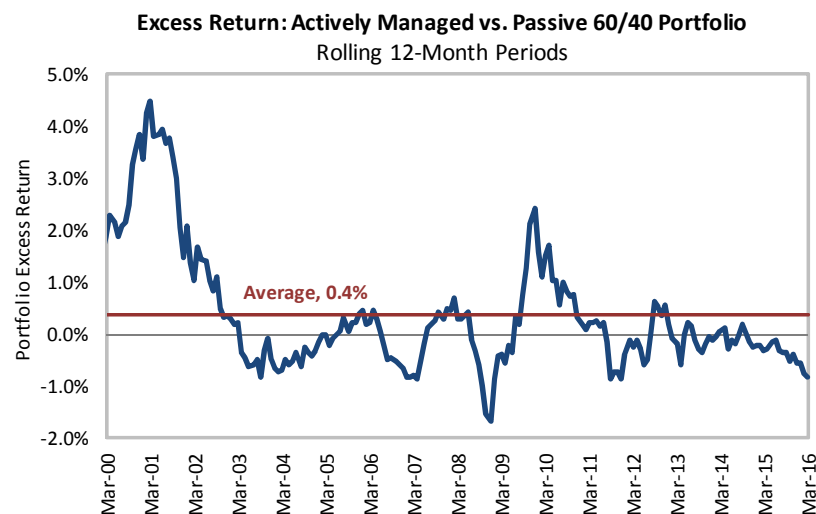
	Median	Top Quartile
Average Alpha	70 bps	140 bps
Average Fee	31 bps	
Multiple of Fee	2.3x	4.5x
Index Fee	~14 bps*	

A challenging space to realize substantial excess returns, net of fees, but significantly greater alpha potential than core fixed income.

Average fee estimates are for \$100 million mandate for Core Fixed Income and Core Plus Fixed Income.

*Index fee estimates based on iShares Core US Aggregate Bond ETF (Core) and iShares Core Total USD Bond Market ETF (Core Plus).

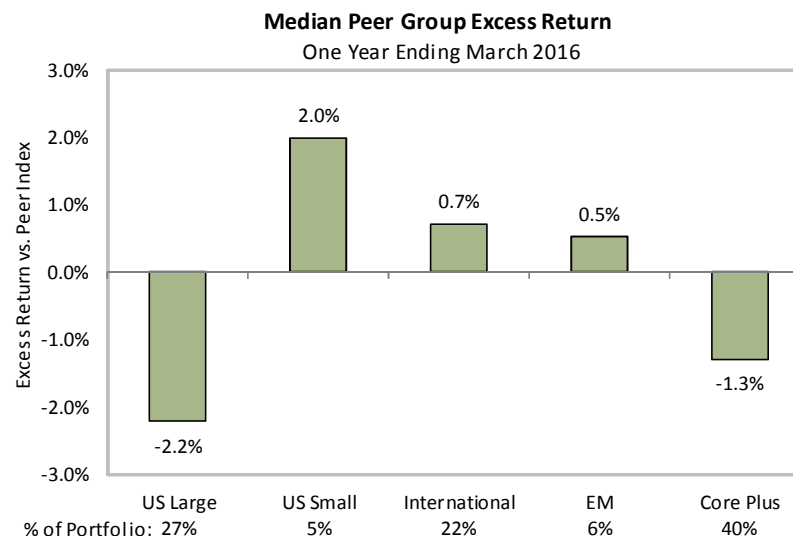
TRADITIONAL ACTIVE MANAGEMENT



In aggregate, a portfolio of median performing active managers has generated excess return for investors.

Positive excess returns for the median portfolio have occurred at a 52% batting average since December 1999.

For the 12 months ending March 2016 the portfolio underperformed by 0.8%, which falls in the 4th percentile of observations over this period.



During the most recent 12-month period, negative portfolio excess return has been driven by US large cap equity and core plus fixed income.

Given the large weights of these two categories in a hypothetical 60/40 portfolio (40% core plus and 27% US large), portfolios with more active management have in general been challenged.

Active management's underperformance has mostly been driven by US large cap and fixed income strategies.

Source: eVestment (Median Returns Net of Fees) – US Large vs. Russell 1000, US Small vs. Russell 2000, International vs. MSCI EAFE, Emerging Markets vs. MSCI EM, and Core Plus vs. Barclays Universal

INITIAL FINDINGS

The most challenging asset class to generate consistent manager alpha has been large cap domestic equity.

— This statement applies to both:

- The industry in general, and;
- The Fund's experience.

The following pages contain a “deeper dive” on the dynamics that have potentially produced this situation within the domestic large cap equity space.

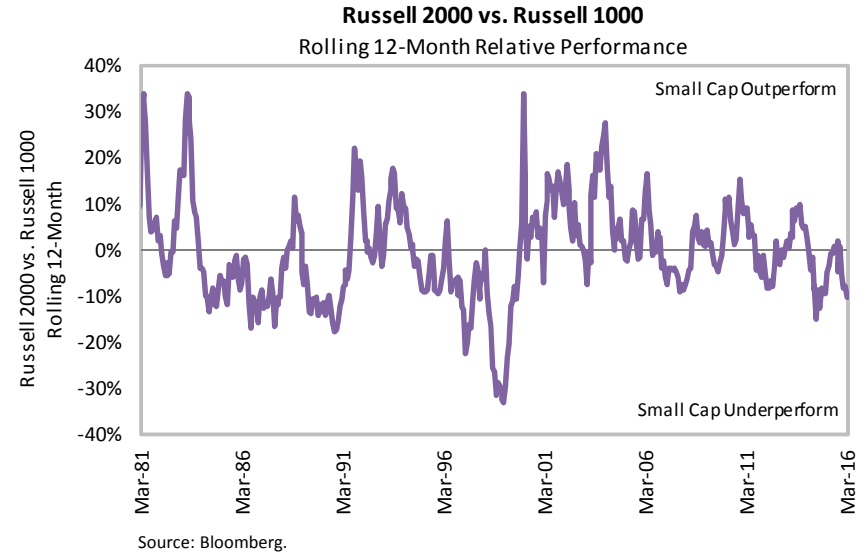
US LARGE CAP ACTIVE MANAGEMENT



Historically there has been a positive relationship between small cap equity performance (vs. large cap) and active manager performance (vs. benchmarks).

- Generally, small cap outperformance has resulted in better active manager performance vs. passive indices.

During the most recent 12-month period, the median US large active manager underperformed by 1.9%, and the Russell 2000 underperformed the Russell 1000 by 10.3%.



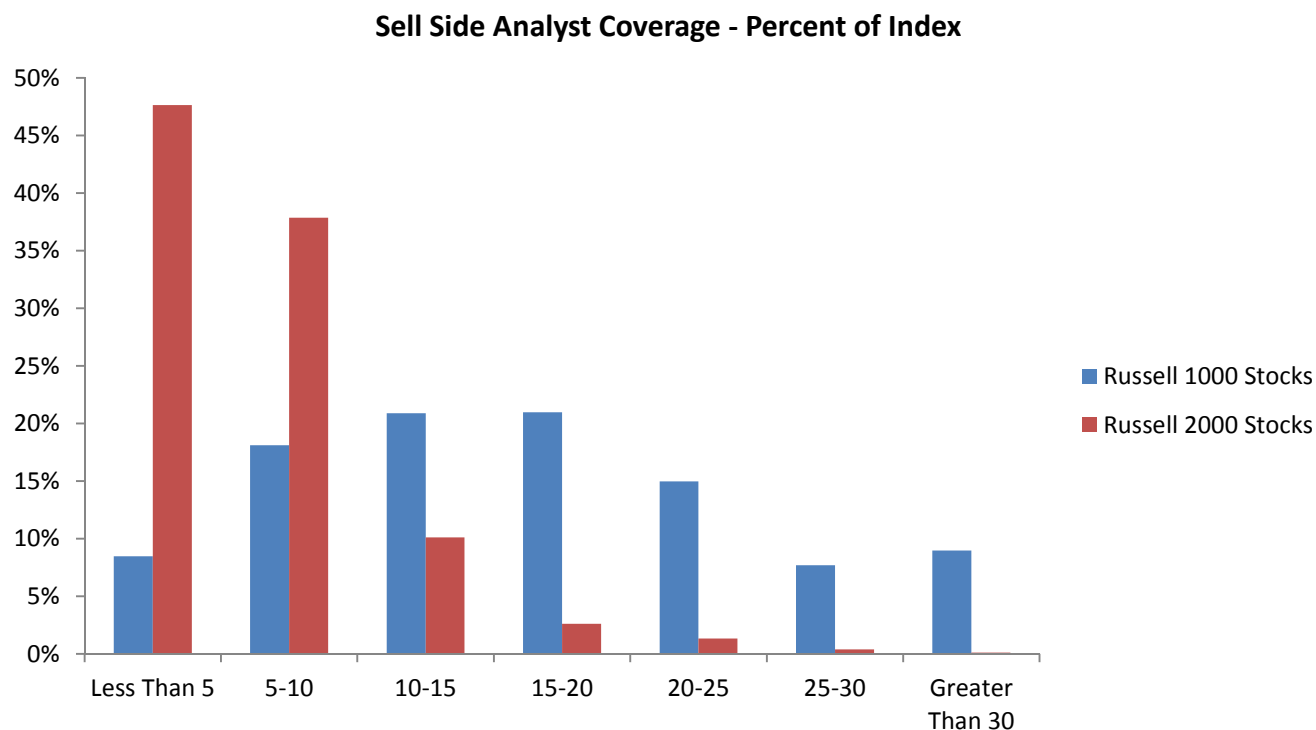
Historically, US small cap stocks have outperformed large cap stocks during 53% of monthly rolling 12-month periods.

At current valuations, US small caps are fairly valued relative to large cap, suggesting small cap performance should not be as much of a drag on active management going forward.

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

Source: Bloomberg.

US EQUITY SELL SIDE ANALYST COVERAGE: LARGE VERSUS SMALL



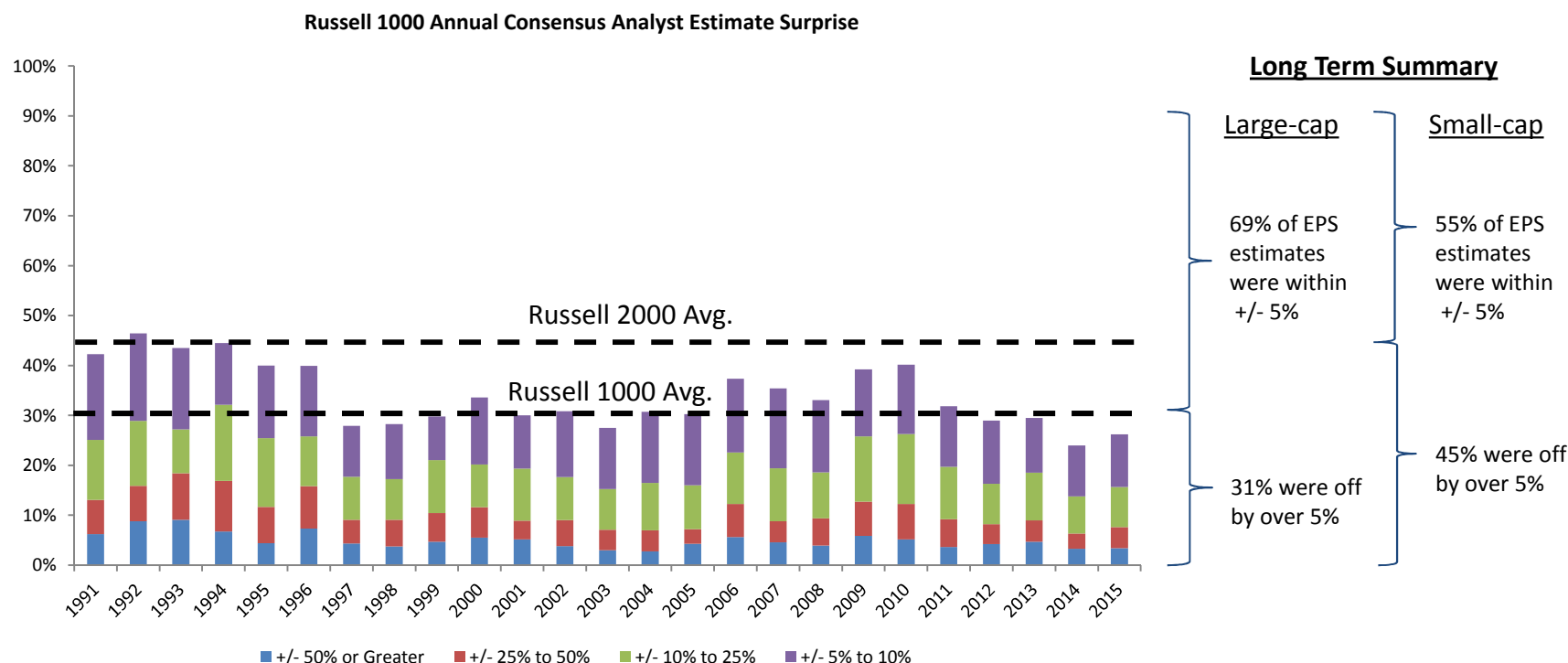
The median stock in the Russell 1000 Index currently has 16 independent sell-side analysts providing an EPS estimate for the next 12-month period. The most noteworthy stocks in the index have as many as 45 estimates – Google 45, Schlumberger 44, Facebook 44, Halliburton 42, Apple 41, Salesforce.com 40, etc.

It is hard to comprehend how an asset management firm can add much value by creating the 42nd opinion on Apple.

Coverage of small-cap stocks is dramatically lower, which is consistent with the less efficient, higher value added reality of the asset class.

— 85% of small cap names have less than ten analysts covering the stock.

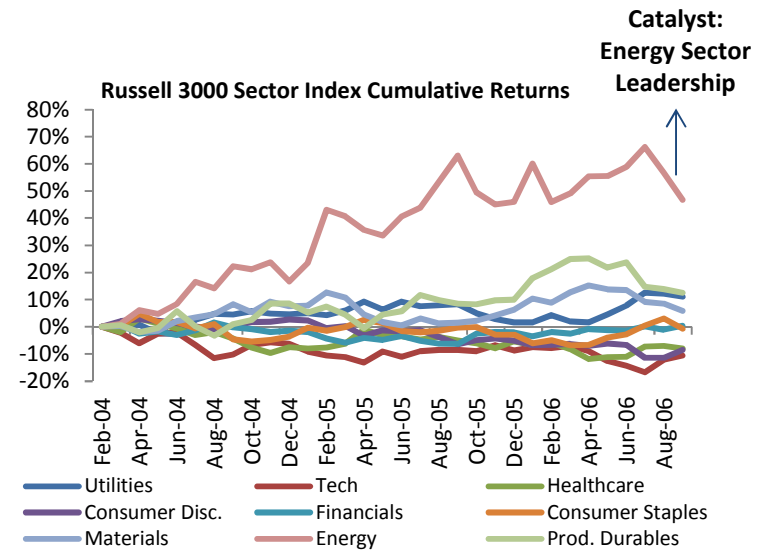
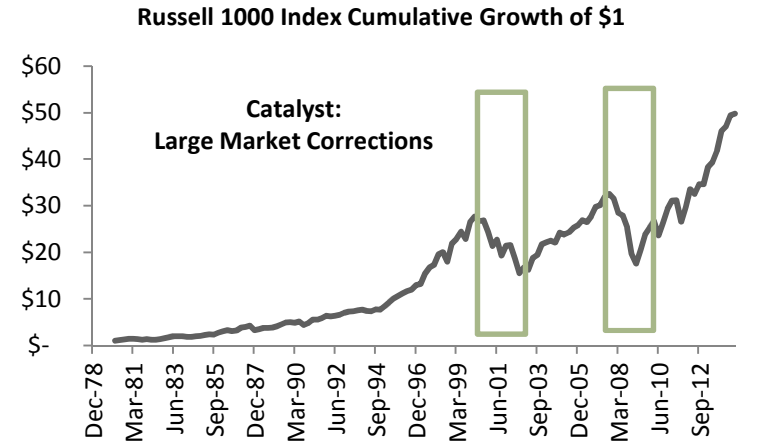
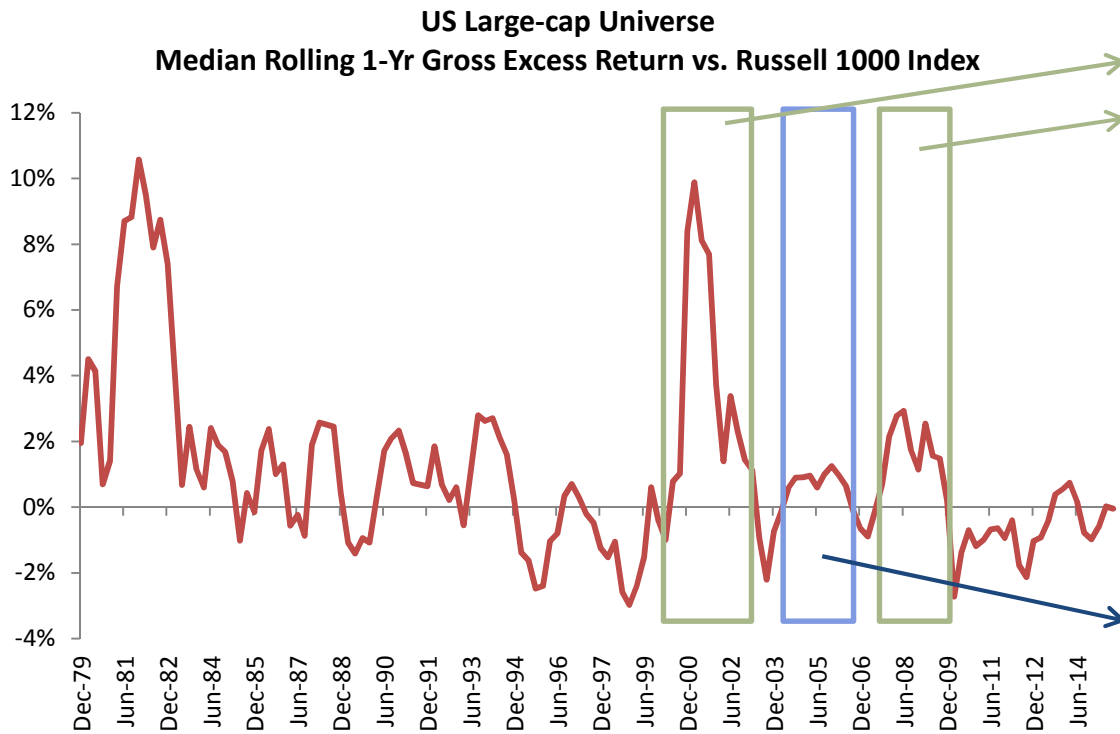
HOW “RIGHT” ARE ANALYSTS? EPS SURPRISE WITHIN LARGE CAP AND SMALL CAP



Fundamental research analysts at asset management firms generally take a view on whether a company is positioned to exceed or miss sell-side analyst estimates. When a company posts results widely off from sell-side estimates, the surprise results often are the catalyst for a large stock price move and future estimate revisions.

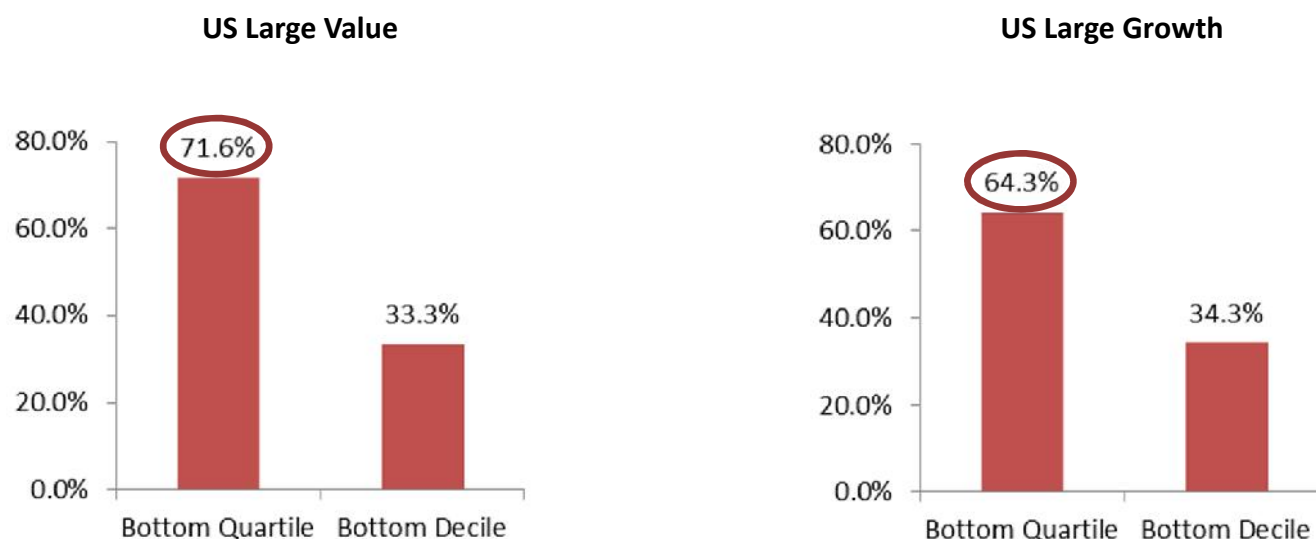
Within the Russell 1000 stock universe, sell-side analysts have historically been very accurate at estimating company results. In 2015, only 254 of the 1000 companies in the index surprised analyst estimates by greater or less than 5%. This implies that the opportunity set for fundamental analysts in US large-cap is fairly small.

MOST RECENT ENVIRONMENTS WHEN ACTIVE MANAGEMENT WORKED



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

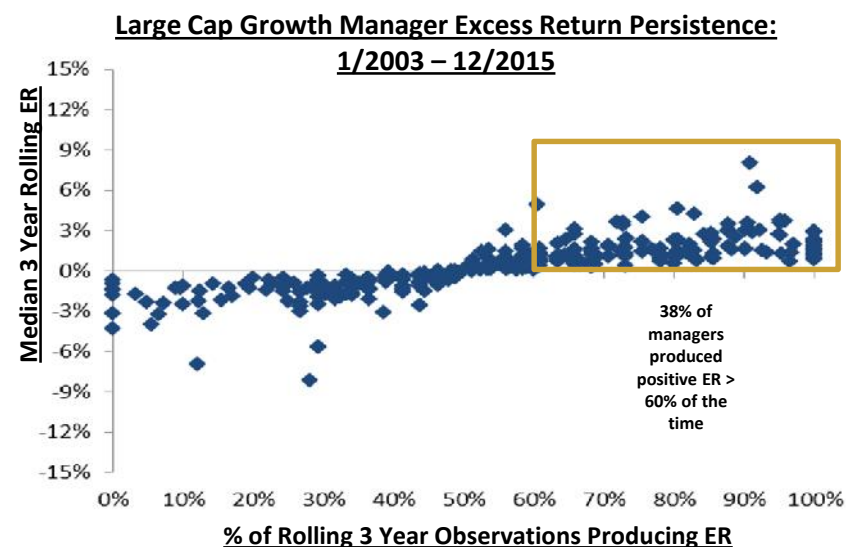
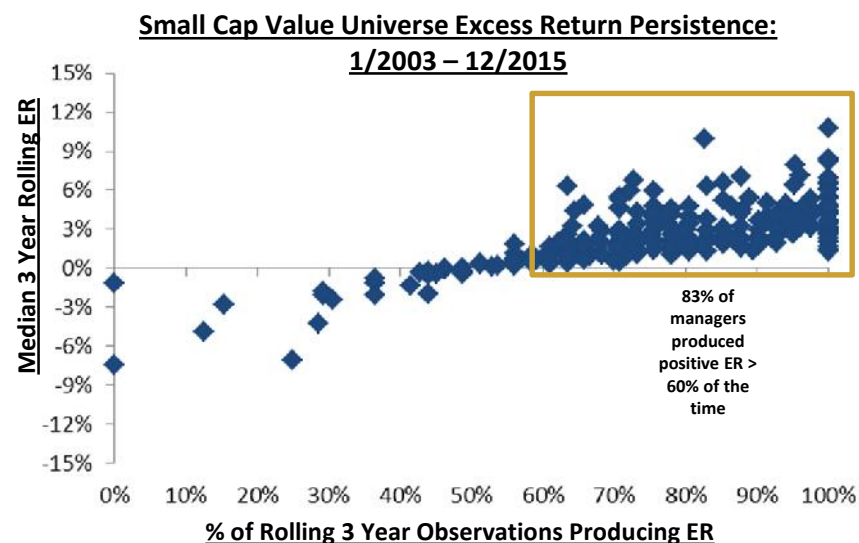
Percentage of Top-Quartile Managers over Most Recent 10 Years Who Ranked Poorly for at Least One 3-Year Period



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

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

LARGE CAP GROWTH INDEXATION – AN INEXPENSIVE ALTERNATIVE TO ACTIVE MANAGEMENT



Some asset classes (such as small cap value - upper left) are more inefficient, where active managers have more consistently added value over time.

The large cap growth space (upper right) has historically been one of the more difficult asset classes for managers to consistently add value. While Summit still believes alpha in the large cap growth space exists, the evidence is also supportive of the utilization of less expensive, passive alternatives for large cap growth allocations.

Because the asset class is large and liquid, several good options exist that tightly track the Russell 1000 Growth Index.

TAKEAWAYS REGARDING LARGE CAP ACTIVE MANAGEMENT

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

- **Patience:** A long-term time horizon is required. No manager can “get it right” all of the time. Tracking error goes both ways, and excess returns are lumpy in markets that are largely efficient.
- **Build a Portfolio of Managers with Diversified Style Biases.** If all strategies in the portfolio outperform during the same type of market environment, they will likely all underperform in a different type of market environment. Proper manager sizing and diversification across styles will allow for a portfolio structure that can weather challenging performance cycles.
- **Avoid Reactionary Responses:** Simply put, chasing recent performance does not work.
- **Rebalancing Can Be Additive to Performance.** If manager excess return expectations are well defined, mean reversion opportunities will present themselves. Taking money from outperforming strategies and giving it to underperforming strategies can only be implemented successfully if an understanding of when each strategy should and has added value is established up-front.
- **Dedicate Resources to the Endeavor:** The successful implementation of such a structure requires that resources are continually dedicated to the oversight of the investment program, allowing for the production of analysis to continue to address if the investment program is on track, even at times when it does not appear at first glance to be on track.

OTHER POSSIBLE APPROACHES

Numerous strategies can be employed to try to improve upon the default position (index management) within domestic large cap.

- We must not lose sight that this is not purely about performance, but we must have an eye towards the volatility and tracking error introduced by moving away from the default position.

Other possible approaches are described on the following page, which generally include:

- Quantitative/enhanced strategies that focus on modest alpha production with tight tracking error.
- A diversified portfolio of very different, very active managers. This type of approach generally produces the most volatile portfolio, with the highest amount of tracking error.
- A core/satellite approach.
 - This approach is a blend of the two strategies described above.
 - This approach utilizes either a passive or quantitative manager to provide the “anchor” within the portfolio to control tracking error, complemented by a select number of managers (sized accordingly) to provide most of the alpha potential.

THE SPECTRUM OF ACTIVE/PASSIVE IMPLEMENTATION OPTIONS

Passive

Investment Goal – Track the desired benchmark.

Pros – Provides low-cost exposure to desired asset class.

Cons – Zero excess return potential and slightly negative excess return net of fees.

Investment Case – Active management and manager selection in US large-cap is challenging and has historically gone through extended periods when it has been out of favor.

Implementation Considerations – Minimize cost and tracking error and maximize liquidity.

Benchmark Aware

Investment Goal – Beat desired benchmark while limiting tracking error.

Pros – Potential excess return upside with limited risk of a blowup.

Cons – Net of fee excess return is low compared to more active strategies.

Investment Case – There have been a number of strategies that have produced very consistent levels of excess return while maintaining low tracking error through high diversification.

Implementation Considerations – Fees matter a lot due to lower expected returns. Many strategies in this category don't explicitly come out and say that this is what they are doing. A large number of strategies in this category fail to outperform.

Very Active

Investment Goal – Beat desired benchmark.

Pros – High potential excess return.

Cons – Excess returns are typically lumpy due to biased investment styles and tracking error is high.

Investment Case – There have been a number of strategies that have been able to deliver very high excess returns when the strategy's style was in favor and kept up with their benchmark in other periods.

Implementation Considerations – Hiring, firing, and reweighting these types of strategies at the right times is extremely important. Utilization of multiple strategies using different investment biases often produces higher risk adjusted returns than a single strategy.

Core/Satellite – utilizes a blend of approaches

CONCLUSIONS AND RECOMMENDATIONS

CONCLUSIONS

Some asset classes require the use of active management, as passive alternatives do not exist.

For those asset classes where a passive alternative exists, the default position should be passive management.

An investor must be compelled to move away from the default (passive) position.

Industry data indicates that large cap domestic is the most challenging asset class for active management to add value.

Active and passive move into and out of favor over time.

RECOMMENDATIONS

Large Cap:

- Current portfolio combination of active and passive index management is appropriate.
- Passive default is acceptable as well, especially in the large cap growth space.
- Sizing between active and passive should be discussed, as well as timing of possible shifts.

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