

**CITY OF JACKSONVILLE
POLICE AND FIRE PENSION FUND
STATEMENT OF INVESTMENT POLICY
EXECUTIVE SUMMARY**

I. INTRODUCTION AND PURPOSE

The purpose of the Investment Policy is to comply with statutory and common law fiduciary principles to ensure that Fund assets are prudently invested in a diversified portfolio for the highest and best return with an prudent level of risk. The program of investments reflected in the Policy is intended to make a significant contribution to the financial needs of the Fund to assure the membership that benefits will be paid as and when they become due.

II. GENERAL

The Board of Trustees is charged with the final authority in making the purposes of this Policy effective. The Board, in accordance with state law, the City Charter and Code, and general fiduciary principles may delegate specific investment functions to carefully selected professionals. The Board retains a continuing duty to monitor performance and ensure accountability of asset managers and the investment consultant. The Financial Investment Advisory Committee has been created to bring additional professional advice and experience to the investment process by increasing the local stakeholder participation on the management of the Fund.

The Policy embodies and applies the prudent investor standard that investment decisions will reflect those actions which a prudent investor, as defined in Florida law, would take in the management of a retirement system. The policy applies not only the express statutory provisions of Chapters 112, 175, 185, 247, and 518 Florida Statutes, but draws from comparable standards in Section 404 of ERISA. The Fund recognizes that ERISA does not apply to public employee retirement systems, but reference to federal cases applying ERISA in the prudent investor context, provides some illustrative examples in the absence of comparable jurisprudence interpreting Florida law.

The specific investment strategies available to the Fund are further outlined in Chapter 22 of the City Charter and Chapter 121 of the Ordinance Code. The Board, staff and professionals have a duty to be familiar with and apply these statutory grants and restrictions.

III. INVESTMENT OBJECTIVES

The overarching purpose of the investment program is to provide sufficient growth of assets to meet long term benefit needs of the Fund while maintaining sufficient liquidity to make timely payments to retirees and beneficiaries.

The Policy depends on the adoption of a diversified program of investment strategies with appropriate benchmarks. The goal of the investment program is to achieve a long term goal of 4.5% growth, net of inflation and to achieve the actuarially assumed rate of return of 7%. To achieve these goals, active asset managers are expected to exceed the median benchmark in each relevant asset universe over market cycles of 3-5 years. Passive asset managers are expected to achieve an annualized return, gross of fees, that matches the underlying market benchmark, with a minimum tracking error to the benchmark index.

IV. INVESTMENT POLICIES

All invested assets will be managed by professional investor advisors, chosen through a program of proper due diligence. The Board shall make all hiring and termination decisions, with the advice of the FIAC and the Fund's investment consultant.

It is the aim of the Policy that the Fund be fully invested, but with sufficient liquidity to meet the payroll needs of the retirees and beneficiaries and to defray the reasonable expenses of the Fund. The assets are reserved at all times for the benefit of the Fund and the managerial needs of the Fund to provide services to its membership.

All financial assets, except those assets needed for immediate payment of benefits or fund expenses shall be maintained by the

custodian. Immediate cash needs of the Fund may be maintained by a local financial institution, including the City treasury.

The portfolio shall be allocated in a broad range of lawful investment strategies to enhance return, limit volatility and reduce long term risk.

Payment for investment transactions and delivery of securities shall be governed by prudent principles to limit fraud and provide for proper safekeeping.

There shall be continuing review of all investment practices, including a review of risk and internal controls in an annual audit.

Trustees, FIAC, and staff shall be provided regular training and education related to investments.

V. AUTHORIZED CLASSES OF INVESTMENT

All authorized investments shall be within those classes provided in Section 215.47, Fla. Stat., as modified by the City Ordinance Code and City Charter 22.02d. These include domestic equities, domestic bonds; certain governmental bonds; foreign equities and bonds; real estate; and certain classes of alternative investments. There shall be no investment in hedge funds. Various categories are limited as a percentage of the total portfolio, at cost.

Assets may be loaned by the custodian in a prudent program of securities lending with adequate collateral and proper risk assessment to avoid the credit, market, and collateral risk in each lending transaction.

The Board, in consultation with the FIAC and the investment consultant shall allocate assets in accordance with the ranges and limits set in the Policy. Performance of each class shall be measured by the benchmarks established in the policy.

The portfolio ranges reflected in the Policy are designed to minimize risk and volatility through broad diversification over the full range of the permissible investment market. The portfolio shall further be

allocated into various active and passive strategies.

VII. PORTFOLIO GUIDELINES

For each asset class and strategy, the Board, in consultation with the Administrator, investment consultant, the managers, the FIAC, and the actuary shall continually evaluate the asset allocation and investment styles to achieve the long term goals of the Fund.

The Policy establishes guidelines and restrictions of each asset class. The effectiveness of these restrictions shall be evaluated on a continuing basis. In addition, fees shall be evaluated annually.

Consistent with the fiduciary and due diligence principles in the Policy, the Board shall give consideration to qualified minority, emerging and local managers.

The Fund may consider economically targeted investments and the consideration of ESG (environmental, social, governance) principles in its investment decisions, provided such considerations are otherwise consistent with the goals and standards contained in the Policy.

VIII. ROLES AND RESPONSIBILITIES

The Policy sets forth specific roles and responsibilities of the custodian, investment managers, the Board, the Administrator, the City Treasurer, the investment consultant, and other external service providers.

Each such provider should be asked to explain their knowledge of their roles and responsibilities to the Board as reflected in this Policy. It is ultimately the duty of the Board to ensure adherence to these roles and to maintain accountability for each.

IX. FUND PERFORMANCE MEASUREMENT STANDARDS

Ultimately, the success of the Policy can only be measured by meaningful standards of measurement. The Policy provides for

assessment of performance by managers and for the comparison of benchmarks over a rolling 3-5 year period.

Benchmarks have been identified for each asset class with a target goal of exceeding the median in a universe of similarly managed public pension fund portfolios. Benchmarks shall be evaluated by the Board on a continuing basis to determine their continuing viability.

X. REPORTING REQUIREMENTS

The Policy also provides for an orderly process of monthly, quarterly and annual evaluations of the portfolio performance.

At all times the Board retains the right to change managers for any reason which the Board deems sufficient, which reasons shall include but not be limited to performance, change in ownership or personnel, and adverse regulatory activity.

XI. PROXY VOTING POLICY

Proxy voting rights are a valuable asset of the Fund and shall be exercised consistent with accepted fiduciary principles. As the Policy adopts a prudent expert rule for proxy voting, delegation to the managers within that standard is appropriate. The voting of proxies shall at all times be guided by what is in the best interest of the Fund and its participants. Each manager shall report the proxy votes made and the rationale to the Board.

XII. OTHER

The Fund shall be audited annually by an independent CPA.

Asset values shall be at the market value reported by the custodian.

The Fund may employ commission recapture programs consistent with Section 28e of the Securities and Exchange Act of 1934. In the creation and evaluation of any such program, best execution shall be the guiding principle.

The Board has the discretion to employ transition managers for the orderly liquidation of the portfolio of a terminated manager. The transition manager shall not be affiliated with the investment consultant.

All investment managers shall have written contracts. The contracts shall be governed by Florida law and venue for any dispute shall be in the appropriate state or federal court in Duval County. Each manager shall be a fiduciary to the Fund and shall conduct its actions in accordance with accepted statutory and common law fiduciary principles. Managers shall acknowledge familiarity with governing statutory provisions and adherence to the investment policy. All contracts shall be terminable at will and without a penalty. All investment advisors shall be registered with the SEC and shall agree to promptly notify the Fund of any regulatory, criminal, or civil investigation relating to the performance of investment duties.

Appendix

As of August 2016 the Target Asset Allocation approved by the Board of Trustees is as follows:

DOMESTIC EQUITIES	39.0%
Large Cap	31.4%
Small-Mid Cap	7.6%
INTERNATIONAL EQUITY	20.0%
Developed Markets	14.0%
Emerging Markets	6.0%
PRIVATE EQUITY	0%
FIXED INCOME	20.5%
Core	4.0%
Core Plus	15.5%
Cash	1.0%
TIPs	0%
REAL ASSETS	20.5%*
Core Real Estate	10%
Private Non-Core Real Estate	5%
MLPs	5.5%
Private Real Assets/Natural Resources	0%

*An amount equivalent to approximately 1% is represented by the office building housing the Fund's administrative offices and the adjoining parking garage.

In pursuit of incremental investment returns or avoid risk, the Board may, in consultation with the investment consultant, consider a variance in the asset mix from the long term strategic allocation based on market conditions and the investment environment for the individual asset classes. After considering the nature of current and anticipated economic conditions, the absolute values of asset class investments and the relative valuations between asset classes; the Board may elect to pursue such variances in accordance with the following established ranges (percentages are based on the market value of the Fund's assets):

ASSET CLASS RANGE	
DOMESTIC EQUITIES	34-44%
INTERNATIONAL EQUITIES	15%-25%
PRIVATE EQUITY	0-10%
FIXED INCOME	14.5%-24.5% **
REAL ESTATE	10-20%
MLPs	0%-10%
PRIVATE REAL ASSETS	0-5%
CASH EQUIVALENTS	0-5%

