

**BOARD OF PENSION TRUSTEES  
FOR THE  
CITY OF JACKSONVILLE RETIREMENT SYSTEM  
Thursday, December 19, 2024, at 2 PM  
City Hall Conference Room 3C**

**AGENDA**

**1. CALL TO ORDER**

**2. PUBLIC COMMENT**

**3. MINUTES**

- a. Copy of November 21, 2024, and December 5, 2024, Board of Trustees Minutes;  
RECOMMENDED ACTION: APPROVAL

**4. NEW BUSINESS**

- a. GEPP November 2024 Consent; PAC RECOMMENDED ACTION: APPROVAL  
b. COPP November 2024 Consent; COPAC RECOMMENDED ACTION: APPROVAL

**5. INVESTMENT AND FINANCIAL MATTERS**

- a. November Investment Performance Review  
b. International Equity Structure Review  
c. IPS refresh  
d. Staff Update
  - Investment Activity Report

**6. OLD BUSINESS**

None

**7. ADMINISTRATIVE**

- a. Staff Update

**8. INFORMATION**

- a. Financial Discussion with Harrison Street- Real Estate scheduled for Thursday, February 6, 2025, at 12:30 PM (meet and greet starts at 12:00)  
b. Next regular BOT meeting scheduled for Thursday, January 23, 2025, at 2 PM

**9. PRIVILEGE OF THE FLOOR**

**10. ADJOURNMENT**

**BOARD OF PENSION TRUSTEES  
FOR THE  
CITY OF JACKSONVILLE RETIREMENT SYSTEM  
November 21, 2024**

**MINUTES**

**2:00 PM, held in Person in City Hall Conference Room 3C and via Zoom.**

**Members Present**

Julie Bessent  
Michelle Fletcher  
Leah Hayes  
Kelli O'Leary (on behalf of Karen Bowling)  
Eric Smith  
Sage Sullivan

**Members Not Present**

Jeffrey Bernardo, Chair  
Anna Brosche, Vice Chair  
David Kilcrease, Secretary

**Staff Present**

Chris Cicero, Treasurer  
Eric Jordan, Financial Specialist  
Brennan Merrell, Chief Investment Officer  
Andy Robinson, Pension Administrator  
John Sawyer, OGC  
Hannah Wells, Assistant Pension Administrator

**Others Present**

Jordan Cipriani, RVK  
Jake Gerbner, RVK (via Zoom)  
Matt Sturdivan, RVK (via Zoom)  
David Hirschberg, HIG  
Dycie Ellis-Beckham, HIG

**1. CALL TO ORDER**

Mr. Robinson informed the members present that a motion was required to appoint a Chair for the meeting. Ms. Bessent nominated Eric Smith to serve as Acting Chair for the November 21, 2024, meeting. Ms. O'Leary seconded the motion.

Chair Smith called the meeting to order at 2:00 PM.

## **2. PUBLIC COMMENT**

Mr. Robinson welcomed Sage Sullivan, the Chair of the Pension Advisory Committee, and Michelle Fletcher, the Chair of the Correctional Officers Advisory Committee, to the Board of Trustees. He also provided a revised agenda to the members present, noting that the Evidentiary Hearing Review had been postponed.

## **3. MINUTES**

Ms. Hayes motioned to approve the minutes. Ms. O'Leary seconded the motion. The Chair asked for discussion and there was none. The Chair took a vote, and the motion passed unanimously.

## **4. NEW BUSINESS**

### **a. Consent agendas**

Ms. Hayes motioned to approve the consent agendas. Ms. Bessent seconded the motion. The Chair asked for discussion. The Chair took a vote, and the motion passed unanimously.

### **b. KW Disability Benefit Review**

The Pension Office has a completed disability benefits application with the Medical Review Officer (MRO) report. Mr. Robinson presented the case to the board. He provided details of the application and the determination by the City's MRO that the disability is permanent, total, and not pre-existing employment with the city. The disability request meets the criteria for approval by the Board.

Ms. Hayes motioned to approve the disability application. Ms. Bessent seconded the motion. Hearing no further discussion, the Chair called for a vote and the motion was approved with all voting in favor.

## **5. INVESTMENT AND FINANCIAL MATTERS**

Mr. Merrell and Ms. Cipriani reviewed RVK's recommendation to invest \$15 million dollars in HIG Realty Partners Fund V. Ms. Cipriani noted the COJ pension participated in HIG fund 4, the first non-core real estate invested the pension fund when establishing the target to non-core real estate.

Mr. Merrell and Ms. Cipriani introduced Dycie Ellis-Beckham and David Hirschberg from HIG Realty Partners. Ms. Ellis-Beckham provided an overview of Fund 5, highlighting its key terms, and reviewed HIG's total assets under management across real assets, private equity, and credit. Mr. Hirschberg delivered a high-level summary of H.I.G.'s investment approach, targeted asset classes, opportunities, performance, and senior leadership and

investment teams. Ms. Ellis-Beckham reviewed HIG's robust pipeline across various asset classes to deploy their \$289 million in equity. A thorough discussion was held between HIG representatives, board members, RVK, and staff present.

Ms. O'Leary motioned to accept the recommendation from RVK and Staff to commit \$15 million to HIG Realty Partners Fund 5. Ms. Hayes seconded the motion. The Chair asked for discussion and there was none. The Chair took a vote, and the motion passed unanimously.

Mr. Merrell introduced the team from RVK to provide an overview of the 2024 third quarter investments. Ms. Cipriani reviewed the Quarterly Investment Performance. She provided a detailed overview of the capital markets, asset allocations, investment manager watch list, and the schedule of investable assets. Ms. Cipriani stated the investment manager Eagle Capital Large Cap Value was added to the watch list as of March 2024 due to turnover within their investment teams. Regarding the schedule of investable assets FYTD, the starting market value was about \$2.21 billion dollars with net cash outflows of \$104 million, and investment gains of about \$369 million. This translates to a current value of approximately \$2.47 billion with a 16.69 % return.

Mr. Merrell provided a high-level overview of the preliminary investment flash report. The total fund was valued at approximately \$2.4 billion, down 0.57% MTD and FYTD. He clarified that these figures are preliminary due to the early scheduling of the board meeting for the holidays and assured the members that an updated flash report would be distributed once final numbers are available. He also highlighted the relative performance of the investment managers, discussing both the top performers and those who underperformed for the month.

Mr. Sturdivan delivered a detailed overview of Pinnacle Small-Mid Cap Growth Equity, covering the firm's strategy, structure, team composition, and recent performance. He explained that Pinnacle's performance over the trailing 18 months has faced challenges due to market conditions favoring stocks not typically targeted by the strategy, as well as stock selection decisions made by the investment team. The investment approach, which inherently generates above-average levels of tracking error, requires patience from investors. However, given the magnitude of recent underperformance, RVK recommended that clients reassess their conviction in Pinnacle and its role within their portfolios. A lengthy discussion was held between board members, staff, and RVK. Mr. Merrell concluded by noting that RVK and staff will present an update on Pinnacle in the new year for the Board to review and provide guidance to RVK.

Mr. Merrell and Ms. Cipriani provided a detailed overview of the recently redlined Investment Policy Statement (IPS) review. The updates were designed to align the IPS with the responsibilities already being carried out by the Board and the investment consultant. Mr. Merrell recommended deferring the review and approval of the redlined IPS to the January meeting, citing the absence of three Board members and the need to give the two new members ample time to review the updated document. A discussion followed among RVK and the Board members present. Mr. Merrell encouraged all

members to thoroughly review the revised IPS over the next month, with plans to revisit and discuss it in greater detail during the January Board meeting.

Mr. Merrell said the next investment workshop will be held on December 5, 2024, with Loomis Sayles - Economist. Lastly, he provided an update on ongoing cash flows related to capital calls and disbursements.

Mr. Merrell reviewed the staff recommendation regarding Investment Consulting services. Staff recommend accepting and consolidating the remaining three one-year renewals, increasing the cumulative maximum indebtedness to \$2 million, with the contract ending on January 31, 2028. Anticipate issuing an RFP in the middle of 2027. A discussion was held between members, staff, and OGC.

Ms. O'Leary made a motion to accept staff's recommendation to consolidate the remaining three one-year renewals, increasing the cumulative maximum indebtedness to \$2 million, with the contract ending on January 31, 2028, and anticipating issuing an RFP in the middle of 2027. Ms. Bessent seconded the motion. Hearing no further discussion, the Chair called for a vote and the motion was approved with all voting in favor.

## **6. OLD BUSINESS**

## **7. ADMINISTRATIVE**

Mr. Robinson reported that the pension office staff has been diligently preparing for 1099-R processing and has transmitted all relevant data from the prior fiscal year to the actuary. This data will be used for the current valuation and a discount rate comparison, both of which are expected to be presented in the first quarter. He also noted that the pension office continues to experience high volumes, having processed approximately 600 retirement estimates and requests year-to-date.

## **INFORMATION**

The next regular BOT meeting is scheduled for Thursday, December 19, 2024, at 2 PM.

Investment due diligence workshop will be held Thursday, December 5, 2024, at 12:30 PM.

## **8. PRIVILEGE OF THE FLOOR**

A discussion was held regarding why the Evidentiary Hearing Review was postponed.

## **9. ADJOURNMENT**

The Chair adjourned the meeting at 4:07 PM.

**BOARD OF PENSION TRUSTEES  
FOR THE  
CITY OF JACKSONVILLE RETIREMENT SYSTEM  
December 5, 2024**

**MINUTES**

**12:30 PM, held in Person in City Hall Conference Room 3C and via Teams.**

**Members Present**

Jeffrey Bernardo, Chair (via Teams)  
David Kilcrease, Secretary  
Leah Hayes  
Sage Sullivan  
Milena Spasova (via Teams)

**Members Not Present**

Julie Bessent  
Anna Brosche  
Michelle Fletcher  
Kelli O'Leary (on behalf of Karen Bowling)  
Eric Smith

**Staff Present**

Brennan Merrell, Chief Investment Officer  
Chris Cicero, Treasurer  
Eric Jordan, Financial Specialist – Treasury  
Hannah Wells, Pension Administration Assistant Manager (via Teams)  
Sheryl Strickland, Senior Pension Coordinator (via Teams)

**Others Present**

Craig Burelle, Global Macro Strategist, Loomis Sayles  
Matthew Buxton, Relationship Manager, Loomis Sayles

**1. CALL TO ORDER**

Secretary Kilcrease called the meeting to order at 12:30 PM.

This is a workshop for educational purposes. No votes will take place at the meeting.

**2. PUBLIC COMMENT**

There was none.

**3. INVESTMENT AND FINANCIAL MATTERS**

## Loomis Sayles Macro Economic Update

Mr. Merrell introduced Matt Buxton and Craig Burelle from Loomis Sayles.

Mr. Buxton explained Loomis Sayles has \$388 billion assets under management, and he highlighted Loomis Sayles's role in managing the City's fixed income and large-cap growth mandates within the DB and DC plans

Mr. Burelle referred to the slide deck provided for his discussion of the global macroeconomic update. He reviewed the credit cycle framework, delineating the characteristics of economies in recovery, expansion, downturn, or credit repair. Mr. Burelle said the current US economy aligns most closely with the expansion phase. Mr. Burelle explained how his team voted on the probability of which credit cycle scenario the US may represent in the coming months. The base case, at 55%, places the US economy mid-expansion with interest rates softer for longer. They arrived at 35% chance for late cycle with interest rates higher for longer and 10% chance for late cycle with growth scare.

Purchasing manager indices (PMI) show manufacturing is down globally while the PMI for services reflects resiliency. Personal consumption expenditure remains a significant contributor to US Real GDP along with government consumption and gross private domestic investment. Mr. Burrel compared this to China, which has showed diminished consumption and investment alongside minimal inflation. Mr. Burelle discussed the headline inflation trend, which is gradually easing down.

Mr. Merrell asked about the impact of wage increases, and Mr. Burelle pointed out that the workforce is starting to claw back some of their share of corporate profits. He discussed some of the impact scenarios for GDP related to increased personal income. Mr. Burelle broke down the contributors to US inflation, with services as the main driver followed by shelter. He said there is a downward trend for shelter prices.

Mr. Burelle stated that wage growth shows deceleration, which should contribute to disinflation. Concerning the labor market, unemployment initial claims remain low while overall unemployment has increased over the past few months. Credit card delinquencies have been on the rise for the past few years, signaling stress among lower income consumers. Consumer net worth continues to increase, especially in higher income cohorts. Mr. Burelle explained that there is a consensus at Loomis Sayles that S&P 500 earnings for 2025 will remain high. US equities have outperformed major developed and emerging markets.

#### 4. **OLD BUSINESS**

N/A

#### 5. **ADMINISTRATIVE**

N/A

**6. INFORMATION**

The next regular BOT meeting is scheduled for Thursday, December 19, 2024, at 2 PM.

Investment due diligence workshop will be held Thursday, February 6, 2025, at 12:30 PM

**7. PRIVILEGE OF THE FLOOR**

None

**8. ADJOURNMENT**

Secretary Kilcrease adjourned the meeting at 1:46 PM.



**GENERAL EMPLOYEES PENSION ADVISORY COMMITTEE  
FOR THE  
BOARD OF PENSION TRUSTEES**

**November 2024**

**CONSENT AGENDA FOR RECOMMENDED BENEFITS**

**ALL CALCULATIONS AND DOLLAR AMOUNTS HAVE BEEN AUDITED IN ACCORDANCE WITH THE ACCEPTED PROCEDURES.**

**1. TIME SERVICE RETIREMENTS**

Lorise L Carter, (City), effective November 2, 2024, in the monthly base amount of \$482.37 at the rate of 19.79% (7 years and 11 months) 15% PLOP \$12,737.68

Curtis A Crossley, (City), effective September 28, 2024, in the monthly base amount of \$4,227.23 at the rate of 59.58% (23 years and 10 months)

Paula N Foss, (City), effective October 26, 2024, in the monthly base amount of \$1,751.11 at the rate of 61.25% (24 years and 6 months) 10% PLOP \$38,903.64

Jeffery W Lawson, (City), effective November 2, 2024, in the monthly base amount of \$2,006.37 at the rate of 50% (20 years)

Paul J Legge, (JEA), effective September 28, 2024, in the monthly base amount of \$4,787.88 at the rate of 57.5% (23 years)

Bryan W Smith, (JEA), effective September 28, 2024, in the monthly base amount of \$6,518.20 at the rate of 58.13% (23 years and 3 months)

Louis A Vargas, (City), effective October 19, 2024, in the monthly base amount of \$1,791.65 at the rate of 65% (26 years) 15% PLOP \$45,758.83

**2. VESTED RETIREMENTS**

**New Commencements**

David J Halford, effective October 5, 2024, in the monthly base amount of \$796.46

Scott D Makar, effective October 15, 2024, in the monthly base amount of \$1,359.55

**New Deferrals**

### **3. SURVIVOR BENEFITS**

Marsha K Beville, (Lewis C Beville), effective October 21, 2024, in the monthly COLA base amount of \$3,811.69

Ellen Y Douglas, (Donald E Douglas), effective September 29, 2024, in the monthly COLA base amount of \$356.50

Robert Hamlyn, (Terica E Hamlyn), effective July 13, 2024, in the monthly COLA base amount of \$2,448.87

Tammie D Joiner, (Leon T Joiner), effective August 3, 2024, in the monthly COLA base amount of \$827.98

June L Keefe, (Robert A Keefe), effective October 14, 2024, in the monthly COLA base amount of \$3,234.12

Barbara M Lemire, (Denis A Lemire), effective October 1, 2024, in the monthly COLA base amount of \$3,883.64

Tonya M Lewis-Phillips, (Leroy L Phillips), effective October 14, 2024, in the monthly COLA base amount of \$2,358.46

Li C Lin, (Paul S Li), effective September 21, 2024, in the monthly COLA base amount of \$900.77

Margaret S Markowski, (Herman F Markowski), effective October 12, 2024, in the monthly COLA base amount of \$3,448.19

Susan M Naso (Stephen J Naso), effective October 6, 2024, in the monthly COLA base amount of \$881.86

Helen B Smith, (Raymond Smith), effective October 24, 2024, in the monthly COLA base amount of \$2,133.23

Sonja C Wright, (Emmett Wright), effective September 29, 2024, in the monthly COLA base amount of \$3,992.58

### **4. RESTORATION OF SURVIVOR BENEFITS**

None

### **5. CHILDREN/ORPHAN/GUARDIANSHIP BENEFITS**

### **6. TIME SERVICE CONNECTIONS COMPLETED**

Tyler R Baker, 14.2 months completed in the amount of \$7,398.30

Arcadia L Brown, 19.23 months completed in the amount \$7,718.10

Glendale Glenn, 104.2 months completed in the amount \$22,439.30

David E Guthrie III, 19.63 months completed in the amount \$8,756.80

Stephanie N Hars, 38.73 months completed in the amount of \$29,025.10

Thomas V Ventresca, 9.17 months completed in the amount \$8,448.70

Kevin Williams, 60 months completed in the amount \$20,685.60

**7. TIME SERVICE CONNECTIONS COMPLETED PURSUANT TO ORDINANCE 2000- 624-E (Independent Agency)**

**8. TIME SERVICE CONNECTIONS COMPLETED PURSUANT TO ORDINANCE 2003-573-E (Military)**

Thomas V Ventresca, 9.17 months completed in the amount \$44,237.70

**9. REFUNDS**

Alicia L Boales (City), 14 Years and 9 Months, \$67,301.51

DyShaun M Hagans (City), 2 Years and 7 Months, \$5,788.13

Lawsikia J Hodges (City), 16 Years and 9 Months, \$193,984.83

Isaiah E Munoz (City), 4 Years and 0 Months, \$10,804.09

**10. DB TO DC TRANSFER**

**11. OTHER PAYMENTS AND TIME CONNECTIONS**

**12. RE-RETIREE**

William J Joyce Jr., (City), effective October 19, 2024, in the monthly base amount of \$8,018.36 at the rate of 66.46 (26 years and 7 months)

\_\_\_\_\_  
PAC Secretary Approval

\_\_\_\_\_  
Date

\_\_\_\_\_  
BOT Secretary Approval

\_\_\_\_\_  
Date

Notes and Comments regarding Approval:

**CORRECTIONAL OFFICERS PENSION ADVISORY COMMITTEE**

**November 2024**

**CONSENT AGENDA FOR RECOMMENDED BENEFITS**

**ALL CALCULATIONS AND DOLLAR AMOUNTS HAVE BEEN AUDITED IN ACCORDANCE WITH THE ACCEPTED PROCEDURES.**

- 1. TIME SERVICE RETIREMENTS**
- 2. TIME SERVICE CONNECTIONS COMPLETED**
- 3. REFUND OF CONTRIBUTIONS**
- 4. SURVIVOR BENEFITS APPLICATION**  
Christina D Tanner (Kenneth D Tanner), effective 9/23/2024, in the monthly COLA base amount of \$3,382.15
- 5. CHILDREN/ORPHAN/GUARDIANSHIP BENEFITS**  
Landon D Tanner (Kenneth D Tanner), effective 9/23/2024, in the monthly base amount of \$300.00
- 6. VESTED BENEFIT**
- 7. TIME SERVICE CONNECTIONS COMPLETED PURSUANT TO ORDINANCE 2003-573-E (Military)**
- 8. OFFICERS ENTERING DROP OCT 2024**
- 9. Phase II Biweekly Distribution DROP Program**
- 10. DROP Payments**

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COPAC Secretary Approval

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Date

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BOT Secretary Approval

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Date

Notes and Comments regarding Approval:



# Monthly Investment Performance Analysis

City of Jacksonville Employees' Retirement System

Period Ended: November 30, 2024

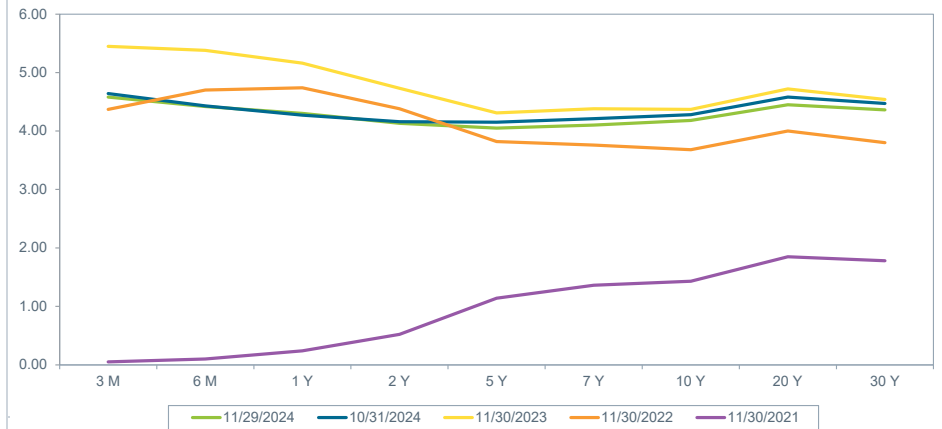


General Market Commentary

- After public markets sold off during October, many equity and bond markets posted positive returns during November. Investors digested election results and weighed the prospective impact of potential policies of the incoming administration and Congressional leadership.
- US Equity markets rebounded sharply in November, as most US equity indices returned mid-to-high single digits during the month, with small-cap stocks posting low double-digit returns. International equities experienced slight negative returns for the month.
- In a widely expected move, the Federal Reserve lowered interest rates by 25 basis points during November, citing strong US economic data and inflation moderation. Based on current guidance from the Federal Reserve Board of Governors, one additional 25 basis point rate cut is expected before the end of the year.
- Equity markets posted mixed returns in November as the S&P 500 (Cap Wtd) Index returned 5.87% and the MSCI EAFE (Net) Index returned -0.57%. Emerging markets returned -3.59%, as measured by the MSCI EM (Net) Index.
- The Bloomberg US Aggregate Bond Index returned 1.06% in November, outperforming the 0.51% return by the Bloomberg US Treasury Intermediate Term Index. International fixed income markets returned -0.13%, as measured by the FTSE Non-US World Gov't Bond Index.
- Public real estate returned 4.29% in November and 5.76% over the trailing five-year period, as measured by the FTSE NAREIT Eq REITs Index (TR).
- The Cambridge US Private Equity Index returned 7.19% for the trailing one-year period and 14.99% for the trailing five-year period ending June 2024.
- Absolute return strategies returned 2.09% for the month and 11.64% over the trailing one-year period, as measured by the HFRI FOF Comp Index.
- The price of crude oil fell by 1.45% during the month and has decreased by 10.48% YoY.

Economic Indicators	Nov-24	Oct-24	Nov-23	10 Yr	20 Yr
Federal Funds Rate (%)	4.58 ▼	4.83	5.33	1.73	1.67
Breakeven Inflation - 5 Year (%)	2.35 ▼	2.38	2.16	1.94	1.93
Breakeven Inflation - 10 Year (%)	2.27 ▼	2.35	2.22	1.99	2.09
Breakeven Inflation - 30 Year (%)	2.23 ▼	2.34	2.31	2.03	2.22
Bloomberg US Agg Bond Index - Yield (%)	4.64 ▼	4.73	5.05	2.89	3.28
Bloomberg US Agg Bond Index - OAS (%)	0.32 ▼	0.36	0.45	0.47	0.59
Bloomberg US Agg Credit Index - OAS (%)	0.74 ▼	0.79	0.97	1.16	1.38
Bloomberg US Corp: HY Index - OAS (%)	2.66 ▼	2.82	3.70	4.19	4.90
Capacity Utilization (%)	N/A	N/A	77.13	79.04	77.39
Unemployment Rate (%)	4.20 ▲	4.10	3.70	4.68	5.81
PMI - Manufacturing (%)	48.40 ▲	46.50	46.70	53.22	52.91
Baltic Dry Index - Shipping	1,354 ▼	1,388	2,937	1,430	2,244
Consumer Conf (Conf Board)	111.70 ▲	108.70	101.00	110.27	92.88
CPI YoY (Headline) (%)	2.70 ▲	2.60	3.10	2.90	2.61
CPI YoY (Core) (%)	3.30 —	3.30	4.00	2.98	2.45
PPI YoY (%)	N/A	N/A	2.40	0.80	2.72
M2 YoY (%)	N/A	N/A	3.10	-3.10	6.63
US Dollar Total Weighted Index	126.81 ▲	125.02	120.54	115.21	104.44
WTI Crude Oil per Barrel (\$)	68 ▼	69	76	62	72
Gold Spot per Oz (\$)	2,643 ▼	2,781	2,037	1,588	1,326

Treasury Yield Curve (%)



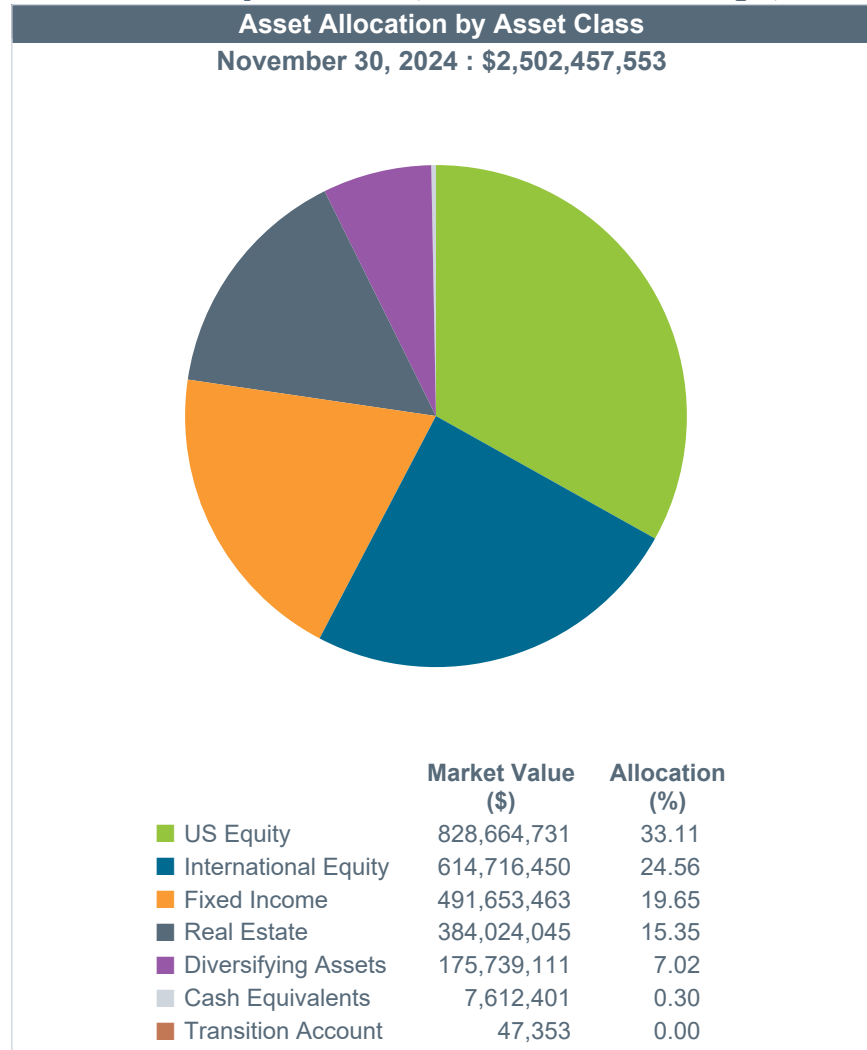
Treasury Yield Curve (%)	Nov-24	Oct-24	Nov-23	Nov-22	Nov-21			
3 Month	4.58	4.64	5.45	4.37	0.05			
6 Month	4.42	4.43	5.38	4.70	0.10			
1 Year	4.30	4.27	5.16	4.74	0.24			
2 Year	4.13	4.16	4.73	4.38	0.52			
5 Year	4.05	4.15	4.31	3.82	1.14			
7 Year	4.10	4.21	4.38	3.76	1.36			
10 Year	4.18	4.28	4.37	3.68	1.43			
20 Year	4.45	4.58	4.72	4.00	1.85			
30 Year	4.36	4.47	4.54	3.80	1.78			
Market Performance (%)	MTD	QTD	CYTD	1 Yr	3 Yr	5 Yr	7 Yr	10 Yr
S&P 500 (Cap Wtd)	5.87	4.91	28.07	33.89	11.44	15.77	14.41	13.35
Russell 2000	10.97	9.37	21.58	36.43	4.96	9.90	8.17	9.05
MSCI EAFE (Net)	-0.57	-5.97	6.24	11.88	4.15	5.89	4.68	5.07
MSCI EAFE SC (Net)	0.07	-6.20	4.21	11.81	-1.09	3.66	2.74	5.71
MSCI EM (Net)	-3.59	-7.88	7.65	11.86	-1.27	3.20	1.91	3.16
Bloomberg US Agg Bond	1.06	-1.45	2.93	6.88	-1.95	-0.01	1.27	1.52
ICE BofAML 3 Mo US T-Bill	0.38	0.76	4.83	5.32	3.76	2.41	2.31	1.73
NCREIF ODCE (Gross)	0.00	0.00	-2.56	-7.27	-0.18	2.94	4.12	6.10
FTSE NAREIT Eq REITs Index (TR)	4.29	1.27	17.40	29.05	3.20	5.76	6.91	6.74
HFRI FOF Comp Index	2.09	2.23	9.33	11.64	3.29	5.61	4.46	3.84
Bloomberg Cmtly Index (TR)	0.41	-1.45	4.32	1.51	4.91	7.60	4.40	0.38

NCREIF performance is reported quarterly; MTD and QTD returns are shown as "N/A" on interim-quarter months and until available. Data shown is as of most recent quarter-end. Treasury data courtesy of the US Department of the Treasury. Economic data courtesy of Bloomberg Professional Service. The previous month's CPI YoY is used as a proxy for the current YoY return until it becomes available.



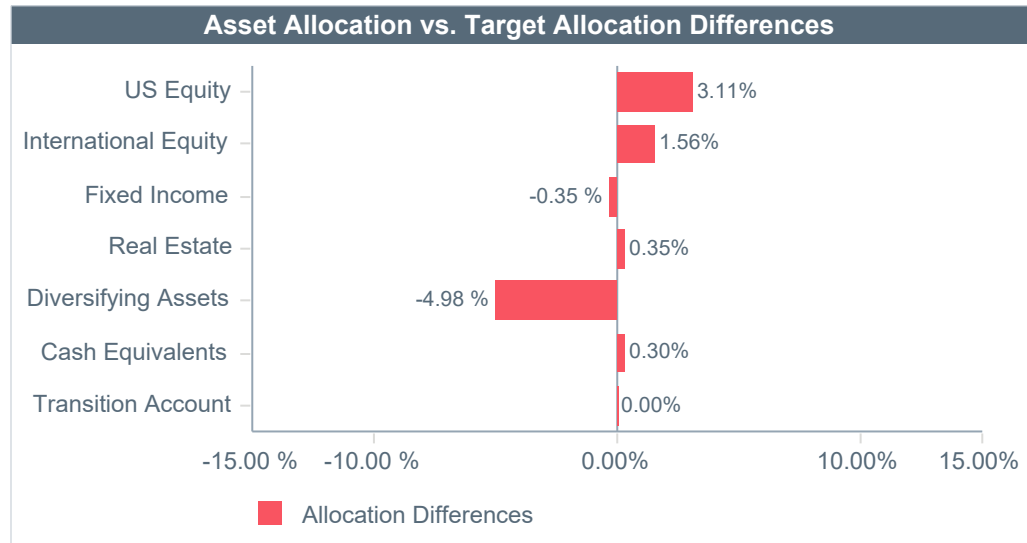
Total Fund

Asset Allocation by Asset Class, Asset Allocation vs. Target, and Schedule of Investable Assets



### Asset Allocation vs. Target Allocation

	Market Value (\$)	Allocation (%)	Min (%)	Target (%)	Max (%)
<b>Total Fund</b>	<b>2,502,457,553</b>	<b>100.00</b>	<b>-</b>	<b>100.00</b>	<b>-</b>
US Equity	828,664,731	33.11	20.00	30.00	40.00
International Equity	614,716,450	24.56	13.00	23.00	25.00
Fixed Income	491,653,463	19.65	10.00	20.00	30.00
Real Estate	384,024,045	15.35	0.00	15.00	20.00
Diversifying Assets	175,739,111	7.02	0.00	12.00	20.00
Cash Equivalents	7,612,401	0.30	0.00	0.00	10.00
Transition Account	47,353	0.00	0.00	0.00	0.00



### Schedule of Investable Assets

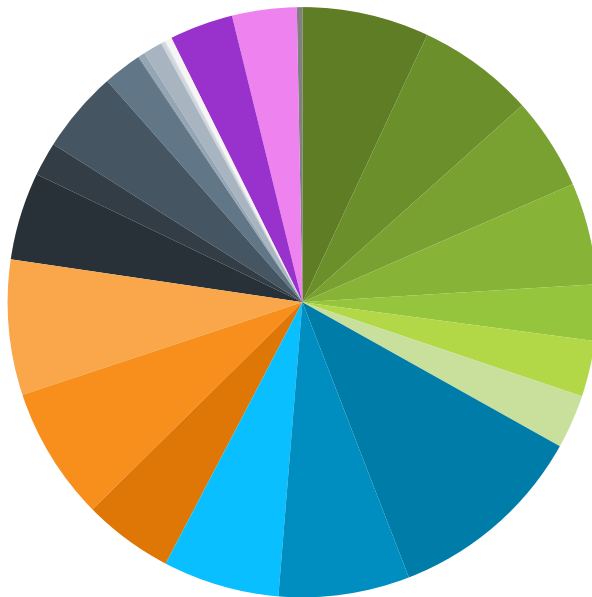
Periods Ending	Beginning Market Value (\$)	Net Cash Flows (\$)	Gain/Loss (\$)	Ending Market Value (\$)	% Return
FYTD	2,475,947,332	383,714	26,126,506	2,502,457,553	1.05
CYTD	2,355,516,708	-105,056,418	251,997,263	2,502,457,553	10.71

Market values and performance shown are preliminary and subject to change. Performance shown is net of fees. Allocations shown may not sum up to 100% exactly due to rounding. Fiscal year for the COJ ends 09/30.





November 30, 2024 : \$2,502,457,553



	Market Value (\$)	Allocation (%)
Eagle Capital Large Cap Value (SA)	173,940,768	6.95
Wellington Select Equity Income Fund (SA)	160,958,292	6.43
BNYM DB Lg Cap Stock Idx NL (CF)	126,739,534	5.06
Loomis, Sayles & Co Lg Cap Grth (CF)	139,693,867	5.58
Kayne Anderson US SMID Value (SA)	76,899,125	3.07
Systematic Financial US SMID Value (SA)	76,499,354	3.06
Pinnacle Associates US SMID Cap Growth (SA)	73,933,791	2.95
Silchester Intl Val Equity (CF)	275,583,122	11.01
Bail Giff Intl Gro;4 (BGEFX)	179,602,413	7.18
Acadian Emg Mkts Eq II (CF)	159,530,915	6.37
Baird Core Fixed Income (SA)	123,488,710	4.93
Loomis Sayles Multisector Full Discretion (CF)	182,807,718	7.31
Schroder Flexible Secured Income LP (CF)	185,357,036	7.41
Harrison Street Core Property LP	120,337,348	4.81
PGIM Real Estate PRISA II LP	46,443,750	1.86
Principal US Property (CF)	112,569,004	4.50
UBS Trumbull Property (CF)	52,674,675	2.10
Vanguard RE Idx;ETF (VNQ)	1,452,233	0.06
Abacus Multi-Family Partners VI LP	8,389,059	0.34
H.I.G. Realty Partners IV (Onshore) LP	26,305,657	1.05
Bell Value-Add Fund VII (CF)	4,671,641	0.19
Hammes Partners IV LP	1,682,216	0.07
IPI Partners III-A LP	8,007,634	0.32
Ares US Real Estate Opportunity IV LP	1,490,828	0.06
Adams Street Private Equity (SA)	87,196,427	3.48
Hamilton Lane Private Credit (SA)	88,542,684	3.54
Dreyfus Gvt CM;Inst (DGCXX)	7,612,401	0.30
Transition Account	47,353	0.00

Market values shown are preliminary and subject to change. Allocations shown may not sum up to 100% exactly due to rounding.

City of Jacksonville Employees' Retirement System  
Asset Allocation & Performance (Net of Fees)

As of November 30, 2024

	Allocation		Performance (%)										
	Market Value (\$)	%	MTD	QTD	FYTD	CYTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Incep.	Inception Date
<b>Total Fund</b>	<b>2,502,457,553</b>	<b>100.00</b>	<b>1.77</b>	<b>1.05</b>	<b>1.05</b>	<b>10.71</b>	<b>14.55</b>	<b>3.91</b>	<b>7.05</b>	<b>6.32</b>	<b>6.59</b>	<b>6.41</b>	<b>07/01/1999</b>
Total Fund Policy Index			2.40	0.48	0.48	12.44	16.14	5.01	7.72	7.04	6.87	6.17	
Difference			-0.63	0.58	0.58	-1.73	-1.59	-1.10	-0.67	-0.72	-0.28	0.24	
Actual Allocation Index			2.33	0.43	0.43	11.20	14.70	3.53	6.46	N/A	N/A	N/A	
Difference			-0.56	0.63	0.63	-0.49	-0.15	0.38	0.58	N/A	N/A	N/A	
Actual Allocation Index (Net of Alts)			2.16	0.43	0.43	10.04	14.12	3.52	6.60	N/A	N/A	N/A	
Difference			-0.39	0.63	0.63	0.67	0.43	0.39	0.45	N/A	N/A	N/A	
<b>Total Equity</b>	<b>1,443,381,181</b>	<b>57.68</b>	<b>2.89</b>	<b>1.68</b>	<b>1.68</b>	<b>17.76</b>	<b>24.03</b>	<b>6.80</b>	<b>11.00</b>	<b>9.38</b>	<b>9.58</b>	<b>7.11</b>	<b>07/01/1999</b>
<b>US Equity</b>	<b>828,664,731</b>	<b>33.11</b>	<b>5.15</b>	<b>4.69</b>	<b>4.69</b>	<b>22.71</b>	<b>29.48</b>	<b>9.21</b>	<b>13.83</b>	<b>12.49</b>	<b>11.81</b>	<b>8.04</b>	<b>07/01/1999</b>
US Equity Index			6.65	5.87	5.87	27.71	34.49	10.54	15.23	13.83	12.89	8.25	
Difference			-1.51	-1.18	-1.18	-5.01	-5.00	-1.34	-1.40	-1.34	-1.08	-0.21	
<b>International Equity</b>	<b>614,716,450</b>	<b>24.56</b>	<b>0.00</b>	<b>-2.11</b>	<b>-2.11</b>	<b>11.69</b>	<b>17.34</b>	<b>3.58</b>	<b>6.90</b>	<b>4.80</b>	<b>6.13</b>	<b>6.03</b>	<b>07/01/1999</b>
International Equity Index			-0.91	-5.77	-5.77	7.63	13.03	2.86	5.40	4.15	4.62	4.22	
Difference			0.91	3.66	3.66	4.06	4.31	0.71	1.49	0.65	1.50	1.81	
<b>Fixed Income</b>	<b>491,653,463</b>	<b>19.65</b>	<b>0.30</b>	<b>-0.40</b>	<b>-0.40</b>	<b>5.71</b>	<b>8.91</b>	<b>-0.20</b>	<b>0.85</b>	<b>1.36</b>	<b>1.61</b>	<b>4.37</b>	<b>07/01/1999</b>
Fixed Income Index			1.05	-1.24	-1.24	3.60	7.53	-1.47	0.39	1.57	1.73	4.04	
Difference			-0.76	0.84	0.84	2.10	1.38	1.27	0.46	-0.20	-0.12	0.33	
<b>Real Estate</b>	<b>384,024,045</b>	<b>15.35</b>	<b>0.12</b>	<b>0.48</b>	<b>0.48</b>	<b>-4.10</b>	<b>-4.82</b>	<b>-0.65</b>	<b>2.33</b>	<b>3.36</b>	<b>5.14</b>	<b>4.81</b>	<b>12/01/2005</b>
Real Estate Index			0.02	0.04	0.04	-3.04	-7.88	-0.95	2.11	3.25	5.19	5.03	
Difference			0.10	0.44	0.44	-1.06	3.05	0.30	0.22	0.11	-0.04	-0.21	
<b>Core Real Estate</b>	<b>333,477,010</b>	<b>13.33</b>	<b>0.02</b>	<b>0.32</b>	<b>0.32</b>	<b>-4.80</b>	<b>-5.43</b>	<b>-1.19</b>	<b>2.00</b>	<b>3.13</b>	<b>4.97</b>	<b>4.73</b>	<b>12/01/2005</b>
NCREIF ODCE Index (AWA) (Net)			0.00	0.00	0.00	-3.20	-8.04	-1.04	2.05	3.21	5.16	5.01	
Difference			0.02	0.32	0.32	-1.61	2.61	-0.15	-0.05	-0.09	-0.19	-0.29	
<b>Non-Core Real Estate</b>	<b>50,547,035</b>	<b>2.02</b>	<b>0.78</b>	<b>1.59</b>	<b>1.59</b>	<b>2.97</b>	<b>0.72</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>22.87</b>	<b>01/01/2022</b>
NCREIF ODCE Index (AWA) (Net) +2%			0.17	0.33	0.33	-1.42	-6.20	0.94	4.09	5.28	7.26	-1.61	
Difference			0.62	1.26	1.26	4.40	6.91	N/A	N/A	N/A	N/A	24.48	
<b>Diversifying Assets</b>	<b>175,739,111</b>	<b>7.02</b>	<b>0.59</b>	<b>1.38</b>	<b>1.38</b>	<b>5.26</b>	<b>5.75</b>	<b>16.91</b>	<b>13.24</b>	<b>9.19</b>	<b>4.93</b>	<b>8.15</b>	<b>03/01/2011</b>
Diversifying Assets Index			3.36	2.64	2.64	21.10	26.42	11.80	9.50	6.56	3.43	5.33	
Difference			-2.77	-1.27	-1.27	-15.84	-20.68	5.11	3.73	2.63	1.50	2.83	

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**City of Jacksonville Employees' Retirement System  
Asset Allocation & Performance (Net of Fees)**

**As of November 30, 2024**

	Allocation		Performance (%)										
	Market Value (\$)	%	MTD	QTD	FYTD	CYTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Incep.	Inception Date
<b>Cash Equivalents</b>	<b>7,612,401</b>	<b>0.30</b>	<b>0.38</b>	<b>0.78</b>	<b>0.78</b>	<b>4.87</b>	<b>5.34</b>	<b>3.99</b>	<b>1.65</b>	<b>N/A</b>	<b>N/A</b>	<b>1.74</b>	<b>09/01/2018</b>
FTSE 3 Mo T-Bill Index			0.40	0.83	0.83	5.03	5.53	3.92	2.49	2.36	1.75	2.45	
Difference			-0.02	-0.05	-0.05	-0.16	-0.19	0.07	-0.83	N/A	N/A	-0.71	

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City of Jacksonville Employees' Retirement System  
Asset Allocation & Performance (Net of Fees)

As of November 30, 2024

	Allocation		Performance (%)										
	Market Value (\$)	%	MTD	QTD	FYTD	CYTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Incep.	Inception Date
<b>US Equity</b>													
<b>Eagle Capital Large Cap Value (SA)</b>	<b>173,940,768</b>	<b>6.95</b>	<b>5.75</b>	<b>5.59</b>	<b>5.59</b>	<b>28.02</b>	<b>32.01</b>	<b>11.31</b>	<b>14.90</b>	<b>13.76</b>	<b>12.89</b>	<b>11.78</b>	<b>03/01/2007</b>
Russell 1000 Val Index			6.39	5.22	5.22	22.76	29.56	10.39	10.84	9.74	9.32	7.74	
Difference			-0.63	0.38	0.38	5.26	2.45	0.92	4.06	4.01	3.57	4.04	
Russell 1000 Index			6.44	5.69	5.69	28.08	34.40	10.89	15.58	14.22	13.16	10.66	
Difference			-0.68	-0.10	-0.10	-0.06	-2.39	0.41	-0.68	-0.47	-0.27	1.12	
<b>Wellington Select Equity Income Fund (SA)</b>	<b>160,958,292</b>	<b>6.43</b>	<b>4.89</b>	<b>4.79</b>	<b>4.79</b>	<b>20.62</b>	<b>25.44</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>23.60</b>	<b>06/01/2023</b>
Russell 1000 Val Index			6.39	5.22	5.22	22.76	29.56	10.39	10.84	9.74	9.32	24.44	
Difference			-1.50	-0.43	-0.43	-2.15	-4.13	N/A	N/A	N/A	N/A	-0.84	
<b>BNYM DB Lg Cap Stock Idx NL (CF)</b>	<b>126,739,534</b>	<b>5.06</b>	<b>6.44</b>	<b>5.69</b>	<b>5.69</b>	<b>28.13</b>	<b>34.43</b>	<b>11.31</b>	<b>15.81</b>	<b>N/A</b>	<b>N/A</b>	<b>15.57</b>	<b>05/01/2019</b>
Russell 1000 Index			6.44	5.69	5.69	28.08	34.40	10.89	15.58	14.22	13.16	15.37	
Difference			0.00	-0.01	-0.01	0.05	0.03	0.42	0.23	N/A	N/A	0.20	
<b>Loomis, Sayles &amp; Co Lg Cap Grth (CF)</b>	<b>139,693,867</b>	<b>5.58</b>	<b>0.00</b>	<b>0.04</b>	<b>0.04</b>	<b>22.36</b>	<b>28.44</b>	<b>11.30</b>	<b>16.90</b>	<b>15.48</b>	<b>N/A</b>	<b>16.33</b>	<b>08/01/2017</b>
Russell 1000 Grth Index			6.49	6.13	6.13	32.19	38.04	10.92	19.46	18.06	16.55	18.77	
Difference			-6.49	-6.09	-6.09	-9.83	-9.60	0.38	-2.56	-2.58	N/A	-2.44	
<b>Kayne Anderson US SMID Value (SA)</b>	<b>76,899,125</b>	<b>3.07</b>	<b>7.31</b>	<b>6.91</b>	<b>6.91</b>	<b>19.22</b>	<b>29.45</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>8.61</b>	<b>03/01/2022</b>
Russell 2500 Val Index			8.82	7.45	7.45	19.57	32.11	8.24	10.72	8.38	8.77	8.44	
Difference			-1.52	-0.54	-0.54	-0.35	-2.66	N/A	N/A	N/A	N/A	0.18	
<b>Systematic Financial US SMID Value (SA)</b>	<b>76,499,354</b>	<b>3.06</b>	<b>7.07</b>	<b>5.11</b>	<b>5.11</b>	<b>19.47</b>	<b>30.05</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>10.04</b>	<b>03/01/2022</b>
Russell 2500 Val Index			8.82	7.45	7.45	19.57	32.11	8.24	10.72	8.38	8.77	8.44	
Difference			-1.75	-2.34	-2.34	-0.10	-2.06	N/A	N/A	N/A	N/A	1.61	
<b>Pinnacle Associates US SMID Cap Growth (SA)</b>	<b>73,933,791</b>	<b>2.95</b>	<b>8.25</b>	<b>7.20</b>	<b>7.20</b>	<b>11.81</b>	<b>23.38</b>	<b>-0.26</b>	<b>8.49</b>	<b>8.60</b>	<b>9.04</b>	<b>11.99</b>	<b>03/01/2010</b>
Russell 2500 Grth Index			11.90	11.62	11.62	24.12	37.95	3.06	10.16	10.24	10.54	12.81	
Difference			-3.65	-4.42	-4.42	-12.31	-14.56	-3.31	-1.66	-1.64	-1.50	-0.82	

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City of Jacksonville Employees' Retirement System  
Asset Allocation & Performance (Net of Fees)

As of November 30, 2024

	Allocation		Performance (%)										
	Market Value (\$)	%	MTD	QTD	FYTD	CYTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Incep.	Inception Date
<b>International Equity</b>													
<b>Silchester Intl Val Equity (CF)</b>	<b>275,583,122</b>	<b>11.01</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>10.27</b>	<b>16.88</b>	<b>9.67</b>	<b>7.77</b>	<b>5.25</b>	<b>6.79</b>	<b>9.05</b>	<b>06/01/2009</b>
MSCI EAFE Val Index (USD) (Net)			-0.77	-5.43	-5.43	7.61	12.86	8.59	6.23	3.94	4.14	5.63	
Difference			0.77	5.43	5.43	2.67	4.02	1.08	1.54	1.30	2.65	3.42	
<b>Bail Giff Intl Gro;4 (BGEFX)</b>													
<b>Bail Giff Intl Gro;4 (BGEFX)</b>	<b>179,602,413</b>	<b>7.18</b>	<b>0.00</b>	<b>-3.22</b>	<b>-3.22</b>	<b>10.90</b>	<b>15.10</b>	<b>-6.36</b>	<b>5.44</b>	<b>5.04</b>	<b>6.77</b>	<b>8.89</b>	<b>06/01/2009</b>
Baillie Gifford Index			-0.83	-5.87	-5.87	7.37	12.50	-1.00	4.73	4.35	5.20	6.93	
Difference			0.83	2.65	2.65	3.53	2.60	-5.37	0.71	0.69	1.56	1.96	
Baillie Gifford Spliced Index			-0.91	-5.77	-5.77	7.63	13.03	2.86	5.40	4.34	4.83	6.39	
Difference			0.91	2.55	2.55	3.28	2.07	-9.23	0.04	0.69	1.94	2.50	
<b>Acadian Emg Mkts Eq II (CF)</b>													
<b>Acadian Emg Mkts Eq II (CF)</b>	<b>159,530,915</b>	<b>6.37</b>	<b>0.00</b>	<b>-4.37</b>	<b>-4.37</b>	<b>16.08</b>	<b>21.38</b>	<b>6.23</b>	<b>8.06</b>	<b>4.50</b>	<b>4.74</b>	<b>4.10</b>	<b>02/01/2011</b>
MSCI Emg Mkts Index (USD) (Net)			-3.59	-7.88	-7.88	7.65	11.86	-1.27	3.20	1.91	3.16	2.20	
Difference			3.59	3.51	3.51	8.43	9.52	7.50	4.86	2.59	1.58	1.90	
<b>Fixed Income</b>													
<b>Baird Core Fixed Income (SA)</b>													
<b>Baird Core Fixed Income (SA)</b>	<b>123,488,710</b>	<b>4.93</b>	<b>1.20</b>	<b>-1.30</b>	<b>-1.30</b>	<b>3.99</b>	<b>8.12</b>	<b>-1.54</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>-0.89</b>	<b>03/01/2021</b>
Bloomberg US Agg Bond Index			1.06	-1.45	-1.45	2.93	6.88	-1.95	-0.01	1.27	1.52	-1.34	
Difference			0.14	0.14	0.14	1.05	1.25	0.42	N/A	N/A	N/A	0.45	
<b>Loomis Sayles Multisector Full Discretion (CF)</b>													
<b>Loomis Sayles Multisector Full Discretion (CF)</b>	<b>182,807,718</b>	<b>7.31</b>	<b>0.00</b>	<b>-1.74</b>	<b>-1.74</b>	<b>4.72</b>	<b>9.36</b>	<b>0.14</b>	<b>2.82</b>	<b>3.27</b>	<b>3.46</b>	<b>5.43</b>	<b>11/01/2007</b>
Bloomberg Gbl Agg Bond Index			0.34	-3.02	-3.02	0.47	4.64	-3.87	-1.42	-0.28	0.30	1.75	
Difference			-0.34	1.28	1.28	4.25	4.72	4.01	4.24	3.55	3.16	3.68	
<b>Schroder Flexible Secured Income LP (CF)</b>													
<b>Schroder Flexible Secured Income LP (CF)</b>	<b>185,357,036</b>	<b>7.41</b>	<b>0.00</b>	<b>1.58</b>	<b>1.58</b>	<b>8.48</b>	<b>8.48</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>8.69</b>	<b>10/01/2022</b>
SOFR+1.75%			0.53	1.09	1.09	6.56	7.19	5.69	4.21	N/A	N/A	6.88	
Difference			-0.53	0.50	0.50	1.92	1.29	N/A	N/A	N/A	N/A	1.81	
SOFR+5%			0.80	1.62	1.62	9.68	10.62	9.06	7.54	N/A	N/A	10.30	
Difference			-0.80	-0.03	-0.03	-1.20	-2.14	N/A	N/A	N/A	N/A	-1.61	

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City of Jacksonville Employees' Retirement System  
Asset Allocation & Performance (Net of Fees)

As of November 30, 2024

	Allocation		Performance (%)										
	Market Value (\$)	%	MTD	QTD	FYTD	CYTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Incep.	Inception Date
<b>Core Real Estate</b>													
<b>Harrison Street Core Property LP</b>	<b>120,337,348</b>	<b>4.81</b>	<b>0.00</b>	<b>0.15</b>	<b>0.15</b>	<b>-3.92</b>	<b>-3.92</b>	<b>1.98</b>	<b>3.88</b>	<b>4.75</b>	<b>N/A</b>	<b>5.60</b>	<b>11/01/2015</b>
NCREIF ODCE Index (AWA) (Net)			0.00	0.00	0.00	-3.20	-8.04	-1.04	2.05	3.21	5.16	4.19	
Difference			0.00	0.15	0.15	-0.72	4.12	3.02	1.83	1.54	N/A	1.41	
<b>PGIM Real Estate PRISA II LP</b>	<b>46,443,750</b>	<b>1.86</b>	<b>0.00</b>	<b>1.08</b>	<b>1.08</b>	<b>-9.68</b>	<b>-9.68</b>	<b>-2.35</b>	<b>1.61</b>	<b>3.24</b>	<b>N/A</b>	<b>5.17</b>	<b>01/01/2015</b>
NCREIF ODCE Index (AWA) (Net)			0.00	0.00	0.00	-3.20	-8.04	-1.04	2.05	3.21	5.16	4.89	
Difference			0.00	1.08	1.08	-6.48	-1.64	-1.31	-0.44	0.03	N/A	0.28	
<b>Principal US Property (CF)</b>	<b>112,569,004</b>	<b>4.50</b>	<b>0.00</b>	<b>0.41</b>	<b>0.41</b>	<b>-2.54</b>	<b>-4.42</b>	<b>-2.50</b>	<b>2.37</b>	<b>3.75</b>	<b>5.91</b>	<b>6.34</b>	<b>01/01/2014</b>
NCREIF ODCE Index (AWA) (Net)			0.00	0.00	0.00	-3.20	-8.04	-1.04	2.05	3.21	5.16	5.47	
Difference			0.00	0.41	0.41	0.65	3.62	-1.46	0.32	0.54	0.75	0.87	
<b>UBS Trumbull Property (CF)</b>	<b>52,674,675</b>	<b>2.10</b>	<b>0.00</b>	<b>-0.17</b>	<b>-0.17</b>	<b>-7.12</b>	<b>-7.12</b>	<b>-3.19</b>	<b>-1.00</b>	<b>0.03</b>	<b>2.32</b>	<b>3.55</b>	<b>01/01/2006</b>
NCREIF ODCE Index (AWA) (Net)			0.00	0.00	0.00	-3.20	-8.04	-1.04	2.05	3.21	5.16	4.78	
Difference			0.00	-0.17	-0.17	-3.92	0.92	-2.15	-3.05	-3.18	-2.84	-1.23	
<b>Vanguard RE Idx;ETF (VNQ)</b>	<b>1,452,233</b>	<b>0.06</b>	<b>4.25</b>	<b>0.76</b>	<b>0.76</b>	<b>14.37</b>	<b>25.13</b>	<b>1.13</b>	<b>4.94</b>	<b>6.23</b>	<b>6.11</b>	<b>11.28</b>	<b>12/01/2008</b>
Custom REITs Index			4.19	0.65	0.65	14.45	25.21	1.28	5.07	6.57	6.43	11.94	
Difference			0.06	0.11	0.11	-0.08	-0.08	-0.15	-0.13	-0.34	-0.32	-0.66	

Market values and performance shown are preliminary and subject to change. Performance shown is net of fees and is annualized for periods greater than one year. Allocations may not sum up to 100% due to the exclusion of managers in liquidation. Please see the addendum for custom benchmark definitions. Fiscal year for the COJ ends 09/30. Schroder Flexible Secured Income Fund LP (CF), Harrison Street Core Property LP, PGIM Real Estate PRISA II LP, UBS Trumbull Property (CF), all non core Real Estate Managers, and Adams Street Private Equity (SA) valuations are available quarterly, adjusted for subsequent cash flows. Asset Valuations for Real Estate and Diversifying Assets are lagged/unlagged as reported by the System's book of record, BNY Mellon. Performance for NCREIF ODCE Index (AWA) (Net) is available on a quarterly basis. The Total Fund market value includes the Transition Account.

City of Jacksonville Employees' Retirement System  
Asset Allocation & Performance (Net of Fees)

As of November 30, 2024

	Allocation		Performance (%)										
	Market Value (\$)	%	MTD	QTD	FYTD	CYTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Incep.	Inception Date
<b>Non-Core Real Estate</b>													
<b>Abacus Multi-Family Partners VI LP</b>	<b>8,389,059</b>	<b>0.34</b>	<b>0.00</b>	<b>1.22</b>	<b>1.22</b>	<b>-39.39</b>	<b>-39.39</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>-44.19</b>	<b>10/01/2022</b>
NCREIF ODCE Index (AWA) (Net) +2%			0.17	0.33	0.33	-1.42	-6.20	0.94	4.09	5.28	7.26	-7.92	
Difference			-0.17	0.89	0.89	-37.97	-33.20	N/A	N/A	N/A	N/A	-36.26	
<b>H.I.G. Realty Partners IV (Onshore) LP</b>	<b>26,305,657</b>	<b>1.05</b>	<b>1.49</b>	<b>2.42</b>	<b>2.42</b>	<b>7.95</b>	<b>7.95</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>01/01/2022</b>
NCREIF ODCE Index (AWA) (Net) +2%			0.17	0.33	0.33	-1.42	-6.20	0.94	4.09	5.28	7.26	-1.61	
Difference			1.33	2.09	2.09	9.38	14.15	N/A	N/A	N/A	N/A	N/A	
<b>Bell Value-Add Fund VII (CF)</b>	<b>4,671,641</b>	<b>0.19</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>-5.25</b>	<b>-22.93</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>-14.01</b>	<b>04/01/2023</b>
NCREIF ODCE Index (AWA) (Net) +2%			0.17	0.33	0.33	-1.42	-6.20	0.94	4.09	5.28	7.26	-5.90	
Difference			-0.16	-0.33	-0.33	-3.82	-16.73	N/A	N/A	N/A	N/A	-8.12	
<b>Hammes Partners IV LP</b>	<b>1,682,216</b>	<b>0.07</b>	<b>0.00</b>	<b>3.19</b>	<b>3.19</b>	<b>-50.81</b>	<b>-69.84</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>-64.20</b>	<b>10/01/2023</b>
NCREIF ODCE Index (AWA) (Net) +2%			0.17	0.33	0.33	-1.42	-6.20	0.94	4.09	5.28	7.26	-5.07	
Difference			-0.17	2.86	2.86	-49.38	-63.64	N/A	N/A	N/A	N/A	-59.14	
<b>IPI Partners III-A LP</b>	<b>8,007,634</b>	<b>0.32</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>25.12</b>	<b>04/01/2024</b>
NCREIF ODCE Index (AWA) (Net) +2%			0.17	0.33	0.33	-1.42	-6.20	0.94	4.09	5.28	7.26	0.68	
Difference			-0.17	-0.33	-0.33	N/A	N/A	N/A	N/A	N/A	N/A	24.44	
<b>Ares US Real Estate Opportunity IV LP</b>	<b>1,490,828</b>	<b>0.06</b>	<b>0.00</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>0.00</b>	<b>11/01/2024</b>
NCREIF ODCE Index (AWA) (Net) +2%			0.17	0.33	0.33	-1.42	-6.20	0.94	4.09	5.28	7.26	0.17	
Difference			-0.17	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-0.17	
<b>Diversifying Assets</b>													
<b>Adams Street Private Equity (SA)</b>	<b>87,196,427</b>	<b>3.48</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.79</b>	<b>0.79</b>	<b>19.77</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>18.46</b>	<b>11/01/2020</b>
S&P 500 Index+3%			6.13	5.43	5.43	31.59	37.91	14.78	19.24	17.84	16.75	21.51	
Difference			-6.13	-5.43	-5.43	-30.80	-37.12	4.99	N/A	N/A	N/A	-3.05	
<b>Hamilton Lane Private Credit (SA)</b>	<b>88,542,684</b>	<b>3.54</b>	<b>1.19</b>	<b>2.78</b>	<b>2.78</b>	<b>10.32</b>	<b>11.46</b>	<b>8.78</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>4.01</b>	<b>04/01/2021</b>
ICE BofAML Gbl Hi Yld Index +2%			0.54	-0.19	-0.19	10.13	14.44	4.73	5.62	5.73	6.34	4.16	
Difference			0.65	2.97	2.97	0.19	-2.98	4.05	N/A	N/A	N/A	-0.15	
<b>Cash Equivalents</b>													
<b>Dreyfus Gvt CM;Inst (DGCCX)</b>	<b>7,612,401</b>	<b>0.30</b>	<b>0.38</b>	<b>0.78</b>	<b>0.78</b>	<b>4.87</b>	<b>5.34</b>	<b>3.82</b>	<b>2.46</b>	<b>2.35</b>	<b>1.75</b>	<b>1.64</b>	<b>05/01/2001</b>
FTSE 3 Mo T-Bill Index			0.40	0.83	0.83	5.03	5.53	3.92	2.49	2.36	1.75	1.63	
Difference			-0.02	-0.05	-0.05	-0.16	-0.19	-0.10	-0.03	-0.01	0.00	0.01	

Private equity funds tend to underperform in the early stages of their maturity; returns tend to improve as funds mature.

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**Performance Related Comments:**

- Performance is annualized for periods greater than one year.
- Performance and market values shown are preliminary and subject to change.
- The inception date shown indicates the first full month of performance following initial funding.
- The market value shown for the Transition Account includes JXP Transition, BNYM Transition, Loop Cap Transition, and residual assets from terminated managers.
- RVK began monitoring the assets of the City of Jacksonville Retirement System on 01/01/2019. Prior historical data was provided by the custodian and previous consultant.

**Custom Composite Benchmark Comments:**

- **Total Fund Policy Index:** The passive Total Fund Policy Index is calculated monthly and currently consists of 30% Russell 3000 Index, 23% MSCI ACW Ex US Index (USD) (Net), 20% Fixed Income Index, 15% Real Estate Index, and 12% Diversifying Assets Index.
- **Actual Allocation Index:** The Actual Allocation Index is calculated monthly, using beginning of month weights of each investment applied to its corresponding primary benchmark return. The Actual Allocation Index's Inception date is 01/2019 and prior performance is listed as "N/A".
- **Actual Allocation Index (Net of Alts):** The Actual Allocation Index (Net of Alts) is calculated monthly, using beginning of month weights of each investment applied to its corresponding primary benchmark return, with the exception of funds in the Core Real Estate, Non-Core Real Estate, and Diversifying Assets composites, which are represented by actual monthly composite returns. The Actual Allocation Index's Inception date is 01/2019 and prior performance is listed as "N/A".
- **US Equity Index:** The passive US Equity Index consists of 100% DJ US TSM Index through 06/2009 and 100% Russell 3000 Index thereafter.
- **International Equity Index:** The passive International Equity Index consists of 100% MSCI EAFE Index (USD) (Gross) through 01/2011 and 100% MSCI ACW Ex US Index (USD) (Net) thereafter.
- **Fixed Income Index:** The passive Fixed Income Index consists of 100% Bloomberg US Agg Bond Index through 10/2017 and 100% Bloomberg US Universal Bond Index thereafter.
- **Real Estate Index:** The active Real Estate Index is calculated monthly using beginning of month investment weights applied to each corresponding primary benchmark return.
- **Diversifying Assets Index:** The Diversifying Assets Index is calculated monthly and consists of 50% S&P MLP Index (TR)/50% NCREIF Timberland Index through 10/2017, 67% S&P MLP Index (TR)/33% NCREIF Timberland Index through 09/2020, and calculated monthly using beginning of month investment weights applied to each corresponding primary benchmark return thereafter.

**Custom Manager Benchmark Comments:**

- **Baillie Gifford Index:** The passive Baillie Gifford Index consists of 100% MSCI EAFE Grth Index (USD) (Net) through 10/2017 and 100% MSCI ACW Ex US Grth Index (USD) (Net) thereafter.
- **Baillie Gifford Spliced Index:** The passive Baillie Gifford Spliced Index consists of 100% MSCI EAFE Index (USD) (Net) through 11/2019 and 100% MSCI ACW Ex US Index (USD) (Net) thereafter.
- **Custom REITs Index:** The passive Custom REITs Index consists of 100% MSCI US REIT Index (USD) (Gross) through 01/2019 and 100% Vanguard Spl Real Estate Index thereafter.
- **Vanguard Spliced Real Estate Index:** The Vanguard Spl Real Estate Index consists of MSCI US REIT Index (USD) (Gross) adjusted to include a 2% cash position (Lipper Money Market Average) through 04/30/2009, MSCI US REIT Index (USD) (Gross) through 01/31/2018, MSCI US IM Real Estate 25/50 Transition Index through 07/24/2018, and MSCI US IM Real Estate 25/50 Index (Gross) thereafter.



PORTLAND

BOISE

CHICAGO

NEW YORK

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December 2024

# International Equity Structure Review

City of Jacksonville Employees' Retirement System



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# Introduction



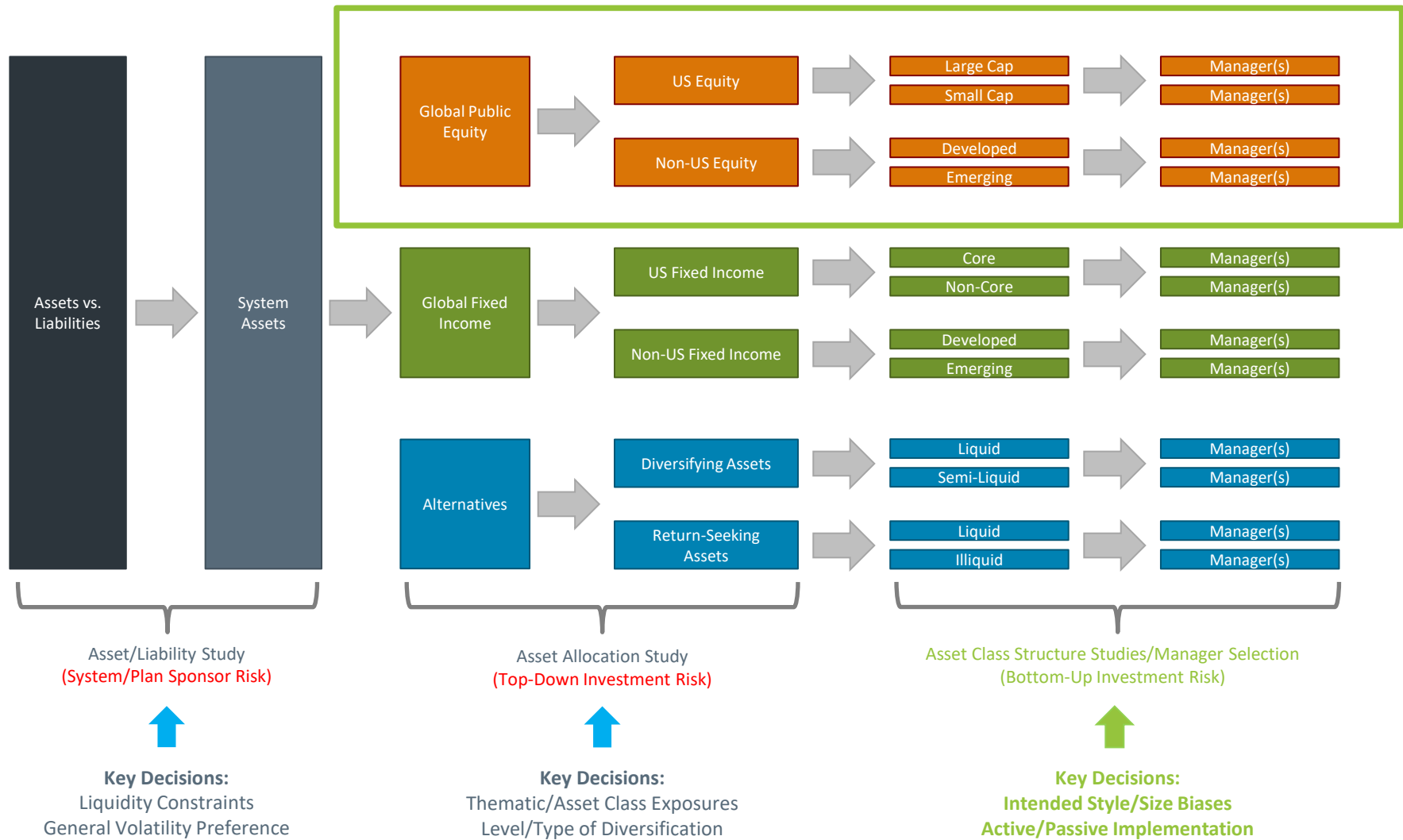
# International Equity Structure Review

## Introduction

- One of the 2024 strategic initiatives for the City of Jacksonville Employees' Retirement System (COJ ERS or System) is to conduct a structure study on the International Equity composite.
- The key factors of consideration for this analysis include:
  1. **Asset Class Thematic Role** – Is the objective of the International Equity composite being met through the current structure?
  2. **Active/Passive Management** – Are the management styles of the various mandates appropriate for the asset/sub-asset classes? Are the active management fees commensurate with the excess return produced?
  3. **Capitalization, Style, and Regional Biases** – How do the current exposures compare relative to the International Equity composite benchmark, the MSCI ACW ex US Index? What biases, under- and overweights are in the composite?
  4. **Structure Efficiency** – Is there overlap or redundancy in mandates among the managers? How well do the mandates 'fit' together? Would an allocation to a Global Equity mandate be additive? Are there any enhancements that could be made?
  5. **Fees** – How competitive are the fees? Is there room for potential fee savings?
- The objective of today's presentation is:
  1. To provide education on the above factors as these relate to evaluation of an International Equity structure.
  2. To summarize RVK's related analysis of the COJ ERS' International Equity structure.
- **Based on the results of this study, Staff and RVK recommend an incremental restructuring of the International Equity composite to lower its current growth style bias. This adjustment will align the portfolio style profile more closely with the MSCI ACW ex US Index, and ensure that the composite is able to take advantage of the market opportunities in all environments.**

# Investment Decision Process

## Total Fund



# International Equity Structure Review

## COJ ERS Asset Allocation Background

- COJ ERS has diversified its asset allocation over time – not only within the existing asset classes but also by adding the Diversifying Assets allocation, currently consisting of Private Equity and Private Credit.
  - The current target allocation includes a mix of capital preservation, capital appreciation, and inflation hedging asset classes across both traditional and private markets, aimed to take advantage and weather varying market environments.

Strategic Asset Allocation Targets*	2007	2011	2015	2020	2021 through Current Period
US Equity	46%	35%	35%	30%	30%
International Equity	14%	20%	20%	20%	23%
Fixed Income	30%	25%	19%	20%	20%
Real Estate	10%	15%	15%	15%	15%
Diversifying Assets	-	-	10%	15%	12%
Cash	0%	5%	1%	0%	0%

- Target allocation to International Equity, comprised of developed international and emerging markets, is currently 23% of the COJ ERS portfolio.
  - Within total equity allocation, this translates into a 56% / 43% allocation to US Equity / International Equity.
- Historically, COJ ERS has increased its allocation to International Equity relative to US Equity.
  - This has been consistent with RVK’s long-term capital market assumptions, which have suggested that the expected return for International Equity is higher compared to US Equity, taking into consideration factors like inflation, yield, earnings growth, valuation, and currency effect.

# International Equity Market Trends





# Active vs. Passive

## Considerations

- Low-cost passive investment strategies (e.g., indexing) are an alternative to active management and can be considered the ‘starting point’ for considering asset class structure.
- Active management can then be assessed on an asset class by asset class basis.
- Currently, the COJ ERS utilizes active management for all the mandates in the International Equity composite.

### The Case for Passive Investing

- **Lower fees** – guaranteed performance “head start”
- **Lower maintenance** – no benchmark risk due to active “bets”
- **No timing** (manager termination/hiring) **risk**
- **Straight forward selection** skill required
- **Efficient markets** theory

### The Case for Active Investing

- **Markets can be efficient, but investors are not**
- **Fundamentals can be considered** – valuation and other fundamentals can be incorporated to ensure that investments are not merely following prices
- **Avoid concentration** risk
- **Less efficient market segments** provide opportunity for outperformance

# International and Global Equity Strategies

## Active vs. Passive

- RVK believes active management can add value net of fees over the long-term in International Equity sub-asset classes, given proper manager selection and ongoing monitoring.
- The below table identifies the results of our annual active vs. passive management analysis, for Non-US and Global Equity mandates. The analysis examines average active manager performance relative to a relevant style and market cap benchmark, net of fees.

**Long-Term 3-Year Rolling Average (Net of Fees)**  
January 2001 – December 2023

International & Global Equity Excess Returns, %					
Asset Class	Index	25 <sup>th</sup> Percentile	Median	75 <sup>th</sup> Percentile	Index Return
Developed Non-US Large Cap	MSCI World ex USA Index	2.24	0.38	-1.26	4.66
Developed Non-US All Cap	MSCI World ex USA IM Index	2.28	0.32	-1.38	4.97
Developed Non-US Small Cap	MSCI World ex USA Small Cap Index	3.18	0.98	-1.18	7.97
All-Country Non-US Large Cap	MSCI ACWI ex USA Index	2.64	0.63	-1.19	6.36
All-Country Non-US All Cap	MSCI ACWI ex USA IM Index	3.19	1.09	-1.03	5.23
All-Country Non-US Small Cap*	MSCI ACWI ex USA Small Cap Index	4.43	1.58	-0.98	7.87
Emerging Markets Large Cap	MSCI Emerging Markets Index	2.84	0.75	-1.47	8.04
Emerging Markets All Cap	MSCI Emerging Markets IM Index	3.00	0.58	-1.52	7.93
Emerging Markets Small Cap*	MSCI Emerging Markets Small Cap Index	4.21	1.76	-0.79	9.16
Global Large Cap	MSCI ACWI Index	3.01	0.57	-1.51	6.07
Global All Cap	MSCI ACWI IM Index	3.16	0.58	-1.81	6.37
Global Small Cap*	MSCI ACWI Small Cap Index	3.05	0.49	-1.97	8.64
Global REITs*	FTSE EPRA/NAREIT Developed	1.72	0.14	-1.35	3.55

\*The following asset classes have different start dates due to low manager population sizes:

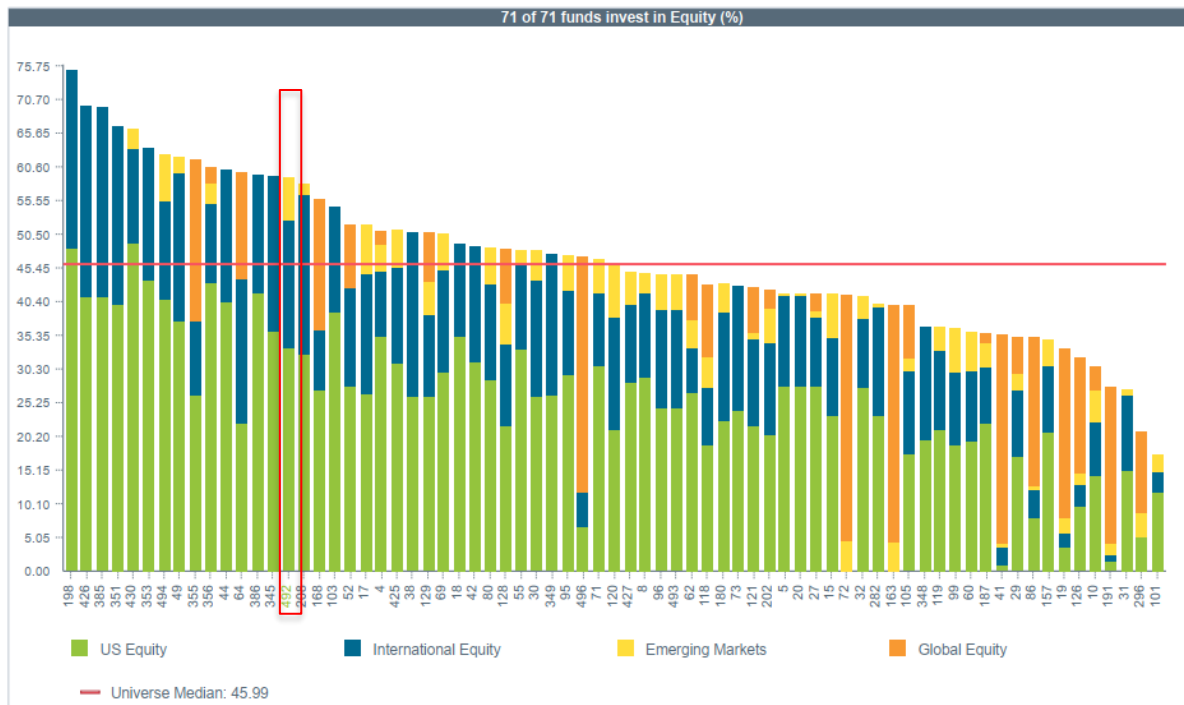
- All-Country Non-US Small Cap data begins on February 2005 with a population of 20.
- Emerging Markets Small Cap data begins on December 2009 with a population of 21.
- Global Small Cap data begins on December 2005 with a population of 20.
- Global REITs data begins on July 2004 with a population of 24.

Excess return is calculated versus universe-specific benchmark. January 2001 represents the start of the first 3-year period. Performance shown represents rolling 3-year performance at each quartile and does not correspond to the long-term experience of any specific manager. Peer group constituents and managers' rankings change over time.

# International Equity Allocations and Management Style

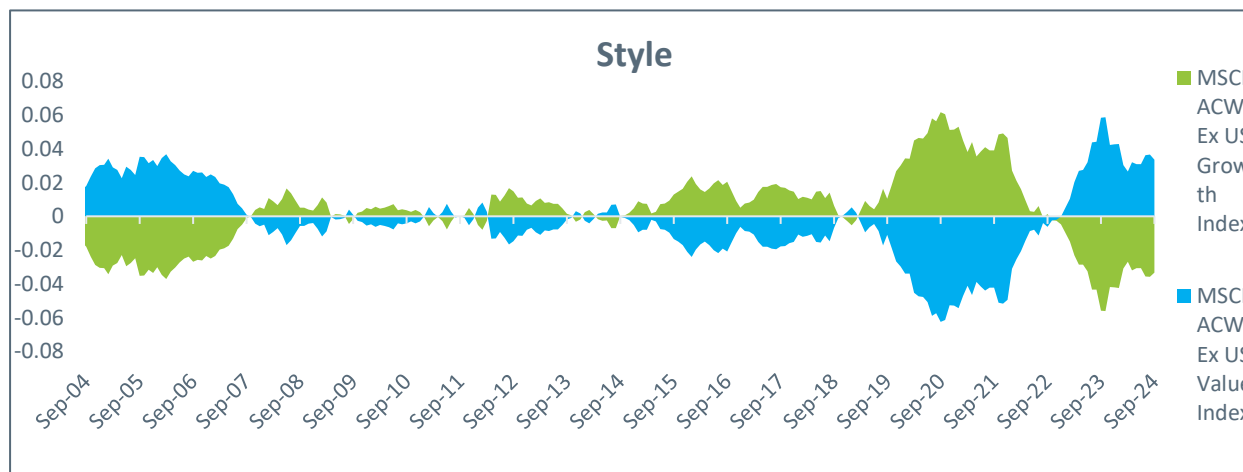
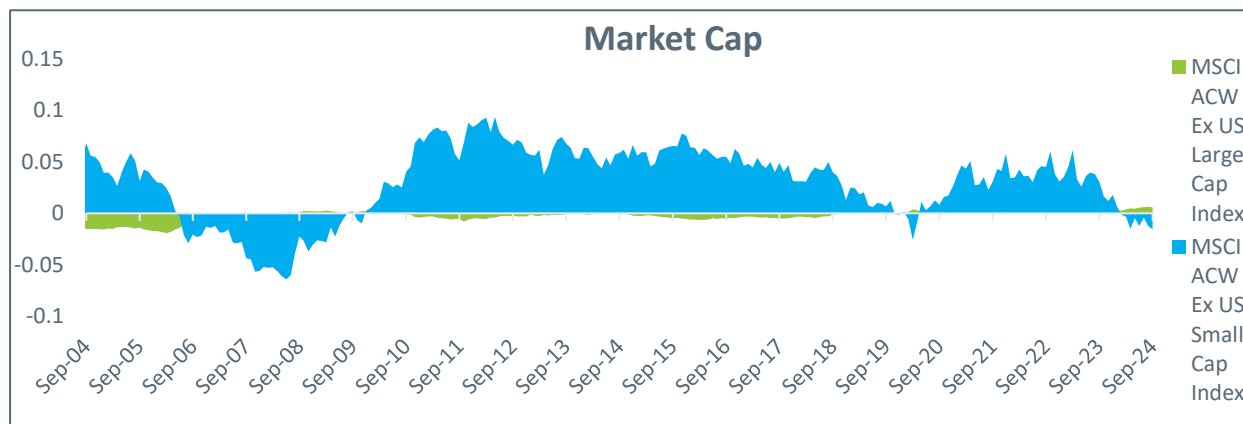
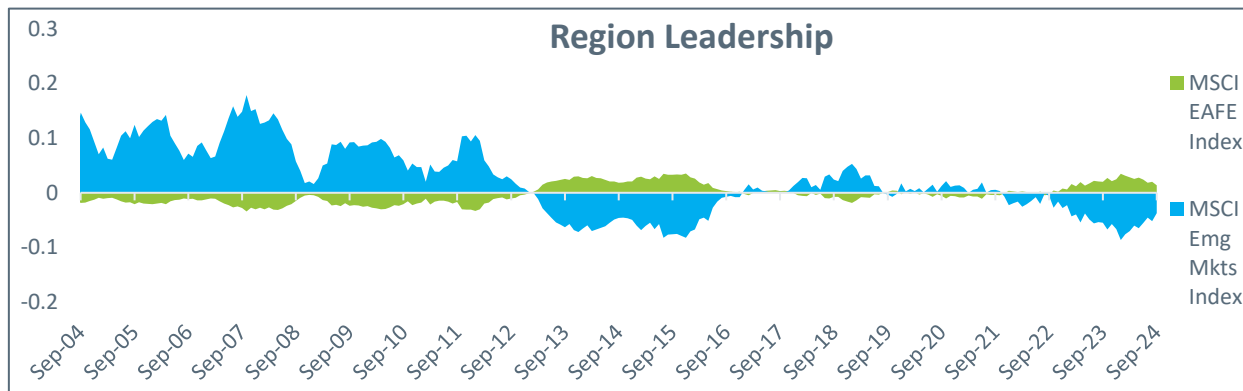
## Public Fund Peer Comparison

- Comparing COJ ERS' Non-US Equity allocation to public fund peers who invest in the respective asset classes, we observe the following:
  - Developed International Equity allocation is in line with the median peer allocation (32% vs. 29%).
    - 64% of peers utilize active management for implementation.
  - Emerging Markets allocation is slightly higher compared to the median peer allocation (11% vs. 9%).
    - 100% of peers utilize active management for implementation.
- The majority of public peers (approximately two-thirds) have dedicated allocations to US and Non-US Equity.
  - Only one-third of peers have a Global Equity allocation.
    - 100% of peers with a Global Equity allocation utilize actively managed strategies.



# Region, Market Cap, and Style Trends

## Shifts in Regional, Market Cap, and Style Returns Throughout Time



- While there have been shifts in dominance of returns across developed international and emerging markets over the years, developed International has outperformed emerging markets over the past 5 years. Given the political and regulatory issues experienced in some emerging market countries, the short-term returns of emerging markets have been challenged while developed market returns have been relatively stable, while trailing US equity returns.
- Small-cap stocks have generally dominated their large-cap counterparts in Non-US markets over the past 15 years. However, large-cap has outperformed small-cap recently.
- There has been style rotation in Non-US markets over the years. Value-oriented stocks have outpaced growth stocks in the recent years.

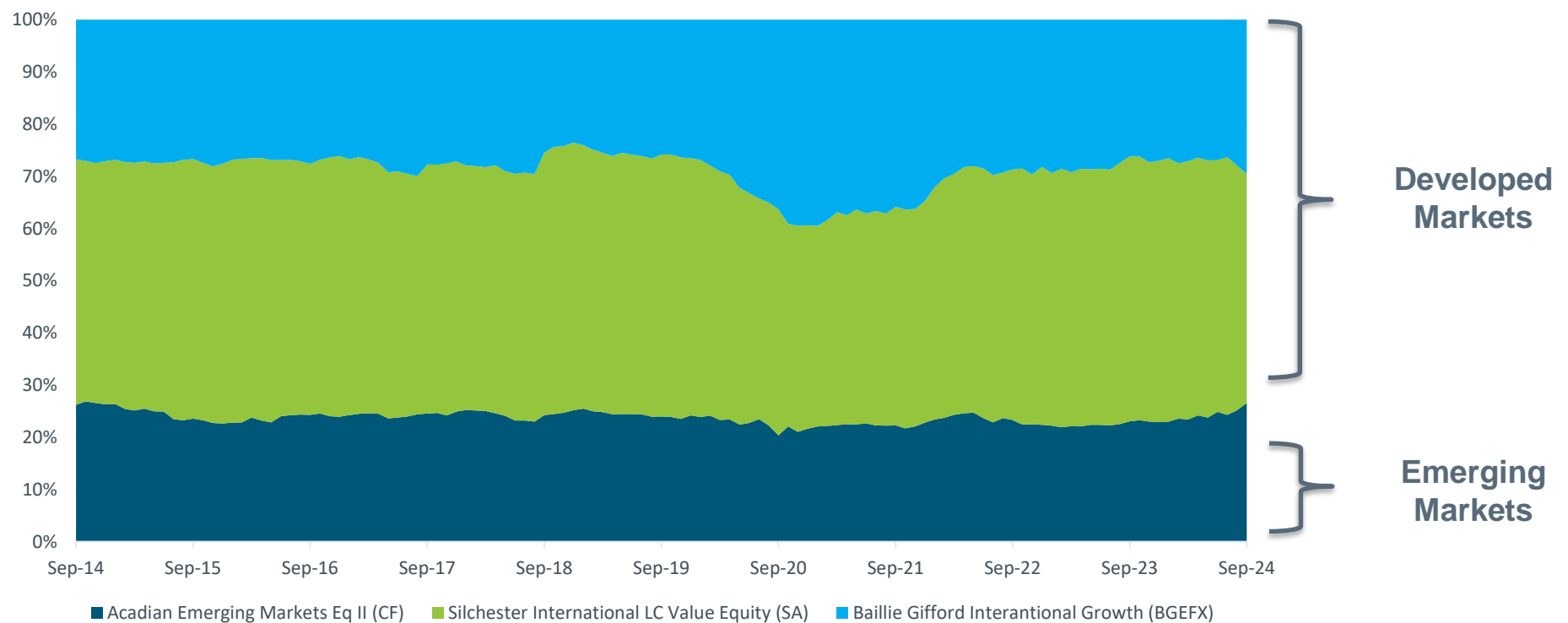
# International Equity Structure: Analysis



# International Equity Structure Review

## 10-Year Historical Allocation

- The International Equity composite has been invested across the following three actively managed strategies over the past 10 years:
  - Silchester International Value Equity (CF)
  - Baillie Gifford International Growth (BGEFX)
  - Acadian Emerging Markets Equity II (CF)



# International Equity Structure Review

## Performance

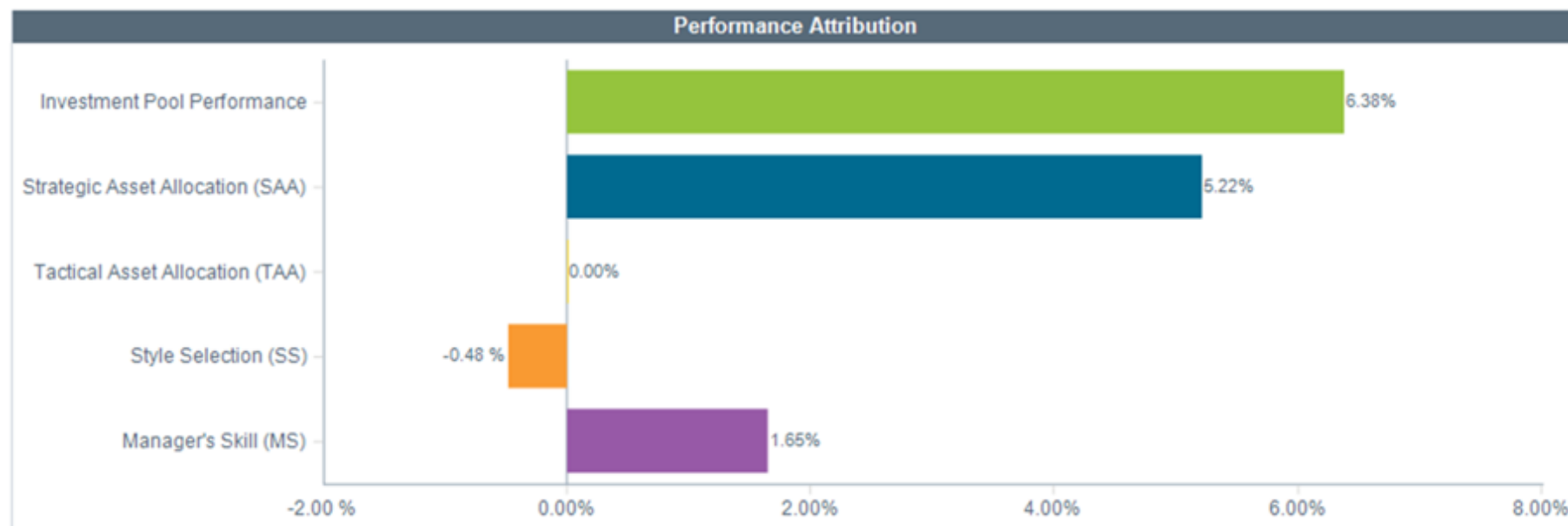
- COJ ERS International Equity composite has outperformed its benchmark, the MSCI ACW ex US Index (Index), over the long-term.
  - The 5- and 10-year and since inception outperformance as of September 2024, net of fees, are 92, 116, and 167 basis points, respectively.
    - Over these periods, all three managers have outpaced their respective strategy specific benchmarks on a net of fee basis.
  - The composite, however, has trailed the benchmark over the recent time-period ( 1 – 3 year) due to underlying manager performance.
    - Much of the 3-year period underperformance can be attributed to the Baillie Gifford. Stylistic headwinds, value stocks outperforming growth, contributed to performance struggles in 2022 and 2023.
    - Performance has rebounded in recent periods with the strategy outperforming its index during the 1-year period as of September 2024.

As of September 30, 2024	Market Value	% of Intl. Equity Portfolio	1 Year	3 Years	5 Years	10 Years	Since Inception
<b>International Equity Composite</b>	\$627,990,006	100.0%	24.72	2.82	8.51	6.38	6.16
<i>Out/Underperformance vs. International Equity Index</i>			<b>-0.63</b>	<b>-1.32</b>	<b>0.92</b>	<b>1.16</b>	<b>1.67</b>
Silchester International Value Equity	\$275,598,644	43.9%	18.93	7.95	8.88	6.58	9.15
<i>Out/Underperformance vs. MSCI EAFE Value Index</i>			<b>-4.21</b>	<b>-0.99</b>	<b>0.61</b>	<b>2.02</b>	<b>3.07</b>
Baillie Gifford International Growth (BGEFX)	\$185,576,003	29.6%	29.22	<b>-6.34</b>	7.75	7.43	9.22
<i>Out/Underperformance vs. Baillie Gifford Index</i>			2.47	<b>-7.15</b>	<b>0.66</b>	<b>1.46</b>	<b>1.79</b>
Acadian Emerging Markets Equity II	\$166,815,359	26.6%	31.86	5.92	9.77	5.37	4.50
<i>Out/Underperformance vs. MSCI Emerging Markets Index</i>			5.81	5.52	<b>4.02</b>	<b>1.35</b>	<b>1.65</b>

Performance shown net of fees. The passive Baillie Gifford Index consists of 100% MSCI EAFE Grth Index (USD) (Net) through 10/2017 and 100% MSCI ACW Ex US Grth Index (USD) (Net) thereafter.

# International Equity Structure Review

Performance Attribution: August 30, 2014, to September 1, 2024

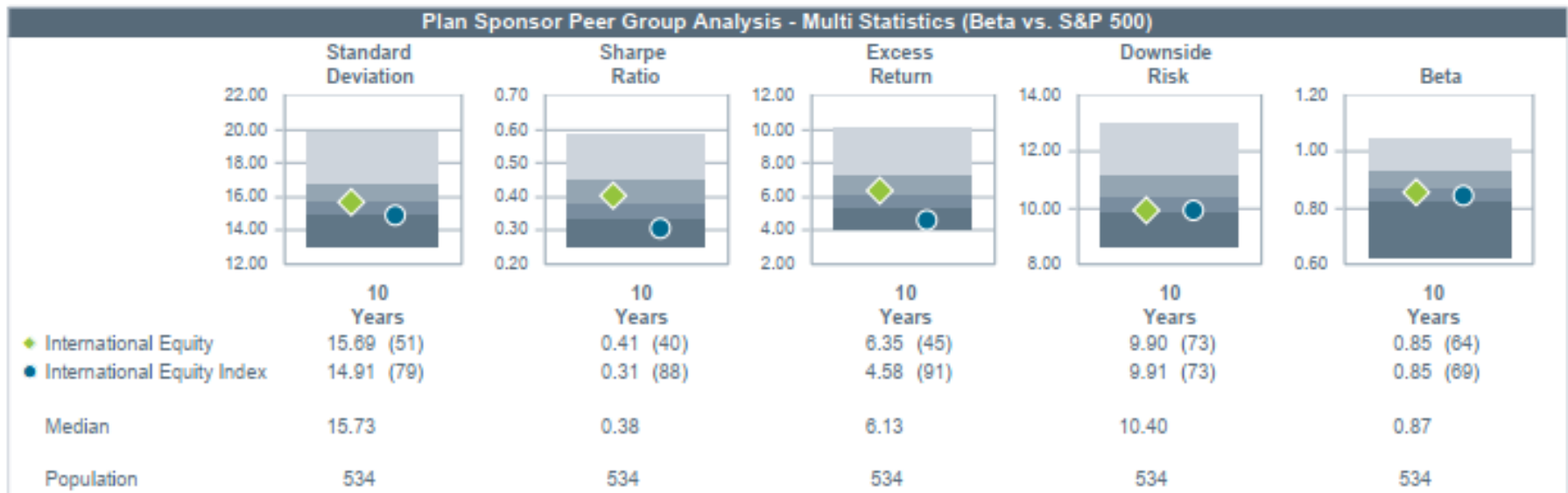
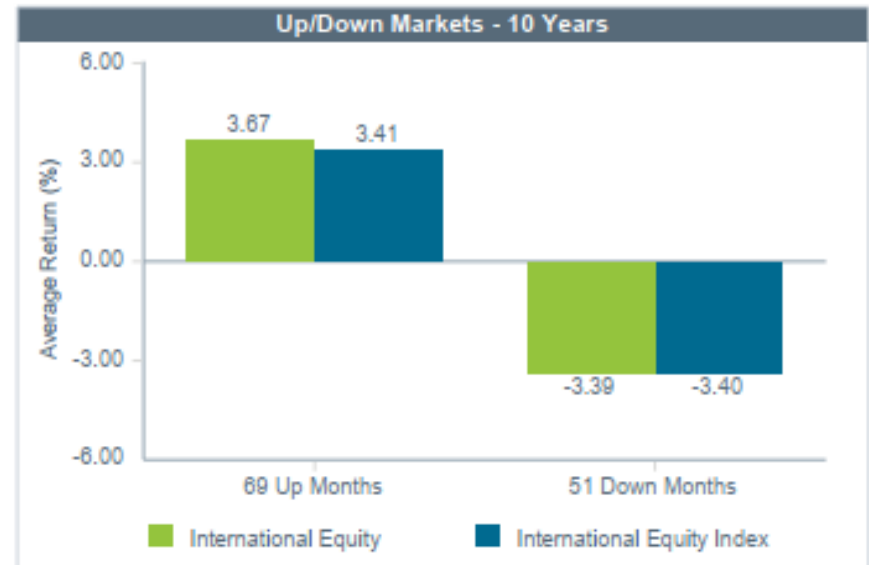
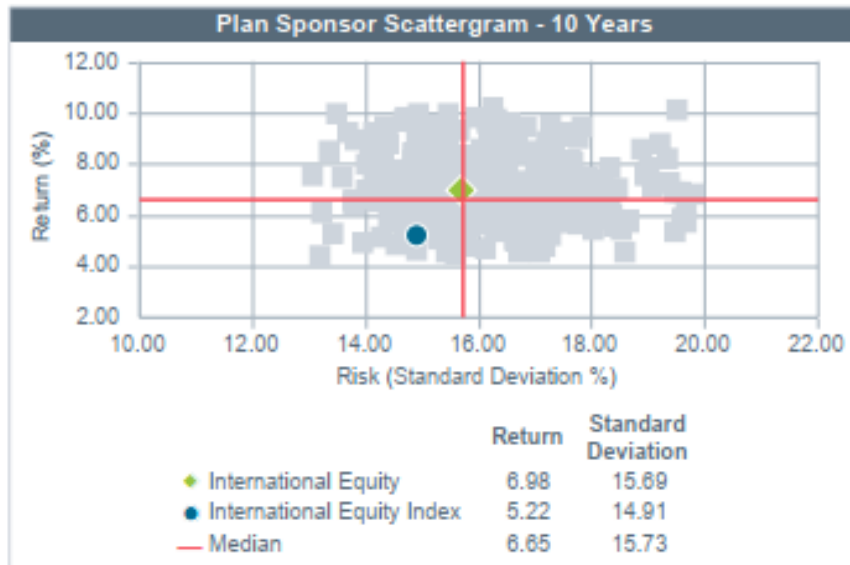


- The COJ ERS International Equity composite has returned 6.38% over the 10-year period ending September 2024 relative to the 5.22% return of the asset class.
  - Manager alpha added 1.66% to performance.
  - Style selection was a small detractor due to growth segment of the market outperforming value over the 10-year period.



# International Equity Structure Review

## 10-Year Risk and Return Statistics



Performance shown is gross of fees and as of 9/30/24. IM International Equity Segment plan sponsor peer group. Calculation is based on monthly periodicity. Parentheses contain percentile ranks.

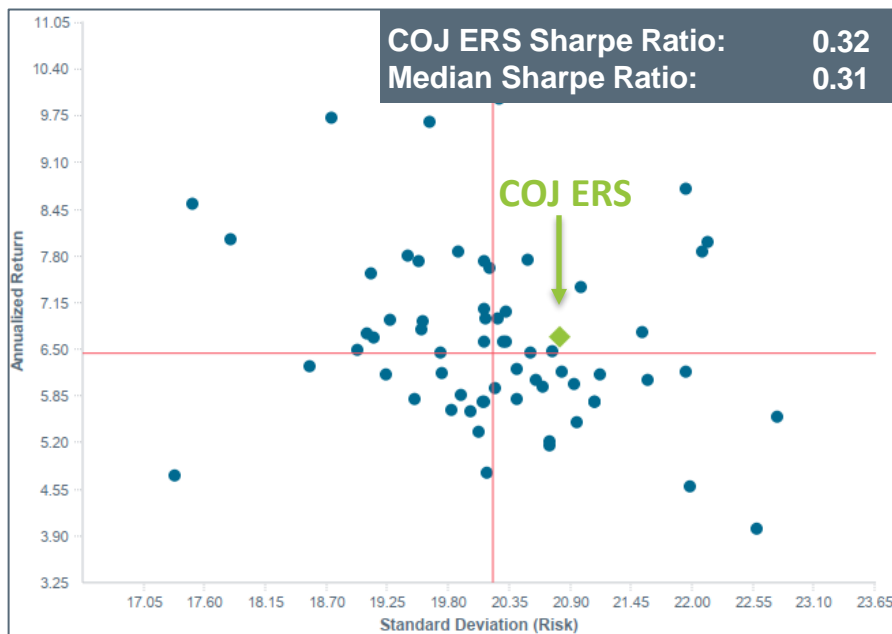
# International Equity Structure Review

## Public Fund Peer Comparison: International Equity

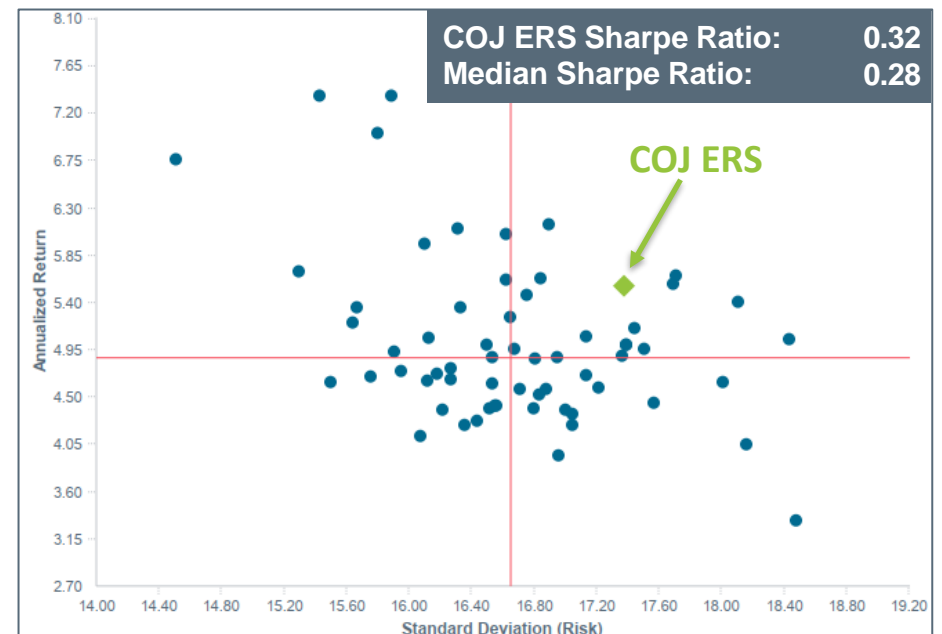
- Over the 5- and 10-year trailing period ending in June 2024, the COJ ERS' International Equity composite had higher risk adjusted returns compared to the median peer.

### Annualized International Equity Returns vs. Standard Deviation

5-year



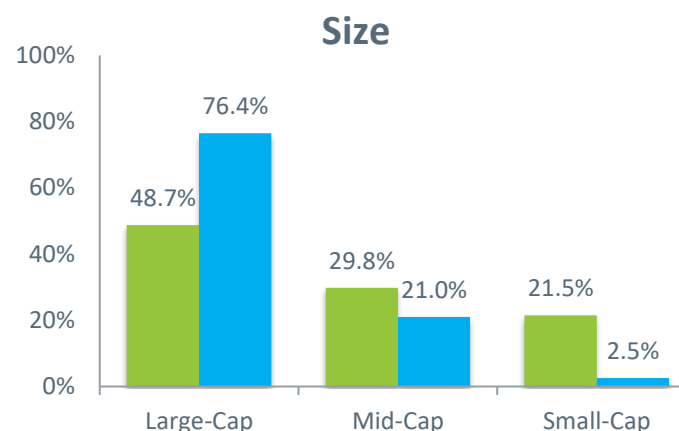
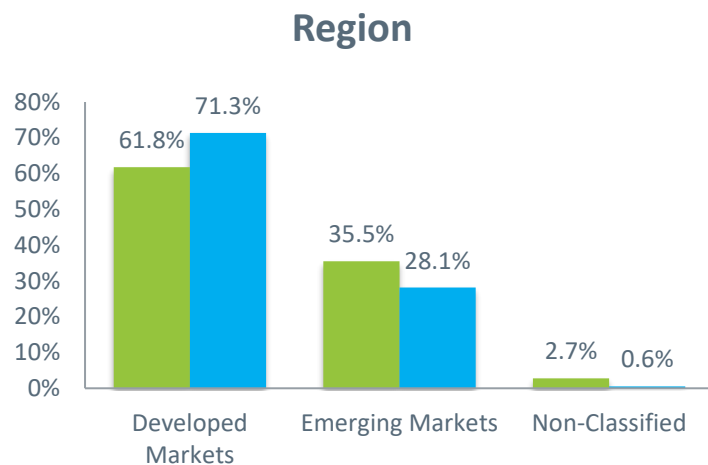
10-year



# International Equity Structure Review

## Portfolio Positioning Relative to Benchmark (Holdings Based)

- Compared to the composite benchmark, the COJ ERS International Equity composite has a moderate underweight to developed markets, coupled with a corresponding overweight to emerging markets.
- It has a relatively large underweight to large-cap with a moderate overweight to mid-cap and a relatively large overweight to small-cap.
- These positionings, relative to the Index, are intentional, aiming to capture the higher return potential of emerging markets and mid- to small-cap segments of the international markets.



■ COJ ERS ■ MSCI ACW Ex USA

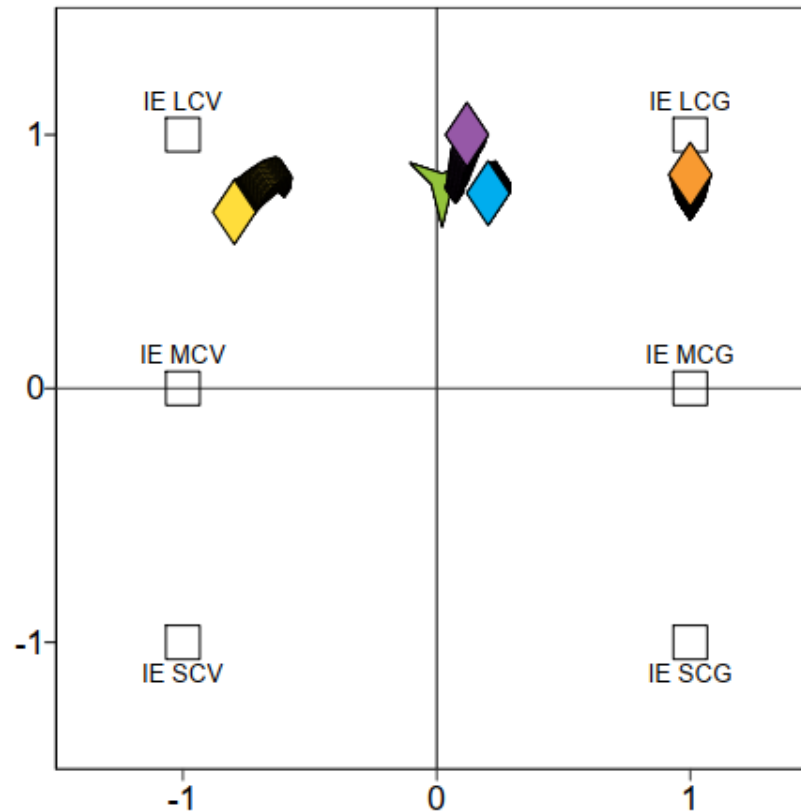
Manager	Region			Size		
	Developed Markets	Emerging Markets	Non-Classified	Large-Cap	Mid-Cap	Small-Cap
Silchester	87.86%	10.67%	1.47%	30.3%	37.6%	32.1%
Baillie Gifford	78.81%	14.52%	6.67%	79.6%	13.5%	7.0%
Acadian	1.79%	97.93%	0.28%	45.3%	34.6%	20.1%

Data as of 09/30/24. Market Cap size based on MSCI region breakpoints as of August 2024. Non-classified is a result of securities based on countries/regions that do not fit into any MSCI classification.

# International Equity Structure Review

## Style Analysis (Returns Based)

36 Month moving average, Sep 17 - Sep 24



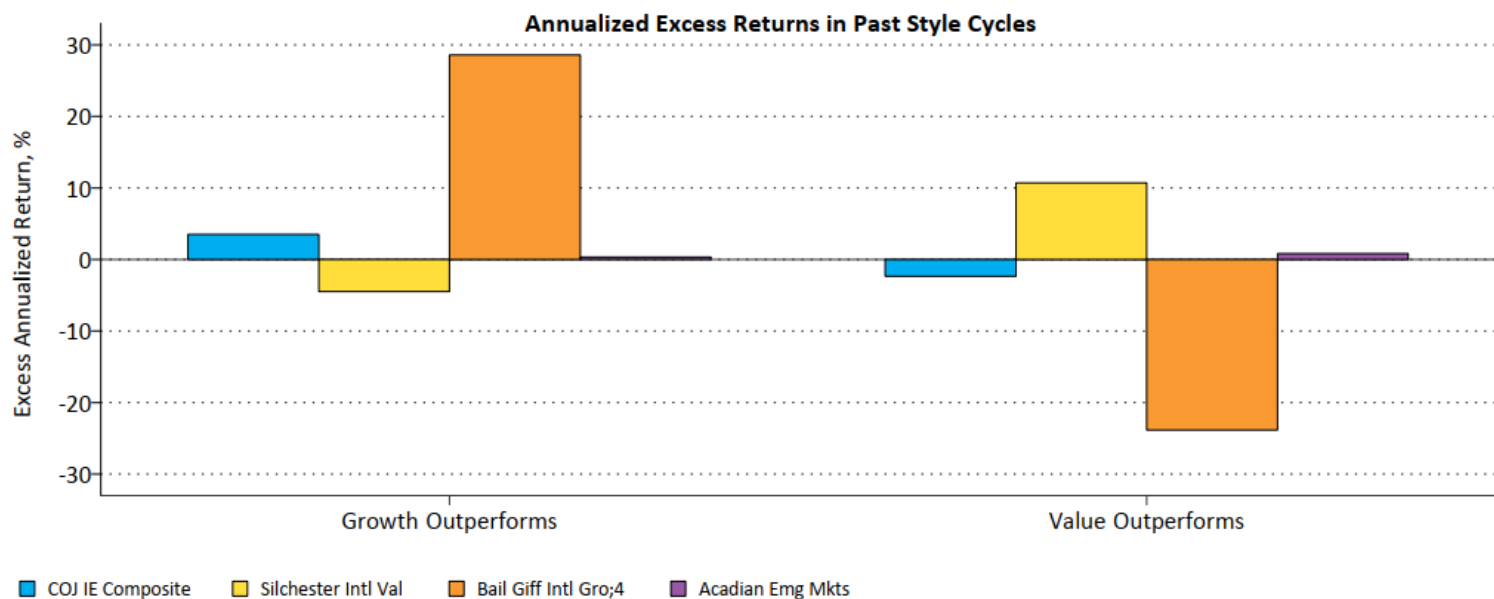
◆ Acadian Emg Mkts ◆ Bail Giff Intl Gro;4 ◆ Silchester Intl Val ◆ COJ IE Composite ▼ COJ IE Benchmark

- Compared to the benchmark which maintains a core style, the COJ ERS International Equity exhibits a small growth style bias.
- As for individual managers, there have been some style drift over time. However, the drifts have not been significant. The current equity structure maps as having a core structure, which in aggregate is largely capitalization and style neutral.

# International Equity Structure Review

## Performance During Different Style Regimes

- The underlying managers within the International Equity composite provide excess returns during different market environments.
  - Baillie Gifford International Growth Fund has led performance during growth regimes
  - Silchester International Value Fund has led performance during value regimes
  - Acadian Emerging Markets Fund has contributed to performance during both growth and value style regimes.
- The International Equity composite, over the past 10-year period, has produced positive performance during growth-led environments. It has lagged slightly during value-led periods due to the magnitude of underperformance of the Baillie Gifford Fund.



	Annualized Excess Returns		# of Months of Style Leadership	
	Growth Outperforms	Value Outperforms	Growth Outperforms	Value Outperforms
COJ IE Composite	3.51	-2.36	69	51
Silchester Intl Val	-4.47	10.73	69	51
Bail Giff Intl Gro;4	28.59	-23.82	52	43
Acadian Emg Mkts	0.35	0.82	69	51

Data shown as of 09/30/24. Excess Returns of the managers in both value-led and growth-led months are grouped and annualized to illustrate the performance of each strategy in past style regimes.

# International Equity Structure Study

## Beta and Correlation of Underlying Managers

### 10-Year Manager Beta

Manager	Beta vs Manager Benchmark	Beta vs International Equity Index
Silchester Intl Val Equity	0.87	0.92
Baillie Gifford International Growth	1.29	1.23
Acadian Emg Mkts Eq II	0.97	1.02

- Over the past 10-year period, Silchester has maintained the lowest beta compared to its benchmark and the composite benchmark.

### 10-Year Excess Return Correlation Matrix

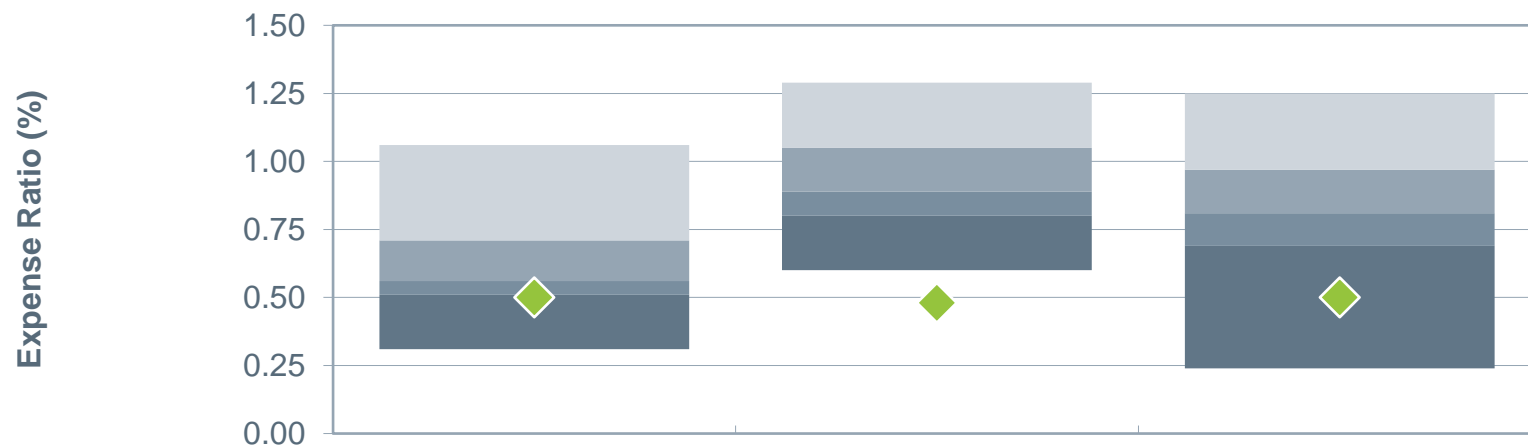
Manager vs International Equity Index	Silchester Intl Val Equity (CF)	Bail Giff Intl Gro;4 (BGEFX)	Acadian Emg Mkts Eq II (CF)
Silchester Intl Val Equity	1.00		
Baillie Gifford International Growth	-0.50	1.00	
Acadian Emg Mkts Eq II	-0.31	0.03	1.00

- Over the past 10-year period, all three managers have had very low to negative excess return correlations.

# International Equity Structure Review

## Fee Overview

- When compared against the eVestment universe of similar style managers, COJ ERS International Equity manager fees are highly competitive.
  - All managers rank in the top quartile of their respective universes, with the Baillie Gifford and Acadian Funds ranking in the top decile.



Fund	Silchester International Value Equity	Baillie Gifford International Growth (BGEFX)	Acadian Emerging Markets Eq II
Peer Group	EAFE Value Equity	ACWI ex-US Growth Equity	All Emerging Markets Equity
<b>Fund Expense Ratio</b>	<b>0.50</b>	<b>0.48</b>	<b>0.50</b>
Median Expense Ratio	0.56	0.89	0.81
Percentile Rank	22	1	10

Fund Expense Ratios are intuitively ranked (ie. A lower expense ratio yields a better percentile rank than a higher expense ratio). The fee peer group consist of only institutional share classes.

# International Equity Structure: Key Takeaways and Recommendations





# International Equity Structure Review

## Key Takeaways & Recommendation

- **Asset Class Thematic Role:** Overall, we have found that the International Equity composite has met its objective of producing positive absolute return for the COJ ERS total fund over the long term. Over the 10-year period, the composite has returned 6.38% net of fee, outperforming its benchmark, the MSCI ACW ex US Index by 116 basis points. The composite return, on a risk adjusted basis, has also been superior to the Index. The composite Sharpe ratio is 0.41 versus 0.31 for the Index during the 10-year period.
- **Active/Passive Management:** The current structure utilizes active management for the underlying strategies. Over the past 5- and 10-year and since inception periods, active management has been accretive to the portfolio. Since inception, Silchester, Baillie Gifford, and Acadian have added alpha is 307, 179, and 165 basis points against their respective indexes.
  - Our analysis highlights the success of the COJ ERS' active management in both developed international and emerging markets which coincides with RVK's Active/Passive Study findings. We recognize this is somewhat point in time dependent, and these conclusions vary with market cycles, hence our focus on longer-term numbers where available.

# International Equity Structure Review

## Key Takeaways & Recommendation

- **Capitalization, Style, and Regional Biases:** The current structure is well diversified by region, market capitalization, and style. The International Equity composite has a relatively small overweight to emerging markets and maintains a mid- and small-cap bias compared to the benchmark. These are intentional overweights, aimed to capture the higher excess expected return from these spaces over time.
  - We note that given the tariff proposals of the new President-elect, there might be impact to certain emerging market countries. While we expect Acadian, as an actively managed fund, to position the portfolio based on their outlook and market expectations, we will further review the breakdown between Developed International and Emerging Markets during the Asset Allocation Study which we will conduct in Q1/Q2 2025 based on RVK's 2025 capital market assumptions.

In terms of style, the current structure exhibits a small growth bias compared to the Index, which is style neutral. The composite has produced slightly negative return in value-led regimes due to the magnitude of underperformance of the Baillie Gifford Fund during value regime.

- **Staff and RVK recommend that COJ ERS considers lowering the growth bias of the composite to get closer to a more neutral style positioning. This will bring the composite more in line with the neutral style of the Index.**
  - **To implement this, our recommendation is to increase the allocation to Developed International Value (Silchester) and correspondingly decrease allocation to Developed International Growth (Baillie Gifford) from a 50%/50% split to a 60%/40%.**
    - This adjustment will result in reducing the style bias of the composite resulting in more balanced performance across both value and growth style regimes. Additionally, lowering Baillie Gifford allocation will slightly lower the overall exposure to emerging markets.
    - While the Silchester International Value Equity Fund is soft-closed to new investors, it will take on reasonable capital inflows from existing clients, thus we foresee no issue with an additional subscription.

# International Equity Structure Review

## Key Takeaways & Recommendation

- **Structure Efficiency:** The International Equity composite is structured around three distinct strategies, each managed by a separate manager, and as such there is no overlap in strategies within the composite. Each manager has contributed to excess return during different market regimes, as expected from their respective strategies.
  - Excess return correlations of the managers are very low to negative, contributing to the diversification benefits of the three strategies within the composite.
  - As part of this review, we have also explored whether adding a dedicated Global Equity mandate would be additive to the Total Equity composite. Based on our analysis, using the median return of active global equity managers from RVK's Active/Passive Study, we found that adding dedicated exposure to Global Equity would not have been accretive to the performance of the Total Equity composite. While it certainly could be going forward, given the demonstrated effectiveness of the current structure and manager selection, we continue to have confidence in maintaining the current approach.
- **Fees:** Active management fees for the managers across the International Equity composite are competitive vs. peers. All three managers rank in the top quartile of their respective universes, with Baillie Gifford and Acadian ranking in the top decile.
- **Next Steps:** If, and as approved by the Board, RVK will work with Staff to execute rebalancing of the Total Equity portfolio to be in line with the allocation of Potential Portfolio 1. We will take this opportunity to not only rebalance the International Equity composite, but also to rebalance the liquid portion of the Total Fund.

# International Equity Structure Review

## Potential Alternative Structures

- Given the aforementioned recommendation to lower the growth style bias in the composite, we have explored an alternative structure for consideration
  - **Potential 1:** Increase allocation to Developed International Value (Silchester) and correspondingly decrease allocation to Developed International Growth (Baillie Gifford) from a 50%/50% allocation to 60%/40%.
- Additionally, we have also explored two alternative portfolios with dedicated exposure to Global Equity.
  - **Potential 2:** Add 5% (of Total Fund and 10% of Total Equity) to an actively managed Global Equity manager, reducing US Equity and International Equity allocation on a pro-rata basis.
  - **Potential 3:** Allocate 100% of the equity portfolio to an actively managed Global Equity manager.

Manager	Target Portfolio	COJ ERS Potential Portfolio 1	COJ ERS Potential Portfolio 2	COJ ERS Potential Portfolio 3
Eagle Capital Large Cap Value (SA)	10.8%	10.8%	9.7%	0.0%
Wellington Select Equity Income Fund (SA)	10.0%	10.0%	9.0%	0.0%
BNYM DB Lg Cap Stock Idx NL (CF)	11.6%	11.6%	10.5%	0.0%
Loomis, Sayles & Co Lg Cap Grth (CF)	9.2%	9.2%	8.2%	0.0%
Systematic Financial US SMID Value (SA)	5.0%	5.0%	4.5%	0.0%
Kayne Anderson US SMID Value (SA)	5.0%	5.0%	4.5%	0.0%
Pinnacle Associates US SMID Cap Growth (SA)	5.0%	5.0%	4.5%	0.0%
Silchester Intl Val Equity (CF)	15.1%	18.1%	16.3%	0.0%
Bail Giff Intl Gro;4 (BGEFX)	15.1%	12.1%	10.9%	0.0%
Acadian Emg Mkts Eq II (CF)	13.2%	13.2%	11.9%	0.0%
Global Manager (Median)	0.0%	0.0%	10.0%	100.0%

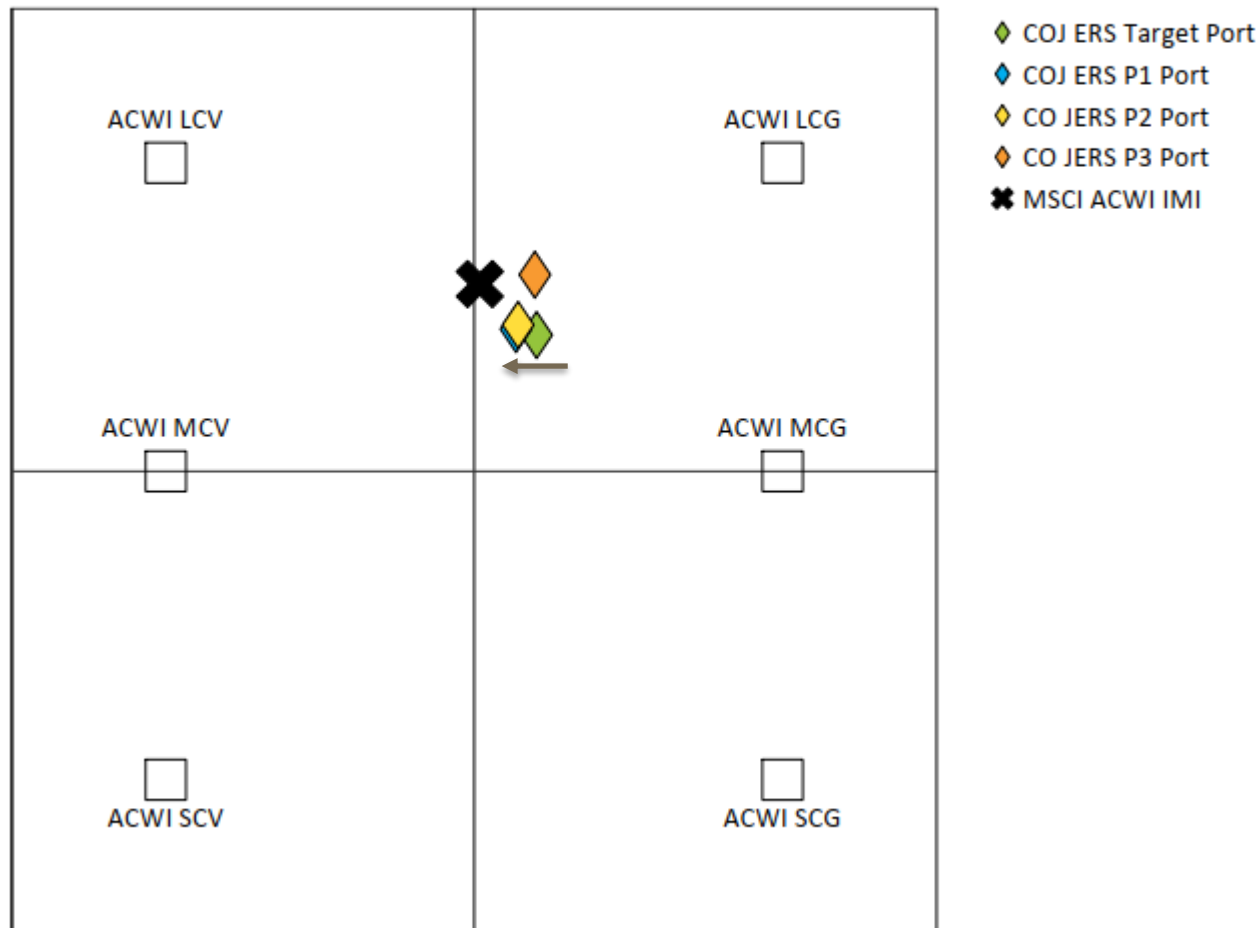
Current portfolio is allocation as of 9/30/2024. Target allocation reflects target allocation based on IPS approved targets to the broad asset classes; exercise assume monthly rebalance back to target.

# International Equity Structure Review

## Potential Alternative Structures: Style Analysis (Returns Based)

### Style Analysis - Common Period

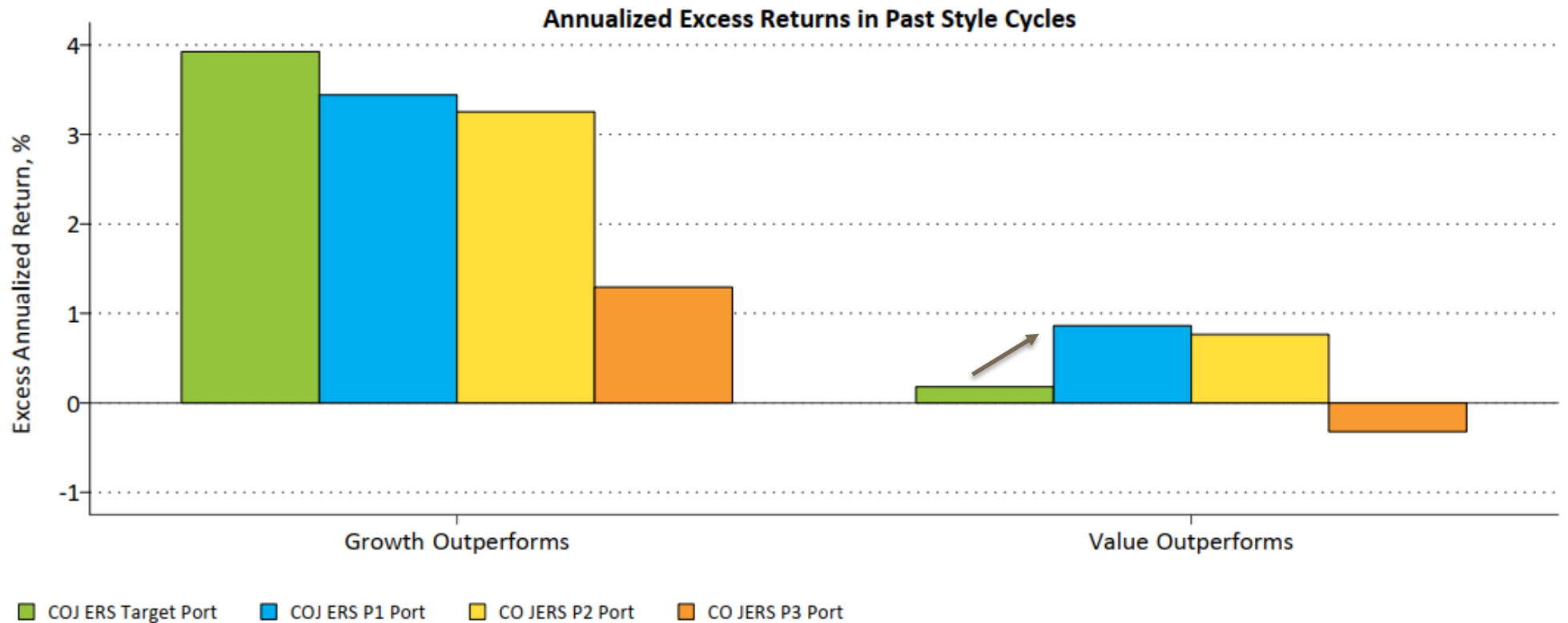
Feb 11 - Sep 24



- Compared to the current composite, Potential 1 would exhibit a lower growth bias and align more closely with a neutral style, leading to a more balanced portfolio for both value and growth style regimes.

# International Equity Structure Review

## Performance During Different Style Regimes



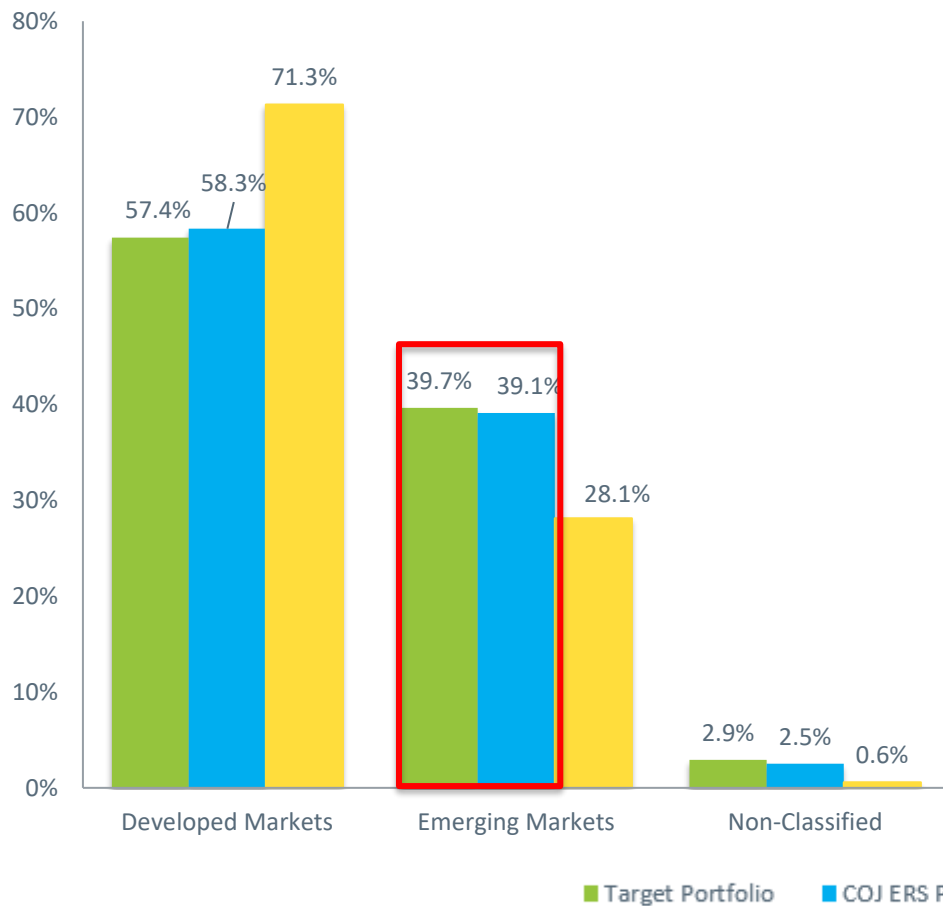
	Annualized Excess Returns		# of Months of Style Leadership	
	Growth Outperforms	Value Outperforms	Growth Outperforms	Value Outperforms
COJ ERS Target Port	3.93	0.18	101	63
COJ ERS P1 Port	3.44	0.86	101	63
CO JERS P2 Port	3.25	0.76	101	63
CO JERS P3 Port	1.29	-0.32	113	67

- Looking at historical returns, compared to the target portfolio, Potential 1 would have slightly better performance during value-led style regimes.

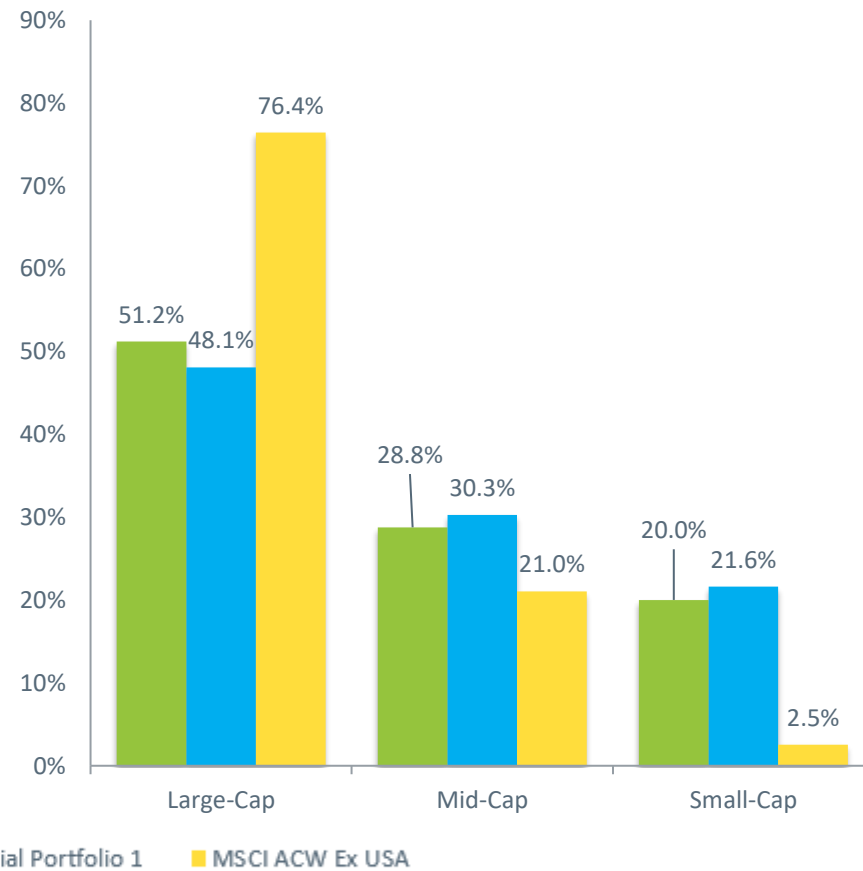
# International Equity Structure Review

## Potential Alternative Structures: Regional Breakdown

### Region



### Size



- Compared to the target portfolio, Potential 1 would have a slightly lower allocation to emerging markets.

Data as of 09/30/24. Market Cap size based on MSCI region breakpoints as of August 2024. Non-classified is a result of securities based on countries/regions that do not fit into any MSCI classification.

# International Equity Structure Review

## Potential Alternative Structures: Risk and Return

Portfolio	1 Year	3 Years	5 Years	10 Years	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Target Portfolio	30.1	7.4	13.4	11.3	25.3	-19.2	16.6	23.0	29.7	-9.7	28.2	10.5	0.1	6.0
<b>COJ ERS Potential Portfolio 1</b>	<b>29.8</b>	<b>7.8</b>	<b>13.5</b>	<b>11.2</b>	<b>25.4</b>	<b>-18.5</b>	<b>17.4</b>	<b>21.4</b>	<b>29.2</b>	<b>-9.6</b>	<b>27.8</b>	<b>10.7</b>	<b>0.2</b>	<b>6.1</b>
COJ ERS Potential Portfolio 2	29.8	7.7	13.3	11.1	25.0	-18.4	17.5	21.1	29.0	-9.6	27.5	10.3	0.2	6.0
COJ ERS Potential Portfolio 3	30.0	7.1	12.1	9.7	20.7	-18.0	19.0	18.3	27.2	-9.3	24.6	6.8	0.0	4.5
MSCI ACWI IMI	31.0	7.4	11.9	9.2	21.6	-18.4	18.2	16.3	26.4	-10.1	23.9	8.4	-2.2	3.8
eA Global All Cap Median	29.0	7.0	12.1	9.8	19.8	-17.7	18.8	17.2	27.1	-9.4	24.9	6.9	0.0	3.8

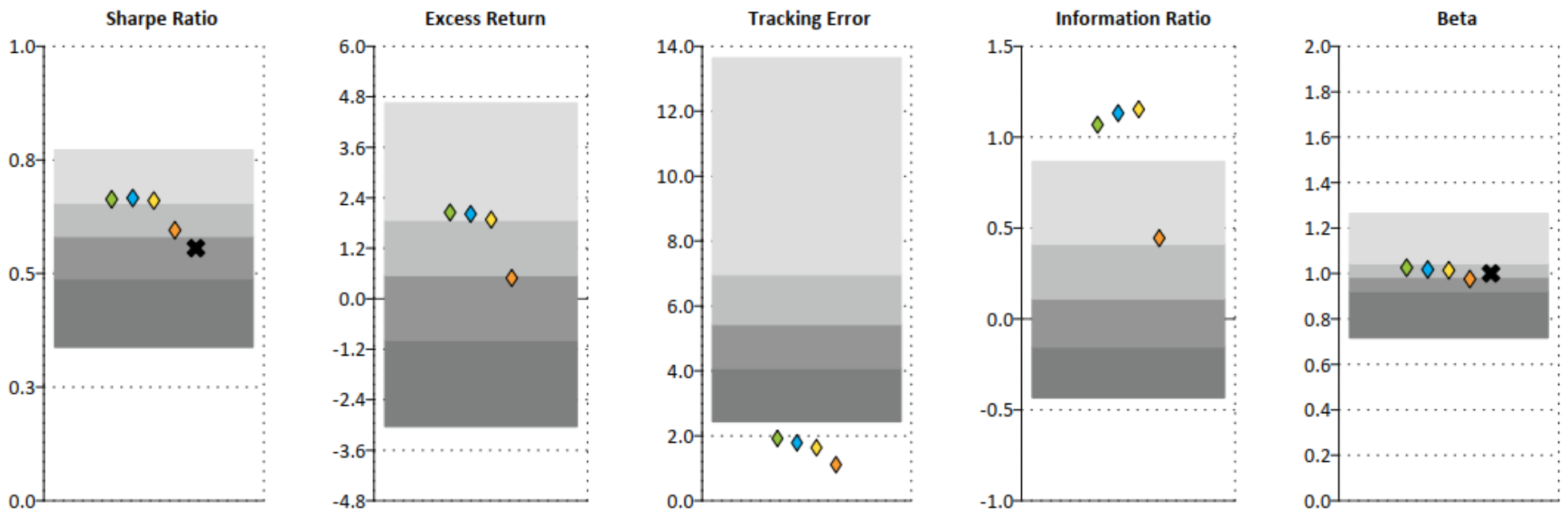
	3 Year		5 Year		10 Year	
	Annualized Return	Annualized Std. Dev	Annualized Return	Annualized Std. Dev	Annualized Return	Annualized Std. Dev
Target Portfolio	7.39	17.49	13.43	18.08	11.25	15.47
<b>COJ ERS Potential Portfolio 1</b>	<b>7.76</b>	<b>17.29</b>	<b>13.45</b>	<b>17.95</b>	<b>11.22</b>	<b>15.34</b>
COJ ERS Potential Portfolio 2	7.71	17.23	13.34	17.89	11.09	15.27
COJ ERS Potential Portfolio 3	7.11	16.66	12.12	17.39	9.70	14.65
MSCI ACWI IMI	7.44	16.70	11.87	17.69	9.20	14.98
eA Global All Cap Median	7.01	17.53	12.13	18.31	9.76	15.54

- Looking back at historical returns, Potential 1 would have resulted in slightly higher return over 3- and 5-year periods with slightly lower return over the 10-year period.
- Risk (standard deviation) over 3-, 5-, and 10- year periods would have been lower to a larger degree, resulting in improved risk adjusted return (Sharpe ratio) over all three trailing periods.
- Addition of a dedicated Global Equity mandate would not be additive to the current structure.



# International Equity Structure Review

## Potential Alternative Structures: 10-year MPT Statistics



◆ COJ ERS Target Port

◆ COJ ERS P1 Port

◆ CO JERS P2 Port

◆ CO JERS P3 Port

✖ MSCI ACWI IMI

Firm/Product	Sharpe Ratio	Rank	Excess Return %	Rank	Tracking Error	Rank	Information Ratio	Rank	Beta	Rank
COJ ERS Target Port	0.66	23	2.05	21	1.92	100	1.07	2	1.03	30
COJ ERS P1 Port	0.67	23	2.02	22	1.78	100	1.13	2	1.02	33
CO JERS P2 Port	0.66	24	1.88	25	1.63	100	1.15	1	1.01	35
CO JERS P3 Port	0.60	46	0.49	51	1.11	100	0.44	23	0.98	57
MSCI ACWI IMI	0.56	58	0.00	61	0.00	100	---	---	1.00	41
eA Global All Cap Median	0.58	50	0.55	50	5.43	50	0.11	50	0.98	50

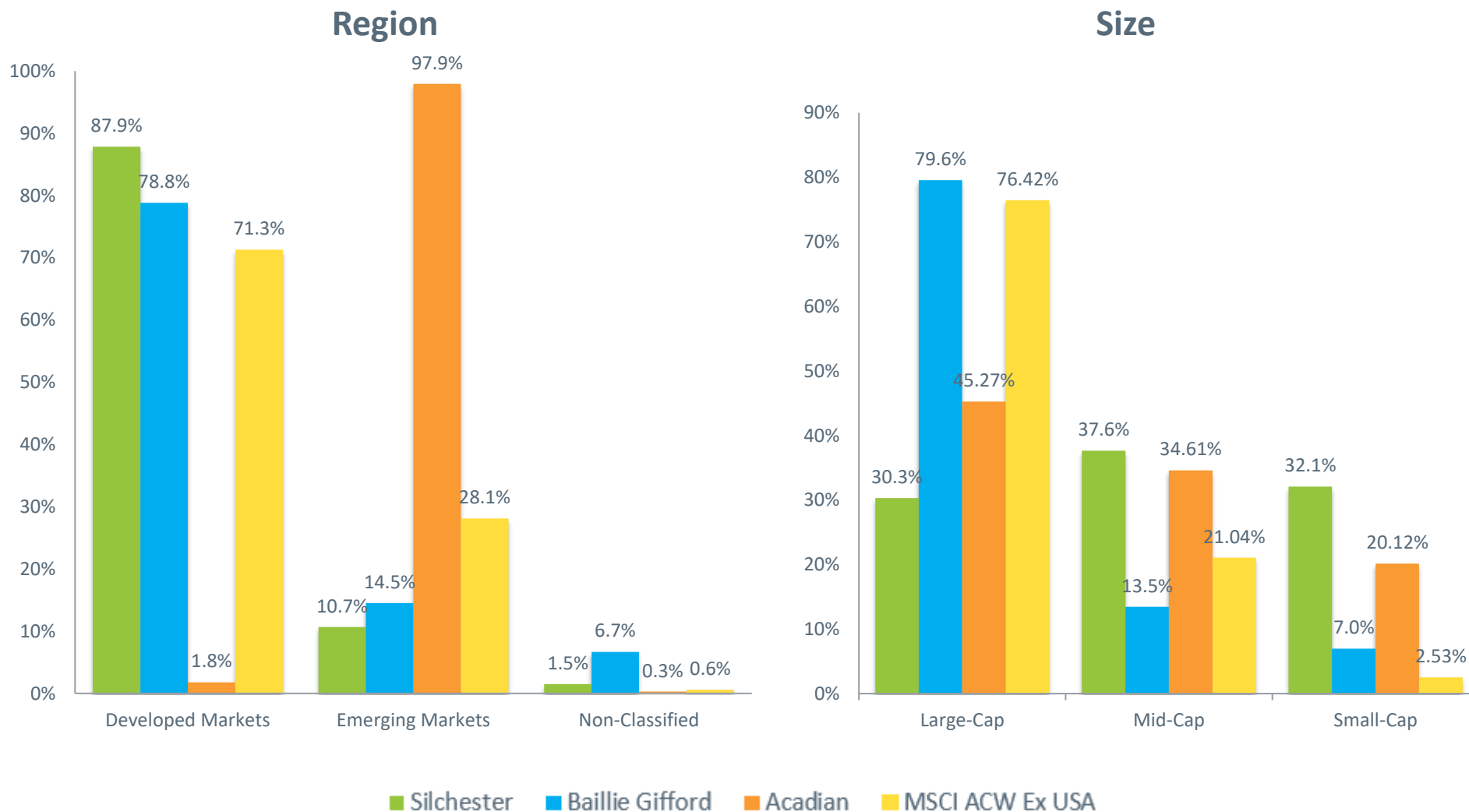
Performance shown gross of fees. The disparities observed in the global all-cap peer group performance within the simulated portfolios and the displayed eA global all-cap peer group can be attributed to minor variations in the underlying constituents that comprise the peer groups. Both groups consist of more than 500 constituents, which should provide a reliable approximation of the performance that a median global all-cap manager could be expected to deliver.

# Appendix



# International Equity Review

## Manager Positioning

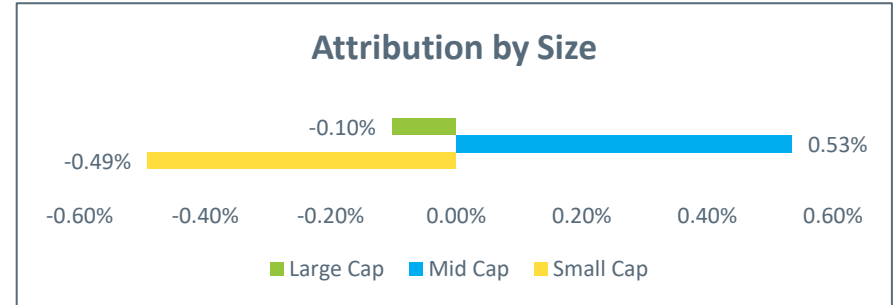
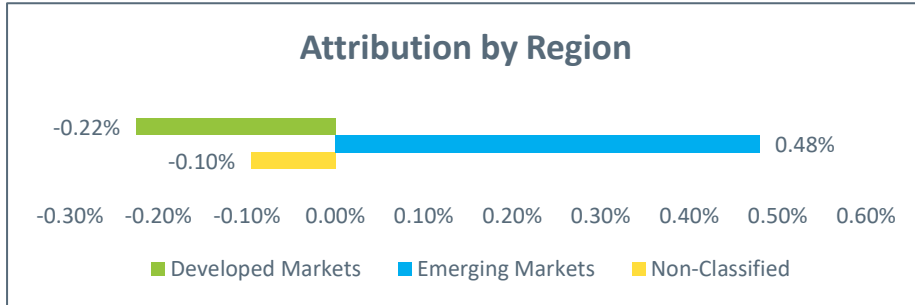


Data as of 09/30/2024. Market Cap size based on MSCI region breakpoints as of August 2024. Non-classified is a result of securities based on countries/regions that do not fit into any MSCI classification.

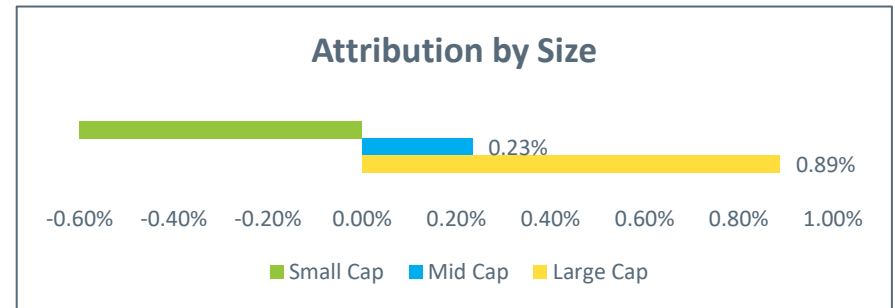
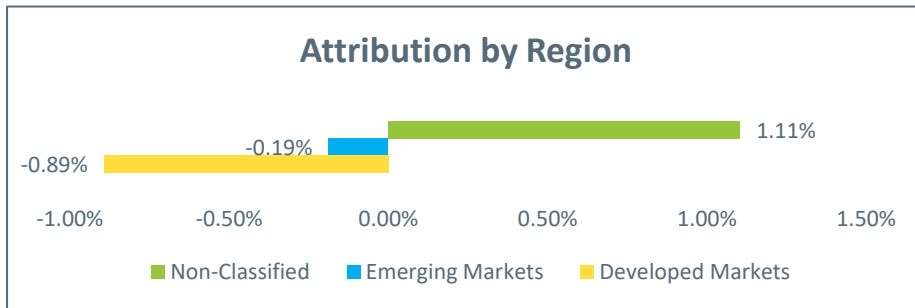
# International Equity Review

## Manager Attribution – Trailing 5 Years

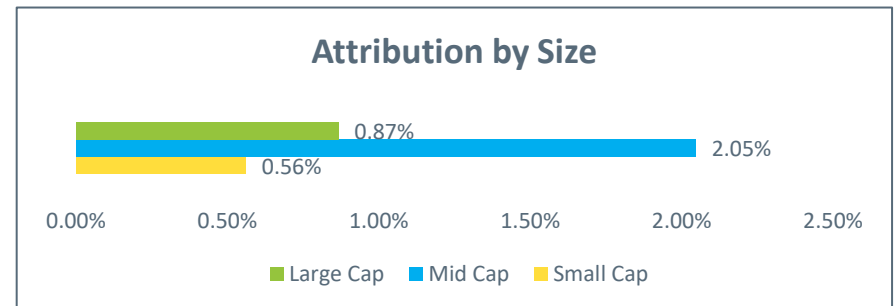
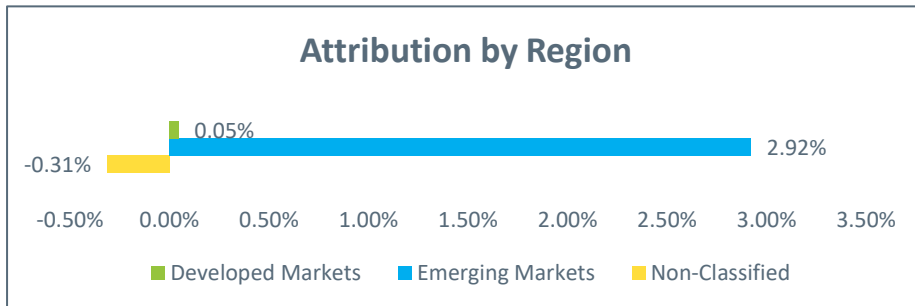
### Silchester



### Baillie Gifford



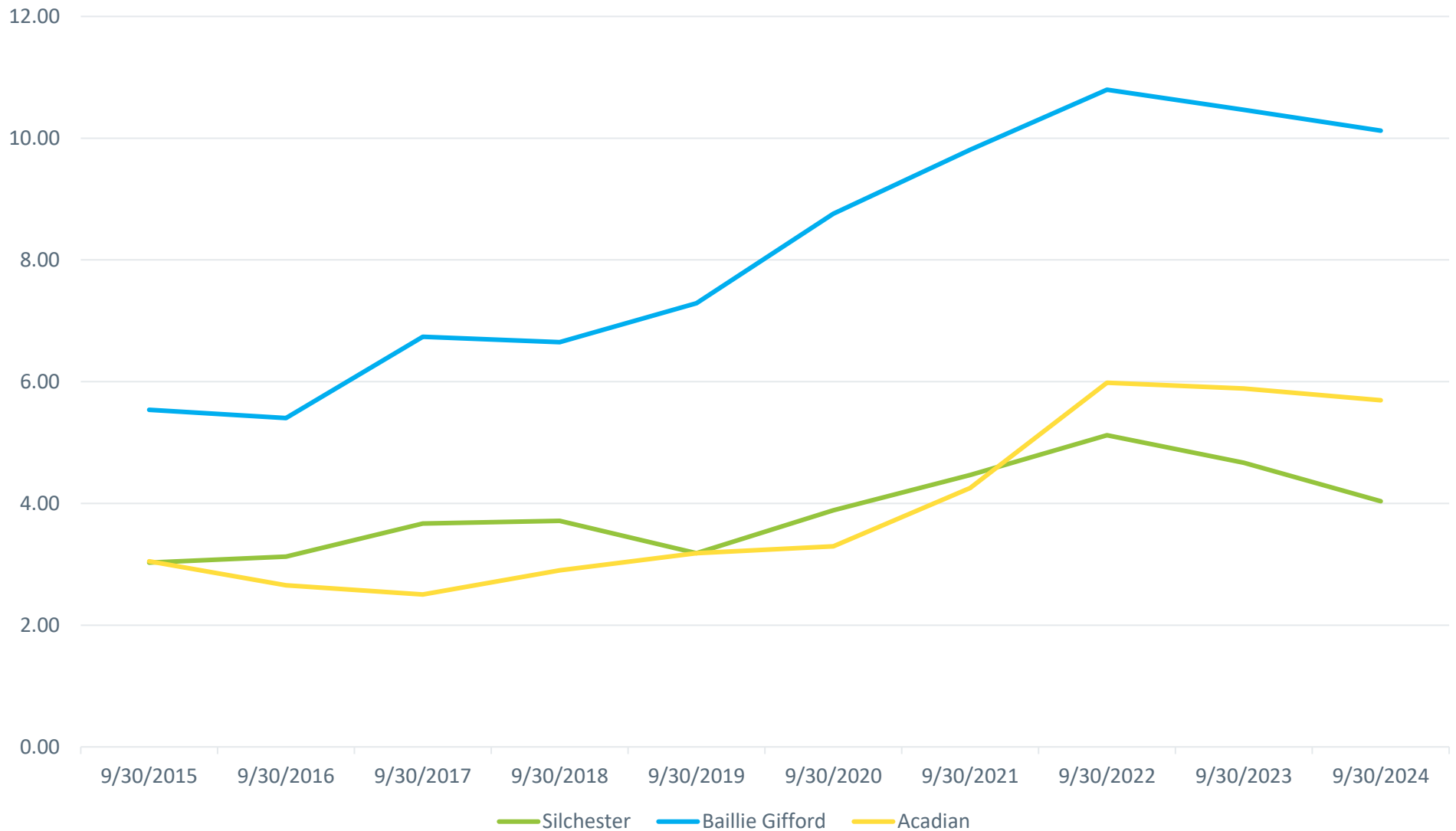
### Acadian



Data as of 09/30/2024. Market Cap size based on MSCI region breakpoints as of August 2024. Non-classified is a result of securities based on countries/regions that do not fit into any MSCI classification.

# International Equity Review

## Tracking Error - 3 Year Rolling Periods



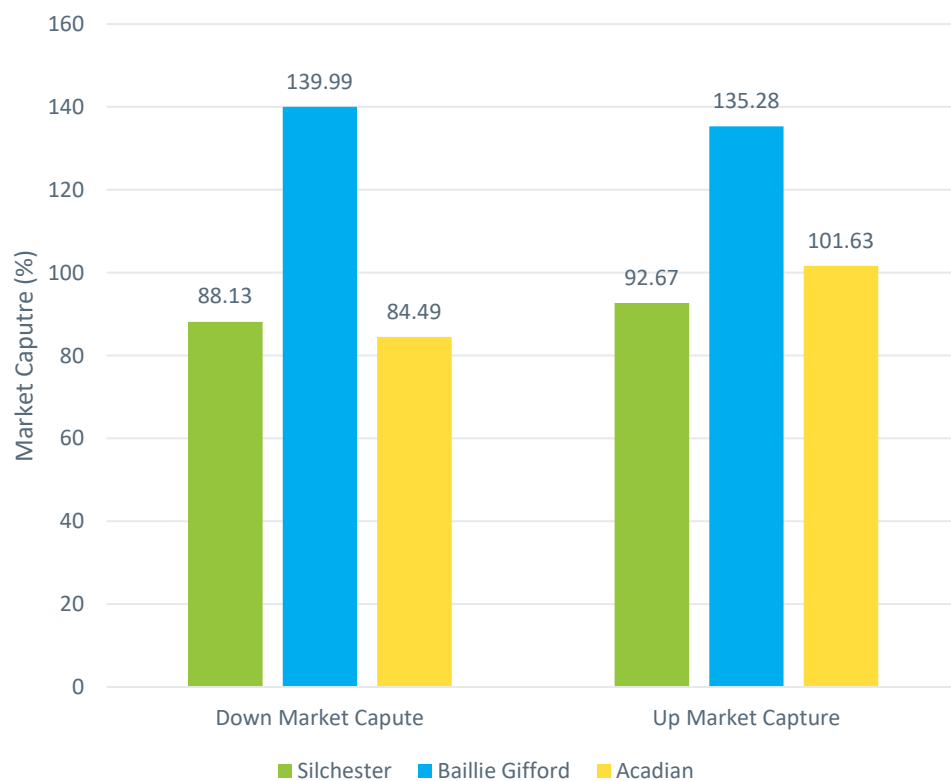
Data as of 09/30/2024. Data shown net of fees. Calculation is based on monthly periodicity. Each manager shown against their respective benchmark.

# International Equity Review

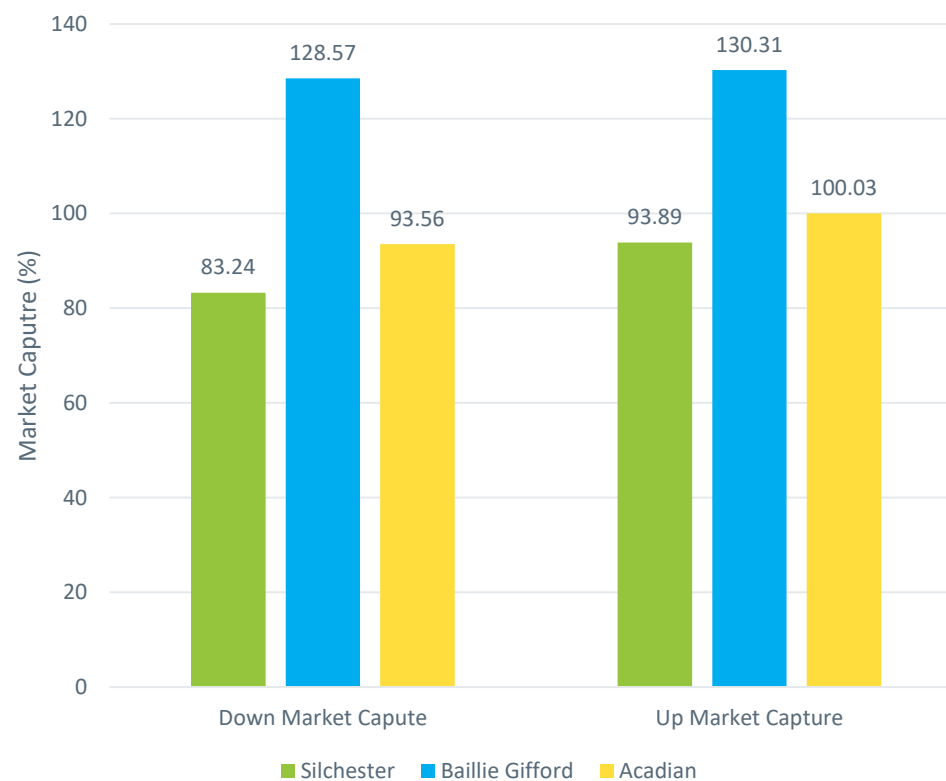
## Risk and Return by Manager

	5 Year			10 Year		
	Annualized Return (%)	Standard Deviation (%)	Sharpe Ratio	Annualized Return (%)	Standard Deviation (%)	Sharpe Ratio
Silchester International Value Equity	8.88	16.76	0.46	6.58	14.49	0.4
Baillie Gifford International Growth (BGEFX)	7.75	24.18	0.33	7.43	20.85	0.37
Acadian Emerging Markets Equity II	9.77	18.37	0.48	5.37	17.11	0.3

### Market Caputre Comparison 5 Years



### Market Caputre Comparison 10 Years



Performance shown net of fees and as of September 30, 2024. Risk free rate: BofAML 3 Mo US T-Bill Index.

PORTLAND

BOISE

CHICAGO

NEW YORK

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**CITY OF JACKSONVILLE EMPLOYEES RETIREMENT  
SYSTEM**

**STATEMENT OF INVESTMENT POLICY,  
GOALS AND GUIDELINES**

Adopted January 2006  
Amended August 27, 2009  
Amended December 15, 2011  
Amended October 26, 2017  
Amended July 1, 2021  
**Amended October 24, 2024**

**Commented [RVK1]:** Will update based on Board approval date



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**Commented [RVK2]:** We observe that throughout the IPS document Board responsibilities are listed out, however there is not a single, easy to read section that summarizes those responsibilities, like the of the Investment Consultant or Treasurer and Plan Administrator, as an example. As such, for consideration, we added a dedicated section for Board Responsibilities and drafted sample summary language. We believe adding this section may offer added clarity for the reader and/or current or future Board members.

## **INTRODUCTION & PURPOSE**

The City of Jacksonville Employees Retirement System (the "System") consists of two defined benefit pension plans and a disability plan. The defined benefit plans are The City of Jacksonville General Employees Retirement Plan and the City of Jacksonville Corrections Officers Retirement Plan (each the "Plan" or together the "Plans"). Although each Plan is unique and its assets and liabilities are valued separately, the Plans' assets are combined for investment purposes through a common pension trust Fund (the "Fund"). The System is administered by a Board of Trustees (the "Board") which has the fiduciary responsibility for the System's administration, the investment of its assets, and the management of its operations. The purpose of the City of Jacksonville Employees Retirement System is to provide long-term benefits to the Plans' participants and their beneficiaries. In recognition of its responsibility, the Board hereby adopts this Statement of Investment Policy, Goals and Guidelines (the "Policy").

The purpose of this document is to communicate, in writing, the investment objectives and guidelines established by the Board as they pertain to the Plans and the Fund. It is intended to provide the Board, the City's Treasurer, the System's Administrator and Investment Staff, the System's Investment Consultant, the System's Investment Managers and the System's Custodian a clear and accurate understanding of all investment objectives, investment guidelines and the criteria by which investment performance shall be evaluated. The guidelines and objectives provided herein are intended only to complement those contained in Chapter 18610, Laws of Florida, Acts of 1937; Sections 112.661(5) and 215.47, Florida Statutes; Sections 120.103 and 120.104, Chapter 2023-28, Laws of Florida, including Sections 112.662 & 215.855, Florida Statutes (Appendix B), Jacksonville Ordinance Code, and any other applicable ordinances or statutes. If at any time this document is found to be in conflict with such ordinances or statutes, the ordinances and statutes shall prevail.

Assets of the Plans are held in trust in the Fund for the exclusive purpose of providing benefits to the Plans' participants and their beneficiaries and to defray the reasonable expenses of the Plans. See Sections 120.101(a), 120.103(a), 120.104(a) and 120.213(a), Jacksonville Ordinance Code, and Sections 112.656 and 112.66(9), Florida Statutes. It is the policy of the Board that no part of the corpus or income of the Plans' assets shall be used for or diverted to purposes other than providing benefits to the Plans' participants and their beneficiaries, to reimburse the City of Jacksonville for any advanced payments, or to pay reasonable expenses of the System.

The Board acknowledges that the Employee Retirement Income Security Act of 1974, as amended ("ERISA") does not directly apply to the System as a governmental retirement plan and that the investment policy describes the level of prudence and ethical standards to be followed by the Board in carrying out its investment activities with respect to the System's funds. However, in performing its investment duties the Board shall comply with the fiduciary standards set forth in ERISA, found at 29 U.S.C. Section 1104(a)(1)(A)-(C). In case of conflict with other provisions of law authorizing investments, the investment and fiduciary standards set forth in Section 112.661 or other applicable sections of Florida Statutes shall apply.

**Commented [RVK3]:** Updated to upper case to be consistent throughout the IPS.

**Commented [RVK4]:** Listed the statutes related to HB3 (HB3 language added in Appendix B); defer to Staff and Counsel on inclusion.

The investment policies set forth in this document are established after a thorough review of the unique needs and circumstances of the Fund and a careful evaluation of the risk and potential returns expected from various mixes of stocks, bonds, real estate, cash equivalent securities, and other permissible assets. It is the Board's intention that the investment policies herein be sufficiently specific to be meaningful but adequately flexible to be practical. Responsible parties shall not deviate from these policies without the written permission of the Board. In the case of emergency circumstances, however, the City's Chief Financial Officer or Treasurer shall be allowed to deviate from this Policy when necessary to preserve Fund assets, subject to any statutory limitations.

A set of Investment Manager Instructions (the "Instructions") are developed by the System's ~~I~~investment ~~C~~onsultant for each separate account established with an ~~I~~investment ~~M~~anager and approved by the Board. Such instructions shall contain the ~~I~~investment ~~M~~anager's benchmark by which the ~~I~~investment ~~M~~anager's performance is measured, any internal account restrictions or limitations, and any necessary exceptions to the Policy. The Board may periodically approve changes or permit exceptions to this Policy in order to maintain flexibility in the investment of the System's assets, adjust to changes in the capital markets, or take advantage of market opportunities. Such changes or exceptions shall be noted in the ~~I~~investment ~~M~~anager Instructions or amendments to this Policy.

Any time any party in a contractual relationship with the System (e.g. ~~I~~investment ~~C~~onsultant, ~~I~~investment ~~M~~anager, ~~C~~ustodian, etc.) believes any changes to this Policy become necessary or advisable, they shall make a request in writing for such change, which shall be communicated by the ~~S~~ystem-~~I~~vestment ~~S~~taff to the Board, if necessary. The Board is responsible for approving all such requests. The Board shall give notice to the City Council President, Council Finance Committee Chairperson, and Council Auditor of any proposed changes to this Policy not less than 60 days prior to the final meeting for adoption of such change. Upon approval by Board vote, ~~S~~ystem-~~I~~vestment ~~S~~taff shall communicate all changes as necessary.

#### **GENERAL OBJECTIVES**

The investment objective of the System is to preserve the purchasing power of the System's assets and earn a reasonable real rate of return (after inflation) over the long term while minimizing, to the extent reasonable, the volatility of returns.

To achieve these objectives, the Board seeks to create a well-diversified and balanced portfolio of equity, fixed income, real estate, diversifying assets, money market and other investments as described herein. The Board may invest System assets in any securities, real property and other assets it deems appropriate after a thorough review of the needs of the Fund and a careful evaluation of the potential risk and returns, provided such investment is authorized by this Policy and not prohibited by law. The Board has determined that outside ~~I~~investment ~~M~~anagers may be retained to assure that investments are managed in both a prudent and professional manner and in compliance with the stated investment guidelines.

## **BOARD RESPONSIBILITIES**

**Commented [RVK5]:** Added dedicated section with Board Responsibilities listed throughout the document.

The Board has the fiduciary responsibility for the System's administration, the investment of its assets, and the management of its operations. The Board acknowledges that the Employee Retirement Income Security Act of 1974, as amended ("ERISA") does not directly apply to the System as a governmental retirement plan and that the investment policy describes the level of prudence and ethical standards to be followed by the Board in carrying out its investment activities with respect to the System's Funds. However, in performing its investment duties the Board shall comply with the fiduciary standards set forth in ERISA, found at 29 U.S.C. Section 1104(a)(1)(A)-(C). In case of conflict with other provisions of law authorizing investments, the investment and fiduciary standards set forth in Section 112.661 or other applicable sections of Florida Statutes shall apply.

The Board has delegated certain authority, duties and responsibilities to the City Treasurer, Plan Administrator, Investment Staff, Investment Managers, Investment Consultant, and Custodian, as listed in the respective sections of this Policy, to assist in the implementation of the Board's directives and management of the investment process.

In addition to the above, specific duties of the Board are outlined in detail throughout this document, but generally encompass the following:

- 1) Establish the investment objectives and guidelines as they pertain to the Plans, and adopt a Statement of Investment Policy in order to provide responsible parties and Investment Staff a clear and accurate understanding of all investment objectives, investment guidelines and the criteria by which investment performance shall be evaluated. Responsible parties shall not deviate from this Policy without the written permission of the Board.
- 2) For each actuarial valuation, determine the total expected annual rate of return for the current year, for each of the next several years, and for the long term thereafter for the Plans. This determination is to be filed with the Department of Management Services, the plan sponsor and the consulting actuary.
- 3) Using input from the Investment Consultant and actuary, approve long-term target allocation percentages and permitted ranges for each asset class, based on its determination of the appropriate risk posture for the Plans given the stated investment goals. In doing so, the most recent asset-liability study or asset allocation review performed by the Investment Consultant (generally every few years) will be leveraged to inform decision making.
- 4) Seek to create a well-diversified and balanced portfolio of equity, fixed income, real estate, diversifying assets, money market and other investments, as described in this Policy. The Board may invest System assets in any securities, real property and other assets it deems appropriate after a thorough review of the needs of the Plans and a careful evaluation of the potential risk and returns, provided such investment is authorized by this Policy and not prohibited by law.
- 5) The Board has determined that outside Investment Managers may be retained, and shall delegate to each Investment Manager full investment discretion with respect to the management of assets under its control and the responsibility to vote any and all proxies applicable to designated Plan assets under each Investment Manager's

management. Accordingly, using input from the Investment Consultant, the Board has responsibility to approve the selection and termination of Investment Managers.

- 6) Establish allocations containing permissible investments for each asset class to those defined by this Policy, within the limits set forth by statute (Investment Guidelines section of this Policy). These may be modified as set forth in any individual Investment Manager instructions, to the extent approved by the Board and permitted by applicable ordinances and statutes.
- 7) Approve Investment Manager Instructions (Appendix A) for each separate account established with an Investment Manager.
- 8) Review the investment activities and investment performance of the Fund and each Investment Manager on a regular basis to assure compliance with the goals, objectives and guidelines contained in this Policy.
- 9) Using input from Investment Staff, approve the selection and termination of the Investment Consultant.
- 10) Retain a bank or trust company to act as Custodian for the System's assets.
- 11) Periodically review the following:
  - a. The Fund's asset allocation in light of the Investment Consultant's current capital markets assumptions.
  - b. Actual investment results to determine whether the Fund's asset allocation remains reasonable and each Investment Manager's decision-making process remains consistent with the style and methodology for which the Investment Manager was originally retained.
  - c. The Investment Manager's proxy voting procedures and proxy voting records.
  - d. Commissions generated, commission rates charged and firms used by the Investment Managers to execute trades.
  - e. Investment Manager fee schedules.
- 12) Review annually this Policy as well as the Plans' circumstances (e.g., cash flow, liquidity requirements) in concert with the Investment Consultant, to ensure this Policy continues to reflect the Board's objectives, goals, and philosophy guidelines; where necessary, seek to periodically revise.
- 13) Approve requests to any changes to this Policy as requested by any party in a contractual relationship with the System.
- 14) Provide notice to the City Council President, Council Finance Committee Chairperson, and Council Auditor of any proposed changes to this Policy not less than 60 days prior to the final meeting for adoption of such change. Upon approval by the Board, Investment Staff shall communicate all changes to relevant parties as necessary.

The Board has adopted additional provisions to comply with Section 112.661, Florida Statutes, as outlined in this document.

**Commented [RVK6]:** The IPS offers generally offers language around manger hiring and selection of vehicle type in the Commingled and Mutual Fund section and it's further implied in the Investment Consultant duties section. We would propose making this hire/fire responsibility clearer in this section; draft language added for consideration, combined with existing language on use of / delegation to Investment Managers.

**Commented [RVK7]:** Please note, we do not observe any language specific to Board approval for the selection of the Investment Consultant. Could consider adding. Drafted language included for consideration.

### **TREASURER & PLAN ADMINISTRATOR RESPONSIBILITIES**

The City Treasurer is also the Treasurer of the System. The Treasurer and the Plan Administrator are responsible for implementing decisions made by the Board, administration of the System and Plans in alignment with applicable law and policies, and communicating Board directives to the Investment Managers and other related professionals. The Board authorizes the Treasurer and the Plan Administrator to deviate from these directives, subject to the investment limitations contained in Sections 112.661 and 215.47, Florida Statutes, and only when deemed in the best interest of the System with the concurrence of the City's Chief Financial Officer. Any such deviation shall be promptly reported to the Board no later than the next Board meeting.

### **INVESTMENT MANAGER RESPONSIBILITIES**

Within the guidelines and restrictions set forth herein, the Board delegates to each Investment Manager full investment discretion with respect to the management of assets under its control. Such discretion includes decisions to buy, hold and sell securities in amounts that are reflective of the Investment Manager's investment strategy and in compliance with the Policy. The Investment Managers' acceptance of the responsibility to manage assets for the System constitutes an acceptance of this Policy, affirming the belief they are capable of achieving the System's objectives within the guidelines and limitations stated herein.

The Board delegates to each Investment Manager the responsibility to vote any and all proxies applicable to designated Plan assets under their management. The investment Manager has the responsibility to vote solely in the interest of the Plans' participants and to protect the value of the securities within the Fund. Investment Managers shall keep accurate records with respect to their voting of proxies. Investment Managers shall forward to the Board at least annually a proxy voting report, including a summary of all instances where votes were cast against management, or where votes were cast against the Investment Manager's internal proxy voting policies, along with the Investment Manager's supporting rationale for each such situation.

Except as provided below in this paragraph, the System's Investment Managers shall discharge their responsibilities in the same manner as if the System were governed by the fiduciary responsibility provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Although the Board acknowledges that ERISA does not directly apply to the System as a governmental retirement plan, in carrying out its investment activities with respect to the System's assets each Investment Manager shall conform to the statutory provisions, rules, regulations, interpretations and case law of ERISA. Each Investment Manager shall acknowledge in writing that it is a fiduciary, as that term is defined by ERISA, of the System or of the investors in the commingled fund, partnership, or other commingled investment vehicle that the Investment Manager is retained to manage. Exceptions may be made by the Board on a case-by-case basis if necessary. Each Investment Manager shall be responsible only for those assets under its management.

Unless otherwise approved on an exception basis and fully disclosed to the Board in advance, Iinvestment Managers shall not:

- Take custody of assets under their control;
- Execute trades through brokers affiliated with the Iinvestment Manager or the System's Iinvestment Consultant or Custodian; or
- Otherwise pay any fees, compensation or gratuities to the System's Iinvestment Consultant or Custodian.

Each Iinvestment Manager is expected to provide all reasonable information to the System's Custodian necessary for the timely and effective management and trade settlement of its account, including information on trades, cash balances, and pricing discrepancies.

Unless otherwise provided by the System's Custodian through a cash sweep vehicle, each Iinvestment Manager shall invest cash reserves in permissible cash equivalent securities in order to minimize uninvested cash balances.

All investment transactions shall be completed on a best price, best execution basis. The Iinvestment Managers, as fiduciaries, have the responsibility to execute all transactions in the best interest of the Fund.

- On a case-by-case basis, the Board may direct any Iinvestment Manager to execute a portion of its trades through one or more commission recapture services selected by the Board.

Each Iinvestment Manager is expected to provide all reasonable information requested by the Board. All Iinvestment Managers shall keep the Board and Iinvestment Consultant informed on a timely basis of:

- Significant changes in their investment outlook, investment strategy, asset allocation;
- Changes in ownership, organizational structure, financial condition, investment process, or regulatory registration;
- Any regulatory action, investigation or legal action affecting the firm or its employees;
- Changes in professional staffing to the investment management firm or investment product utilized, including client service personnel; and
- All other matters affecting their relationship with the System.

Whenever Iinvestment Managers believe that any particular guideline should be altered, it is the Iinvestment Manager's responsibility to initiate written communication with the Board and Iinvestment Consultant requesting such change.

At a minimum, each Iinvestment Manager shall provide a quarterly report that includes the following:

- All investment activity (incl. securities purchases and sales);
- The portfolio's current value;
- Investment performance and attribution;
- An analysis of portfolio characteristics;
- A market and investment outlook;
- Any changes in investment philosophy or strategy;
- Any significant changes in the personnel or ownership of the firm;
- A summary of commission costs, brokers utilized and all portfolio directed brokerage activities;
- On an annual basis each equity manager shall provide a summary report of all proxies voted and whether any proxies were voted as an exception to the Investment Manager's stated proxy voting guidelines.

Real estate and diversifying asset managers shall provide reports with similar information as described above but tailored to provide relevant risk exposure, portfolio construction and return information suitable for that asset class or strategy given industry standards.

Commented [RVK8]: Added Diversifying Assets to include all private market asset classes.

Each Investment Manager is expected to meet with the Board or its designated representatives periodically to review investment performance and philosophy.

### **INVESTMENT CONSULTANT RESPONSIBILITIES**

The primary duty of the Investment Consultant is to provide investment advice to the Board and to assist the Treasurer and Plan Administrator and Investment Staff in the implementation of the Board's directives and management of the investment process. This includes meeting regularly with the Board to provide information, market perspective, and evaluation as to the System's goals, objectives, limitations, investment structure and investment performance as part of the overall development, implementation and monitoring of a diversified investment portfolio.

Specific duties of the Investment Consultant include:

- 1) Making recommendations to the Board of appropriate actions which shall enhance the probability of achieving Fund objectives such as use of various asset classes, implementation of investment strategy, changes in investment policy, and changes in Investment Managers or other service providers;
- 2) Assisting the Board in developing appropriate asset mixes through the development of regular asset-liability studies or asset allocation reviews;
- 3) Assisting the Board in deploying an appropriate asset mix through the development of specific investment strategies and supporting policies;
- 4) Making recommendations to the Board with respect to rebalancing;
- 4) Providing comprehensive evaluation of the investment results of the Fund and its individual asset mInvestment Managers in light of this Policy;
- 5) Assist the Board in interpreting investment results and assessing Investment Manager performance;

Commented [RVK9]: From Performance Evaluation section



- 5)6) Notifying the Board of changes in the structure, personnel, ownership, or process of Investment Mmanagers serving the System, in addition to any performance concerns, and recommend corrective action when necessary as soon as feasible;
- 6)7) Maintain Watch List on behalf of the Board and providing periodic updates of the Watch List, no less than quarterly, to the Board. The purpose of a Watch List is to further assist the Board in exercising their fiduciary oversight responsibilities by highlighting factors that may warrant heightened surveillance. Areas of focus will include, although are not limited to, those outlined in items 7 of this section. Investment Managers may or may not be placed on the Watch List ahead of a recommendation to terminate;
- 8) Conducting searches for Iinvestment Mmanagers and other service providers as necessary and making recommendations for such positions;
- 7)9) Conduct periodic pacing studies for private investments;
- 8)10) Disclosing potential conflicts of interest as they become known; and
- 11) Providing ad hoc investment research and other support as may be necessary to support the Board's educational and informational needs.
- 12) Review periodically this Policy and recommend any necessary changes to Investment Staff and the Board;
- 13) Provide advice with respect to Investment Managers transition management events, including the recommendation of transition management services.

**Commented [RVK10]:** Added language on maintenance of WL

**Commented [RVK11]:** Added language on consultant conducting pacing studies

**Commented [RVK12]:** Added language on consultant assisting with review and update of IPS, and transition management.

### **CUSTODIAN RESPONSIBILITIES**

The Board shall retain a bank or trust company to act as Ceustodian for the System's assets. Such Ceustodian shall be responsible for the safekeeping of all the System's assets put under its custody, as well as the regular valuation of System assets and settlement of Iinvestment Mmanagers' trades on behalf of the System.

In order to maximize the investment return, no money should be allowed to remain idle and uninvested. Dividends, interest, proceeds from sales, new contributions and all other monies shall be invested promptly upon receipt. Consistent with these requirements, the Ceustodian shall be responsible for the following functions:

- 1) Accept daily trading/cash reconciliation instructions from the money-Investment Mmanagers;
- 2) Advise Iinvestment Mmanagers daily of changes in cash equivalent balances;
- 3) Immediately advise Investment Mmanagers of contributions and withdrawals from account;
- 4) Notify Iinvestment Mmanagers of tenders, rights, fractional shares or other dispositions of holdings;
- 5) Resolve any custodial account problems with Iinvestment Mmanagers;

- 6) Safekeeping of securities;
- 7) Collection of all interest and dividends;
- 8) Daily sweep of idle cash balances;
- 9) Process all Investment Manager security transactions;
- 10) Collect proceeds from maturing securities and sale transactions;
- 11) Make cash disbursements as directed;
- 12) Provide monthly accounting statements based on fair market value for each security in each Investment Manager account and a consolidated statement of all assets under custody;
- 13) Provide account representative and back-up to assist City-Investment Staff in all needs relating to the custody and accountability of System assets;
- 14) Managing as securities lending agent and/or assisting the securities lending program as directed by the Board;
- 15) Provide a schedule of commissions paid and brokers used by each Investment Manager;
- 16) Provide reports or assistance on corporate actions, class action notice filings, forwarding proxies to appropriate parties and any other actions or reports mutually agreed upon by the Custodian and the Board;
- 17) Provide any other tasks necessary for the effective safekeeping, valuation or administration of System assets.

### **INVESTMENT OBJECTIVES**

The broad investment objective of the System is, to the extent possible, to ensure over the life of the System that an adequate level of assets are available to fund the benefits payable to the Plans' participants and beneficiaries at the time they become payable. In meeting this objective, the Board seeks to achieve a high level of investment return consistent with a prudent level of portfolio risk.

In addition, the System seeks a total rate of return after all expenses that equals or exceeds the current actuarial investment return assumption. The Board, with help from the actuary and Investment Consultant, shall use the Fund's asset allocation as the primary tool to achieve this objective. As this is a long-term objective and investments are subject to short-term volatility, the main investment focus of the Board is the expected return and associated expected volatility of the Plan-Fund as a whole over a long-term investment time horizon. The performance of each asset class and the performance of

each Investment Manager relative to appropriate market indices and style peer comparisons shall be monitored over both the long term and short term. Each Investment Manager is expected to maintain a consistent philosophy and style, perform well versus others utilizing the same style, and add incremental value after costs.

Long-term growth of capital: The Board recognizes that short-term fluctuations may result in the loss of capital earned on occasion (i.e., negative rates of return). However, in the absence of contributions and withdrawals, the asset value of the Plans should grow over the long run and achieve the investment goals set out below.

Preservation of Purchasing Power: the preservation of purchasing power is another long-term investment objective for System. Asset growth, exclusive of contributions and withdrawals, should exceed the rate of inflation (as measured by annual CPI) over the long term in order to preserve purchasing power of future benefits.

The specific investment goals of the System are as follows:

- To earn an annualized rate of return, over the long term, that exceeds the annual rate of change in the Consumer Price Index (CPI, net of fees).
- To earn an annualized rate of return over the long term equal to or in excess of the System's actuarial assumed rate of return, net of fees.
- To earn a total rate of return, net of fees, over a market cycle, (roughly 7 years) that exceeds the return of a Policy Index. The Policy Index for the System is defined as a hypothetical index constructed of the target allocation for each broad asset class, as adopted by the Board and contained in the Policy, invested in a broad market index representing that asset class. The Policy Index may change from time to time as the asset allocation target for the System changes, as approved by the Board.
- In addition, it is expected that over a market cycle (roughly 7 years) the rate of return earned by the System shall rank above median when compared to a representative universe of other, similarly managed and sized, retirement systems and portfolios.
- It is the goal for each active Investment Manager to achieve an annualized total rate of return, over a market cycle (roughly 7 years) which exceeds a broad market benchmark, net of fees, and ranks above median in a style peer performance universe. The broad market benchmarks are shown in each Investment Manager's Investment Instructions. It is the goal for each passive Investment Manager to achieve an annualized total rate of return, gross of fees, that matches the underlying market benchmark, and minimizes tracking error.

### **ASSET ALLOCATION**

The Board believes that the level of risk assumed in the Fund is a function, in large part, of the Fund's asset allocation. The proportion of assets allocated for equity investments is a major determinant of volatility of future returns. As indicated by long-term historical data, the risk of equity ownership has been rewarded with a higher rate of return and is necessary in the current market environment to fully fund future liabilities. The risk tolerance of the Board shall also be expressed through eligible asset classes and target asset allocation.

The Fund's investments shall be invested in a diversified portfolio composed of some or all of the following: equity securities (both domestic and international), fixed income securities (both domestic and international), core and non-core real estate, diversifying assets (including but not limited to: private equity, private credit, equity or debt long-short, event-driven, relative value, or tactical trading strategies, MLPs, and real assets (timber, commodities, energy, oil and gas, metals and mining, or other natural resources) as permitted by this Policy and any applicable ordinance or statute), and cash equivalent securities. Accordingly, the portfolio shall be structured to provide real growth of market value over time while providing downside protection, to the extent reasonable under prevailing market conditions, during periods of economic or capital market distress or volatility.

Based on its determination of the appropriate risk posture for the Fund, and its long-term return expectations, the Board, with recommendations from the Investment Consultant and actuary, shall maintain asset-mix guidelines for the Fund, based on market values. The asset allocation is a strategic asset allocation. The long term target allocation percentage and permitted range for each asset class shall be based upon the most recent asset-liability study or asset allocation review performed by the Investment Consultant, generally every few years, and as adopted by the Board. Both the target allocations and permitted ranges should be adhered to under normal circumstances. However, because the target allocations and permitted ranges are long term in nature, periodically the asset mix may fall outside the target or range. Dollar-cost-averaging, portfolio transition or other cases where the Board determines deviation from the target or range is in the best interest of the Fund are permitted exceptions. This in no way should be considered market timing and is not viewed as such by the Board.

The Board, in conjunction with the Investment Consultant and actuary, is responsible for broad asset allocation decisions. An Investment Manager's cash holdings can disrupt this position and therefore under normal circumstances should be limited to five percent (5%) of its portfolio market value. Therefore, each Investment Manager's portfolio is to be fully invested, although cash can be held briefly when a security is sold prior to reinvestment. The only exception to this shall be when cash is used as part of a duration or term-structure strategy of a fixed income manager. This exception is consistent with the Board's decision to have Investment Managers avoid market-timing decisions stated above.

Until such time as the Board changes the broad asset class targets, a routine rebalancing of the various liquid portfolios back within permitted allocation range shall be implemented as necessary. The first tool used to achieve this rebalancing shall be regular cash flows. After that, Investment Manager cash and portfolio liquidation shall be used.

When market experience moves the portfolio allocation outside a range of +/- 5% around the target allocation at month end, the Treasurer, Plan Administrator, or Investment Staff in conjunction with the Investment Consultant shall consider any necessary action to rebalance back toward the target allocation. Priority of rebalancing shall be asset class before style or individual Investment Manager.

Further, rebalancing less liquid asset classes, such as real estate, private credit and private equity, should not be undertaken as automatically, as compared to transactions designed to rebalance the more liquid public market asset classes. Less liquid assets should rarely be sold for the primary purpose of portfolio rebalancing. Most of the time, market conditions and cash flow will allow achieving targeted allocation levels with the passage of time. For purposes of determining asset allocation percentages for rebalancing, allocations to less liquid assets that are committed but not yet invested may need to be taken under consideration, as do known or expected returns of capital invested. In addition, market values for less liquid assets may often lag market values for liquid assets by as much as three months, and this must be tolerated.

**Commented [RVK13]:** Expanded language on rebalancing to address private asset classes

After a thorough review of the expected risk and return of various asset mixes, the Board of Trustees has established the following target asset allocation for all assets of the City of Jacksonville Retirement System:

Asset Class	Minimum	Target	Maximum
Domestic Equities	20%	30%	40%
International Securities	13%	23%	25%*
Fixed Income	10%	20%	30%
Real Estate	0%	15%	20%
Diversifying Assets**	0%	12%	20%
Cash	0%	0%	10%

\*Statutory Maximum

\*\*ex.) Includes private equity, private credit, equity or debt long-short, event-driven, relative value, or tactical trading strategies, MLPs, and real assets (timber, commodities, energy, oil and gas, metals and mining, or other natural resources)

## **INVESTMENT GUIDELINES**

Sections 112.661 and 215.47, Florida Statutes, describe the permissible investments for the System and limitations on investments. Section 120.103, Jacksonville Ordinance Code, authorizes the Board to establish allocations containing permissible investments to those defined by this Policy, within the limits set forth by statute. The following broad investment guidelines contain both a restatement of those sections and additional limitations. They also may be modified as set forth in any individual Investment Manager instructions, to the extent approved by the Board and permitted by applicable ordinances and statutes.

### **EQUITY SECURITIES**

#### **Permitted Securities:**

The following are permissible investments:

- All equity investments shall be limited to fully and easily negotiable equity securities that are listed on a national exchange.
- Permissible investment vehicles shall include equity separate accounts and commingled vehicles consisting of those common stocks, preferred stocks and convertible securities.
- American Depository Receipts are permissible in domestic equity portfolios.
- American Depository Receipts and Global Depository Receipts are permissible in international equity portfolios.
- Other equity securities listed in the Equity Guidelines below.

#### **Equity Guidelines**

- 1) The total equity portfolio may not exceed 80% of the Fund's assets measured at market value.
- 2) The total portion of the Fund's international equity holdings combined with non-US dollar corporate bonds may not exceed 25% of the Fund's assets measured at market value.
- 3) No more than 10% of the market value of the total equity portfolio may be invested in the combined common stock, preferred stock or convertible securities of any one company.
- 4) Investments in shares of companies that have been publicly traded for less than one year are limited to no more than 10% of the market value of the total equity portfolio.

- 5) American Depository Receipts are permissible in domestic equity portfolios and are limited to 15% of a Investment Manager's portfolio.
- 6) Exchange Traded Funds or index fund investments are permitted.
- 7) No individual equity strategy/mandate, measured at market value, shall have an economic sector weighting which exceeds the greater of either 30% or 2 times the sector weight of the underlying benchmark. Exceptions can be made, at the Board's discretion, should the strategy/mandate require greater allowance.
- 8) -Not more than 75 percent of the Fund may be in internally managed common stock.
- 9) A total return goal of the domestic equity composite, net of fees, is to exceed the return of the Russell 3000 Index over a market cycle (roughly 7 years).
- 10) The total return goal of the international equity composite, net of fees, is to exceed the return of the MSCI All Country World EX-US Index over a market cycle (roughly 7 years).
- 11) Sections 112.661(5) and 215.47 of the Florida Statutes shall guide the Equity Guidelines and supersede all conflicts in the Investment Policy.

## **FIXED INCOME SECURITIES**

### **Permissible Securities:**

The following are permissible investments:

- Bonds, notes, or other obligations of the United States or those guaranteed by the United States or for which the credit of the United States is pledged for the payment of the principal and interest or dividends thereof.
- Florida State bonds pledging the full faith and credit of the state and revenue bonds additionally secured by the full faith and credit of the state.
- Bonds of the several counties or districts in the state containing a pledge of the full faith and credit of the county or district involved.
- Bonds issued or administered by the State Board of Administration secured solely by a pledge of all or part of the 2-cent constitutional fuel tax accruing under the provisions of s. 16, Art. IX of the State Constitution of 1885, as amended, or of s. 9, Art. XII of the 1968 revised State Constitution.
- Bonds issued by the State Board of Education pursuant to ss. 18 and 19, Art. XII of the State Constitution of 1885, as amended, or to s. 9, Art. XII of the 1968 revised State Constitution, as amended.

- Bonds issued by the Florida Outdoor Recreational Development Council pursuant to s. 17, Art. IX of the State Constitution of 1885, as amended.
- Notes, bonds, and other obligations of agencies of the United States.
- Other bonds listed in the Fixed Income Guidelines below.

### **Fixed Income Guidelines**

- 1) At a minimum, 80% of the total fixed income portfolio shall be rated "investment grade" or higher. The Board defines investment grade as "BBB-", "Baa3" or their equivalent, as rated by a Nationally Recognized Statistical Rating Organization. In the event of a split rating, the security must be rated "BBB-", "Baa3" or their equivalent by at least two investment rating agencies to be considered investment grade. The lower rating will be used if the investment is rated by two ratings agencies.
- 2) Permissible securities shall include fixed income separate accounts and commingled vehicles consisting of those US Treasuries and Agencies, corporate bonds, mortgage-backed securities, asset backed securities and convertible securities listed below.
- 3) Investments in corporate bonds issued by a non-US corporation of commercial entities shall not exceed 25% of the market value of the total fixed income portfolio. This limitation shall not apply to US dollar-denominated securities listed and traded on US exchanges.
- 4) The total value of the securities of any single non-US Government issuer shall not exceed 5% of the market value of the total fixed income portfolio.
- 5) Investments in Collateralized Mortgage Obligations (CMOs) shall be limited to 25% of the market value of the total fixed income portfolio.
- 6) There is no limit imposed on investments in fixed income securities issued directly by the United States Government or any agency or instrumentality thereof.
- 7) Investments in Commercial Mortgage Backed Securities (CMBS) are permitted, provided they are rated AAA by a major rating service. However, the total value of all CMBS investments shall not exceed 25% of the market value of the total fixed income portfolio.
- 8) All fixed income investments shall be limited to fully and easily negotiable fixed income securities, unless specifically authorized by the Board.
- 9) Investments in convertible bonds shall be limited to 10% of the market value of the total fixed income portfolio. However, any convertible bond investments should be liquidated at the time of conversion so as to avoid the fixed income managers holding equity securities in a fixed income portfolio.



10) Structured notes may not be held in the fixed income portfolio.

11) The following are limited to 25% or less of the Fund:

A. Bonds, notes, or obligations of any municipality or political subdivision or any agency or authority of this state, if the obligations are rated investment grade by at least one nationally recognized statistical rating organization.

B. Notes secured by first mortgages, insured or guaranteed by the Federal Housing Administration or the United States Department of Veterans Affairs.

C. Mortgage securities which represent participation in or are collateralized by mortgage loans secured by real property. Such securities must be issued by an agency of or enterprise sponsored by the United States Government, including, but not limited to, the Government National Mortgage Association, the Federal National Mortgage Association, and the Federal Home Loan Mortgage Corporation.

D. Group annuity contracts of the pension investment type with insurers licensed to do business in this state which are rated investment grade by at least one nationally recognized rating service.

E. Fixed-income obligations not otherwise authorized by this section issued by foreign governments or political subdivisions or agencies thereof, supranational agencies, foreign corporations, or foreign commercial entities, if the obligations are rated investment grade by at least one nationally recognized rating service.

F. A portion of the funds available for investment pursuant to this subsection may be invested in rated or unrated bonds, notes, or instruments backed by the full faith and credit of the government of Israel.

G. Obligations of agencies of the government of the United States, provided such obligations have been included in and authorized by the Florida Retirement System Defined Benefit Plan Investment Policy Statement established in Section 215.475, Florida Statutes.

H. —United States dollar-denominated obligations issued by foreign governments, or political subdivisions or agencies thereof, supranational agencies, foreign corporations, or foreign commercial entities.

I. —Asset-backed securities not otherwise authorized by this section.

12) Not more than 25 percent of the Fund may be invested in corporate obligations and securities of any kind of a foreign corporation or a foreign commercial entities having its principal office located in any country other than the United States of America or its possessions or territories, not including United States dollar-denominated

securities listed and traded on a United States exchange which are a part of the ordinary investment strategy of the Board.

- 13) The total return goal of the fixed income composite, net of fees, should exceed the return of the Bloomberg Barclays US Universal Bond Index over a market cycle (roughly 7 years).

## REAL ESTATE

### Permissible Investments:

Certain interests in real property and related personal property, including mortgages and related instruments on commercial or industrial real property, with provisions for equity or income participation or with provisions for convertibility to equity ownership; and interests in collective investment funds are permissible investments. Associated expenditures for acquisition and operation of assets purchased under this provision or of investments in private equity or other private investment partnerships or limited liability companies shall be included as a part of the cost of the investment.

- 1) ~~1~~—The title to real property acquired under this paragraph shall be vested in the name of the Fund.
- 2) ~~2~~—For purposes of taxation of property owned by the Fund, the provisions of Section 196.199(2)(b), Florida Statutes, do not apply.
- 3) ~~3~~—Real property acquired under the provisions of this paragraph shall not be considered state lands or public lands and property as defined in Florida Statutes Chapter 253, and the provisions of that chapter do not apply to such real property.

### Real Estate Guidelines

Core Real Estate funds are to have the following complementary objectives:

- Investments are typically comprised of well-leased, high quality, income producing institutional properties, such as office buildings, retail centers, industrial parks, apartments, and hotels, that are held until such time as determination is made by the fund ~~Investment M~~anager to dispose of such properties at acceptable market rates.

~~Non-~~Core Real Estate funds, comprised of both Opportunistic and Value-Added investments, are to have the following complementary objectives:

- Investments are typically commercial properties requiring redevelopment or repositioning for alternative use or upgrade. These properties have the potential for increases in tenant occupancy rates and leasing income attained from capital

improvements and effected property management, over the projected holding period.

- 1) Notwithstanding the restrictions and limitations set forth in paragraphs 1 and 2 of the "Equity Securities" section above or elsewhere in this Policy and when deemed appropriate by the Board, real estate investments may be made in any legally permissible real estate investment vehicles, including, but not limited to, individual property investments, joint ventures, commingled funds, including insurance company separate accounts, real estate investment trusts (REIT's), master limited partnerships (MLPs), limited partnerships and limited liability companies, in an amount up to 25% of the Fund.
- 2) The Board shall seek to diversify its real estate portfolio by property type (multi-family residential, industrial, office, retail, etc.), property location (geographic region), tenant dominance (avoiding tenants all belonging to the same company or industry) and strategy (core diversified, value-added, opportunistic).
- 3) As real estate investments over time are intended to provide, relative to other asset classes, a higher level of income, lower volatility of total return, and lower correlation to other asset classes, leverage is generally limited to 35% at the portfolio level for core investments and 75% at the portfolio level for value-added/opportunistic investments. However, the amount of leverage in a single fund is not constant. It varies as the market value of the properties in the fund varies. In the case of closed-end funds it also varies as the fund matures. In the early days of a Non-Core closed-end fund, the fund may utilize very little leverage. But as the properties are accumulated, the borrowing as a percentage of the properties will increase.
- 4) Any investment or co-investment in a single property shall not exceed one half of one per cent (0.5%) of the Plans' total assets unless specifically permitted by the Board.
- 5) All real estate investments shall be managed by experienced and qualified professional investment managers as determined by the Board of Trustees in consultation with the Investment Consultant and Investment Staff.
- 6) The total return goal of the Core Real Estate composite, net of fees, is to exceed the NCREIF ODCE index over a market cycle (roughly 7 years). The total return goal of the Non Core Real Estate composite, net of fees, is to exceed the NCREIF ODCE index + 2% premium, over a market cycle (roughly 7 years).

**CASH EQUIVALENT SECURITIES**

The following are permissible investments:

**Permissible Securities:**

- Savings accounts in, or certificates of deposit of, any bank, savings bank, or savings and loan association incorporated under the laws of this state or organized under the laws of the United States doing business and situated in this state, the accounts of which are insured by the Federal Government or an agency thereof and having a prime quality of the highest letter and numerical ratings as provided for by at least one nationally recognized statistical rating organization, provided such savings accounts and certificates of deposit are secured in the manner prescribed in Florida Statutes Chapter 280.
- Bonds issued by the Florida State Improvement Commission, Florida Development Commission, Division of Bond Finance of the Department of General Services, or Division of Bond Finance of the State Board of Administration.
- Notes, bonds, and other obligations of agencies of the United States.
- Commercial paper of prime quality of the highest letter and numerical rating as provided for by at least one nationally recognized rating service.
- Time drafts or bills of exchange drawn on and accepted by a commercial bank, otherwise known as banker's acceptances, which are accepted by a member bank of the Federal Reserve System and are of prime quality of the highest letter and numerical ratings as provided for by at least one nationally recognized statistical rating organization.
- Negotiable certificates of deposit issued by domestic or foreign financial institutions in United States dollars of prime quality of the highest letter and numerical ratings as provided for by at least one nationally recognized statistical rating organization.
- Short-term obligations not authorized elsewhere in this section to be purchased individually or in pooled accounts or other collective investment funds, for the purpose of providing liquidity to any fund or portfolio.
- Securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized Custodian.

**Cash Equivalent Guidelines**

- 1) The Investment Managers may invest only in the following short-term investment vehicles, for the purposes of cash equivalents:
  - a) The money market or STIF provided by the System's Custodian.
  - b) Direct obligations of the United States Government or its agencies with a maturity of one year or less.
  - c) Repurchase agreements which are fully collateralized by direct obligations of the United States Government.
  - d) Commercial Paper issued by United States corporations which has a maturity of 270 days or less and that is rated A-1 or higher by Standard & Poor's or P-1 or higher by Moody's.
  - e) Bankers Acceptances issued by prime money center banks.

**USE OF FUTURES AND OPTIONS**

The System and any of its external Investment Managers are authorized to buy and sell futures and options, provided the instruments for such purpose are traded on a securities exchange or board of trade regulated by the Securities and Exchange Commission or the Commodity Futures Trading Commission, unless the Board by rule authorizes a different market. Use of futures and options for speculative purposes is prohibited.

**COMMINGLED AND MUTUAL FUNDS:**

The Board recognizes and accepts that investments in commingled funds, common trust funds, mutual funds, limited partnerships, limited liability companies or similar investment vehicles shall be governed by the investment policies and guidelines of those funds and that no additional constraints may be imposed on them as they are frequently serving as fiduciaries to the investment vehicle itself of which the Fund holds an interest. The decision to invest Fund assets in any such fund shall only be made by the Board after a thorough review of the investment policies contained in the prospectus, trust document, offering memorandum or other governing documents of those funds, and after it has been determined that those policies are appropriate and generally consistent with the investment objectives of the System.

## **DIVERSIFYING ASSETS:**

### **Permissible Strategies:**

The following are permissible investments:

- For purposes of this Policy, "diversifying assets" shall mean investments in private equity, private credit, long-short equity or debt, event driven, relative value, or tactical trading strategies, MLPs, real assets (timber, commodities, energy, oil and gas, metals and mining, or other natural resources) and shall also include other investments that generally are not publicly traded or which are managed through private investment vehicle
- s.
- In general, the aforementioned strategies involve the purchase and sale of all types of public and privately traded securities, currencies, options, futures and private placements. These strategies may also include the short sale of securities and the use of leverage and other types of derivatives.
- Private equity investments may include sub strategies such as venture capital, growth equity, and buyouts. Investments are typically accessed directly, through partnerships or through a fund of funds approach, which provides an investment vehicle that is well diversified by sub-asset class (e.g. venture capital vs. buyouts), investment style (e.g. early vs. late stage, mid-market vs. large cap market) and vintage year.
- Private Credit investments may include sub strategies such as direct lending, asset-backed debt, specialty finance, special situations, and distressed debt. Investments are typically accessed directly, through partnerships or through a fund of funds approach.
- In general, real assets includes the purchase and sale of an equity or debt interest in natural resources (such as oil and gas development, energy and power infrastructure, agriculture, and metals and mining), commodities (agriculture, energy, industrial metals, livestock and precious metals), timberland, farmland, and water rights. These investments may be made in publicly traded securities, such as master limited partnerships (MLPs) or in private investment vehicles, such as limited partnerships.

### **Diversifying Assets Guidelines**

1.1 The long-term role of diversifying assets is to improve the risk-adjusted return of the overall portfolio by increasing the long-term expected return above what would be normally available using only conventional securities and reducing overall portfolio volatility through use of a diversified set of strategies and the inherent smoothing of private valuation methods. The long-term nature of private investments and vintage year diversification shall be emphasized so that the System,

as a long-term investor, may properly take advantage of the private negotiation of transactions and the illiquidity premium associated with such private investments.

2.2) Prior to making any investment in diversifying assets, the sub-strategy investments will be evaluated, by the Board, based on their singular characteristics and their incremental value to the total Fund. Any "lock-up" periods shall be appropriate given the underlying strategy.

3.3) The Board understands that there are certain additional risks associated with investing in private investments, such as: the long-term nature and illiquidity of the investment; the complexity of the strategies employed; the higher cost and delay of investment return to the System (e.g. "J-curve effect"); the possible lack of full public disclosure of certain financial information; and the labor intensive nature of private investment programs for plan sponsors to implement and monitor. However, the Board has determined that possible reward outweighs the possible risks and has also determined that the long-term role of diversifying assets, is consistent with the System's Policy.

4.4) In private equity, private credit and real asset investing there is the risk of sustaining a complete loss on any of the individual company investments. The Board understands and expects that while specific investments may incur losses of all or part of invested capital, a diversified portfolio of holdings should produce a positive rate of return in excess of that available from public securities. Therefore, the System shall prudently diversify its private investment program in a manner consistent with professionally managed institutional private programs, as recommended by its Investment Consultant or Investment Staff, so as to decrease the likelihood of loss. The private investments, in aggregate, will be prudently diversified by having broad exposure across the sub-strategies listed above. Further, the private investments, in aggregate, shall be diversified by: industry groups, company, number of transactions, stage of company maturity, form of investment, geography and time (vintage year diversification). Investment in non-US limited partnerships is permitted.

5.5) Over commitment: The implementation of any private investment, such as private equity and private credit, by the System shall be made over time so as to increase vintage year diversification. The timing of new commitments shall be spread out so as to avoid undue concentration of commitments in any one year. Over the long-term, it is expected that varying amounts of new funding will be committed each year to increase diversification. The Board recognizes that it will be necessary to make capital commitments in excess of the target allocation for private investments in order to achieve the target allocation and subsequently maintain it. The Investment Consultant shall monitor the amount of capital committed, drawn, invested and distributed and make a recommendation to the Board as to the amount of new commitments to be made each year.

6-6) Each fund shall be invested and diversified according to each fund's legal documentation. Accordingly, at the composite level, no limitations shall be imposed on any single partnership, strategy, or investment.

7-7) Public Records Request: The Board recognizes that periodically a request for information under a state statute or local ordinance "Public Record Request" may be made concerning the System's private investments. The Board believes that public disclosure of certain information about the System's private investments, especially financial information of the underlying companies held by limited partnerships, may materially harm the System's investments. Therefore the Board has adopted the following procedure in the event such a request is made: Public disclosure of the System's private investment shall be limited to the following: the identity of each fund; the amount of capital committed, invested and returned for each fund; the internal rate of return for each fund; any information disclosed by the fund to the Board in the Board's regular, open meetings, and as otherwise may be required by law.

8-8) The total return goal of the privately traded diversifying assets investments should be to produce a dollar-weighted return (internal rate of return or IRR) that exceeds a public market equivalent (PME) dollar-weighted return of a market index appropriate for the private strategies utilized over a full market cycle. Where possible, peer comparisons shall be made using statistically valid performance universes with the expectation that performance will rank above median in vintage year periods.

9-9) The total return goal of the publicly traded diversifying assets investments, or for which a valid investable index or peer universe exists, should be to exceed the return of a blended index using appropriate indices weighted to reflect Policy weights of the respective strategies, net of fees.

### **COMPLIANCE PROCEDURES**

In the event a security falls out of compliance with the Investment Manager's specific investment guidelines after purchase, the Investment Manager may continue to hold the security to avoid a "fire sale" scenario subject to the following:

- The securities must be permissible under Sections 112.661(5) and 215.47, Florida Statutes.
- The investment must represent no more than 2% of the Investment Manager's portfolio and the overall investment in the security across all Investment Managers' portfolios must not exceed 2% of the Fund's aggregate investment portfolio.
- Immediate notification shall be provided to the City's Treasurer and Chief Financial Officer ("CFO"), including a summary of the type, magnitude, and risk of such variance to the specific Investment Manager's guidelines.



- If the Treasurer and CFO both agree with the assessment, the request shall be referred to the Chairman of the Board for approval. If at any step during this process the retention of the security is not approved, ~~Treasury Investment Staff~~ and the ~~I~~investment ~~C~~onsultant shall work with the ~~I~~investment ~~M~~anager to decide on the best manner of liquidation.
- Unless approved by the Chairman of the Board, a non-compliant security may not be retained beyond 30 days following the end of the quarter in which the non-compliance was discovered.
- If retention of the security is approved, the CFO shall send written acknowledgement to the applicable ~~I~~investment ~~M~~anager granting such exception to the Policy, which shall include the following:
  - 1) ~~1.~~—Defined enhanced reporting requirements for the ~~I~~investment ~~M~~anager regarding the specific investment holding which is an exception to the ~~I~~investment ~~M~~anager’s specific guidelines, including:
    - ~~a. a.~~—Impact to the liquidity of the holding and portfolio managed, and
    - ~~b. b.~~—Impact on the return on the portfolio managed under the expected outcome and under the worst-case scenario.
- Updates on the status of each security which is subject to a Policy exception shall be presented by the ~~I~~investment ~~M~~anager to the city’s Treasurer at least monthly.
- Exceptions to the ~~I~~investment ~~M~~anager’s specific guidelines shall be reported to the Board, and shall be included in the ~~I~~investment ~~C~~onsultant’s quarterly investment report. The Board shall have the ultimate authority over whether the exception should be approved or not.

#### **SECTION 112.661, FLORIDA STATUTES**

The Board has adopted the following additional provisions to comply with Section 112.661, Florida Statutes:

**EXPECTED ANNUAL RATE OF RETURN:** For each actuarial valuation the Board shall determine the total expected annual rate of return for the current year, for each of the next several years, and for the long term thereafter. This determination is to be filed with the Department of Management Services, the plan sponsor and the consulting actuary.

**MATURITY AND LIQUIDITY REQUIREMENTS:** The investment portfolio shall be structured in such manner as to provide sufficient liquidity to pay obligations as they come due. To the degree reasonable, an attempt shall be made to match investment maturities with anticipated cash flow requirements.

**THIRD-PARTY CUSTODIAL AGREEMENTS:** Securities should be held with a third party, and all securities purchased by, and all collateral obtained by, the board should be properly

designated as an asset of the board. No withdrawal of securities, in whole or in part, shall be made from safekeeping except by an authorized member of the board or the board's designee. Securities transactions between a broker-dealer and the custodian involving purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis, to the extent possible, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction.

**MASTER REPURCHASE AGREEMENT:** All approved institutions and dealers transacting repurchase agreements shall perform as stated in the Master Repurchase Agreement.

**BID REQUIREMENT:** To the extent reasonable, the Board shall determine the approximate maturity date based on cash-flow needs and market conditions, analyze and select one or more optimal types of investment and competitively bid the security in question when feasible and appropriate. Except as otherwise required by law, the most economically advantageous bid is to be selected.

**INTERNAL CONTROLS:** The Board shall establish a system of internal controls which shall be in writing and be a part of the Board's operational procedures. These internal controls are designed to prevent losses of funds, which might arise from fraud, error, and misrepresentation, by third parties or imprudent actions by the Board or employees of the plan sponsor.

**CONTINUING EDUCATION:** The Board encourages continuing education of its members in the areas of investments and Board responsibilities.

**REPORTING:** The Custodian's valuation report is to be filed annually with the plan sponsor. This report is also available to the public.

**FILING OF INVESTMENT POLICY:** Once adopted by the Board, this Policy shall be promptly filed with the Department of Management Services, plan sponsor and consulting actuary. The effective date of this Policy and any amendment thereto shall be the 31st calendar day following the filing date with the plan sponsor.

**VALUATION OF ILLIQUID INVESTMENTS:** The Board defines an illiquid investment as one for which a generally recognized market is not available or for which there is no consistent or generally accepted pricing mechanism. Should an investment become illiquid or in the event that the fund acquires an illiquid investment, the Board shall develop the methodology for valuation as set forth in the criteria in Section 215.47(6), Florida Statutes (the SBA/FRS methodology for valuation).

### **PERFORMANCE EVALUATION**

The Board shall review the investment activities and investment performance of the System and each ~~portfolio~~-Investment Mmanager on a regular basis to assure compliance with the goals, objectives and guidelines contained in this Policy. The System's outside Iinvestment Cconsultant shall assist the Board in interpreting investment results and assessing Iinvestment Mmanager performance.

Investment performance shall be measured on at least a quarterly basis. Performance benchmarks shall include those stated in the Investment Objectives section above as well as comparisons to similar types of funds with similar market value and asset allocation.

Investment performance shall be compared using a statistically valid universe provided by the Iinvestment Cconsultant as authorized by the Board. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this Policy.

While the Board intends to fairly evaluate the portfolio performance, it reserves the right to change Iinvestment Mmanagers, without liability except payment of current charges, for any reason which in the exercise of the Board's discretion is deemed sufficient, including but not limited to those stated below.

- ~~1-1)~~ Change of the Board's investment philosophy;
- ~~2-2)~~ Poor results, including but not limited to, a Investment Mmanager's full-market-cycle (roughly 7 years) returns underperforming relative to the appropriate benchmark for three or more consecutive quarters;
- ~~3)~~ 3. Failure to meet stated performance goals as described in the Iinvestment Mmanager's specific guidelines or this Policy, and/or as measured against the appropriate benchmark or relevant Investment Mmanager universe;
- ~~4)~~ 4. Failure to meet the Board's communication and reporting requirements;
- ~~5)~~ 5. Deviation from the stated investment philosophy or style for which the investment management firm was hired; or
- ~~6)~~ 6. Change of decision-making personnel or ownership of the investment management firm.

Investment Mmanagers shall communicate with the Board and Iinvestment Cconsultant as follows:

- ~~1-1)~~ Provide portfolio valuation and transaction listings on at least a quarterly basis as stated above.
- ~~2-2)~~ Meet at least annually with the Board, its Investment Staff or iInvestment Cconsultant or as requested by the Board.
- ~~3-3)~~ Communicate as outlined in this Policy regarding all other issues.

Board communication with Iinvestment Manager:

~~1-1~~ On a timely basis, the Board shall provide the Iinvestment Manager with changes to this Policy.

~~2-2~~ The Board shall also communicate as needed with the Iinvestment Manager to:

- a. Review and discuss any modifications and changes to the Plans' investment objectives, goals and guidelines;
- b. Identify any significant anticipated changes in the Plans' cash flow, liquidity requirements or plan circumstances; and
- c. Any other matter, which may bear upon the Plans' assets managed by a particular Iinvestment Manager.

This Policy as well as the Plans' circumstances shall be reviewed annually by the Iinvestment Consultant with the Board and possibly revised periodically to ensure this Policy continues to reflect the Board's objectives, goals, philosophy, etc.

The Board shall periodically review:

~~1-1~~ The Fund's asset allocation in light of the Iinvestment Consultant's current capital markets assumptions.

~~2-2~~ Actual investment results to determine whether the Fund's asset allocation remains reasonable and each Iinvestment Manager's decision-making process remains consistent with the style and methodology for which the Iinvestment Manager was originally retained.

~~3-3~~ The Iinvestment Manager's proxy voting procedures and proxy voting records.

~~4-4~~ Commissions generated, commission rates charged and firms used by the Iinvestment Manager to execute trades.

~~5-5~~ Iinvestment Manager fee schedules.

#### **REVIEW OF POLICY**

It is the intention of the Board of Trustees to review this Policy periodically and to amend it to reflect any changes in philosophy or objectives. If at any time any Iinvestment Manager believes that the specific objectives defined herein cannot be met or that these guidelines unnecessarily constrict performance, then such Iinvestment Manager shall notify the Board in writing of the specific objection so that the Board may consider revising this Policy subject to applicable ordinances and statutes.

Amended this 1<sup>st</sup> day of July, 2021.

Commented [RVK14]: Will update based on Board approval date

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 DAVID KILCREASE  
 SECRETARY - BOARD OF TRUSTEES  
 CITY OF JACKSONVILLE EMPLOYEES RETIREMENT SYSTEM



**APPENDIX A**

## SAMPLE INVESTMENT MANAGER INSTRUCTIONS

## Policy:

The portfolio under the supervision of sample manager is intended to be a domestic equity portfolio.

Sample manager has been hired to pursue an investment style, which the Board has defined as a large cap value, domestic equity style. The Board has selected this investment style to be different, yet complement the other domestic equity managers employed. Sample manager is expected to produce investment returns that are 100 basis points over the Russell 1000 Value Index on an annualized basis over rolling three-to-five-year periods, net of fees and rank above median compared to their style peers over the same period. It is understood that investment returns are not guaranteed.

## Guidelines:

- A. The portfolio shall be a large cap value, domestic equity portfolio. Sample manager may purchase short-term cash equivalent instruments, which for the purpose of measurement, shall be treated as equity reserves, not as fixed income securities. Convertibles are also permissible; however, they shall be treated as equities as well. The portfolio is expected to remain fully invested.
- B. It is sample manager's decision as to whether or not to utilize the Short-Term Investment Fund offered by the custodian, or another cash equivalent vehicle, and in doing so, is responsible for assessing the credit worthiness and relative return attractiveness of any alternative to the custodian's STIF used.
- C. Sample manager may use exchange-traded funds such as S&P Depository Receipts ("Spyders") for the purpose of short-term equitization of unused funds, including cash in the account due to a contribution or pending withdrawal.
- D. The portfolio shall be adequately diversified according to the internal policies established by sample manager regarding individual securities and industries to avoid the undue risk inherent in non-diversified holdings. In addition to the limitations set out in the Guidelines, the following limitations shall apply:
  1. Exposure to any single economic sector is limited to the greater of: 30% or 2X the sector weight in the underlying benchmark (listed below) based on market value.

2. American Depository Receipts are permissible but are limited to a maximum of 15% of the portfolio based on market value.
- E. The portfolio performance shall be measured on a total return basis, which includes both income and change in market value.
- F. Sample manager shall be reviewed quarterly based on the following:
1. Adherence to style risk assignment, including portfolio characteristics relative to those of the benchmark.
  2. The value-added over the Russell 1000 Value Index.
  3. The trend of value-added over the Russell 1000 Value Index.
  4. The value-added over median similar style investment managers.

These guidelines are not to be construed as restrictive to sample manager' ability to follow the strategies it considers are the most appropriate given the Board's directives contained in the Investment Policy and these Instructions, but rather as an exercise of the Board's fiduciary responsibility. If at any time sample manager feels that the Policy or these Instructions are unrealistic, or may be a hindrance in pursuing their investment style, the Board and the Iinvestment Consultant are to be notified immediately in writing.

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**APPENDIX B**

The Board and its Investment Managers shall comply with the applicable requirements of Chapter 2023-28, Laws of Florida, including Sections 112.662 & 215.855, Florida Statutes, along with regulations adopted by the Department of Management Services.

1. Definition of pecuniary factor: The term "pecuniary factor" is defined as a factor that an investment fiduciary "prudently determines is expected to have a material effect on the risk or returns of an investment based on appropriate investment horizons consistent with the investment objectives and funding policy of the retirement system. The term does not include the consideration of the furtherance of any social, political, or ideological interests." [112.662(1)]

2. Exclusive consideration of pecuniary factors: Only pecuniary factors may be considered and the interests of the participants and beneficiaries of the system may not be subordinated to other objectives, including sacrificing investment return or undertaking additional investment risk to promote any nonpecuniary factor. The weight given to any pecuniary factor must appropriately reflect a prudent assessment of its impact on risk or returns. [112.662(2)]

3. Proxy voting: Only pecuniary factors may be considered when voting proxies. [112.662(3)]

4. Filing requirements: The Board shall timely comply with the reporting requirement of Section 112.662 by filing a comprehensive report by December 15 of each odd-numbered year. [112.662(4)]. Investment Managers and the Board's Investment Consultant shall assist in the preparation of required reports and shall annually confirm to the Board their compliance with Chapter 2023-28.

5. Contracting and external communication requirements: Investment Manager contracts shall comply with Section 215.855 as follows:

"Any written communication made by an Investment Manager to a company in which such manager invests public funds on behalf of the Board must include the following disclaimer in a conspicuous location if such communication discusses social, political, or ideological interests; subordinates the interests of the company's shareholders to the interest of another entity; or advocates for the interest of an entity other than the company's shareholders:

The views and opinions expressed in this communication are those of the sender and do not reflect the views and opinions of the people of the State of Florida."

6. The Investment Consultant will provide Investment Managers for consideration who invest only based on pecuniary factors as defined by Florida Statutes §112.662.

**Commented [RVK15]:** Please note, we have included draft language counsel wrote and approved for the PFPF pertaining to HB3. While largely outside of RVK's purview, we provide it here for ERS legal review and potential inclusion.



7. If a Request for Proposals document is issued for Investment Manager services, pursuant to Section 287.05701, Florida Statutes, the solicitation document must include the following:

“The Board of Trustees may not request documentation of or consider a vendor’s social, political, or ideological interests when determining if the vendor is a responsible vendor. Additionally, the Board of Trustees may not give preference to a vendor based on vendor’s social, political, or ideological interests.”

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**CITY OF JACKSONVILLE EMPLOYEES RETIREMENT  
SYSTEM**

**STATEMENT OF INVESTMENT POLICY,  
GOALS AND GUIDELINES**

**Adopted January 2006  
Amended August 27, 2009  
Amended December 15, 2011  
Amended October 26, 2017  
Amended July 1, 2021  
Amended October 24, 2024**

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## **INTRODUCTION & PURPOSE**

The City of Jacksonville Employees Retirement System (the "System") consists of two defined benefit pension plans and a disability plan. The defined benefit plans are The City of Jacksonville General Employees Retirement Plan and the City of Jacksonville Corrections Officers Retirement Plan (each the "Plan" or together the "Plans"). Although each Plan is unique and its assets and liabilities are valued separately, the Plans' assets are combined for investment purposes through a common pension trust Fund (the "Fund"). The System is administered by a Board of Trustees (the "Board") which has the fiduciary responsibility for the System's administration, the investment of its assets, and the management of its operations. The purpose of the City of Jacksonville Employees Retirement System is to provide long-term benefits to the Plans' participants and their beneficiaries. In recognition of its responsibility, the Board hereby adopts this Statement of Investment Policy, Goals and Guidelines (the "Policy").

The purpose of this document is to communicate, in writing, the investment objectives and guidelines established by the Board as they pertain to the Plans and the Fund. It is intended to provide the Board, the City's Treasurer, the System's Administrator and Investment Staff, the System's Investment Consultant, the System's Investment Managers and the System's Custodian a clear and accurate understanding of all investment objectives, investment guidelines and the criteria by which investment performance shall be evaluated. The guidelines and objectives provided herein are intended only to complement those contained in Chapter 18610, Laws of Florida, Acts of 1937; Sections 112.661(5) and 215.47, Florida Statutes; Sections 120.103 and 120.104, Chapter 2023-28, Laws of Florida, including Sections 112.662 & 215.855, Florida Statutes (Appendix B), Jacksonville Ordinance Code, and any other applicable ordinances or statutes. If at any time this document is found to be in conflict with such ordinances or statutes, the ordinances and statutes shall prevail.

Assets of the Plans are held in trust in the Fund for the exclusive purpose of providing benefits to the Plans' participants and their beneficiaries and to defray the reasonable expenses of the Plans. See Sections 120.101(a), 120.103(a), 120.104(a) and 120.213(a), Jacksonville Ordinance Code, and Sections 112.656 and 112.66(9), Florida Statutes. It is the policy of the Board that no part of the corpus or income of the Plans' assets shall be used for or diverted to purposes other than providing benefits to the Plans' participants and their beneficiaries, to reimburse the City of Jacksonville for any advanced payments, or to pay reasonable expenses of the System.

The Board acknowledges that the Employee Retirement Income Security Act of 1974, as amended ("ERISA") does not directly apply to the System as a governmental retirement plan and that the investment policy describes the level of prudence and ethical standards to be followed by the Board in carrying out its investment activities with respect to the System's funds. However, in performing its investment duties the Board shall comply with the fiduciary standards set forth in ERISA, found at 29 U.S.C. Section 1104(a)(1)(A)-(C). In case of conflict with other provisions of law authorizing investments, the investment and fiduciary standards set forth in Section 112.661 or other applicable sections of Florida Statutes shall apply.

The investment policies set forth in this document are established after a thorough review of the unique needs and circumstances of the Fund and a careful evaluation of the risk and potential returns expected from various mixes of stocks, bonds, real estate, cash equivalent securities, and other permissible assets. It is the Board's intention that the investment policies herein be sufficiently specific to be meaningful but adequately flexible to be practical. Responsible parties shall not deviate from these policies without the written permission of the Board. In the case of emergency circumstances, however, the City's Chief Financial Officer or Treasurer shall be allowed to deviate from this Policy when necessary to preserve Fund assets, subject to any statutory limitations.

A set of Investment Manager Instructions (the "Instructions") are developed by the System's Investment Consultant for each separate account established with an Investment Manager and approved by the Board. Such instructions shall contain the Investment Manager's benchmark by which the Investment Manager's performance is measured, any internal account restrictions or limitations, and any necessary exceptions to the Policy. The Board may periodically approve changes or permit exceptions to this Policy in order to maintain flexibility in the investment of the System's assets, adjust to changes in the capital markets, or take advantage of market opportunities. Such changes or exceptions shall be noted in the Investment Manager Instructions or amendments to this Policy.

Any time any party in a contractual relationship with the System (e.g. Investment Consultant, Investment Manager, Custodian, etc.) believes any changes to this Policy become necessary or advisable, they shall make a request in writing for such change, which shall be communicated by the Investment Staff to the Board, if necessary. The Board is responsible for approving all such requests. The Board shall give notice to the City Council President, Council Finance Committee Chairperson, and Council Auditor of any proposed changes to this Policy not less than 60 days prior to the final meeting for adoption of such change. Upon approval by Board vote, Investment Staff shall communicate all changes as necessary.

### **GENERAL OBJECTIVES**

The investment objective of the System is to preserve the purchasing power of the System's assets and earn a reasonable real rate of return (after inflation) over the long term while minimizing, to the extent reasonable, the volatility of returns.

To achieve these objectives, the Board seeks to create a well-diversified and balanced portfolio of equity, fixed income, real estate, diversifying assets, money market and other investments as described herein. The Board may invest System assets in any securities, real property and other assets it deems appropriate after a thorough review of the needs of the Fund and a careful evaluation of the potential risk and returns, provided such investment is authorized by this Policy and not prohibited by law. The Board has determined that outside Investment Managers may be retained to assure that investments are managed in both a prudent and professional manner and in compliance with the stated investment guidelines.

## **BOARD RESPONSIBILITIES**

The Board has the fiduciary responsibility for the System's administration, the investment of its assets, and the management of its operations. The Board acknowledges that the Employee Retirement Income Security Act of 1974, as amended ("ERISA") does not directly apply to the System as a governmental retirement plan and that the investment policy describes the level of prudence and ethical standards to be followed by the Board in carrying out its investment activities with respect to the System's Funds. However, in performing its investment duties the Board shall comply with the fiduciary standards set forth in ERISA, found at 29 U.S.C. Section 1104(a)(1)(A)-(C). In case of conflict with other provisions of law authorizing investments, the investment and fiduciary standards set forth in Section 112.661 or other applicable sections of Florida Statutes shall apply.

The Board has delegated certain authority, duties and responsibilities to the City Treasurer, Plan Administrator, Investment Staff, Investment Managers, Investment Consultant, and Custodian, as listed in the respective sections of this Policy, to assist in the implementation of the Board's directives and management of the investment process.

In addition to the above, specific duties of the Board are outlined in detail throughout this document, but generally encompass the following:

- 1) Establish the investment objectives and guidelines as they pertain to the Plans, and adopt a Statement of Investment Policy in order to provide responsible parties and Investment Staff a clear and accurate understanding of all investment objectives, investment guidelines and the criteria by which investment performance shall be evaluated. Responsible parties shall not deviate from this Policy without the written permission of the Board.
- 2) For each actuarial valuation, determine the total expected annual rate of return for the current year, for each of the next several years, and for the long term thereafter for the Plans. This determination is to be filed with the Department of Management Services, the plan sponsor and the consulting actuary.
- 3) Using input from the Investment Consultant and actuary, approve long-term target allocation percentages and permitted ranges for each asset class, based on its determination of the appropriate risk posture for the Plans given the stated investment goals. In doing so, the most recent asset-liability study or asset allocation review performed by the Investment Consultant (generally every few years) will be leveraged to inform decision making.
- 4) Seek to create a well-diversified and balanced portfolio of equity, fixed income, real estate, diversifying assets, money market and other investments, as described in this Policy. The Board may invest System assets in any securities, real property and other assets it deems appropriate after a thorough review of the needs of the Plans and a careful evaluation of the potential risk and returns, provided such investment is authorized by this Policy and not prohibited by law.
- 5) The Board has determined that outside Investment Managers may be retained, and shall delegate to each Investment Manager full investment discretion with respect to the management of assets under its control and the responsibility to vote any and all proxies applicable to designated Plan assets under each Investment Manager's

management. Accordingly, using input from the Investment Consultant, the Board has responsibility to approve the selection and termination of Investment Managers.

- 6) Establish allocations containing permissible investments for each asset class to those defined by this Policy, within the limits set forth by statute (Investment Guidelines section of this Policy). These may be modified as set forth in any individual Investment Manager instructions, to the extent approved by the Board and permitted by applicable ordinances and statutes.
- 7) Approve Investment Manager Instructions (Appendix A) for each separate account established with an Investment Manager.
- 8) Review the investment activities and investment performance of the Fund and each Investment Manager on a regular basis to assure compliance with the goals, objectives and guidelines contained in this Policy.
- 9) Using input from Investment Staff, approve the selection and termination of the Investment Consultant.
- 10) Retain a bank or trust company to act as Custodian for the System's assets.
- 11) Periodically review the following:
  - a. The Fund's asset allocation in light of the Investment Consultant's current capital markets assumptions.
  - b. Actual investment results to determine whether the Fund's asset allocation remains reasonable and each Investment Manager's decision-making process remains consistent with the style and methodology for which the Investment Manager was originally retained.
  - c. The Investment Manager's proxy voting procedures and proxy voting records.
  - d. Commissions generated, commission rates charged and firms used by the Investment Managers to execute trades.
  - e. Investment Manager fee schedules.
- 12) Review annually this Policy as well as the Plans' circumstances (e.g., cash flow, liquidity requirements) in concert with the Investment Consultant, to ensure this Policy continues to reflect the Board's objectives, goals, and philosophy guidelines; where necessary, seek to periodically revise.
- 13) Approve requests to any changes to this Policy as requested by any party in a contractual relationship with the System.
- 14) Provide notice to the City Council President, Council Finance Committee Chairperson, and Council Auditor of any proposed changes to this Policy not less than 60 days prior to the final meeting for adoption of such change. Upon approval by the Board, Investment Staff shall communicate all changes to relevant parties as necessary.

The Board has adopted additional provisions to comply with Section 112.661, Florida Statutes, as outlined in this document.

### **TREASURER & PLAN ADMINISTRATOR RESPONSIBILITIES**

The City Treasurer is also the Treasurer of the System. The Treasurer and the Plan Administrator are responsible for implementing decisions made by the Board, administration of the System and Plans in alignment with applicable law and policies, and communicating Board directives to the Investment Managers and other related professionals. The Board authorizes the Treasurer and the Plan Administrator to deviate from these directives, subject to the investment limitations contained in Sections 112.661 and 215.47, Florida Statutes, and only when deemed in the best interest of the System with the concurrence of the City's Chief Financial Officer. Any such deviation shall be promptly reported to the Board no later than the next Board meeting.

### **INVESTMENT MANAGER RESPONSIBILITIES**

Within the guidelines and restrictions set forth herein, the Board delegates to each Investment Manager full investment discretion with respect to the management of assets under its control. Such discretion includes decisions to buy, hold and sell securities in amounts that are reflective of the Investment Manager's investment strategy and in compliance with the Policy. The Investment Managers' acceptance of the responsibility to manage assets for the System constitutes an acceptance of this Policy, affirming the belief they are capable of achieving the System's objectives within the guidelines and limitations stated herein.

The Board delegates to each Investment Manager the responsibility to vote any and all proxies applicable to designated Plan assets under their management. The investment Manager has the responsibility to vote solely in the interest of the Plans' participants and to protect the value of the securities within the Fund. Investment Managers shall keep accurate records with respect to their voting of proxies. Investment Managers shall forward to the Board at least annually a proxy voting report, including a summary of all instances where votes were cast against management, or where votes were cast against the Investment Manager's internal proxy voting policies, along with the Investment Manager's supporting rationale for each such situation.

Except as provided below in this paragraph, the System's Investment Managers shall discharge their responsibilities in the same manner as if the System were governed by the fiduciary responsibility provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Although the Board acknowledges that ERISA does not directly apply to the System as a governmental retirement plan, in carrying out its investment activities with respect to the System's assets each Investment Manager shall conform to the statutory provisions, rules, regulations, interpretations and case law of ERISA. Each Investment Manager shall acknowledge in writing that it is a fiduciary, as that term is defined by ERISA, of the System or of the investors in the commingled fund, partnership, or other commingled investment vehicle that the Investment Manager is retained to manage. Exceptions may be made by the Board on a case-by-case basis if necessary. Each Investment Manager shall be responsible only for those assets under its management.



Unless otherwise approved on an exception basis and fully disclosed to the Board in advance, Investment Managers shall not:

- Take custody of assets under their control;
- Execute trades through brokers affiliated with the Investment Manager or the System's Investment Consultant or Custodian; or
- Otherwise pay any fees, compensation or gratuities to the System's Investment Consultant or Custodian.

Each Investment Manager is expected to provide all reasonable information to the System's Custodian necessary for the timely and effective management and trade settlement of its account, including information on trades, cash balances, and pricing discrepancies.

Unless otherwise provided by the System's Custodian through a cash sweep vehicle, each Investment Manager shall invest cash reserves in permissible cash equivalent securities in order to minimize uninvested cash balances.

All investment transactions shall be completed on a best price, best execution basis. The Investment Managers, as fiduciaries, have the responsibility to execute all transactions in the best interest of the Fund.

- On a case-by-case basis, the Board may direct any Investment Manager to execute a portion of its trades through one or more commission recapture services selected by the Board.

Each Investment Manager is expected to provide all reasonable information requested by the Board. All Investment Managers shall keep the Board and Investment Consultant informed on a timely basis of:

- Significant changes in their investment outlook, investment strategy, asset allocation;
- Changes in ownership, organizational structure, financial condition, investment process, or regulatory registration;
- Any regulatory action, investigation or legal action affecting the firm or its employees;
- Changes in professional staffing to the investment management firm or investment product utilized, including client service personnel; and
- All other matters affecting their relationship with the System.

Whenever Investment Managers believe that any particular guideline should be altered, it is the Investment Manager's responsibility to initiate written communication with the Board and Investment Consultant requesting such change.

At a minimum, each Investment Manager shall provide a quarterly report that includes the following:

- All investment activity (incl. securities purchases and sales);

- The portfolio's current value;
- Investment performance and attribution;
- An analysis of portfolio characteristics;
- A market and investment outlook;
- Any changes in investment philosophy or strategy;
- Any significant changes in the personnel or ownership of the firm;
- A summary of commission costs, brokers utilized and all portfolio directed brokerage activities;
- On an annual basis each equity manager shall provide a summary report of all proxies voted and whether any proxies were voted as an exception to the Investment Manager's stated proxy voting guidelines.

Real estate and diversifying asset managers shall provide reports with similar information as described above but tailored to provide relevant risk exposure, portfolio construction and return information suitable for that asset class or strategy given industry standards.

Each Investment Manager is expected to meet with the Board or its designated representatives periodically to review investment performance and philosophy.

### **INVESTMENT CONSULTANT RESPONSIBILITIES**

The primary duty of the Investment Consultant is to provide investment advice to the Board and to assist the Treasurer and Plan Administrator and Investment Staff in the implementation of the Board's directives and management of the investment process. This includes meeting regularly with the Board to provide information, market perspective, and evaluation as to the System's goals, objectives, limitations, investment structure and investment performance as part of the overall development, implementation and monitoring of a diversified investment portfolio.

Specific duties of the Investment Consultant include:

- 1) Make recommendations to the Board of appropriate actions which shall enhance the probability of achieving Fund objectives such as use of various asset classes, implementation of investment strategy, changes in investment policy, and changes in Investment Managers or other service providers;
- 2) Assist the Board in developing appropriate asset mixes through the development of regular asset-liability studies or asset allocation reviews;
- 3) Assist the Board in deploying an appropriate asset mix through the development of specific investment strategies and supporting policies; Make recommendations to the Board with respect to rebalancing;
- 4) Provide comprehensive evaluation of the investment results of the Fund and its individual Investment Managers in light of this Policy;
- 5) Assist the Board in interpreting investment results and assessing Investment Manager performance;
- 6) Notify the Board of changes in the structure, personnel, ownership, or process of Investment Managers serving the System, in addition to any performance concerns, and recommend corrective action when necessary as soon as feasible;

- 7) Maintain Watch List on behalf of the Board and providing periodic updates of the Watch List, no less than quarterly, to the Board. The purpose of a Watch List is to further assist the Board in exercising their fiduciary oversight responsibilities by highlighting factors that may warrant heightened surveillance. Areas of focus will include, although are not limited to, those outlined in items 7 of this section. Investment Managers may or may not be placed on the Watch List ahead of a recommendation to terminate;
- 8) Conduct searches for Investment Managers and other service providers as necessary and making recommendations for such positions;
- 9) Conduct periodic pricing studies for private investments;
- 10) Disclose potential conflicts of interest as they become known; and
- 11) Provide ad hoc investment research and other support as may be necessary to support the Board's educational and informational needs.
- 12) Review periodically this Policy and recommend any necessary changes to Investment Staff and the Board;
- 13) Provide advice with respect to Investment Managers transition management events, including the recommendation of transition management services.

### **CUSTODIAN RESPONSIBILITIES**

The Board shall retain a bank or trust company to act as Custodian for the System's assets. Such Custodian shall be responsible for the safekeeping of all the System's assets put under its custody, as well as the regular valuation of System assets and settlement of Investment Managers' trades on behalf of the System.

In order to maximize the investment return, no money should be allowed to remain idle and uninvested. Dividends, interest, proceeds from sales, new contributions and all other monies shall be invested promptly upon receipt. Consistent with these requirements, the Custodian shall be responsible for the following functions:

- 1) Accept daily trading/cash reconciliation instructions from the Investment Managers;
- 2) Advise Investment Managers daily of changes in cash equivalent balances;
- 3) Immediately advise Investment Managers of contributions and withdrawals from account;
- 4) Notify Investment Managers of tenders, rights, fractional shares or other dispositions of holdings;
- 5) Resolve any custodial account problems with Investment Managers;
- 6) Safekeeping of securities;
- 7) Collection of all interest and dividends;

- 8) Daily sweep of idle cash balances;
- 9) Process all Investment Manager security transactions;
- 10) Collect proceeds from maturing securities and sale transactions;
- 11) Make cash disbursements as directed;
- 12) Provide monthly accounting statements based on fair market value for each security in each Investment Manager account and a consolidated statement of all assets under custody;
- 13) Provide account representative and back-up to assist Investment Staff in all needs relating to the custody and accountability of System assets;
- 14) Manage as securities lending agent and/or assisting the securities lending program as directed by the Board;
- 15) Provide a schedule of commissions paid and brokers used by each Investment Manager;
- 16) Provide reports or assistance on corporate actions, class action notice filings, forwarding proxies to appropriate parties and any other actions or reports mutually agreed upon by the Custodian and the Board;
- 17) Provide any other tasks necessary for the effective safekeeping, valuation or administration of System assets.

### **INVESTMENT OBJECTIVES**

The broad investment objective of the System is, to the extent possible, to ensure over the life of the System that an adequate level of assets are available to fund the benefits payable to the Plans' participants and beneficiaries at the time they become payable. In meeting this objective, the Board seeks to achieve a high level of investment return consistent with a prudent level of portfolio risk.

In addition, the System seeks a total rate of return after all expenses that equals or exceeds the current actuarial investment return assumption. The Board, with help from the actuary and Investment Consultant, shall use the Fund's asset allocation as the primary tool to achieve this objective. As this is a long-term objective and investments are subject to short-term volatility, the main investment focus of the Board is the expected return and associated expected volatility of the Fund as a whole over a long-term investment time horizon. The performance of each asset class and the performance of each Investment Manager relative to appropriate market indices and style peer comparisons shall be monitored over both the long term and short term. Each Investment Manager is expected to maintain a consistent philosophy and style, perform well versus others utilizing the same style, and add incremental value after costs.

Long-term growth of capital: The Board recognizes that short-term fluctuations may result in the loss of capital earned on occasion (i.e., negative rates of return). However, in the absence of contributions and withdrawals, the asset value of the Plans should grow over the long run and achieve the investment goals set out below.

Preservation of Purchasing Power: the preservation of purchasing power is another long-term investment objective for System. Asset growth, exclusive of contributions and withdrawals, should exceed the rate of inflation (as measured by annual CPI) over the long term in order to preserve purchasing power of future benefits.

The specific investment goals of the System are as follows:

- To earn an annualized rate of return, over the long term, that exceeds the annual rate of change in the Consumer Price Index (CPI, net of fees).
- To earn an annualized rate of return over the long term equal to or in excess of the System's actuarial assumed rate of return, net of fees.
- To earn a total rate of return, net of fees, over a market cycle, (roughly 7 years) that exceeds the return of a Policy Index. The Policy Index for the System is defined as a hypothetical index constructed of the target allocation for each broad asset class, as adopted by the Board and contained in the Policy, invested in a broad market index representing that asset class. The Policy Index may change from time to time as the asset allocation target for the System changes, as approved by the Board.
- In addition, it is expected that over a market cycle (roughly 7 years) the rate of return earned by the System shall rank above median when compared to a representative universe of other, similarly managed and sized, retirement systems and portfolios.
- It is the goal for each active Investment Manager to achieve an annualized total rate of return, over a market cycle (roughly 7 years) which exceeds a broad market benchmark, net of fees, and ranks above median in a style peer performance universe. The broad market benchmarks are shown in each Investment Manager's Investment Instructions. It is the goal for each passive Investment Manager to achieve an annualized total rate of return, gross of fees, that matches the underlying market benchmark, and minimizes tracking error.

## **ASSET ALLOCATION**

The Board believes that the level of risk assumed in the Fund is a function, in large part, of the Fund's asset allocation. The proportion of assets allocated for equity investments is a major determinant of volatility of future returns. As indicated by long-term historical data, the risk of equity ownership has been rewarded with a higher rate of return and is necessary in the current market environment to fully fund future liabilities. The risk tolerance of the Board shall also be expressed through eligible asset classes and target asset allocation.

The Fund's investments shall be invested in a diversified portfolio composed of some or all of the following: equity securities (both domestic and international), fixed income securities (both domestic and international), core and non-core real estate, diversifying assets (including but not limited to: private equity, private credit, equity or debt long-short, event-driven, relative value, or tactical trading strategies, MLPs, and real assets (timber, commodities, energy, oil and gas, metals and mining, or other natural resources) as permitted by this Policy and any applicable ordinance or statute), and cash equivalent securities. Accordingly, the portfolio shall be structured to provide real growth of market value over time while providing downside protection, to the extent reasonable under prevailing market conditions, during periods of economic or capital market distress or volatility.

Based on its determination of the appropriate risk posture for the Fund, and its long-term return expectations, the Board, with recommendations from the Investment Consultant and actuary, shall maintain asset-mix guidelines for the Fund, based on market values. The asset allocation is a strategic asset allocation. The long term target allocation percentage and permitted range for each asset class shall be based upon the most recent asset-liability study or asset allocation review performed by the Investment Consultant, generally every few years, and as adopted by the Board. Both the target allocations and permitted ranges should be adhered to under normal circumstances. However, because the target allocations and permitted ranges are long term in nature, periodically the asset mix may fall outside the target or range. Dollar-cost-averaging, portfolio transition or other cases where the Board determines deviation from the target or range is in the best interest of the Fund are permitted exceptions. This in no way should be considered market timing and is not viewed as such by the Board.

The Board, in conjunction with the Investment Consultant and actuary, is responsible for broad asset allocation decisions. An Investment Manager's cash holdings can disrupt this position and therefore under normal circumstances should be limited to five percent (5%) of its portfolio market value. Therefore, each Investment Manager's portfolio is to be fully invested, although cash can be held briefly when a security is sold prior to reinvestment. The only exception to this shall be when cash is used as part of a duration or term-structure strategy of a fixed income manager. This exception is consistent with the Board's decision to have Investment Managers avoid market-timing decisions stated above.

Until such time as the Board changes the broad asset class targets, a routine rebalancing of the various liquid portfolios back within permitted allocation range shall be implemented

as necessary. The first tool used to achieve this rebalancing shall be regular cash flows. After that, Investment Manager cash and portfolio liquidation shall be used.

When market experience moves the portfolio allocation outside a range of +/- 5% around the target allocation at month end, the Treasurer, Plan Administrator, or Investment Staff in conjunction with the Investment Consultant shall consider any necessary action to rebalance back toward the target allocation. Priority of rebalancing shall be asset class before style or individual Investment Manager.

Further, rebalancing less liquid asset classes, such as real estate, private credit and private equity, should not be undertaken as automatically, as compared to transactions designed to rebalance the more liquid public market asset classes. Less liquid assets should rarely be sold for the primary purpose of portfolio rebalancing. Most of the time, market conditions and cash flow will allow achieving targeted allocation levels with the passage of time. For purposes of determining asset allocation percentages for rebalancing, allocations to less liquid assets that are committed but not yet invested may need to be taken under consideration, as do known or expected returns of capital invested. In addition, market values for less liquid assets may often lag market values for liquid assets by as much as three months, and this must be tolerated.

After a thorough review of the expected risk and return of various asset mixes, the Board of Trustees has established the following target asset allocation for all assets of the City of Jacksonville Retirement System:

<b>Asset Class</b>	<b>Minimum</b>	<b>Target</b>	<b>Maximum</b>
Domestic Equities	20%	30%	40%
International Securities	13%	23%	25%*
Fixed Income	10%	20%	30%
Real Estate	0%	15%	20%
Diversifying Assets**	0%	12%	20%
Cash	0%	0%	10%

\*Statutory Maximum

\*\*ex.) Includes private equity, private credit, equity or debt long-short, event-driven, relative value, or tactical trading strategies, MLPs, and real assets (timber, commodities, energy, oil and gas, metals and mining, or other natural resources)

## **INVESTMENT GUIDELINES**

Sections 112.661 and 215.47, Florida Statutes, describe the permissible investments for the System and limitations on investments. Section 120.103, Jacksonville Ordinance Code, authorizes the Board to establish allocations containing permissible investments to those defined by this Policy, within the limits set forth by statute. The following broad investment guidelines contain both a restatement of those sections and additional limitations. They also may be modified as set forth in any individual Investment Manager instructions, to the extent approved by the Board and permitted by applicable ordinances and statutes.

### **EQUITY SECURITIES**

#### **Permitted Securities:**

The following are permissible investments:

- All equity investments shall be limited to fully and easily negotiable equity securities that are listed on a national exchange.
- Permissible investment vehicles shall include equity separate accounts and commingled vehicles consisting of those common stocks, preferred stocks and convertible securities.
- American Depository Receipts are permissible in domestic equity portfolios.
- American Depository Receipts and Global Depository Receipts are permissible in international equity portfolios.
- Other equity securities listed in the Equity Guidelines below.

#### **Equity Guidelines**

- 1) The total equity portfolio may not exceed 80% of the Fund's assets measured at market value.
- 2) The total portion of the Fund's international equity holdings combined with non-US dollar corporate bonds may not exceed 25% of the Fund's assets measured at market value.
- 3) No more than 10% of the market value of the total equity portfolio may be invested in the combined common stock, preferred stock or convertible securities of any one company.
- 4) Investments in shares of companies that have been publicly traded for less than one year are limited to no more than 10% of the market value of the total equity portfolio.



- 5) American Depository Receipts are permissible in domestic equity portfolios and are limited to 15% of a Investment Manager's portfolio.
- 6) Exchange Traded Funds or index fund investments are permitted.
- 7) No individual equity strategy/mandate, measured at market value, shall have an economic sector weighting which exceeds the greater of either 30% or 2 times the sector weight of the underlying benchmark. Exceptions can be made, at the Board's discretion, should the strategy/mandate require greater allowance.
- 8) Not more than 75 percent of the Fund may be in internally managed common stock.
- 9) A total return goal of the domestic equity composite, net of fees, is to exceed the return of the Russell 3000 Index over a market cycle (roughly 7 years).
- 10) The total return goal of the international equity composite, net of fees, is to exceed the return of the MSCI All Country World EX-US Index over a market cycle (roughly 7 years).
- 11) Sections 112.661(5) and 215.47 of the Florida Statutes shall guide the Equity Guidelines and supersede all conflicts in the Investment Policy.

## **FIXED INCOME SECURITIES**

### **Permissible Securities:**

The following are permissible investments:

- Bonds, notes, or other obligations of the United States or those guaranteed by the United States or for which the credit of the United States is pledged for the payment of the principal and interest or dividends thereof.
- Florida State bonds pledging the full faith and credit of the state and revenue bonds additionally secured by the full faith and credit of the state.
- Bonds of the several counties or districts in the state containing a pledge of the full faith and credit of the county or district involved.
- Bonds issued or administered by the State Board of Administration secured solely by a pledge of all or part of the 2-cent constitutional fuel tax accruing under the provisions of s. 16, Art. IX of the State Constitution of 1885, as amended, or of s. 9, Art. XII of the 1968 revised State Constitution.
- Bonds issued by the State Board of Education pursuant to ss. 18 and 19, Art. XII of the State Constitution of 1885, as amended, or to s. 9, Art. XII of the 1968 revised State Constitution, as amended.

- Bonds issued by the Florida Outdoor Recreational Development Council pursuant to s. 17, Art. IX of the State Constitution of 1885, as amended.
- Notes, bonds, and other obligations of agencies of the United States.
- Other bonds listed in the Fixed Income Guidelines below.

### **Fixed Income Guidelines**

- 1) At a minimum, 80% of the total fixed income portfolio shall be rated "investment grade" or higher. The Board defines investment grade as "BBB-", "Baa3" or their equivalent, as rated by a Nationally Recognized Statistical Rating Organization. In the event of a split rating, the security must be rated "BBB-", "Baa3" or their equivalent by at least two investment rating agencies to be considered investment grade. The lower rating will be used if the investment is rated by two ratings agencies.
- 2) Permissible securities shall include fixed income separate accounts and commingled vehicles consisting of those US Treasuries and Agencies, corporate bonds, mortgage-backed securities, asset backed securities and convertible securities listed below.
- 3) Investments in corporate bonds issued by a non-US corporation of commercial entities shall not exceed 25% of the market value of the total fixed income portfolio. This limitation shall not apply to US dollar-denominated securities listed and traded on US exchanges.
- 4) The total value of the securities of any single non-US Government issuer shall not exceed 5% of the market value of the total fixed income portfolio.
- 5) Investments in Collateralized Mortgage Obligations (CMOs) shall be limited to 25% of the market value of the total fixed income portfolio.
- 6) There is no limit imposed on investments in fixed income securities issued directly by the United States Government or any agency or instrumentality thereof.
- 7) Investments in Commercial Mortgage Backed Securities (CMBS) are permitted, provided they are rated AAA by a major rating service. However, the total value of all CMBS investments shall not exceed 25% of the market value of the total fixed income portfolio.
- 8) All fixed income investments shall be limited to fully and easily negotiable fixed income securities, unless specifically authorized by the Board.
- 9) Investments in convertible bonds shall be limited to 10% of the market value of the total fixed income portfolio. However, any convertible bond investments should be liquidated at the time of conversion so as to avoid the fixed income managers holding equity securities in a fixed income portfolio.

- 10) Structured notes may not be held in the fixed income portfolio.
- 11) The following are limited to 25% or less of the Fund:
- A. Bonds, notes, or obligations of any municipality or political subdivision or any agency or authority of this state, if the obligations are rated investment grade by at least one nationally recognized statistical rating organization.
  - B. Notes secured by first mortgages, insured or guaranteed by the Federal Housing Administration or the United States Department of Veterans Affairs.
  - C. Mortgage securities which represent participation in or are collateralized by mortgage loans secured by real property. Such securities must be issued by an agency of or enterprise sponsored by the United States Government, including, but not limited to, the Government National Mortgage Association, the Federal National Mortgage Association, and the Federal Home Loan Mortgage Corporation.
  - D. Group annuity contracts of the pension investment type with insurers licensed to do business in this state which are rated investment grade by at least one nationally recognized rating service.
  - E. Fixed-income obligations not otherwise authorized by this section issued by foreign governments or political subdivisions or agencies thereof, supranational agencies, foreign corporations, or foreign commercial entities, if the obligations are rated investment grade by at least one nationally recognized rating service.
  - F. A portion of the funds available for investment pursuant to this subsection may be invested in rated or unrated bonds, notes, or instruments backed by the full faith and credit of the government of Israel.
  - G. Obligations of agencies of the government of the United States, provided such obligations have been included in and authorized by the Florida Retirement System Defined Benefit Plan Investment Policy Statement established in Section 215.475, Florida Statutes.
  - H. United States dollar-denominated obligations issued by foreign governments, or political subdivisions or agencies thereof, supranational agencies, foreign corporations, or foreign commercial entities.
  - I. Asset-backed securities not otherwise authorized by this section.
- 12) Not more than 25 percent of the Fund may be invested in corporate obligations and securities of any kind of a foreign corporation or a foreign commercial entities having its principal office located in any country other than the United States of America or its possessions or territories, not including United States dollar-denominated

securities listed and traded on a United States exchange which are a part of the ordinary investment strategy of the Board.

- 13) The total return goal of the fixed income composite, net of fees, should exceed the return of the Bloomberg Barclays US Universal Bond Index over a market cycle (roughly 7 years).

## **REAL ESTATE**

### **Permissible Investments:**

Certain interests in real property and related personal property, including mortgages and related instruments on commercial or industrial real property, with provisions for equity or income participation or with provisions for convertibility to equity ownership; and interests in collective investment funds are permissible investments. Associated expenditures for acquisition and operation of assets purchased under this provision or of investments in private equity or other private investment partnerships or limited liability companies shall be included as a part of the cost of the investment.

- 1) The title to real property acquired under this paragraph shall be vested in the name of the Fund.
- 2) For purposes of taxation of property owned by the Fund, the provisions of Section 196.199(2)(b), Florida Statutes, do not apply.
- 3) Real property acquired under the provisions of this paragraph shall not be considered state lands or public lands and property as defined in Florida Statutes Chapter 253, and the provisions of that chapter do not apply to such real property.

### **Real Estate Guidelines**

Core Real Estate funds are to have the following complementary objectives:

- Investments are typically comprised of well-leased, high quality, income producing institutional properties, such as office buildings, retail centers, industrial parks, apartments, and hotels, that are held until such time as determination is made by the fund Investment Manager to dispose of such properties at acceptable market rates.

Non-Core Real Estate funds, comprised of both Opportunistic and Value-Added investments, are to have the following complementary objectives:

- Investments are typically commercial properties requiring redevelopment or repositioning for alternative use or upgrade. These properties have the potential for increases in tenant occupancy rates and leasing income attained from capital

improvements and effected property management, over the projected holding period.

- 1) Notwithstanding the restrictions and limitations set forth in paragraphs 1 and 2 of the "Equity Securities" section above or elsewhere in this Policy and when deemed appropriate by the Board, real estate investments may be made in any legally permissible real estate investment vehicles, including, but not limited to, individual property investments, joint ventures, commingled funds, including insurance company separate accounts, real estate investment trusts (REIT's), master limited partnerships (MLPs), limited partnerships and limited liability companies, in an amount up to 25% of the Fund.
- 2) The Board shall seek to diversify its real estate portfolio by property type (multi-family residential, industrial, office, retail, etc.), property location (geographic region), tenant dominance (avoiding tenants all belonging to the same company or industry) and strategy (core diversified, value-added, opportunistic).
- 3) As real estate investments over time are intended to provide, relative to other asset classes, a higher level of income, lower volatility of total return, and lower correlation to other asset classes, leverage is generally limited to 35% at the portfolio level for core investments and 75% at the portfolio level for value-added/opportunistic investments. However, the amount of leverage in a single fund is not constant. It varies as the market value of the properties in the fund varies. In the case of closed-end funds it also varies as the fund matures. In the early days of a Non-Core closed-end fund, the fund may utilize very little leverage. But as the properties are accumulated, the borrowing as a percentage of the properties will increase.
- 4) Any investment or co-investment in a single property shall not exceed one half of one per cent (0.5%) of the Plans' total assets unless specifically permitted by the Board.
- 5) All real estate investments shall be managed by experienced and qualified professional Investment Managers as determined by the Board of Trustees in consultation with the Investment Consultant and Investment Staff.
- 6) The total return goal of the Core Real Estate composite, net of fees, is to exceed the NCREIF ODCE index over a market cycle (roughly 7 years). The total return goal of the Non Core Real Estate composite, net of fees, is to exceed the NCREIF ODCE index + 2% premium, over a market cycle (roughly 7 years).

## **CASH EQUIVALENT SECURITIES**

The following are permissible investments:

### **Permissible Securities:**

- Savings accounts in, or certificates of deposit of, any bank, savings bank, or savings and loan association incorporated under the laws of this state or organized under the laws of the United States doing business and situated in this state, the accounts of which are insured by the Federal Government or an agency thereof and having a prime quality of the highest letter and numerical ratings as provided for by at least one nationally recognized statistical rating organization, provided such savings accounts and certificates of deposit are secured in the manner prescribed in Florida Statutes Chapter 280.
- Bonds issued by the Florida State Improvement Commission, Florida Development Commission, Division of Bond Finance of the Department of General Services, or Division of Bond Finance of the State Board of Administration.
- Notes, bonds, and other obligations of agencies of the United States.
- Commercial paper of prime quality of the highest letter and numerical rating as provided for by at least one nationally recognized rating service.
- Time drafts or bills of exchange drawn on and accepted by a commercial bank, otherwise known as banker's acceptances, which are accepted by a member bank of the Federal Reserve System and are of prime quality of the highest letter and numerical ratings as provided for by at least one nationally recognized statistical rating organization.
- Negotiable certificates of deposit issued by domestic or foreign financial institutions in United States dollars of prime quality of the highest letter and numerical ratings as provided for by at least one nationally recognized statistical rating organization.
- Short-term obligations not authorized elsewhere in this section to be purchased individually or in pooled accounts or other collective investment funds, for the purpose of providing liquidity to any fund or portfolio.
- Securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized Custodian.

**Cash Equivalent Guidelines**

- 1) The Investment Managers may invest only in the following short-term investment vehicles, for the purposes of cash equivalents:
  - a) The money market or STIF provided by the System's Custodian.
  - b) Direct obligations of the United States Government or its agencies with a maturity of one year or less.
  - c) Repurchase agreements which are fully collateralized by direct obligations of the United States Government.
  - d) Commercial Paper issued by United States corporations which has a maturity of 270 days or less and that is rated A-1 or higher by Standard & Poor's or P-1 or higher by Moody's.
  - e) Bankers Acceptances issued by prime money center banks.

**USE OF FUTURES AND OPTIONS**

The System and any of its external Investment Managers are authorized to buy and sell futures and options, provided the instruments for such purpose are traded on a securities exchange or board of trade regulated by the Securities and Exchange Commission or the Commodity Futures Trading Commission, unless the Board by rule authorizes a different market. Use of futures and options for speculative purposes is prohibited.

**COMMINGLED AND MUTUAL FUNDS:**

The Board recognizes and accepts that investments in commingled funds, common trust funds, mutual funds, limited partnerships, limited liability companies or similar investment vehicles shall be governed by the investment policies and guidelines of those funds and that no additional constraints may be imposed on them as they are frequently serving as fiduciaries to the investment vehicle itself of which the Fund holds an interest. The decision to invest Fund assets in any such fund shall only be made by the Board after a thorough review of the investment policies contained in the prospectus, trust document, offering memorandum or other governing documents of those funds, and after it has been determined that those policies are appropriate and generally consistent with the investment objectives of the System.

## **DIVERSIFYING ASSETS:**

### **Permissible Strategies:**

The following are permissible investments:

- For purposes of this Policy, "diversifying assets" shall mean investments in private equity, private credit, long-short equity or debt, event driven, relative value, or tactical trading strategies, MLPs, real assets (timber, commodities, energy, oil and gas, metals and mining, or other natural resources) and shall also include other investments that generally are not publicly traded or which are managed through private investment vehicle
- s.
- In general, the aforementioned strategies involve the purchase and sale of all types of public and privately traded securities, currencies, options, futures and private placements. These strategies may also include the short sale of securities and the use of leverage and other types of derivatives.
- Private equity investments may include sub strategies such as venture capital, growth equity, and buyouts. Investments are typically accessed directly, through partnerships or through a fund of funds approach, which provides an investment vehicle that is well diversified by sub-asset class (e.g. venture capital vs. buyouts), investment style (e.g. early vs. late stage, mid-market vs. large cap market) and vintage year.
- Private Credit investments may include sub strategies such as direct lending, asset-backed debt, specialty finance, special situations, and distressed debt. Investments are typically accessed directly, through partnerships or through a fund of funds approach.
- In general, real assets includes the purchase and sale of an equity or debt interest in natural resources (such as oil and gas development, energy and power infrastructure, agriculture, and metals and mining), commodities (agriculture, energy, industrial metals, livestock and precious metals), timberland, farmland, and water rights. These investments may be made in publicly traded securities, such as master limited partnerships (MLPs) or in private investment vehicles, such as limited partnerships.

### **Diversifying Assets Guidelines**

- 1) The long-term role of diversifying assets is to improve the risk-adjusted return of the overall portfolio by increasing the long-term expected return above what would be normally available using only conventional securities and reducing overall portfolio volatility through use of a diversified set of strategies and the inherent smoothing of private valuation methods. The long-term nature of private investments and vintage year diversification shall be emphasized so that the System, as a long-term investor,



may properly take advantage of the private negotiation of transactions and the illiquidity premium associated with such private investments.

- 2) Prior to making any investment in diversifying assets, the sub-strategy investments will be evaluated, by the Board, based on their singular characteristics and their incremental value to the total Fund. Any "lock-up" periods shall be appropriate given the underlying strategy.
- 3) The Board understands that there are certain additional risks associated with investing in private investments, such as: the long-term nature and illiquidity of the investment; the complexity of the strategies employed; the higher cost and delay of investment return to the System (e.g. "J-curve effect"); the possible lack of full public disclosure of certain financial information; and the labor intensive nature of private investment programs for plan sponsors to implement and monitor. However, the Board has determined that possible reward outweighs the possible risks and has also determined that the long-term role of diversifying assets, is consistent with the System's Policy.
- 4) In private equity, private credit and real asset investing there is the risk of sustaining a complete loss on any of the individual company investments. The Board understands and expects that while specific investments may incur losses of all or part of invested capital, a diversified portfolio of holdings should produce a positive rate of return in excess of that available from public securities. Therefore, the System shall prudently diversify its private investment program in a manner consistent with professionally managed institutional private programs, as recommended by its Investment Consultant or Investment Staff, so as to decrease the likelihood of loss. The private investments, in aggregate, will be prudently diversified by having broad exposure across the sub-strategies listed above. Further, the private investments, in aggregate, shall be diversified by: industry groups, company, number of transactions, stage of company maturity, form of investment, geography and time (vintage year diversification). Investment in non-US limited partnerships is permitted.
- 5) Over commitment: The implementation of any private investment, such as private equity and private credit, by the System shall be made over time so as to increase vintage year diversification. The timing of new commitments shall be spread out so as to avoid undue concentration of commitments in any one year. Over the long-term, it is expected that varying amounts of new funding will be committed each year to increase diversification. The Board recognizes that it will be necessary to make capital commitments in excess of the target allocation for private investments in order to achieve the target allocation and subsequently maintain it. The Investment Consultant shall monitor the amount of capital committed, drawn, invested and distributed and make a recommendation to the Board as to the amount of new commitments to be made each year.

- 6) Each fund shall be invested and diversified according to each fund's legal documentation. Accordingly, at the composite level, no limitations shall be imposed on any single partnership, strategy, or investment.
- 7) Public Records Request: The Board recognizes that periodically a request for information under a state statute or local ordinance "Public Record Request" may be made concerning the System's private investments. The Board believes that public disclosure of certain information about the System's private investments, especially financial information of the underlying companies held by limited partnerships, may materially harm the System's investments. Therefore the Board has adopted the following procedure in the event such a request is made: Public disclosure of the System's private investment shall be limited to the following: the identity of each fund; the amount of capital committed, invested and returned for each fund; the internal rate of return for each fund; any information disclosed by the fund to the Board in the Board's regular, open meetings, and as otherwise may be required by law.
- 8) The total return goal of the privately traded diversifying assets investments should be to produce a dollar-weighted return (internal rate of return or IRR) that exceeds a public market equivalent (PME) dollar-weighted return of a market index appropriate for the private strategies utilized over a full market cycle. Where possible, peer comparisons shall be made using statistically valid performance universes with the expectation that performance will rank above median in vintage year periods.
- 9) The total return goal of the publicly traded diversifying assets investments, or for which a valid investable index or peer universe exists, should be to exceed the return of a blended index using appropriate indices weighted to reflect Policy weights of the respective strategies, net of fees.

### **COMPLIANCE PROCEDURES**

In the event a security falls out of compliance with the Investment Manager's specific investment guidelines after purchase, the Investment Manager may continue to hold the security to avoid a "fire sale" scenario subject to the following:

- The securities must be permissible under Sections 112.661(5) and 215.47, Florida Statutes.
- The investment must represent no more than 2% of the Investment Manager's portfolio and the overall investment in the security across all Investment Managers' portfolios must not exceed 2% of the Fund's aggregate investment portfolio.
- Immediate notification shall be provided to the City's Treasurer and Chief Financial Officer ("CFO"), including a summary of the type, magnitude, and risk of such variance to the specific Investment Manager's guidelines.

- If the Treasurer and CFO both agree with the assessment, the request shall be referred to the Chairman of the Board for approval. If at any step during this process the retention of the security is not approved, Investment Staff and the Investment Consultant shall work with the Investment Manager to decide on the best manner of liquidation.
- Unless approved by the Chairman of the Board, a non-compliant security may not be retained beyond 30 days following the end of the quarter in which the non-compliance was discovered.
- If retention of the security is approved, the CFO shall send written acknowledgement to the applicable Investment Manager granting such exception to the Policy, which shall include the following:
  - 1) Defined enhanced reporting requirements for the Investment Manager regarding the specific investment holding which is an exception to the Investment Manager's specific guidelines, including:
    - a. Impact to the liquidity of the holding and portfolio managed, and
    - b. Impact on the return on the portfolio managed under the expected outcome and under the worst-case scenario.
- Updates on the status of each security which is subject to a Policy exception shall be presented by the Investment Manager to the city's Treasurer at least monthly.
- Exceptions to the Investment Manager's specific guidelines shall be reported to the Board, and shall be included in the Investment Consultant's quarterly investment report. The Board shall have the ultimate authority over whether the exception should be approved or not.

### **SECTION 112.661, FLORIDA STATUTES**

The Board has adopted the following additional provisions to comply with Section 112.661, Florida Statutes:

**EXPECTED ANNUAL RATE OF RETURN:** For each actuarial valuation the Board shall determine the total expected annual rate of return for the current year, for each of the next several years, and for the long term thereafter. This determination is to be filed with the Department of Management Services, the plan sponsor and the consulting actuary.

**MATURITY AND LIQUIDITY REQUIREMENTS:** The investment portfolio shall be structured in such manner as to provide sufficient liquidity to pay obligations as they come due. To the degree reasonable, an attempt shall be made to match investment maturities with anticipated cash flow requirements.

**THIRD-PARTY CUSTODIAL AGREEMENTS:** Securities should be held with a third party, and all securities purchased by, and all collateral obtained by, the board should be properly designated as an asset of the board. No withdrawal of securities, in whole or in part, shall

be made from safekeeping except by an authorized member of the board or the board's designee. Securities transactions between a broker-dealer and the custodian involving purchase or sale of securities by transfer of money or securities must be made on a "delivery vs. payment" basis, to the extent possible, to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction.

**MASTER REPURCHASE AGREEMENT:** All approved institutions and dealers transacting repurchase agreements shall perform as stated in the Master Repurchase Agreement.

**BID REQUIREMENT:** To the extent reasonable, the Board shall determine the approximate maturity date based on cash-flow needs and market conditions, analyze and select one or more optimal types of investment and competitively bid the security in question when feasible and appropriate. Except as otherwise required by law, the most economically advantageous bid is to be selected.

**INTERNAL CONTROLS:** The Board shall establish a system of internal controls which shall be in writing and be a part of the Board's operational procedures. These internal controls are designed to prevent losses of funds, which might arise from fraud, error, and misrepresentation, by third parties or imprudent actions by the Board or employees of the plan sponsor.

**CONTINUING EDUCATION:** The Board encourages continuing education of its members in the areas of investments and Board responsibilities.

**REPORTING:** The Custodian's valuation report is to be filed annually with the plan sponsor. This report is also available to the public.

**FILING OF INVESTMENT POLICY:** Once adopted by the Board, this Policy shall be promptly filed with the Department of Management Services, plan sponsor and consulting actuary. The effective date of this Policy and any amendment thereto shall be the 31st calendar day following the filing date with the plan sponsor.

**VALUATION OF ILLIQUID INVESTMENTS:** The Board defines an illiquid investment as one for which a generally recognized market is not available or for which there is no consistent or generally accepted pricing mechanism. Should an investment become illiquid or in the event that the fund acquires an illiquid investment, the Board shall develop the methodology for valuation as set forth in the criteria in Section 215.47(6), Florida Statutes (the SBA/FRS methodology for valuation).

## **PERFORMANCE EVALUATION**

The Board shall review the investment activities and investment performance of the System and each Investment Manager on a regular basis to assure compliance with the goals, objectives and guidelines contained in this Policy. The System's outside Investment Consultant shall assist the Board in interpreting investment results and assessing Investment Manager performance.

Investment performance shall be measured on at least a quarterly basis. Performance benchmarks shall include those stated in the Investment Objectives section above as well as comparisons to similar types of funds with similar market value and asset allocation.

Investment performance shall be compared using a statistically valid universe provided by the Investment Consultant as authorized by the Board. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this Policy.

While the Board intends to fairly evaluate the portfolio performance, it reserves the right to change Investment Managers, without liability except payment of current charges, for any reason which in the exercise of the Board's discretion is deemed sufficient, including but not limited to those stated below.

- 1) Change of the Board's investment philosophy;
- 2) Poor results, including but not limited to, a Investment Manager's full-market-cycle (roughly 7 years) returns underperforming relative to the appropriate benchmark for three or more consecutive quarters;
- 3) 3. Failure to meet stated performance goals as described in the Investment Manager's specific guidelines or this Policy, and/or as measured against the appropriate benchmark or relevant Investment Manager universe;
- 4) 4. Failure to meet the Board's communication and reporting requirements;
- 5) 5. Deviation from the stated investment philosophy or style for which the investment management firm was hired; or
- 6) 6. Change of decision-making personnel or ownership of the investment management firm.

Investment Managers shall communicate with the Board and Investment Consultant as follows:

- 1) Provide portfolio valuation and transaction listings on at least a quarterly basis as stated above.
- 2) Meet at least annually with the Board, its Investment Staff or Investment Consultant or as requested by the Board.
- 3) Communicate as outlined in this Policy regarding all other issues.

Board communication with Investment Managers:

- 1) On a timely basis, the Board shall provide the Investment Managers with changes to this Policy.
- 2) The Board shall also communicate as needed with the Investment Managers to:
  - a. Review and discuss any modifications and changes to the Plans' investment objectives, goals and guidelines;
  - b. Identify any significant anticipated changes in the Plans' cash flow, liquidity requirements or plan circumstances; and
  - c. Any other matter, which may bear upon the Plans' assets managed by a particular Investment Manager.

This Policy as well as the Plans' circumstances shall be reviewed annually by the Investment Consultant with the Board and possibly revised periodically to ensure this Policy continues to reflect the Board's objectives, goals, philosophy, etc.

The Board shall periodically review:

- 1) The Fund's asset allocation in light of the Investment Consultant's current capital markets assumptions.
- 2) Actual investment results to determine whether the Fund's asset allocation remains reasonable and each Investment Manager's decision-making process remains consistent with the style and methodology for which the Investment Manager was originally retained.
- 3) The Investment Manager's proxy voting procedures and proxy voting records.
- 4) Commissions generated, commission rates charged and firms used by the Investment Managers to execute trades.
- 5) Investment Manager fee schedules.

### **REVIEW OF POLICY**

It is the intention of the Board of Trustees to review this Policy periodically and to amend it to reflect any changes in philosophy or objectives. If at any time any Investment Manager believes that the specific objectives defined herein cannot be met or that these guidelines unnecessarily constrict performance, then such Investment Manager shall notify the Board in writing of the specific objection so that the Board may consider revising this Policy subject to applicable ordinances and statutes.

Amended this 1<sup>st</sup> day of July, 2021.

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DAVID KILCREASE  
 SECRETARY - BOARD OF TRUSTEES  
 CITY OF JACKSONVILLE EMPLOYEES RETIREMENT SYSTEM



**APPENDIX A****SAMPLE INVESTMENT MANAGER INSTRUCTIONS****Policy:**

The portfolio under the supervision of sample manager is intended to be a domestic equity portfolio.

Sample manager has been hired to pursue an investment style, which the Board has defined as a large cap value, domestic equity style. The Board has selected this investment style to be different, yet complement the other domestic equity managers employed. Sample manager is expected to produce investment returns that are 100 basis points over the Russell 1000 Value Index on an annualized basis over rolling three-to-five-year periods, net of fees and rank above median compared to their style peers over the same period. It is understood that investment returns are not guaranteed.

**Guidelines:**

- A. The portfolio shall be a large cap value, domestic equity portfolio. Sample manager may purchase short-term cash equivalent instruments, which for the purpose of measurement, shall be treated as equity reserves, not as fixed income securities. Convertibles are also permissible; however, they shall be treated as equities as well. The portfolio is expected to remain fully invested.
- B. It is sample manager' decision as to whether or not to utilize the Short-Term Investment Fund offered by the custodian, or another cash equivalent vehicle, and in doing so, is responsible for assessing the credit worthiness and relative return attractiveness of any alternative to the custodian's STIF used.
- C. Sample manager may use exchange-traded funds such as S&P Depository Receipts ("Spyders") for the purpose of short-term equitization of unused funds, including cash in the account due to a contribution or pending withdrawal.
- D. The portfolio shall be adequately diversified according to the internal policies established by sample manager regarding individual securities and industries to avoid the undue risk inherent in non-diversified holdings. In addition to the limitations set out in the Guidelines, the following limitations shall apply:
  - 1. Exposure to any single economic sector is limited to the greater of: 30% or 2X the sector weight in the underlying benchmark (listed below) based on market value.



2. American Depositary Receipts are permissible but are limited to a maximum of 15% of the portfolio based on market value.
- E. The portfolio performance shall be measured on a total return basis, which includes both income and change in market value.
- F. Sample manager shall be reviewed quarterly based on the following:
1. Adherence to style risk assignment, including portfolio characteristics relative to those of the benchmark.
  2. The value-added over the Russell 1000 Value Index.
  3. The trend of value-added over the Russell 1000 Value Index.
  4. The value-added over median similar style investment managers.

These guidelines are not to be construed as restrictive to sample manager' ability to follow the strategies it considers are the most appropriate given the Board's directives contained in the Investment Policy and these Instructions, but rather as an exercise of the Board's fiduciary responsibility. If at any time sample manager feels that the Policy or these Instructions are unrealistic, or may be a hindrance in pursuing their investment style, the Board and the Investment Consultant are to be notified immediately in writing.

**APPENDIX B**

The Board and its Investment Managers shall comply with the applicable requirements of Chapter 2023-28, Laws of Florida, including Sections 112.662 & 215.855, Florida Statutes, along with regulations adopted by the Department of Management Services.

1. Definition of pecuniary factor: The term "pecuniary factor" is defined as a factor that an investment fiduciary "prudently determines is expected to have a material effect on the risk or returns of an investment based on appropriate investment horizons consistent with the investment objectives and funding policy of the retirement system. The term does not include the consideration of the furtherance of any social, political, or ideological interests." [112.662(1)]

2. Exclusive consideration of pecuniary factors: Only pecuniary factors may be considered and the interests of the participants and beneficiaries of the system may not be subordinated to other objectives, including sacrificing investment return or undertaking additional investment risk to promote any nonpecuniary factor. The weight given to any pecuniary factor must appropriately reflect a prudent assessment of its impact on risk or returns. [112.662(2)]

3. Proxy voting: Only pecuniary factors may be considered when voting proxies. [112.662(3)]

4. Filing requirements: The Board shall timely comply with the reporting requirement of Section 112.662 by filing a comprehensive report by December 15 of each odd-numbered year. [112.662(4)]. Investment Managers and the Board's Investment Consultant shall assist in the preparation of required reports and shall annually confirm to the Board their compliance with Chapter 2023-28.

5. Contracting and external communication requirements: Investment Manager contracts shall comply with Section 215.855 as follows:

"Any written communication made by an Investment Manager to a company in which such manager invests public funds on behalf of the Board must include the following disclaimer in a conspicuous location if such communication discusses social, political, or ideological interests; subordinates the interests of the company's shareholders to the interest of another entity; or advocates for the interest of an entity other than the company's shareholders:

The views and opinions expressed in this communication are those of the sender and do not reflect the views and opinions of the people of the State of Florida."

6. The Investment Consultant will provide Investment Managers for consideration who invest only based on pecuniary factors as defined by Florida Statutes §112.662.

7. If a Request for Proposals document is issued for Investment Manager services, pursuant to Section 287.05701, Florida Statutes, the solicitation document must include the following:

“The Board of Trustees may not request documentation of or consider a vendor’s social, political, or ideological interests when determining if the vendor is a responsible vendor. Additionally, the Board of Trustees may not give preference to a vendor based on vendor’s social, political, or ideological interests.”