



400 Galleria Parkway Suite 1700 Atlanta, GA 30339-5953
T 770.541.4825 F 770.541.4849 www.segalrc.com

Jeffrey C. Boucek, CFA
Senior Vice President
Director of Public Fund Consulting

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Robert D. Klausner
Klausner, Kaufman, Jensen & Levinson
10059 NW 1st Court
Plantation, Florida 33324

RE: City of Tampa Fire and Police Pension Fund (CTF&PPF) Benchmark Review

Dear Bob,

We have completed our analysis of the investment mandate for Bowen, Hanes & Company as it related to the City of Tampa Fire and Police Pension Fund.

Background

Kristopher Katarski and I met with Jay Bowen and David Kelly from Bowen, Hanes & Company (BH&C) in their Atlanta offices. The purpose of the meeting was to gain a more comprehensive understanding of the investment process employed with respect to the CTF&PPF portfolio.

As you know, the firm manages a portfolio of approximately \$1.8 billion in what is best described as a high quality balanced portfolio comprised primarily of stocks, bonds and cash.

While they manage both a stock and bond allocation, the stock component is more actively managed than is the bond component employing a top-down/bottom-up approach to constructing a high quality portfolio of holdings.

BH&C is best labeled as a benchmark agnostic all-cap equity (i.e. stock) manager that will look at macro trends and focus on purchasing individual companies best positioned to take advantage of these trends. They are a long-term investor choosing to employ a buy and hold approach.

Macro trends play into the management of the fixed income portfolio, but security selection centers around high quality credits that are laddered based on maturity.

Although they have a limited degree of flexibility to allocate between stocks, bonds and cash, the firm does not actively make tactical shifts between these. When allocations do deviate from the benchmark allocations (currently 60% S&P 500 Index, 15% MSCI EAFE Index, 20% Barclays Capital G/C Bond Index and 5% T-bills) it is a fall-out of their investment process combined with market movements.

Observations

Jay is clearly a bright and insightful investor. Opting for a process not bound by market capitalization or style orientation, he employs a process designed to add value over time through the selection of individual securities best positioned to benefit from the firm's assessment of macro global trends.

His investment approach is in many ways reflective of a time in investment history whereby investing was more of an “art” than a “science” and the firm’s record of accomplishment reflects a solid ability to capitalize on this approach.

The primary issue of “potential” concern with BH&C revolves around the limited depth of investment professionals and a formal succession plan. Jay Bowen is the primary investment professional making all investment decisions. Investors face a potential issue of significance should something unforeseen happen to Jay that inhibits his ability to manage the portfolio.

Softening this potential concern is the fact that the majority of holdings in the portfolio are highly liquid and should an unforeseen event occur, the portfolio could be liquidated and easily invested on a short-term basis in index funds.

Consistent with the buy & hold approach of BH&C, Jay noted that the Trustees to the CTF&PPF employ a long-term approach to the evaluation of performance with a focus on rolling 20-year periods as opposed to more typical “point in time” or “period ending” approaches.

While 20-year periods might be considered a bit too long in perspective, the longer-term approach employed by the Trustees is prudent and that helps smooth out short-term periods of underperformance that comes when employing active investment management.

Conclusion

Following our meeting with BH&C and comprehensive review of the current Investment Policy Statement, we are comfortable that the current benchmark (60% S&P 500 Index, 15% MSCI EAFE Index, 20% Barclays Capital G/C Bond Index and 5% T-bills) as well as the secondary market weighted benchmark (which includes MLP’s) do accurately reflect a relative and fair basis of comparison when evaluating the performance of the total portfolio managed by BH&C.

Bob, I am happy to discuss any of this with you or the Trustees should you so desire.

Sincerely,



Jeffrey C. Boucek, CFA
Senior Vice President
Director of Public Fund Consulting