

Port Orange General Employees' Defined Benefit Plan

2020 Capital Market Assumptions

<u>Asset Class</u>	<u>Expected LT Total Annualized Return</u>	<u>Inflation Assumption</u>	<u>Expected LT Real Return</u>	<u>Target Allocation</u>	<u>Return Contribution</u>
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Based on JPM's 2020 Capital Market Assumptions:

US Large Cap Equity	5.60	2.00	3.60	35%	1.26
US Small / Mid Cap Equity	6.50	2.00	4.50	10%	0.45
International Equity	7.20	2.00	5.20	10%	0.52
U.S. Direct Real Estate	5.80	2.00	3.80	20%	0.76
Absolute Return	4.50	2.00	2.50	0%	0.00
Global Infrastructure	6.00	2.00	4.00	0%	0.00
Prefds/Converts	4.80	2.00	2.80	0%	0.00
US Aggregate Bond	3.10	2.00	1.10	25%	0.28

Total 100%

Total Expected Real Return (net of Inflation)	3.27
Long-term Inflation Assumption	2.00
Total Expected Return (including Inflation)	5.27

Based on Historical Data :

US Large Cap Equity (40 yrs 10/31/19)	11.57	3.00	8.57	35%	3.00
US Small / Mid Cap Equity (40 yrs 10/31/19)	11.91	3.00	8.91	10%	0.89
International Equity (40 yrs 10/31/19)	8.33	3.00	5.33	10%	0.53
U.S. Direct Real Estate (ODCE)	9.17	3.00	6.17	20%	1.23
Absolute Return (CSH)	5.50	3.00	2.50	0%	0.00
Global Infrastructure (JPM)	7.00	3.00	4.00	0%	0.00
Prefds/Converts (2.80% real return)	5.80	3.00	2.80	0%	0.00
US Aggregate Bond (40 yrs 10/31/19)	7.42	3.00	4.42	25%	1.11

Total 100%

Total Expected Real Return (net of Inflation)	6.76
Long-term Inflation Assumption	3.00
Total Historical Return (including Inflation)	9.76

Recommended:

US Large Cap Equity	7.60	3.00	4.60	35%	1.61
US Small / Mid Cap Equity	8.00	3.00	5.00	10%	0.50
International Equity	8.20	3.00	5.20	10%	0.52
U.S. Direct Real Estate	7.50	3.00	4.50	20%	0.90
Absolute Return	6.00	3.00	3.00	0%	0.00
Global Infrastructure	7.00	3.00	4.00	0%	0.00
Prefds/Converts (2.80% real return)	5.80	3.00	2.80	0%	0.00
US Aggregate Bond	4.50	3.00	1.50	25%	0.38

Total 100%

Total Expected Real Return (net of Inflation)	3.91
Long-term Inflation Assumption	3.00
Total Expected Return (including Inflation)	6.91

Notes:

Southeastern Advisory Services has shown JP Morgan's 2020 published capital market assumptions, released 10/31/19. JPM Capital Market Assumptions are for a 10-15 year time horizon Compound/Geometric returns are utilized. For "Converts", hybrid asset class assumed real return is 2.75%. For infrastructure, no benchmark available for historical, JPM assumption is used Absolute Return assumption utilized is JP Morgan's "Long-Biased Hedge Fund" category. US Small / Mid assumption utilized is JP Morgan's "U.S. Small Cap" category For client IPS that utilizes the R3000 for total domestic equity, the model assigns 10% weighting to US Small Cap Historical data is based on 40-year history ending 10/31/19, or longest time period available for the benchmark (source AJQ)
Recommended category assumes possibility of alpha generation and/or incremental return from specialty mandates within broad categories



Assumed Rates of Return Comparison 2020

Fund	Assets	Assumed ROR	2020 CMA	Delta	Notes	Confirmation
1 Atlanta Regional	\$77,000,000	6.35%	6.46%	-0.11%	Goal achieved = 6.35%	Bill Karbon 12/23/19
2 Boynton Beach GE	\$179,988,197	7.20%	7.13%	0.07%	Goal return is 7.0%, reducing by 10 bspts	Pete Strong 12/23/19
3 Cape Coral Fire	\$184,276,732	7.25%	6.94%	0.31%	Looking at assumption each year	Doug Lozen 11/27/19
4 Cape Coral Police	\$176,325,043	7.50%	6.94%	0.56%	Looking at assumption each year	Doug Lozen 11/27/19
5 Coral Springs GE	\$7,951,932	6.00%	6.30%	-0.30%	Closed plan. Goal achieved = 6.0%	Theora 12/2/19
6 Covington GA	\$48,000,000	6.75%	6.21%	0.54%	Positive Cash Flow	Joe Griffin 1/20/20
7 Davie Fire	\$118,853,069	7.40%	6.92%	0.48%	Moving toward 7.0%	Don Dulaney 12/23/19
8 East Point GA	\$111,089,784	7.75%	6.78%	0.97%	No action taken	N/A
9 Gainesville GA	\$103,727,499	7.00%	6.47%	0.53%	Goal Achieved. Reassessing in 2020	Malichi 12/23/19
10 Key West Housing	\$11,511,429	7.00%	6.78%	0.22%	Goal achieved. Reassessing in 2020	Brad H 12/23/19
11 Lauderhill Confid	\$29,357,242	7.25%	6.92%	0.33%	Moving toward 7.0%	Don Dulaney 12/23/19
12 Lauderhill GE	\$26,704,357	7.00%	6.90%	0.10%	Rewiewing furter reduction	M, Moskovitz 12/26/19
13 Lauderhill Police	\$71,318,960	7.25%	7.09%	0.16%	Moving toward 7.0%	Don Dulaney 12/2/19
14 Miramar Police	\$176,718,129	7.25%	7.11%	0.14%	Moving toward 7.0%	Don Dulaney 12/23/19
15 Pompano GE	\$191,578,055	7.55%	7.12%	0.43%	Just reduced, moving towards 7.0%	Madelene K 12/23/19
16 Port Orange GE	\$35,160,836	7.00%	6.91%	0.09%	Closed plan. Goal return is 6.0%	Pension mtg 12/16/19
17 Odessa Fire	\$44,457,279	7.50%	6.92%	0.58%	Negative cash flow. Lowered for 2020	Jill Jones 11/27/19
18 Riviera Beach Fire	\$91,489,299	6.70%	7.10%	-0.40%	Goal return is 6.5%, reducing by 10 bspts	Pete Strong 12/23/19
19 St. Augustine GE	\$42,735,063	7.50%	7.10%	0.40%	Moving toward 7.0%	Mike T 12/23/19
20 St. Augustine Police	\$20,674,340	7.50%	7.10%	0.40%	Moving toward 7.0%	Mike T 12/23/19
Average		7.14%	6.86%	0.28%		

State* / Corporate Comparison**

Florida Retirement System	7.20%
Georgia Employees' Retirement System	7.40%
Texas Employees' Retirement System	7.50%
Public Fund Average (National)	7.30%
Corporate DB Average (2019)	6.60%