Introduced by Council President at the request of the Mayor:

**ORDINANCE 2014**

AN ORDINANCE PERTAINING TO CHAPTER 121 (POLICE AND FIREFIGHTERS PENSION PLAN), ORDINANCE CODE; CREATING SECTION 121.101(F); AMENDING SECTION 121.102(E) (POLICE AND FIRE PENSION PLANS) CREATING A NEW CATEGORY OF MEMBER KNOWN AS A "GROUP II MEMBER" BASED UPON A DATE OF HIRE ON OR AFTER OCTOBER 1, 2014 AND SECTION 121.113(A)(1), 121.113(A)(2), AND (B) (CALCULATION OF PENSION CONTRIBUTIONS FOR POLICE AND FIRE PENSION FUND) REVISING THE CONTRIBUTION PERCENTAGES OF EXISTING POLICE AND FIRE PENSION PLAN MEMBERS; CREATING SECTION 121.114 (UNFUNDED ACTUARIAL LIABILITY) TO OUTLINE THE MUTUAL OBLIGATIONS OF THE CITY AND THE POLICE AND FIRE PENSION FUND BOARD OF TRUSTEES IN ADDRESSING THE UNFUNDED LIABLITY; CREATING SECTION 121.115 (SUPPLEMENTAL SHARE PLAN); CREATING SECTION 121.116 (INVESTMENT AUTHORITY) TO OUTLINE THE INVESTMENT AUTHORITY OF THE POLICE AND FIRE PENSION FUND BOARD OF TRUSTEES; CREATING SECTION 121.117 (EXECUTIVE ADMINISTRATOR) TO OUTLINE THE QUALIFICATIONS FOR FUTURE EXECUTIVE ADMINISTRATORS OF THE POLICE AND FIRE PENSION FUND; CREATING SECTION 121.118 (USE OF GENERAL COUNSEL) TO OUTLINE THE POLICE AND FIRE PENSION FUND'S USE OF THE OFFICE OF GENERAL COUNSEL; AMENDING SECTION

121.201 (RETIREMENT BENEFITS) TO CREATE 121.201A FOR "GROUP I MEMBERS" AND TO CREATE 121.201B FOR "GROUP II MEMBERS" TO OUTLINE THE PENSION BENEFITS EXTENDED TO EACH GROUP, SECTION 121.204 (SURVIVING SPOUSE'S BENEFITS), SECTION 121.206 (CHILDREN'S BENEFITS), AND SECTION 121.209 (DEFERRED RETIREMENT OPTION PROGRAM (DROP)); CREATING NEW SECTION 121.211 (GROUP II BACKDROP PROGRAM) TO ESTABLISH THE BACKDROP PROGRAM OF PENSION BENEFITS EXTENDED TO GROUP II MEMBERS; AMENDING CHAPTER 121 TO CREATE A NEW PART 5 (FINANCIAL INVESTMENT AND ADVISORY COMMITTEE); AMENDING CHAPTER 121 TO CREATE A NEW PART 6 (ETHICS, FIDUCIARY RESPONSIBILITIES AND BEST PRACTICES); AMENDING ARTICLE 22 (JACKSONVILLE POLICE AND FIRE PENSION BOARD OF TRUSTEES) OF THE CHARTER OF THE CITY OF JACKSONVILLE; APPROVING THE 2014 RETIREMENT REFORM AGREEMENT; ATTACHING THE REQUIRED ACTUARIAL IMPACT STATEMENT; PROVIDING AN EFFECTIVE DATE.

**WHEREAS**, the consolidated City of Jacksonville (the "City") has both a Jacksonville Sheriff's Office and a Jacksonville Fire/Rescue Department and seeks to offer and continue to offer a retirement Plan to law enforcement officers and firefighters that will provide appropriate benefits and be financially stable; and

**WHEREAS,** the City seeks to continue to offer a competitive but financially sustainable retirement Plan to law enforcement officers and firefighters; and

**WHEREAS**, the retirement Plan for Jacksonville law enforcement officers and firefighters is implemented by the Jacksonville Police and Fire Pension Fund Board of Trustees (also referred to as the "JPFPF", "Board" or "Pension Plan"), an independent agency of the City of Jacksonville created by special act of the Florida Legislature; and

**WHEREAS**, the Jacksonville Association of Firefighters (Local 122, International Association of Firefighters), which is the collective bargaining agent for all firefighters and their ranked superiors, and Fraternal Order of Police Lodge 5-30, which is the collective bargaining agent for all law enforcement officers and their ranked superiors, hereinafter referred to as the "Unions", are bargaining units certified in accordance with Florida law that presented waivers as to their right to collective bargaining on pension benefits; and

**WHEREAS,** The Agreement, hereinafter known as the 2014 Agreement, is the fourth amendment to a series of agreements commonly known as the "30 Year Settlement Agreement; and

**WHEREAS**, the City and the JPFPF (collectively referred herein as "the Parties") have a shared desire to resolve outstanding retirement issues for the benefit of taxpayers and JPFPF members; and

**WHEREAS**, the Parties recognize and agree that it is in the best interest of the members of the JPFPF as well as the citizens of the City of Jacksonville that any outstanding disputes be comprehensively and fully resolved, without the need for further litigation; and

**WHEREAS**, the Parties represent that they will in good faith, present and support the terms of the 2014 Pension Reform Agreement (**attached hereto as Exhibit 1**) to their respective elected and/or appointed officials and use their best efforts to obtain the approval of said officials necessary for the implementation of the

2014 Pension Reform Agreement; and

**WHEREAS**, the Agreement and adoption of the ordinances suggested therein will save the City of Jacksonville taxpayers $1.83 billion over the next 35 years; and

**WHEREAS**, the Parties agree to resolve these matters on the terms and conditions set forth in the Agreement; and

**WHEREAS,** all prior settlement agreements between the Parties and all amendments thereto are modified on the terms and conditions set forth pursuant to the terms of the Agreement with non-modified provisions remaining; and

**WHEREAS,** all prior settlement agreements between the Parties and all amendments thereto are modified on the terms and conditions set forth pursuant to the terms of the Agreement with non-modified provisions remaining; and

**WHEREAS,** the Parties have agreed that the so-called "Thirty Year Agreement", which includes all prior settlement agreements between the Parties and all amendments thereto including the 2014 Agreement (i.e., 2000-1164-E, 2003-303-E, 2003-1338-E, 2006-508-E, and this legislation), will now expire on September 30, 2024, except for the provisions in the 2014 Agreement labeled "Governance of the Police and Fire Pension Fund," which will expire on September 30, 2030; and

**WHEREAS,** upon the approval of the Agreement by both the JPFPF and the City (inclusive of City Council and the Mayor), the Plaintiffs and Cross-Claim Plaintiff will file an agreed upon consent judgment in Randall Wyse, et al. vs. City of Jacksonville, et al., Case No.: 3:13-cv-121-J-34MCR; and

**WHEREAS,** to the extent that the Court declines the annual review obligation, the City of Jacksonville and the Police and Fire Pension Fund agree to meet and choose a mutually acceptable judge, attorney or special master to serve in this monitoring role; and

**WHEREAS,** the City of Jacksonville shall withdraw its impasse notices before the Florida Public Employees Relations Commission associated with 2012 pension negotiations with the Fraternal Order of Police, Lodge 5-30 and the Jacksonville Association of Fire Fighters, Local 122, case numbers SM-2012-078 and SM-2012-092 respectfully; and

**WHEREAS,** the City Council, for the benefit of all parties, seeks to amend the ordinance code in order to incorporate some of the provisions of the Agreement; and

**WHEREAS**, the Agreement provides for the amendment of the Ordinance Code and Charter as necessary the issues resolved in the Agreement; now, therefore,

**BE IT ORDAINED** by the Council of the City of Jacksonville:

**Section 1. Part 1, Chapter 121, Ordinance Code Amended; New Section 121.101 (f) created; Sections 121.102(e) and 121.113 Amended; Sections 121.114, 121.115, 121.116, 121.117 and 121.118 Created.** Part 1, Chapter 121, *Ordinance* Code, is hereby amended; Sections 121.102(e) and 121.113, *Ordinance Code,* are hereby amended, and Sections 121.114, 121.115, 121.116, 121.117 and 121.118, *Ordinance Code*, are hereby created, to read as follows:

**Chapter 121. POLICE AND FIREFIGHTERS PENSION PLAN**

**PART 1. POLICE AND FIRE PENSION FUND ADMINISTRATION**

* * *

**Sec. 121.101. Control and Administration of Police and Fire Pension Fund.**

* * *

<u>(f) Effective October 1, 2014, the JPFPF shall not engage in the determination of pension benefits and shall leave the negotiation and future modification of pension benefits to elected City officials and certified bargaining agents. Nothing in this section shall be construed to impair the rights provided under</u>

Article 1, Section 6 of the Florida Constitution or Chapter 447, Florida Statutes, provided that until September 30, 2024 the City will not take unilateral action that would alter the benefits which were enacted as of October 1, 2014.

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**Sec. 121.102. Police and Fire Pension Plans.**

* * *

(e) Definitions of Membership Classes:

(1) Members: Are employees of the City of Jacksonville who have enrolled in the Police and Fire Pension Plan and are contributing to the Plan through payroll deduction and are either classified as Group I Members or Group II Members.

(2) Group I Members: Are employees of the City of Jacksonville who were hired by the City for full time employment prior to October 1, 2014 and who have enrolled in the Police and Fire Pension Plan and are contributing to the Plan through payroll deduction.

(3) Group II Members: Are employees of the City of Jacksonville who are hired by the City for full time employment on or after October 1, 2014 and who have enrolled in the Police and Fire Pension Plan and are contributing to the Plan through payroll deduction.

(4) Group I Retirees: Are former Group I Members who are retired under the terms of the Plan.

(5) Group II Retirees: Are former Group II Members who are retired under the terms of the Plan.

(~~2~~6) Qualified Members: Are Group I Members ~~employees of the City~~ who have elected to participate in the deferred retirement option program under Section 121.209.

(~~3~~7) Beneficiary or Beneficiaries: Are (i) with respect to Group I Members, former active Group I M~~m~~embers who have completed five or more years of credited service as active members and have either (1) vested their service for deferred retirement (Inactive Beneficiary) or (2) have met time and service requirements for retirement, or are retired as totally and permanently disabled while an active member, or anyone receiving benefits as a surviving spouse or minor child of a member (Active Beneficiary); or (ii) with respect to Group II Members, former active Group II Members who have completed ten or more years of credited service as active members and have either (1) vested their service for retirement or (2) have met time and service requirements for retirement, or are retired as totally and permanently disabled while an active member, or anyone receiving benefits as a surviving spouse or minor child of a member (Active Beneficiary). In the case of the distribution of DROP benefits for Group I Members, the estate of the Q~~q~~ualified M~~m~~ember or former Q~~q~~ualified M~~m~~ember may also be considered to be a beneficiary in the event that there is no surviving spouse.

* * *

**Sec. 121.113 Calculation of pension contributions for Police and Fire Pension Fund.**

The Pension Fund created by Laws of Fla. Ch. 18615 (1937), as amended, shall consist of moneys derived as follows:

(a) Salary Deductions.

(1) Group I Members. A deduction of ~~seven~~ eight percent per annum, plus an additional two percent subject to the conditions described within (i) and (ii) below, from all salaries (base salary, longevity, City college incentive, enhanced certification pay, emergency operation and hazardous duty pay; shift differential, and "upgrade" pay; and excluding all overtime, state incentive pay, reimbursed expenses and allowances such as cleaning/clothes allowances, and payments for unused accrued time), of all ~~members of the Police and Fire Departments participating in~~

~~this fund, or who will become members hereafter~~ Group I Members, to be deducted in installments from each periodical paycheck of each ~~of these members~~ Group I Member.~~, together with a sum equal to not less than the minimum recommended contribution in the most recent actuarial valuation of the fund expressed as a percent per annum of all salaries (as defined above) of all members of the Police and Fire Departments participating in this fund according to the amount thereof as set up in the current budget in each year hereafter, together with such additional sums as may be necessary to administer this fund, which two latter amounts shall be designated by the Board and certified to the Council for each fiscal year, and the Council shall thereupon place the amount so designated in the budget for the succeeding year and levy a tax therefor, if necessary; except that the City may in good faith challenge the City contribution designated by the Board. In the event of such a challenge, the Board's actuary and City's actuary shall agree on an impartial third actuary who shall resolve all disputes between the actuaries and whose decision shall be binding and final as between the Board and the City.~~ The foregoing eight percent deduction shall be increased by two percent as follows:

(i) For Fire Members: On October 1, 2010, fire Members received a general wage reduction of two percent. (See Agreement Between the City of Jacksonville and the International Association of Firefighters Local 122, October 1, 2009 through September 30, 2012.) In the first pay period, after October 1, 2014, which reflects a total general wage increase of at least two percent over the general wages in effect for fire Members as of October 1, 2010 (an increase which fully restores the general wage reduction of October 1, 2010) the fire Member’s salary deduction will simultaneously increase to ten percent.

(ii) For Police Members: On January 1, 2012, police Members received a general wage reduction of three percent. (See Agreement Between the City of Jacksonville and the Fraternal Order of the Police, October 1, 2011 through September 30, 2014.) In the first pay period, after October 1, 2014, which reflects a total general wage increase of at least two percent over the general wages in effect for police Members as of January 1, 2012 (an increase which fully restores two percent of the January 1, 2012 three percent general wage reduction) the police Member's salary deduction will simultaneously increase to ten percent.

(2) Group II Members. A deduction of ten percent per annum from all salaries (base salary, longevity, City college incentive, enhanced certification pay, emergency operation and hazardous duty pay; shift differential(provided that, the shift pay included in the calculation may not exceed 125 percent of the shift pay earned during the five years prior to the beginning of the 130th pay period immediately preceding retirement, adjusted for promotion), and upgrade pay; and excluding all overtime, state incentive pay, reimbursed expenses and allowances such as cleaning/clothes allowances, and payments for unused accrued time), of all Group II Members, to be deducted in installments from each periodical paycheck of each Group II Member. The foregoing ten percent per annum salary deduction shall also apply during the BACKDROP period described in Section 121.211 for all eligible Group II Members who elect the BACKDROP.

(b) The City shall contribute a sum equal to an amount not less than the minimum recommended contribution in the most recent actuarial valuation of the fund expressed as a percent per annum of all salaries (as defined above) of all members of the Police and Fire Departments participating in this fund according to the amount thereof as set up in the current budget in each year hereafter, together with such additional sums as may be necessary to administer this fund, which two latter amounts shall be designated by the Board and certified to the Council for each fiscal year, and the Council shall thereupon place the amount so designated in the budget for the succeeding year and levy a tax therefor, if necessary; except that the City may in good faith challenge the City contribution designated by the Board. In the event of such a challenge, the Board's actuary and City's actuary shall agree on an impartial third actuary who shall resolve all disputes between the actuaries and whose decision shall be binding and final as between the Board and the City.

(~~b~~c) Notwithstanding the deduction provided in subsection (a)(1) of this Section, a deduction of two percent per annum shall be made from all salaries (as defined in Section 121.113(a)(1)) of Qualified Members in Group I who elect to participate in the deferred retirement option program, with such amount being credited to the Pension Fund's Ordinance 91-1017-605, Base Benefit Fund ~~from qualified members who elect to participate in the Deferred Retirement Option Program~~.

(~~c~~d) In addition to the above described pension contributions, the fund shall receive all proceeds from the sale of surplus, lost, abandoned and unclaimed property held by the Office of the Sheriff, 30 percent of fines and court costs from charges of violations heard in County Court and 30 percent of all parking fines.

(~~d~~e) The contributions made by each employee hereunder, effective January 1, 1988, shall be designated as City contributions pursuant to Section 414(h)(2) of the Internal Revenue Code of 1986, as amended. Such designation is contingent upon the contributions being excluded from the employee's gross income for federal income tax purposes. The City's Section 414(h)(2) contributions for each employee, effective January 1, 1988, shall be considered as the employee's accumulated contributions subject to refund under this subsection and to be taxable on return to the employee either in a retirement allowance or upon refund at termination pursuant to Section 72 or 402, IRC, as amended.

(~~e~~f) The application of the employer pick up provisions of section 414(h)(2) of the Internal Revenue Code, as described above in 121.113(d) shall also extend to elective contributions made by payroll deduction installment payments for the purpose of securing service credit for prior service or additional service. As used herein, "elective contributions" shall include contributions initiated under conditions wherein, (i) a member is eligible to purchase credit for prior service under 121.107, ~~of~~or (ii) a former member who received a refund of contributions previously made to the fund who was subsequently rehired and again becomes a member and elects to repurchase such prior broken service under 121.107, or (iii) a member who is eligible to purchase service as a police officer or firefighter within the State of Florida under 121.107(d), or (iv) a member who is eligible to purchase additional permissive service credit for wartime military service under 121.208. However, direct payments made by the member for elective contributions shall not qualify under the pick-up provisions. In order to qualify for pre-tax treatment under Section 414(h)(2), elective contributions paid via payroll deduction installment payments must be made pursuant to the completion of a binding irrevocable payroll authorization executed by the member. Such employee contributions made through payroll deduction will be picked up and paid by the City with the member having no option of receiving such picked up amounts directly instead of having such amounts contributed to the fund. The payroll deduction authorization will state the number of pay periods during which the deduction(s) will be made, the dollar amount of the deduction(s), and that the plan will not accept direct payments from the member while the payroll deduction is in effect.

(~~f~~g) For purposes of purchasing time service credits (or "elective contributions" as defined in 121.113(e)), the fund will additionally allow the lump sum amount of such purchases or "elective contributions" to be alternatively made in the form of the acceptance of a direct rollover of an eligible rollover distribution from one or more of the providers of the Deferred Compensation Plan administered by the City under Section 457 of the I.R.C. effective January 1, 2002.

**Sec. 121.114. Unfunded Actuarial Liability; Mutual Contributions.**

(a) As of May 2014, the Police and Fire Pension Fund has an unfunded actuarial liability. In order to begin alleviating such liability, contributions shall be made by both the Board of Trustees and the City, with each contribution contingent upon the other contribution being made.

(b) The JPFPF will transfer the balances in the Enhanced Benefits Account and the City Stabilization Account (currently approximately $61 million total) to the City for the benefit of the Plan.

(c) Subject to appropriations, beginning with fiscal year 2014-15 and ending with fiscal year 2023-24 or when the fund reaches an 80% funded status, whichever is sooner, the City shall contribute $40 million annually as an additional unfunded liability payment.

(d) The Florida Premium Tax Dollars (i.e., Chapter 175/185 Funds) will be allocated as follows: Beginning with fiscal year 2014-15 and ending with fiscal year 2021-22, JPFPF shall contribute all Chapter 175/185 Funds to the City for the benefit of the plan, minus the holiday bonus. (As used herein, "holiday bonus" refers to the annual discretionary Chapter 175/185 Fund bonus payment identified in City Ordinance 2006-508.)

(e) (1) The contributions in subsection (c) and (d) shall be contingent upon the other party making the payment noted in each subsection. Should the contribution in subsection (c) or (d) be less that set forth in subsection (c) or (d), then the other contribution shall be reduced pro rata.

(2) In any fiscal year immediately following a year in which the City does not make the contribution set forth in subsection (c) the City shall add to and include within its contribution in subsection (c) the following amount: the contribution due under subsection (d) from the previous year less the JPFPF pro rata amount due the previous year under subsection (e)(1).

(3) In a year fiscal year where the JPFPF's contribution in subsection (d) is reduced pro rata, as outlined in subsection (e)(1), the Board may use the Chapter 175/185 funds to either: (i) pay down the unfunded liability as a contribution above those otherwise required or (ii) fund a share plan as established in Section 121.115 or (iii) pay the holiday bonus. (As used herein, "holiday bonus" refers to the annual discretionary Chapter 175/185 Fund bonus payment identified in City Ordinance 2006-508.) The share plan created herein will be governed by the rules and regulation in Section 121.115. The share plan will remain unfunded until the requirements outlined in this section have been met.

(f) Each year, upon receipt of the Duval County Property Appraiser's initial ad valorem revenue estimate (currently June, 1), the Chief Financial Officer shall convene an Additional Unfunded Liability Payment Committee (the "Committee"), which shall include (1) the Council Auditor; (2) the Chief Administrative

Officer; (3) the Treasurer; (4) the Budget Officer; (5) the Jacksonville Electric Authority Chief Financial Officer; and (6) the chairman of the Jacksonville retirement Reform Task Force, or at his discretion or inability to serve, the chairman of the Task Force Plan Funding Subcommittee. If neither is willing or able to serve, the Mayor shall appoint another member of the Jacksonville Retirement Task Force.

(g) These persons shall review available, appropriate and potential revenues and cost savings sufficient to provide the City's contribution set forth in this section, including but not limited to the sources cited in the Jacksonville Retirement Reform Task Force Final Report; innovative cost savings; incremental growth in available revenues, such as ad valorem taxes and state shared revenues; sale of City-owned real estate; JEA revenue sharing; and other appropriate sources. No later than June 20 of each year, the Committee shall make a funding source(s) recommendation to the Mayor and Council President for their consideration in proposing and adopting the City budget for the following fiscal year.

(h) Beginning with the 2015-2016 fiscal year budgeting process and ending with the 2023-24 fiscal year budgeting process, the Mayor shall include the Unfunded Liability Payment Committee's recommendation in his proposed annual budget that is presented to the Jacksonville City Council no later than July 15. If the Mayor does not include the Unfunded Liability Payment Committee's recommendation in his proposed budget, he shall propose an alternate funding source for the City's contribution set forth in this section. The City Council shall review for appropriation the Mayor's recommendation or any other unencumbered amounts necessary to fund the City's contribution set forth in this section. If the City Council decides not to appropriate the City's contribution set forth in this section, it shall certify in writing, delivered to Board of Trustees with a copy to the Mayor and Treasurer, the reasons for that decision.

**Sec. 121.115. Supplemental Share Plan.**

(a) *Supplemental share plan retirement benefit.* A supplemental share plan retirement benefit ("Share Plan") is hereby created. The Share Plan shall consist of an individual share account for each active police officer or firefighter ("Participant") on or after the effective date hereof. The sole source of funds for the Share Plan shall be Florida Premium Tax Dollars (i.e., Chapter 175/185 Funds) distributed pursuant to Section 121.114. The Jacksonville Police and Fire Pension Fund Board of Trustees may deposit into the Share Plan only those monies identified in Section 121.114(e)(3)(ii) and only when in conformance with the requirements of Section 121.114(d) and (e). the Share Plan shall remain dormant until such time as the Board makes its first deposit pursuant to Section 121.114(e)(3)(ii).

(b) Participant Share Plan accounts shall be credited with premium tax revenues and investment earnings or losses, and interest, and distributed as follows:

(c) *Annual crediting.* Effective January 1 after the first year in which the Board has made its first contribution to the Share Plan pursuant to Section 121.114(e)(3)(ii) and each January 1 thereafter, the Share Plan account of each active Participant on the city's payroll as of the preceding September 30th shall be credited as follows: Each active Participant who was employed on the preceding September 30th shall receive one share for the plan year ending on the same September 30th. The total number of shares thus determined shall be divided into the premium tax revenues received during that plan year to determine the amount to be credited to the Share Plan account of each eligible Participant. Participants who had less than one year of service on September 30th shall receive prorated shares for each full month of service based on their partial year of service prior to September 30. Chapter 175 premium taxes shall be separately distributed to firefighter Participants and Chapter 185 premium taxes shall be separately distributed to police officer Participants.

(d) *Investment earnings and losses, or interest.* Effective the first January 1 after the Board makes its first contribution to the Share Plan, and each January I thereafter, the Share Account of each active Participant shall be credited or debited with earnings or losses based upon the amount in the Share Account at the close of the immediately preceding calendar year at a rate equal to the pension plan's actual net rate of investment return for the preceding plan year.

(e) *Distribution of share accounts.* A Participant with ten (10) or more years of credited service with the City, upon termination of creditable service employment, shall be eligible to receive a distribution of 100 percent of the balance in his or her Share Account, together with all earnings and losses and interest credited to the Share Account through the date of termination of employment. No benefit shall be payable to a Participant who terminates creditable service employment with fewer than ten (10) years of credited service. The Share Account balances of such non-vested terminated members shall be redistributed among all eligible Participant's Share Accounts in the same manner as premium tax revenues in the following calendar year. The designated beneficiary of a Participant who has died shall receive the accumulated total of their Share Account balance. A Participant awarded a disability pension from the pension plan shall receive the accumulated total of their Share Account balance. Payment of Share Account benefits shall be by lump sum, which shall consist of the accumulated total balance of the active Participant's Share Account, or, at the Participant's direction, the Share Account balance may be rolled over to another qualified plan in accordance with the Internal Revenue Code, with an additional payment made for any amount credited in the year following termination of employment.

**Sec. 121.116. Board of Trustees' Investment Authority.**

(a) The Board of Trustees is authorized to invest and reinvest the assets of the Pension Fund in any lawful investment as provided in applicable provisions of s.112.661, 175.071, 185.06, 215.47, Florida Statutes, and is further authorized to invest in alternative investments, alternative investment vehicles and portfolio positions, as those terms are defined in this section.

(b) Investments in hedge funds are prohibited.

(c) No investment shall be permitted except pursuant to a written investment policy adopted by the Board of Trustees as provided in chapter 112, part VII, Florida Statutes. Prior to the adoption of any change in asset allocation or the introduction of a new asset class, the Board of Trustees shall give 10 days written notice of the meeting at which the proposed change shall be considered to the City Council Finance Committee.

(d) For the purposes of this section, the following terms have the following definitions:

(1) "Alternative investment" means an investment by the Board of Trustees in a private equity fund to include all of the private equity sub-strategies, including venture capital, distressed investing, private debt/mezzanine debt, private real assets/natural resources/energy, venture fund, or distress fund or a direct investment in a portfolio company through an investment manager or general partner.

(2) "Alternative investment vehicle" means the limited

partnership, limited liability company, or similar legal structure or investment manager through which the board invests in a portfolio company.

(3) "Portfolio company" means a corporation or other issuer, any of whose securities are owned by an alternative investment vehicle or the Board of Trustees and any subsidiary of such corporation or other issuer.

(4) "Portfolio positions" means individual investments in portfolio companies which are made by the alternative investment vehicles.

(5) "Proprietor" means an alternative investment vehicle, a portfolio company in which the alternative investment vehicle is invested.

(e) The Board of Trustees is authorized to make the same investments the General Employee Pension Fund or the Correctional Officers Pension Fund are permitted to make.

**Section 121.117. Executive Director-Administrator.**

(a) The selection of any Executive Director-Administrator of the Jacksonville Police and Fire Pension Fund Board of Trustees shall be governed by a professional process subject to Florida law in which the candidate shall be selected by the Board using the City Employee Services Department's search and selection processes, and, if necessary, utilizing the assistance of an executive search firm retained by the Board of Trustees. A salary and benefits survey should be conducted prior to advertising for the position in order to establish a compensation level comparable to funds of similar size and complexity to the Fund. In addition to the requirements of applicable law, candidates will be required to have a minimum of five years of pension administration or institutional investment experience, expertise in the oversight of investment portfolios, and a degree in finance, economics, accounting or a related area of study from an accredited university. Comparable experience administering the activities of a state or local public pension plan will also be considered. Candidates who are CPAs or who have a JD, MBA or CFA degree will be preferred. This section shall not apply to anyone holding the position of Executive Director-Administrator at the time of the enactment of this section.

(b) As part of the selection of any future Board of Trustees' Executive Director-Administrator, the aggregate compensation of the Executive Director-Administrator shall be determined in accordance with the market analysis of comparably-sized public pension plans as noted in subsection (a). The City and Board of Trustees shall ensure that any future Executive Director-Administrator and any senior management employee shall be placed in either the City General Employees' Pension Fund or a defined contribution plan with the Board of Trustees' employer contribution subject to the limits of federal law.

(c) The Board of Trustees' current Senior Staff Pension Plan will be frozen as of the close of the pay period immediately preceding August 15, 2014, and following that date no further benefits will accrue under the Senior Staff Pension Plan. Participants in the current Senior Staff Pension Plan will receive the plan benefits after closure of the Plan, and following their employment termination, as if they had been enrolled in the FRS Special Risk Plan, unless the Board sets a lesser benefit level.

**Section 121.118. Use of General Counsel.** The parties agree that while the Charter gives the JPFPF the authority to employ separate legal counsel, the City's Office of General Counsel (the "OGC") is the proper source for legal representation on routine matters (e.g., open records, public meetings, and other ordinary legal issues). The parties acknowledge and agree that separate counsel is and will be necessary regarding investments, pension and/or retirement related matters. The JPFPF and the OGC shall consult on needs for separate counsel for other specific purposes. The parties agree that the current legal counsel structure and fees is reasonable and appropriate. In the event that parties should in the future be unable to agree regarding the selection or use of separate legal counsel nothing contained in this provision is intended to be nor should be construed as a waiver of any rights either party may otherwise have under the Charter or Florida Law.

**Section 2. Part 2, Chapter 121 Amended; Section 121.201 Amended; Sections 121.201A and 121.201B Created; Sections 121.204, 121.206 and 121.209 Amended; Section 121.211 Created.** Part 2, Chapter 121, *Ordinance Code,* is hereby amended; Section 121.201, *Ordinance Code*, is hereby amended; Sections 121.201A and 121.201B, *Ordinance Code,* are hereby created; Sections 121.204, 121.206 and 121.209, *Ordinance Code*, are amended; and Section 121.211, *Ordinance Code,* is hereby created; to read as follows:

**Chapter 121. POLICE AND FIREFIGHTERS PENSION PLAN**

**PART 2. PENSION BENEFITS**

* * *

**Sec. 121.201. Retirement benefits.**

Notwithstanding any provisions to the contrary in Chapter 18615, Laws of Fla. Ch. 18615 (1937), ~~and to provide for an increase in the benefits thereby provided:~~ retirement benefits shall be as defined and set forth in Section 121.201A and Section 121.201B.

~~(a) Time service retirement. Members shall be entitled to a time service retirement benefit equal to a maximum of 80 percent of the average salary (as defined in Section 121.113 (a)) received by the member for the 52 pay periods immediately preceding the time of retirement, upon the completion of 30 years of credited service. For each year prior to the thirtieth year of service that a member~~

~~retires, the 80 percent retirement benefit shall be reduced by two percent, of the average salary (as defined in Section 121.113 (a)) received by the member for the 52 pay periods immediately preceding the time of retirement, with the minimum normal retirement benefit being 60 percent after completion of 20 years of credited service.~~

~~(b) Disability retirement.~~

~~(1) Any member, who prior to reaching the minimum normal retirement becomes permanently and totally disabled from useful and efficient service as a police officer or firefighter, as established by competent medical evidence, shall be entitled to a disability retirement. The disability retirement benefit shall be equal to 60 percent of the average salary received by the member for the 52 pay periods immediately preceding the time of disability retirement. The Board shall establish the effective date on which the disability benefit shall commence. The Board shall, by rule, establish procedures for the examination of applicants for disability retirement, for the conduct of disability retirement hearings, for review of said hearings by a court of competent jurisdiction, and reexamination of retirees on disability pension. In the event the application for a disability pension is denied by the Board, then a new application for the same disability cannot be filed by the member within six months of the denial.~~

~~(2) Any member of the pension funds created by these acts who has been in the service of the City for a period of time equal to the minimum time necessary for time service retirement or more and becomes permanently and totally disabled from useful and efficient service shall be entitled to the same rate of pension benefit calculation of the average salary (as defined in Section 121.113 (a)) received by the member for the 52 pay periods immediately preceding the time of disability retirement as those members of his pension plan who retire on time service retirement. Any member who~~

~~elects to retire under a disability pension as provided in this Section shall be required to meet the same requirements for a disability pension as are required for any other member of the respective fund requesting a disability retirement. The Board shall establish the effective date on which the disability benefit shall commence.~~

~~(3) In applying the provisions of this Section, the adjustment supplement described in 121.201 (d)(2) that is calculated for the benefit of a member and a surviving spouse shall be based upon the actual years of credited service, subject to the minimum and maximum provisions, rendered by the member.~~

~~(4) The Board shall establish the effective date on which the disability benefit shall commence. The Board shall, by rule, establish procedures for the examination of applicants for disability retirement, for the conduct of disability retirement hearings, for review of said hearings by a court of competent jurisdiction, and re-examination of retirees on disability pension. In the event the application for a disability pension is denied by the Board, a new application for the same disability cannot be filed by the member within six months of the denial.~~

~~(c) Vested retirement benefits.~~

~~(1) Members who terminate employment on or after the effective date of this Ordinance with five or more years of credited service and are not otherwise eligible to retire, are eligible to receive either a deferred retirement benefit of three percent of the average salary received by the member for the 52 pay periods immediately preceding the date of vesting, for each year of credited service prior to the date of vesting, to commence on the date the member would have been eligible to receive minimum time service benefits or be paid a refund of 100 percent of member contributions to the Plan without interest. Within 30 days of a~~

~~member leaving the payroll prior to normal service retirement, the member must make the election in writing to either vest or the refund will be issued automatically. Acceptance of the refund of employee contributions constitutes an irrevocable waiver of all rights to benefits from the Plan.~~

~~(2) In the event that the Member who is entitled to vested retirement benefits becomes deceased prior to the scheduled date for the commencement of the payment of retirement benefits, the surviving spouse and/or children of such Member shall not be entitled to a refund of contributions nor shall they be entitled to the payment of survivors benefits otherwise extended to Members who completed the required number of years of service to become eligible for minimum time service benefits.~~

~~(3) Members who are entitled to receive vested retirement benefits are not eligible to qualify for potential enhancements pursuant to the minimum monthly pension provisions of section 121.301.~~

~~(d) Cost of Living Adjustments.~~

~~(1) A Cost of Living Adjustment (COLA) based on each prior annual benefit amount actually received (exclusive of onetime bonuses or adjustments) shall be provided for retirees and survivors. Beginning with the first bi weekly pay period after January 1, 2007, and for the first bi weekly pay period after each succeeding January 1, the recipient shall be granted a COLA in the amount of three (3) percent.~~

~~(2) In addition to the COLA, a minimum adjustment supplement of five (5) dollars per month for each year of actual credited service of the participant used to compute the pension benefit shall be provided for current and future retirees and their survivors, and it shall be paid beginning with the first full biweekly pay period after October 1, 2003, and continuously thereafter; provided however that such supplement shall be no less than twenty five (25)~~

~~dollars nor more than one hundred and fifty (150) dollars per month. The adjustment supplement described herein shall be based upon the member's actual years of service rather than imputed years of service, which is used for purposes of calculating pension benefits under the disability retirement provisions of section 121.201(b) and the surviving spouse provision of section 121.204(a), and becomes operative in the event of the disability or death of a member, respectively. The Mayor shall annually, each January, evaluate the annual cost of the foregoing adjustment supplement by comparing it to the City's annual cost to provide single employee group health insurance. In the event that the City's cost to provide such health insurance per employee is less than the amount of such supplement per retiree, then the supplement shall be reduced to the amount of the insurance cost.~~

~~(e) Deferred Retirement Option Program (DROP). A member eligible to receive normal retirement benefits as provided in Section 121.201 (a), may remain in the employment of the City until the elected termination date by electing to participate in the DROP, as provided in Section 121.209, deferring the receipt of such retirement benefits for a maximum of 130 full bi weekly pay periods (60 months) from the date of participation in the Deferred Retirement Option Program.~~

~~(f) Limitations on benefits. Notwithstanding any benefit granted hereunder or under any other provision relating to benefits under the Police and Fire Pension Plan, benefit payments for any Member shall not exceed the maximum amount permitted under Section 415 of the Internal Revenue Code of 1986, as amended.~~

~~(g) Annual Compensation Limit. Section 401(a)(17) of the Internal Revenue Code establishes an annual compensation limit for each employee under a qualified plan. The provisions of Code Section 401(a)(17) are further described pursuant to Treasury Regulations~~

~~Section 1.401(a)(17) 1. The Police and Fire Pension Plan incorporates by reference the annual compensation limit described under Section 401 (a)(17) and Treasury Regulations Section 1.401(a)(17) 1. Accordingly, the Plan acknowledges that the compensation taken into account for any Member of the Plan in determining plan allocations or benefit accruals for the plan is limited to the annual compensation limit as described in Internal Revenue Code Section 401(a)(17) and the Treasury Regulations related thereto. The Plan additionally elects to avail itself of the transition rule for governmental plans as described in Treasury Regulation Section 1.401(a)(17) 1(d)(4)(ii) which provides that 'eligible participants', as such term is used in the regulations, will not be affected by the revised limit per the 1993 OBRA and accordingly such 'eligible participants' may have their contributions and benefits computed by using compensation of more than $150,000.00 (as adjusted), so long as it does not exceed the limit in effect on July 1, 1993. All other plan participants ('non-eligible participants') shall be subject to the revised limits for plan years beginning after December 31, 1995.~~

~~(h) Requirements that Actuarial Assumptions be specified. Section 401(a)(25) of the Internal Revenue Code provides that whenever the amount of any benefit is to be determined on the basis of actuarial assumptions, such assumptions are specified in the plan in a way which precludes employer discretion. The provisions of Code Section 401(a)(25) and the linkage between the proper use of actuarial assumptions and the conclusion that the plan is established and maintained primarily to provide systematically for the payment of 'definitely determinable benefits' to employees, is further described pursuant to Treasury Regulations Section 1.401-1(b)(1)(i). The Police and Fire Pension Plan incorporates by reference the requirements that actuarial assumptions be specified~~

~~as described under Code Section 401(a)(25) and Treasury Regulations Section 1.401-1(b)(1)(i).~~

~~(i) Required distributions. Distributions from the Plan will be made in accordance with the requirements of the regulations under Internal Revenue Code Section 401(a)(9) and that any provisions in the Plan that are contradictory to the distribution requirements shall be overridden. In accordance therewith, distributions to participants must commence by the later of April 1 of the calendar year following the calendar year in which the employee attains the age of 70 ½, or April 1 of the calendar year following the calendar year in which the employee retires. In addition to meeting the minimum distribution amount, the distribution must also meet the incidental benefit requirements of Internal Revenue Code Section 401(a)(9)(g) and Proposed Regulations Sections 1.401(a)(9)-1 and 1.401(a)(9)-2~~.

**Sec. 121.201A Retirement Benefits for Group I Members.**

This Section 121.201A applies solely to Group I members. Nothing herein shall be construed to apply to Group II members. The following definitions are applicable to Group I members:

(a) Time service retirement.

(1) For members with 10 or more years of service as of October 1, 2014, those Members shall be entitled to a time service retirement benefit equal to a maximum of 80 percent of the average salary (as defined in Section 121.113 (a)(1)) received by the member for the 52 pay periods immediately preceding the time of retirement, upon the completion of 30 years of credited service. For each year prior to the thirtieth year of service that a member retires, the 80 percent retirement benefit shall be reduced by two percent, of the average salary (as defined in Section 121.113 (a)(1)) received by the member for the 52 pay periods immediately preceding the time of retirement, with the minimum normal

retirement benefit being 60 percent after completion of 20 years of credited service.

(2) For employees with fewer than 10 years of service, those Members shall be entitled to a time service retirement benefit equal to a maximum of 80 percent of the average salary (as defined in Section 121.113 (a)(1)) received by the member for the 104 pay periods immediately preceding the time of retirement, upon the completion of 30 years of credited service. For each year prior to the thirtieth year of service that a member retires, the 80 percent retirement benefit shall be reduced by two percent, of the average salary (as defined in Section 121.113 (a)(1)) received by the member for the 104 pay periods immediately preceding the time of retirement, with the minimum normal retirement benefit being 60 percent after completion of 20 years of credited service. However, in no event shall the average salary be less than it would have been using the 52 pay periods ending on October 1, 2014.

(b) Disability retirement.

(1) A Group I member, who prior to reaching the minimum normal retirement becomes permanently and totally disabled from useful and efficient service as a police officer or firefighter, as established by competent medical evidence, shall be entitled to a disability retirement. The disability retirement benefit shall be equal to 60 percent of the average salary received by the member for the 52 pay periods immediately preceding the time of disability retirement. The Board shall establish the effective date on which the disability benefit shall commence. The Board shall, by rule, establish procedures for the examination of applicants for disability retirement, for the conduct of disability retirement hearings, for review of said hearings by a court of competent jurisdiction, and reexamination of retirees on disability pension. In the event the application for a disability pension is denied by

the Board, then a new application for the same disability cannot be filed by the member within six months of the denial.

(2) A Group I member of the pension funds created by these acts who has been in the service of the City for a period of time equal to the minimum time necessary for time service retirement or more and becomes permanently and totally disabled from useful and efficient service shall be entitled to the same rate of pension benefit calculation of the average salary (as defined in Section 121.113 (a)(1)) received by the member for the 52 pay periods immediately preceding the time of disability retirement as those members of his pension plan who retire on time service retirement. Any member who elects to retire under a disability pension as provided in this Section shall be required to meet the same requirements for a disability pension as are required for any other member of the respective fund requesting a disability retirement. The Board shall establish the effective date on which the disability benefit shall commence.

(3) In applying the provisions of this Section, the adjustment supplement described in 121.201A(d)(2) that is calculated for the benefit of a member and a surviving spouse shall be based upon the actual years of credited service, subject to the minimum and maximum provisions, rendered by the member.

(4) The Board shall establish the effective date on which the disability benefit shall commence. The Board shall, by rule, establish procedures for the examination of applicants for disability retirement, for the conduct of disability retirement hearings, for review of said hearings by a court of competent jurisdiction, and re-examination of retirees on disability pension. In the event the application for a disability pension is denied by the Board, a new application for the same disability cannot be filed by the member within six months of the denial.

(c) Vested retirement benefits.

(1) Members who terminate employment on or after the effective date of this Ordinance with five or more years of credited service and are not otherwise eligible to retire, are eligible to receive either a deferred retirement benefit of three percent of the average salary received by the member for the 52 pay periods immediately preceding the date of vesting, for each year of credited service prior to the date of vesting, to commence on the date the member would have been eligible to receive minimum time service benefits or be paid a refund of 100 percent of member contributions to the Plan without interest. Within 30 days of a member leaving the payroll prior to normal service retirement, the member must make the election in writing to either vest or the refund will be issued automatically. Acceptance of the refund of employee contributions constitutes an irrevocable waiver of all rights to benefits from the Plan.

(2) In the event that the Member who is entitled to vested retirement benefits becomes deceased prior to the scheduled date for the commencement of the payment of retirement benefits, the surviving spouse and/or children of such Member shall not be entitled to a refund of contributions nor shall they be entitled to the payment of survivors benefits otherwise extended to Members who completed the required number of years of service to become eligible for minimum time service benefits.

(3) Members who are entitled to receive vested retirement benefits are not eligible to qualify for potential enhancements pursuant to the minimum monthly pension provisions of section 121.301.

(d) Cost of Living Adjustments.

(1) A Cost of Living Adjustment (COLA) based on each prior annual benefit amount actually received (exclusive of onetime bonuses or adjustments) shall be provided for retirees and survivors.

Beginning with the first bi-weekly pay period in the first January after retirement in each subsequent first bi-weekly pay period in January, the recipient shall be granted a COLA in the amount of three percent.

(2) In addition to the COLA, a minimum adjustment supplement of five (5) dollars per month for each year of actual credited service of the participant used to compute the pension benefit shall be provided for current and future retirees and their survivors, and it shall be paid beginning with the first full biweekly pay period after October 1, 2003, and continuously thereafter; provided however that such supplement shall be no less than twenty-five (25) dollars nor more than one hundred and fifty (150) dollars per month. The adjustment supplement described herein shall be based upon the member's actual years of service rather than imputed years of service, which is used for purposes of calculating pension benefits under the disability retirement provisions of section 121.201A (b) and the surviving spouse provision of section 121.204(a)(1), and becomes operative in the event of the disability or death of a member, respectively. The Mayor shall annually, each January, evaluate the annual cost of the foregoing adjustment supplement by comparing it to the City's annual cost to provide single employee group health insurance. In the event that the City's cost to provide such health insurance per employee is less than the amount of such supplement per retiree, then the supplement shall be reduced to the amount of the insurance cost.

(e) Deferred Retirement Option Program (DROP). A member eligible to receive normal retirement benefits as provided in Section 121.201A (a), may remain in the employment of the City until the elected termination date by electing to participate in the DROP, as provided in Section 121.209, deferring the receipt of such retirement benefits for a maximum of 130 full bi-weekly pay periods

(60 months) from the date of participation in the Deferred Retirement Option Program.

(f) Limitations on benefits. Notwithstanding any benefit granted hereunder or under any other provision relating to benefits under the Police and Fire Pension Plan, benefit payments for any Member shall not exceed the maximum amount permitted under Section 415 of the Internal Revenue Code of 1986, as amended.

(g) Annual Compensation Limit. Section 401(a)(17) of the Internal Revenue Code establishes an annual compensation limit for each employee under a qualified plan. The provisions of Code Section 401(a)(17) are further described pursuant to Treasury Regulations Section 1.401(a)(17)-1. The Police and Fire Pension Plan incorporates by reference the annual compensation limit described under Section 401 (a)(17) and Treasury Regulations Section 1.401(a)(17)-1. Accordingly, the Plan acknowledges that the compensation taken into account for any Member of the Plan in determining plan allocations or benefit accruals for the plan is limited to the annual compensation limit as described in Internal Revenue Code Section 401(a)(17) and the Treasury Regulations related thereto. The Plan additionally elects to avail itself of the transition rule for governmental plans as described in Treasury Regulation Section 1.401(a)(17)-1(d)(4)(ii) which provides that 'eligible participants', as such term is used in the regulations, will not be affected by the revised limit per the 1993 OBRA and accordingly such 'eligible participants' may have their contributions and benefits computed by using compensation of more than $150,000.00 (as adjusted), so long as it does not exceed the limit in effect on July 1, 1993. All other plan participants ('non-eligible participants') shall be subject to the revised limits for plan years beginning after December 31, 1995.

(h) Requirements that Actuarial Assumptions be specified. Section

401(a)(25) of the Internal Revenue Code provides that whenever the amount of any benefit is to be determined on the basis of actuarial assumptions, such assumptions are specified in the plan in a way which precludes employer discretion. The provisions of Code Section 401(a)(25) and the linkage between the proper use of actuarial assumptions and the conclusion that the plan is established and maintained primarily to provide systematically for the payment of 'definitely determinable benefits' to employees, is further described pursuant to Treasury Regulations Section 1.401-1(b)(1)(i). The Police and Fire Pension Plan incorporates by reference the requirements that actuarial assumptions be specified as described under Code Section 401(a)(25) and Treasury Regulations Section 1.401-1(b)(1)(i).

(i) Required distributions. Distributions from the Plan will be made in accordance with the requirements of the regulations under Internal Revenue Code Section 401(a)(9) and that any provisions in the Plan that are contradictory to the distribution requirements shall be overridden. In accordance therewith, distributions to participants must commence by the later of April 1 of the calendar year following the calendar year in which the employee attains the age of 70 ½, or April 1 of the calendar year following the calendar year in which the employee retires. In addition to meeting the minimum distribution amount, the distribution must also meet the incidental benefit requirements of Internal Revenue Code Section 401(a)(9)(g) and Proposed Regulations Sections 1.401(a)(9)-1 and 1.401(a)(9)-2 if applicable.

**Sec. 121.201B Retirement Benefits for Group II Members**

This Section 121.201B sets forth the pension benefits that are applicable solely to Group II Members, and the term "Member" as used in this Section means "Group II Member".

(a) Time service retirement. Upon reaching 30 years of credited service, Group II Members shall be entitled to a time service retirement with a benefit equal to 2.5 percent of average salary multiplied by the number of years of credited service, but not exceeding a maximum of 75 percent of average salary. The term "average salary" as used in the foregoing sentence means the average "salaries" (as defined in Section 121.113(a)(2)) received by the Group II Member during the 130 bi-weekly pay periods immediately preceding the date of retirement. Notwithstanding the foregoing, the annual retirement benefit shall not exceed $99,999.99, which amount shall be adjusted January 1 of each year beginning January 1, 2015, by the most recent cost of living adjustment applicable to recipients of Social Security retirement benefits, as determined by the U.S. Social Security Administration each calendar year, but not exceeding 1.5 percent.

(b) Disability retirement.

(1) A Group II Member who, prior to reaching the minimum normal retirement eligibility of 30 years of credited service, becomes permanently and totally disabled from useful and efficient service as a police officer or firefighter, as established by competent medical evidence, shall be entitled to a disability retirement. The disability retirement benefit shall be equal to 50 percent of the average "salaries" (as defined in Section 121.113(a)(2)) received by the Group II Member for the 130 pay periods immediately preceding the time of disability retirement. The Board shall establish the effective date on which the disability benefit shall commence. The Board shall, by rule, establish procedures for the examination of applicants for disability retirement, for the conduct of disability retirement hearings, for review of said hearings by a court of competent jurisdiction, and reexamination of retirees on disability pension. In the event the application for a disability pension is denied by the Board, then a new application

for the same disability cannot be filed by the Group II Member within six months of the denial.

(2) A Group II Member who has been in the service of the City for a period of time at least equal to the minimum time necessary for time service retirement and who becomes permanently and totally disabled from useful and efficient service, shall be entitled to the same pension calculation as a Group II Member who retires pursuant to a time service retirement as described in Section 121.201B(a). Any Group II Member who elects to retire under a disability pension as provided in this Section shall be required to meet the same requirements for a disability pension as are required for any other Member of the Fund requesting a disability retirement.

(c) Vested retirement benefits.

(1) Group II Members who terminate employment with at least 10 but less than 25 years of credited service are eligible to receive a deferred retirement benefit of 2.0 percent of the average "salaries" (as defined in Section 121.113(a)(2)) received by the member during the 130 pay periods immediately preceding the date of vesting, for each year of credited service. If the vested member has less than 25 years of credited service at the time of separation, the benefit shall commence at age 62. In the alternative, and in lieu of any other benefit from the Fund, a vested member may elect to be paid a refund of 100 percent of member contributions to the Plan without interest. Within 30 days of a member leaving the payroll prior to normal service retirement, the vested member must elect in writing to vest or else the refund will be issued automatically after the end of such 30-day period. Acceptance of the refund of employee contributions constitutes an irrevocable waiver of all rights to benefits from the Plan.

(2) In the event that a former Group II Member who separates from

service and is entitled to vested retirement benefits dies prior to the scheduled date for the commencement of the payment of retirement benefits, the surviving spouse and/or children of such member shall not be entitled to a refund of contributions nor shall they be entitled to the payment of survivors benefits otherwise extended to members who complete the required number of years of service to become eligible for minimum time service benefits.

(3) Former Group II Members who separate from service and are entitled to receive vested retirement benefits are not eligible to qualify for potential enhancements pursuant to the minimum monthly pension provisions of Section 121.301.

(4) Group II Members with at least 25 but less than 30 years of credited service shall be eligible for early retirement, provided that for each year or partial year prior to reaching 30 years of credited service, the Group II Member who retires early shall incur a 2.5% accrual rate penalty for any year or part thereof short of 30 years. Notwithstanding this provision, the minimum pension a person taking early retirement under this section will not be less than 52.5% of employee's final average compensation.

(d) Cost of Living Adjustments. A Cost of Living Adjustment (COLA) based on each prior annual benefit amount actually received (exclusive of one-time bonuses or adjustments) shall be provided for Group II Retirees and their eligible survivors, on the first bi-weekly pay period in each January beginning in the third January following employment termination. Group II Retirees and their eligible survivors shall be granted a COLA in the amount of COLA applicable to recipients of Social Security retirement benefits, as determined by the U.S. Social Security Administration each calendar year, but not exceeding 1.5 percent.

(e) Limitations on benefits. Notwithstanding any benefit granted hereunder or under any other provision relating to benefits under the Police and Fire Pension Plan, benefit payments for any Member shall not exceed the maximum amount permitted under Section 415 of the Internal Revenue Code of 1986, as amended.

(f) Annual Compensation Limit. Section 401(a)(17) of the Internal Revenue Code establishes an annual compensation limit for each employee under a qualified plan. The provisions of Code Section 401(a)(17) are further described pursuant to Treasury Regulations Section 1.401(a)(17)-1. The Police and Fire Pension Plan incorporates by reference the annual compensation limit described under Section 401 (a)(17) and Treasury Regulations Section 1.401(a)(17)-1. Accordingly, the Plan acknowledges that the compensation taken into account for any Member of the Plan in determining plan allocations or benefit accruals for the plan is limited to the annual compensation limit as described in Internal Revenue Code Section 401(a)(17) and the Treasury Regulations related thereto. The Plan additionally elects to avail itself of the transition rule for governmental plans as described in Treasury Regulation Section 1.401(a)(17)-1(d)(4)(ii) which provides that 'eligible participants', as such term is used in the regulations, will not be affected by the revised limit per the 1993 OBRA and accordingly such 'eligible participants' may have their contributions and benefits computed by using compensation of more than $150,000.00 (as adjusted), so long as it does not exceed the limit in effect on July 1, 1993. All other plan participants ('non-eligible participants') shall be subject to the revised limits for plan years beginning after December 31, 1995.

(g) Requirements that Actuarial Assumptions be specified. Section 401(a)(25) of the Internal Revenue Code provides that whenever the amount of any benefit is to be determined on the basis of actuarial assumptions, such assumptions are specified in the plan in a way which precludes employer discretion. The provisions of Code

Section 401(a)(25) and the linkage between the proper use of actuarial assumptions and the conclusion that the plan is established and maintained primarily to provide systematically for the payment of 'definitely determinable benefits' to employees, is further described pursuant to Treasury Regulations Section 1.401-1(b)(1)(i). The Police and Fire Pension Plan incorporates by reference the requirements that actuarial assumptions be specified as described under Code Section 401(a)(25) and Treasury Regulations Section 1.401-1(b)(1)(i).

(h) Required distributions. Distributions from the Plan will be made in accordance with the requirements of the regulations under Internal Revenue Code Section 401(a)(9) and any provisions in the Plan that are contradictory to the distribution requirements shall be overridden. In accordance therewith, distributions to participants must commence by the later of April 1 of the calendar year following the calendar year in which the employee attains the age of 70 ½, or April 1 of the calendar year following the calendar year in which the employee retires. In addition to meeting the minimum distribution amount, the distribution must also meet the incidental benefit requirements of Internal Revenue Code Section 401(a)(9)(g) and Proposed Regulations Sections 1.401(a)(9)-1 and 1.401(a)(9)-2.

* * *

**Sec. 121.204 Surviving Spouse Benefits.**

Notwithstanding the provisions of Laws of Fla. Ch. 18615 (1937), as amended; or Laws of Fla. Ch. 23259 (1945), as amended, and to increase the benefits thereby provided:

(a) Benefits under this section for Group I and Group II members will be as follows:

(1) The following shall apply only to Group I Members' spouse benefits: A~~ny~~ M~~m~~ember of the fund hereafter who shall be killed or

die from effects of an injury or of any illness or disease and any such M~~m~~ember so killed or dying shall have a spouse living with such M~~m~~ember at time of death, the Board shall direct the payment from the fund of the following sum to the surviving spouse, 75 percent of the pension benefit the deceased M~~m~~ember would be entitled to receive, had the M~~m~~ember completed 20 years of credited service ~~(60 percent of the average salary as defined in Section 121.113(a) received by the member for the 52 pay periods immediately preceding the time of death)~~ and survived to receive such pension. If a deceased M~~m~~ember served in excess of 20 years, the 75 percent of the pension benefit shall be based upon the actual years of service. In applying the provisions of this Section, the adjustment supplement described in 121.201A(d)(2) that is calculated for the benefit of the surviving spouse of a Group I Member shall be based upon the actual years of credited service, subject to the minimum and maximum provisions, rendered by the member rather than the assumed completion of 20 years of credited service otherwise acknowledged in this Section. The pension benefit as used herein shall be comprised of the base pension benefit as adjusted for the COLA, but exclusive of the adjustment supplement described in 121.201A(d)(2) which shall be 100 percent allocable to the surviving spouse.

(2) The following shall apply only to Group II Members' spouse benefits: A M~~m~~ember of the fund hereafter who shall be killed or die from effects of an injury or of any illness or disease and any such M~~m~~ember so killed or dying shall have a spouse living with such M~~m~~ember at time of death, the Board shall direct the payment from the fund of the following sum to the surviving spouse, 75 percent of the pension benefit the deceased M~~m~~ember would be entitled to receive, had the M~~m~~ember completed 25 years of credited service, as defined in 121.201B(c)(4), and survived to receive such

pension. If a deceased M~~m~~ember served in excess of 25 years, the 75 percent of the pension benefit shall be based upon the actual years of service.

(b) If any such beneficiary of the fund shall hereafter be killed or die and any such member so killed or dying shall have a spouse living with such beneficiary at time of death, the Board shall direct the payment from the fund of the following sum to the surviving spouse, 75 percent of the pension benefit the beneficiary was receiving. The pension benefit as used herein shall be comprised of the base pension benefit as adjusted for the COLA's previously credited to the record of the former member, but exclusive of the adjustment supplement described in 121.201A(d)(2) which shall be 100 percent allocable to the surviving spouse.

* * *

**Sec. 121.206 Children's Benefits.**

* * *

(b) If there is a surviving spouse, each child's benefit shall be $200 per month until (i) each child reaches age 18 years, whether or not the child is a qualified student, or (ii) each child reaches age 22, provided the child is a qualified student, or (iii) each child becomes married, whereupon the children's benefits described herein shall cease, provided that the total of the surviving spouse and children's benefits do not exceed the total of the deceased M~~m~~ember's projected benefit. In addition thereto, each child of a surviving spouse of a Group I Member shall be entitled to the receipt of the minimum adjustment supplement provided in Section 121.201A(d)(2).

(c) If there is no surviving spouse, each child under the age of 18 shall receive the greater of either; (a) $200 per month plus, for each child of a former Group I Member, the minimum adjustment supplement provided in Section 121.201A(d)(2), or (b) a proportionate share of the surviving spouse's benefit (including the supplement where applicable) until (i) each child reaches age 18 years, whether or not the child is a qualified student, or (ii) each child becomes married, whereupon the children's benefits described herein shall cease. If there is no surviving spouse, each child who is age 18 or over and who is a qualified student shall be entitled to the payment of a child's benefit of $200 per month until (i) each child reaches age 22, or (ii) each child becomes married, whereupon the child's benefit described herein shall cease. In the event of multiple children causing the payment of a prorated benefit as each child no longer becomes eligible for the payment of children's benefits the remaining eligible children shall receive the greater of the benefits provided for in this Section up to the limits provided.

* * *

**Sec. 121.209 Deferred Retirement Option Program (DROP) for Group I Members**

This Section 121.209 applies only to Group I Members, and the term "Member" as used in this Section means "Group I Member". In general, and subject to the provisions of this Section, the Deferred Retirement Option Program, hereinafter referred to as the DROP, is a program under which an eligible M~~m~~ember of the plan, may elect to participate, deferring receipt of normal retirement benefits while continuing employment with the City without loss of any other employee benefits. Upon an eligible M~~m~~ember's election to participate in the DROP, the amount of credited service and final average salary becomes frozen for purposes of determining pension benefits. Additional service beyond the date of entry into the DROP shall no longer accrue any additional benefits under the Pension

Fund. The deferred monthly retirement benefits under the DROP shall accrue in the fund on behalf of the participant, plus interest compounded monthly, as provided in subsection (c)(1) of this Section, for the specified period of the DROP participation, as provided in subsection (b)(1) of this Section. Upon termination of employment, the participant shall receive the total DROP benefits, as provided in Section 121.209(c) and begin to receive the previously determined normal retirement benefits.

* * *

(c) *Benefits payable under the DROP.*

(1) Effective with the date of DROP participation, the <u>M</u>~~m~~ember's initial normal retirement benefit, including creditable service and average compensation, as provided in Section 121.201(a) and the effective date of retirement shall be fixed. Such normal retirement benefits, together with annual cost of living adjustments as provided in Section 121.201<u>A</u>(d), and interest, shall accrue monthly in the fund for the benefit of the DROP participant. <u>As of January 6, 2015, s</u>~~S~~uch interest shall <u>accrue based on the actual rate of return; provided however, that the minimum interest shall be 5.0 percent and the maximum interest shall be 10.00 percent.</u>~~produce an annual rate of return of 8.40 percent.~~ Interest calculations shall be administered in accordance with rules prescribed by the board and interest distributions shall be credited using the 30-day month/360-day year method of calculation.

* * *

<u>**Sec. 121.211 BACKDROP for Group II Members.**</u>

<u>(a) There is hereby created a BACKDROP retirement option (the "BACKDROP") to the Retirement Plan, which shall allow any Group II Member who has 30 or more years of credited service, to elect to</u>

enter the BACKDROP plan. By electing to participate in the BACKDROP, that Member's retirement benefits are calculated as if the member had actually retired at an earlier date, provided however the BACKDROP period shall not exceed five years.

(b) (1) An eligible Group II Member may elect to participate in the BACKDROP by submitting the following to the Fund:

(i) One copy of a signed and submitted letter of resignation dated effective as of the date of election to participate in the BACKDROP.

(ii) A properly completed BACKDROP application on forms provided by the Fund, which, once submitted, shall be irrevocable by the member.

(iii) Subject to Section 121.211(d), selection of the dates that begin and end the period of participation in the BACKDROP (the "BACKDROP Period"). The BACKDROP period shall not exceed five years.

(iv) An agreement to replace the retirement benefits otherwise applicable with BACKDROP benefits and a reduced time service benefit calculated as of the beginning of the BACKDROP Period as if the BACKDROP Participant had retired as of that date, but payable starting as of actual retirement at the end of the BACKDROP Period.

(v) Any other documents or information as may be reasonably required by the Fund.

(2) For purposes of this Section, each eligible member who elects to participate in the BACKDROP and satisfies all of the requirements of this Section shall be referred to as a "BACKDROP Participant".

(c) A BACKDROP Participant must resign and retire from the City as of the date of election to participate in the BACKDROP. No benefits shall be paid under this Section unless and until the BACKDROP Participant has resigned and retired from the City.

(d) (1) Provided the BACKDROP Participant has satisfied all requirements set forth in this Section, the BACKDROP Participant shall be entitled to receive a BACKDROP amount equal to:

(i) The time service retirement benefits pursuant to Section 121.201B the BACKDROP Participant Member would have received had the BACKDROP Participant actually retired at the commencement of the BACKDROP Period, and

(ii) Interest on benefits credited pursuant to Section 121.211(a). The amount of interest to be credited shall be determined pursuant to Section 121.211(e).

(2) Upon retirement, the BACKDROP Participant thereafter shall be eligible to receive a reduced time service benefit determined as of the beginning of the BACKDROP period, as defined in Section 121.211(c)(1)(iii). Should the Member elect to use any year or partial year of service which occurred prior to reaching 30 years of credited service in their BACKDROP period, the retirement benefit otherwise calculated for those years will be reduced by two percent of average salary as defined in Section 121.113(a)(2).

(e) Interest shall be credited starting from the hypothetical date the payment would have been made had the BACKDROP Participant retired as of the beginning of the BACKDROP period to the end of the BACKDROP period at an annual rate of return, compounded annually, equivalent to the actual rate of return on the Fund assets during the BACKDROP period, provided that such rate of return shall not be less than zero nor more than ten percent.

(f) A BACKDROP Participant shall not be entitled to receive any cost-of-living increase during the BACKDROP Period. The waiting period to receive cost-of-living increases, as set forth in Section 121.201B(d), shall commence upon retirement.

(g) Provided the BACKDROP Participant has satisfied all requirements set forth in this Section, within 30 days from the date of expiration of the BACKDROP Period or as soon as practical thereafter, the Retirement Plan shall disburse the amount of the BACKDROP Participant's BACKDROP benefits to the BACKDROP Participant.

(h) All disbursements made pursuant to Section 121.211(g) shall be made subject to and in accordance with all applicable provisions of the Internal Revenue Code.

* * *

**Section 3. Part 5, Chapter 121 Created.** Part 5, Financial Investment and Advisory Committee, Chapter 121, *Ordinance Code,* is hereby created to read as follows:

**Chapter 121. POLICE AND FIREFIGHTERS PENSION PLAN**

* * *

**PART 5. FINANCIAL INVESTMENT AND ADVISORY COMMITTEE**

**Section 121.501. Financial Investment and Advisory Committee Created.** There is hereby created a Jacksonville Police and Fire Pension Fund Board of Trustees Financial Investment and Advisory Committee of five persons.

**Section 121.502. General Responsibilities and Duties of Financial Investment and Advisory Committee.** The Financial Investment and Advisory Committee shall have the responsibility and duty to provide advisory oversight and advice to the Jacksonville Police and Fire Pension Board of Trustees ("Board") on: (1) financial matters; (2) actuarial practices and assumptions; (3) investment strategy and policy; (4) the selection of outside financial services providers, including investment managers and advisors; and (5) such other matters as requested by the Board.

**Section 121.503. Financial Investment and Advisory Committee; Membership, Appointment and Terms.**

(a)(1) Financial Investment and Advisory Committee members shall be financially sophisticated professionals with expertise in any or all of the following competencies: actuarial science, fiscal operations, or investment practices. Criteria for service will include knowledge of and experience and familiarity with portfolio and/or pension fund management, institutional investment and fiduciary responsibilities.

(2) Members of the Financial Investment and Advisory Committee must be residents of Duval, Nassau, St. Johns, Baker or Clay County, Florida. Each member will be nominated by the Board and confirmed by the Council to serve in a voluntary capacity.

(3) The term of office shall be three years. No person shall serve more than three consecutive terms. Of the five persons selected to serve on the initial Committee two members shall serve initial terms of two years. In its confirmation of the Committee Member nominee, the Council shall designate whether the initial term is for two or for three years.

**Section 121.504. Financial Investment and Advisory Committee; Relationship with Police and Fire Pension Fund Board of Trustees.**

(a) With regard to general strategy matters such as actuarial practices and assumptions, asset allocation, accounting determinations, risk management, actuarial assumptions, the Financial Investment Advisory Committee may at any time provide advice and recommendations to the Board, which shall receive and act upon such advice and recommendations as the Board, in its fiduciary capacity, shall determine.

(b) With regard to the selection (or de-selection) of individual investment managers, the Board of Trustees shall not select any investment manager without first obtaining the advice and recommendation of the Financial Investment and Advisory Committee which, with the assistance of the professional staff of the Board, shall review any and all potential asset/investment managers. In selecting or de-selecting, the Board will then make its decision(s) taking into account Financial Investment and Advisory Committee recommendations as well as other information available to the Board.

(c) With regard to the selection of other professionals or professional services, including, but not limited to, actuaries, the Financial Investment and Advisory Committee shall furnish advice and recommendations to the Board as requested by the Board, following such processes as may be determined with respect to the particular selection.

**Section 121.505. Financial Investment and Advisory Committee; Fiduciary Responsibilities; Improper Business Relationships.**

(a) Financial Investment and Advisory Committee members shall be deemed to be fiduciaries of the Police and Fire Pension Fund. Each member individually and the Financial Investment and Advisory Committee as a whole shall be required to undergo periodically any and all fiduciary and ethical training required by the Board or by ordinance.

(b) Financial Investment and Advisory Committee members shall comply with all requirements of state law with regard to annual public conflict disclosure statements required by members of other public agencies and boards.

(c) (1) No business organization or affiliate thereof that is owned or controlled by, or employs, a member of the Financial Advisory and Investment Committee or a spouse, child or sibling of a member of the Financial Investment and Advisory Committee shall directly or indirectly contract with or provide services for the investment of Police and Fire Pension Fund assets during the time of such member's service on the Financial Investment and Advisory Committee or for two (2) years thereafter.

(2) The Board may waive the prohibition in Subsection(2) if, (a)

such potential conflict is fully disclosed to the Board as well as the Financial Investment and Advisory Committee, and (b) only after the Financial Investment and Advisory Committee members who have no apparent conflict in the matter unanimously recommend waiver of the prohibition upon a finding that (i) the Police and Fire Pension Fund will not be adversely impacted by such contract or services; and (ii) that the allowance of such contract or services together with service by the Financial Investment and Advisory Committee member is in the best interest of the Police and Fire Pension Fund. The waiver by the Board must be by unanimous vote and must contain a finding that (i) the Police and Fire Pension Fund will not be adversely impacted by such contract or services; and (ii) that the allowance of such contract or services together with service by the Financial Investment and Advisory Committee member is in the best interest of the Police and Fire Pension Fund.

**Section 121.506. Financial Investment and Advisory Committee; Miscellaneous Provisions.**

(a) The Financial Investment and Advisory Committee shall annually elect a chair and secretary from its members.

(b) The Board shall provide administrative support to the Financial Investment and Advisory Committee.

**Section 4. Part 6, Chapter 121 Created.** Part 6, Ethics, Fiduciary Responsibilities and Best Practices, Chapter 121, *Ordinance Code,* is hereby created to read as follows:

**Chapter 121. POLICE AND FIREFIGHTERS PENSION PLAN**

* * *

**PART 6. ETHICS, FIDUCIARY RESPONSIBILITIES AND BEST PRACTICES**

**Section 121.601. Police and Fire Pension Fund Board of Trustees; Fiduciary Responsibilities; Improper Business Relationships.**

(a) Police and Fire Pension Fund Board of Trustees members shall be deemed to be fiduciaries of the Police and Fire Pension Fund. Each member individually and the Board of Trustees as a whole shall be required to undergo periodically any and all fiduciary and ethical training required by the Board or by ordinance.

(b) Board of Trustee members shall comply with all requirements of state law with regard to annual public conflict disclosure statements required by members of other public agencies and boards.

(c) (1) No business organization or affiliate thereof that is owned or controlled by, or employs, a member of the Board of Trustees or a spouse, child or sibling of a member of the Board of Trustees shall directly or indirectly contract with or provide services for the investment of Police and Fire Pension Fund assets during the time of such member's service on the Financial Investment and Advisory Committee or for two (2) years thereafter.

(2) The Board may waive the prohibition in Subsection(2) if, (a) such potential conflict is fully disclosed to the Board and (b) the Board, by unanimous vote, finds that (i) the Police and Fire Pension Fund will not be adversely impacted by such contract or services; and (ii) that the allowance of such contract or services together with service by the Board of Trustees member is in the best interest of the Police and Fire Pension Fund.

**Section 121.602. Actuarial Assumptions.** The assumed annual actuarial rate of return Jacksonville Police and Fire Pension Fund at the date of the adoption of this section shall be 7.0%. This rate shall be modified only as required by law or upon agreement of by the City and the Police and Fire Pension Fund Board of Trustees, based on sound actuarial practices.

**Section 121.603. Actuarial and investment reports.**

(a) The Police and Fire Pension Fund Board of Trustees shall have the duty to have an annual actuarial valuation of the Police and

Fire Pension Fund performed by the Board of Trustee's actuary. This valuation shall be performed as of October 1 of each year. The annual actuarial valuations shall be completed and delivered as expeditiously as possible to the Board, the Financial Investment and Advisory Committee, the City's Director of Finance and to the City Council Auditor promptly upon completion but, in any event, the Board of Trustees shall have the valuation analyses and reports completed and delivered no later than 120 days after October 1. The 120-day deadline set forth herein is conditioned upon the City promptly responding to reasonable requests made by the Board of Trustees to the City for information necessary for the preparation of such valuations.

(b) In addition to following all professional standards and requirements for actuarial analysis and reporting, the Board of Trustees will utilize the following approaches and assumptions:

(1) Annual ARC calculations based on most recent actuarial assumptions;

(2) Alternative funding scenarios based on variable investment performance in addition to the base case, that extend to future years and incorporate volatility;

(3) The latest "experience studies" prepared by the JPFPF's actuary;

(4) Consistency in actuarial methods;

(5) Accrual method: Entry Age Normal (EAN);

(6) Annual normal cost disclosure, using a separate annual normal cost disclosure for each pension group as those groups are defined in *Part 2, Chapter 121, Ordinance Code*; and

(7) Unfunded liabilities will be amortized as separate annual bases over closed 30-year periods or less, unless otherwise required by law.

(c) The actuarial practices will be consistent from year to year unless changed through an "experience study" or decision of the Board, with advice from the Financial Investment and Advisory Committee, or unless necessary for compliance with applicable laws or regulations.

(d) The Board of Trustees must distribute to City's Chief Financial Officer and City Council Auditor the Police and Fire Pension Fund's quarterly investment return reports. These reports must, at a minimum, show gross gain/loss results as well as gain/loss results net of investment fees. These quarterly reports must also include comparisons to (1) assumption and benchmarks of the Police and Fire Pension Fund, and (2) results of comparable pension funds.

**Section 121.604. Annual Financial Statements.**

(a) On or before January 31 of each year, commencing with January 31, 2015, the Board of Trustees shall prepare annual financial statements for the fiscal year ending the previous September 30 and submit such annual financial statements electronically or as otherwise agreed to the Mayor, City Council President, City Director of Finance, City Council Auditor, and the Treasurer of the JPFPF; and, on or before March 15 of each year, to the Florida Department of Management Services (the "Department") in format(s) prescribed by the Department.

(b) The annual financial statements shall be in compliance with the requirements of the Government Accounting and Standard Board's Statement No. 67, Financial Reporting for Pension Plans and Statement No. 68, Accounting and Financial Reporting for Pensions, using the mortality tables and generational projections by gender most recently available from qualified actuarial sources. If yet unaccepted updates also are available that suggest longevity improvements beyond accepted tables, then such updates shall be used in lieu of accepted tables so long as such usage remains acceptable within GASB requirements and is permitted by applicable law.

(c) The annual financial statements shall report funding status, contribution rates and expected normal cost of new benefits earned using both the current assumed rate of return on investments and the greater of 5.4% or an assumed discount rate that is 200 basis points less than the Fund's assumed rate of return.

(d) The annual financial statements shall provide information indicating the projected assets, liabilities and actuarially required contributions to the Fund over the following 30 years based on the Fund's latest valuations and actuarial assumptions.

**Section 121.605. Public Information.** The Board of Trustees shall publish on its website on a timely basis:

(a) all financial and actuarial studies and reports created pursuant to this Chapter or other law;

(b) minutes of its meetings for the past 3 years on a rolling basis; and

(c) copies of all reports or studies commissioned by the Board of Trustees, including, but not limited to, experience studies and investment performance reports.

**Section 121.606. Ethics, Certification and Disclosure Requirements for Investment Managers and Advisors.**

(a) Any investment manager or advisor of the Police and Fire Pension Fund who has discretionary authority for any investment of the fund shall agree to certify, annually, to the Financial Investment and Advisory Committee and to the Board of Trustees, no later than the January 31 following the previous calendar year, that:

(1) The investment manager or advisor acknowledges that the manager or advisor serves as a fiduciary to the Police and Fire Pension Fund and agrees to be bound by all responsibilities of a fiduciary;

(2) All investment decisions made by the investment manager or advisor on behalf of the Police and Fire Pension Fund are made in the best interests of the Fund and not made in a manner to the advantage of such investment adviser or manager, other persons, or clients to the detriment of the Fund;

(3) Appropriate policies, procedures, or other safeguards have been adopted and implemented by such manager or advisor to ensure that relationships with any affiliated persons or entities do not adversely influence the investment decisions made on behalf of the Police and Fire Pension Fund;

(4) The investment manager or advisor is not the subject of a claim or litigation brought by a present or former client or by a regulatory agency asserting that such investment manager or advisor has breached its fiduciary responsibilities, or, if such be the case, the investment manager or advisor shall disclose the particulars of each such claim or litigation;

(5) A written code of ethics, conduct, or other set of standards, as submitted by the investment manager or advisor to the Financial Investment and Advisory Committee and the Board of Trustees and accepted by both the Financial Investment and Advisory Committee and the Board of Trustees, governs the professional behavior and expectations of owners, general partners, directors or managers, officers, and employees of the investment adviser or manager, has been adopted and implemented, and that such standards are effectively monitored and enforced; and

(6) Policies of the JPFPF concerning prohibited business relationships among family members and other related parties have been complied with.

(b) Any investment manager or advisor of the Police and Fire Pension Fund who has discretionary authority for any investment of the Police and Fire Pension Fund shall agree to disclose annually to the Financial Investment and Advisory Committee and to the Board, no later than the January 31 following the previous calendar year:

(1) Any known circumstances or situations that a prudent person could expect to create an actual or potential conflict of interest, including specifically (i) any material interests in or with financial institutions with which officers and employees conduct business on behalf of the Police and Fire Pension Fund, and (ii) any personal financial or investment positions of the investment manager of advisor that could be related to the performance of an investment program of the Police and Fire Pension Fund over which the investment advisor or manager has discretionary investment authority on behalf of the Police and Fire Pension Fund; and

(2) All direct or indirect pecuniary interests that the investment manager or advisor has in or with any party to a transaction with the Police and Fire Pension Fund if the transaction is related to any discretionary investment authority that the investment manager or advisor exercises on behalf of the Police and Fire Pension Fund.

**Section 5. Article 22 of the Charter Amended.** As authorized by Sections 175.061 and 185.05 Florida Statutes and the Charter of the City of Jacksonville, Section 22.02 of the Charter of the City of Jacksonville is amended to read as follows:

**ARTICLE 22. JACKSONVILLE POLICE AND FIRE PENSION BOARD OF TRUSTEES.**

* * *

**Section 22.02. - Membership.**

(a) The membership of the Jacksonville Police and Fire Pension Board of Trustees shall consist of five members, of whom two shall be legal residents of the City of Jacksonville_appointed by the city council; one shall be a police officer elected by a majority vote of the police officers who are members of the pension fund, and one shall be a firefighter elected by a majority of the firefighters who are members of the pension fund, and the last shall be chosen by a majority of the previous four members. The fifth member's name shall be submitted to the City Council, which shall, as a ministerial act, appoint such person as the fifth member of the board. Effective for all new appointments after July 1, 2005, each resident member shall serve as a trustee for a period of 4 years, unless sooner replaced by the City Council at whose pleasure he or she shall serve, and may succeed himself or herself as a trustee. Effective for all elections after July 1, 2005, the police officer and firefighter members shall serve as trustees for a period of 4 years, unless they shall sooner leave the employment of the city as a police officer or firefighter, whereupon the class of employees whose elected representative has left office shall elect a successor to fill the unexpired term of office as provided for in this section. Each employee member may succeed himself or herself in office. Members shall continue to serve until their respective successors are appointed, elected, or selected. Trustees appointed by the City, as well as any persons selected as the fifth member of the Trustees by the other four trustees, shall continue to be persons with professional financial experience and/or public pension experience, governance experience, institutional investment experience, community experience and wisdom, or comparable professional training, knowledge, and expertise.

(b) The board shall elect a chairman and a secretary. The secretary of the board shall keep a complete minute book of the actions, proceedings, and hearings of the board. Board members shall not receive any compensation as such, but may receive expenses and per diem as provided by law. Three members of the board shall constitute a quorum, but at least three members of the board must approve any action to be taken by the board. Each member of the board shall have one vote. The board shall meet at such times and places designated by it, but shall hold regular meetings at least quarterly. Special meetings may be called by the chairman or any three members of the board.

(c) The treasurer of the city shall be the treasurer of the fund.

(d) The provisions of chapters 175 and 185, Florida Statutes, the provisions of s. 286.012, Florida Statutes, and the provisions of ss. 112.311—112.3175 and chapter 112, part VII, Florida Statutes, and as the same may be amended in the future, shall apply to each member of the board. The board shall have the authority to invest and reinvest the assets of the plan without regard to any limitation in chapters 175 and 185, Florida Statutes, and shall be bound by the provisions of chapter 112, part VII, Florida Statutes, and the applicable provisions of s. 215.47, Florida Statutes. Prior to the adoption of any change in asset allocation or the introduction of a new asset class, the board shall give written notice of the meeting at which the proposed change shall be considered to the City Council Finance Committee.

**Section 6. Approval of 2014 Retirement Reform Agreement; Authorization to Execute and Implement.**

There is hereby approved and the Mayor, or his designee, and the Corporation Secretary are authorized to execute and deliver, for and on behalf of the City, the 2014 Retirement Reform Agreement in the form **attached as Exhibit 1**, and take, or cause to be taken, for and on behalf of the City, such further action as is necessary to effectuate the purpose of this Ordinance. The provisions as set forth herein amend and restate the terms of the existing Police and Fire Pension Plan (i.e., 2000-1146-E, et seq.). To the extent not amended or restated, all provisions of the superseded plans shall remain in full force and effect. It is intended that there be no lapse either in time or effect between this plan and such superseded plans.

**Section 7. Actuarial Impact Statement.** The actuarial impact statement required by Section 112.63(3), Florida Statutes, as a condition to any proposed change in retirement benefits, is **attached as Exhibit 2.**

**Section 8. Interpretation.** Any Ordinance or part of any Ordinance in conflict with the provisions hereof is repealed to the extent of the conflict. Should any part of this Ordinance be held invalid by a court of competent jurisdiction, the remainder of this Ordinance shall continue if full force and effect and it shall be presumed that his Ordinance was adopted without the invalid provision.

**Section 9. Savings Clause.** The provisions as set forth herein amend and restate the terms of the existing Police and Fire Pension Plan. To the extent not amended or restated, all provisions of the superseded plans shall remain in full force and effect. It is intended that there be no lapse either in time or effect between this plan and such superseded plans. Any Special Act or part of any Special Act in conflict with the provisions hereof is repealed to the extent of the conflict and should any part of this Special Act be held invalid by a Court of competent jurisdiction, the remainder of this Special Act shall continue in full force and effect and it shall be presumed that this Special Act was adopted without the invalid provision. To the extent that anything contained herein may be inconsistent with state or federal law, such law will control.

**Section 10. Effective Date.** This Ordinance shall become effective upon signature by the Mayor or upon becoming effective without the Mayor's signature.

Form Approved:

Office of General Counsel

Legislation Prepared By: Cindy A. Laquidara

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**Exhibit A**

# 2014 Retirement Reform Agreement

**By**

**THE CITY OF JACKSONVILLE**

**And**

**THE JACKSONVILLE POLICE AND FIRE PENSION FUND BOARD OF TRUSTEES**

Moderated by Rod Smith, Esquire

## SETTLEMENT AGREEMENT

**WHEREAS**, the City of Jacksonville is consolidated within the State of Florida; and

**WHEREAS**, the retirement Plan for Jacksonville law enforcement officers and firefighters is governed by the Jacksonville Police and Fire Pension Fund Board of Trustees (hereinafter referred to as the "JPFPF", "Board" or "Pension Plan"), an independent agency of the City of Jacksonville created by special act of the Florida Legislature; and

**WHEREAS**, the Jacksonville Association of Firefighters (Local 122, International Association of Firefighters), which is the collective bargaining agent for all firefighters and their ranked superiors, and Fraternal Order of Police Lodge 5-30, which is the collective bargaining agent for all law enforcement officers and their ranked superiors, hereinafter referred to as the "Unions", are bargaining units certified in accordance with Florida law that presented waivers as to their right to collective bargaining on pension benefits; and

**WHEREAS**, the City and the JPFPF (collectively referred herein as "the Parties") have a shared desire to resolve outstanding retirement issues for the benefit of taxpayers and JPFPF members; and

WHEREAS, the Parties recognize that the modifications made within this Agreement (hereinafter referred to as the "2014 Agreement") will achieve significant financial savings for taxpayers and improved JPFPF solvency for its members; and

**WHEREAS**, the Parties recognize and agree that it is in the best interest of the members of the JPFPF as well as the citizens of the City of Jacksonville that any outstanding disputes be comprehensively and fully resolved, without the need for further litigation; and

**WHEREAS**, the Parties represent that they will in good faith, present and support the terms of the 2014 Agreement to their respective elected and/or appointed officials and use their best efforts to obtain the approval of said officials necessary for the implementation of the 2014 Agreement.

**WHEREAS**, the Parties wish and intend to compromise and resolve the instant dispute without further negotiation, adversarial proceedings or litigation, and each without admitting any wrongdoing or liability to the others;

**NOW, THEREFORE**, in consideration of the premises, mutual covenants and promises set forth herein, and for good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the Parties agree to the following:

## II. INTRODUCTORY MATTERS:

A. The above recitals are true and correct and are incorporated herein; and

B. The Parties have had the opportunity to obtain legal counsel of their choice; and

C. The Parties acknowledge and agree that this settlement is a compromise of disputed allegations, claims and demands, and that this Agreement shall not be construed as, or deemed to be evidence of, an admission or concession of any fault, liability or damage whatsoever by the Parties; and

D. Except as otherwise provided herein, the 2014 Agreement shall take effect on October 1, 2014 and expire on September 30, 2024; and

**E.** All prior settlement agreements between the Parties and all amendments thereto are amended and modified on the terms and conditions set forth pursuant to the terms of the 2014 Agreement with non-modified provisions remaining; and

**F.** Upon the approval of the 2014 Agreement by both the JPFPF and the City (inclusive of City Council and the Mayor), the provisions of the 2014 Agreement shall be incorporated into a consent judgment in the case of Randall Wyse, et al vs. City of Jacksonville, et al., Case No.: 3:13-cv-121-J-34MCR. The Federal court shall retain jurisdiction for the enforcement of the Agreement and the resolution of any disputes arising thereafter. The Parties acknowledge the Court's power to enforce the 2014 Agreement, and move for the Court to provide an annual review of the Parties' compliance with the

Agreement's terms. To the extent that the Court declines the annual review obligation, the parties agree to meet and choose a mutually acceptable judge, attorney or special master to serve in this monitoring role; and

G. The City of Jacksonville shall withdraw the impasse notices before the Florida Public Employees Relations Commission (PERC) related topast pension negotiations with the Fraternal Order of Police, Lodge 5-30 (Case SM-2012-078) and the Jacksonville Association of Fire Fighters, Local 122 (Case SM-2012-092).

## III. <u>REVISIONS TO CITY ORDINANCE CODE/JPFPF POLICIES:</u>

The City of Jacksonville and the JPFPF agree to the following matters to be incorporated into the City Ordinance Code and any applicable JPFPF policies and/or procedures effective October 1, 2014 upon approval by the Board, City Council, and Mayor:

### A. <u>PENSION DESIGN:</u>

**The Parties hereby agree to the following pension design modifications.**

1. **<u>EMPLOYEES HIRED ON OR AFTER OCTOBER 1, 2014 ("New Employees")</u>:**

   a. ***<u>Vesting</u>***: The vesting period will be 10 years;

   b. ***<u>Retirement Age</u>***: Employees may retire with 30 years of service;

   c. ***<u>Accrual Rate</u>***: Employees will earn their pension with an accrual rate of 2.5% for each year of service, subject to a cap of 75% of Final Average Compensation;

   d. ***<u>Early Retirement</u>***: An employee may take early retirement only between 25 years and 30 years of service, and incur a 2.5% accrual rate penalty for any year or part thereof short of 30 years;

      i. Notwithstanding this provision, the minimum pension for a person taking early retirement under this section will not be less than 52.5% of employee's final average compensation;

**ii.** For any employee who leaves before completing 25 years of service, the benefit accrual rate would be 2%. No benefit would paid until age 62 for an employee who retires before reaching 25 years of service;

**e.** ***DROP***: The Deferred Retirement Option Program ("DROP") is eliminated;

**f.** ***Back-DROP***: Back-DROP may be employed up to five years, upon reaching 30 years of service:

**i.** Any employee whose Back- DROP period includes years of service less than 30 will incur a 2% accrual rate penalty for each of those years;

**ii.** The interest rate for the Back-DROP is the actual rate of return of the Plan; provided however, in no year will the employee earn less than 0%, and in no year will the employee earn more than 10% regardless of the actual rate of return of the Plan;

**g.** ***Cost of Living Adjustment (COLA) on Retirement Benefits***: Retirees will receive a COLA that is the lesser of 1.5% or the Social Security COLA, applied each January, beginning on the third January following the retiree's employment separation;

**h.** ***Final Average Compensation*****:** Final Average Compensation (FAC) is based on the last 60 months (130 pay periods) of employment. Shift and differential pay are included in the wages for pension calculation. However, the shift pay included in the calculation may not exceed 125% of the shift pay earned during the five years prior to the FAC period, adjusted for promotion.

**i.** ***Employee Contribution*****:** Employees will make a pre-tax contribution of 10% of salary;

**j.** ***Spousal Benefits*****:** A spouse will be paid 75% of the retiree's pension without cost (following retiree death);

**k.** ***Disability Pensions*****:** Disability pensions will be provided at 50% of earnings base;

**l.** ***Benefit Cap:*** The maximum annual benefit paid will not exceed $99,999. This cap will be indexed to inflation, with the annual cap increase set at the lesser of 1.5% or the Social Security COLA.

**2. CURRENT EMPLOYEES:**

**a.** ***Employee Contribution***: Upon the effective date of the 2014 Agreement, which is October 1, 2014, current employees will immediately pay an additional 1% contribution, which is 8% in lieu of the present 7%. Thereafter, the employee contribution shall increase to 10% as set forth below:

**i. Fire Employees:** On October 1, 2010, wages for fire members were reduced by 2%. Once the 2% reduction is restored, the member's contribution (collected by payroll deduction) will simultaneously increase to 10%; and

**ii. Police Employees:** On January 1, 2012, wages for police members were reduced by 3%. Once 2% of this 3% reduction is restored, the member's contribution (collected by payroll deduction) will simultaneously increase to 10%; and

**b.** ***Final Average Compensation Period:*** For employees with less than 10 years of service as of October 1, 2014, the Final Average Compensation (FAC) amount is based on the last 48 months. However, in no event shall the FAC amount be less than it would have been using the 24 month period ending on October 1, 2014 (the effective date of the 2014 Agreement);

**c.** ***DROP:*** As of January 6, 2015, the interest rate for DROP is the actual rate of return, for the preceding year of the Plan, provided that in no year will the employee earn less than 5%, and in no year will the employee earn more than 10% regardless of the actual rate of return of the Plan;

**B. NEGOTIATION OF PENSION BENEFITS**

Following the implementation of these benefit modifications, the JPFPF shall not engage in the determination of pension benefits and shall leave the negotiation and future modification of pension benefits to elected City officials and certified bargaining agents. Nothing in the 2014 Agreement shall be construed to impair the rights provided under Article 1, Section 6 of the Florida Constitution or Chapter 447, Florida Statutes, provided that during the term of the 2014 Agreement the City shall not take unilateral action on any matter in conflict with this Agreement.

## C. GOVERNANCE OF THE POLICE AND FIRE PENSION FUND

Notwithstanding the overall term of the 2014 Agreement (October 1, 2014 to September 30, 2024), the following provisions entitled "Governance of the Police and Fire Pension Fund" shall remain in effect until September 30, 2030.

### 1. *FINANCIAL AND INVESTMENT ADVISORY COMMITTEE*:

The City and the PFPF agree that the Jacksonville Municipal Code (the "Ordinance Code") shall be amended to require the JPFPF to appoint a financial and investment advisory committee (the "Financial Advisory and Investment Committee") of five (5) persons who will be charged with advisory oversight to the JPFPF on financial matters, actuarial practices and assumptions, investment strategy and policy, and the selection of outside financial services providers, including investment managers and advisors. Financial Advisory and Investment Committee members will serve in a volunteer capacity and be financially sophisticated professionals who bring expertise to the JPFPF's actuarial needs, fiscal operations and investment practices. Criteria for service will include knowledge of and experience and familiarity with portfolio and/or pension fund management, institutional investment and fiduciary responsibilities. Members of the Financial Advisory and Investment Committee must be residents of Duval, Nassau, St. Johns, Baker or Clay County, Florida. Financial Advisory and Investment Committee members will be nominated for service by the JPFPF and confirmed by majority vote of the Jacksonville City Council. The term of office will be three years, with the possibility of two additional consecutive three-year terms. The initial terms will be staggered, with two persons to serve initial terms of two years and three persons to serve initial terms of three years. The Financial Advisory and Investment Committee shall annually elect a chair and secretary from its members. The JPFPF shall provide administrative support to the Financial Advisory and Investment Committee.

Financial Advisory and Investment Committee members shall be deemed to be fiduciaries of the JPFPF and will be required to undergo periodic fiduciary training as required by the JPFPF and, together with members of the JPFPF, shall submit to the proper authority the "Form 1" annual public conflict disclosure statements as do members of other public agencies and boards. Any business organization or affiliate thereof that is owned by or employs a member or a spouse, child or sibling of a member of the Financial Advisory and Investment Committee shall not directly or indirectly contract with or provide services for the investment of JPFPF's assets during the time of such member's service on the Financial Advisory and Investment Committee or for two (2) years thereafter (unless such potential conflict is fully disclosed to all Trustees of the Board of Trustees as well as to all existing members of the Financial Advisory Investment Committee and all such Trustees and committee members who have no apparent conflict in the matter unanimously approve and agree that the JPFPF will not be adversely impacted by such contract or services and that the allowance of such contract or services together with service by the Committee member or potential Committee member are in the best interest of the JPFPF).

For general strategy matters (*e.g.,* actuarial practices and assumptions, asset allocation, accounting determinations, risk management, actuarial assumptions, etc.) the Financial Advisory and Investment Committee will provide advice and recommendations to the JPFPF, which shall receive and act upon such advice and recommendations as the JPFPF, in its fiduciary capacity, shall determine. For the selection of individual investment managers, the Financial Advisory and Investment Committee will work with the JPFPF's professional staff to rank all potential asset/investment managers and recommend particular selection(s). Following its review the Financial Advisory and Investment Committee shall make its recommendations to the JPFPF. The JPFPF will then make its decision(s) taking into account such recommendations and other information which is available to the JPFPF. For the selection of other financial professionals, including actuaries, the Financial Advisory and Investment Committee will furnish advice to the JPFPF following such processes as may be determined with respect to the particular selection. The Financial Advisory and Investment Committee's work will be subject to Sunshine and Public Records Laws.

**2. <u>ETHICS, CERTIFICATION AND DISCLOSURE REQUIREMENTS FOR INVESTMENT MANAGERS AND ADVISORS</u>:**

The City and the JPFPF intend to assure that investment managers and advisors employed by the JPFPF will reflect the highest ethical standards and investment performance, and that they will report regularly to the Financial Advisory and Investment Committee and the JPFPF on matters within their engagement. Consequently: any investment manager or advisor of the JPFPF who has discretionary authority for any investment of the JPFPF shall agree to certify and/or disclose annually to the Financial Advisory and Investment Committee and to the JPFPF, no later than the January 31 following the previous calendar year, that:

**a. *<u>Certifications</u>*:**

**i.** The investment manager or advisor serves as a fiduciary to the JPFPF, and all investment decisions made by the investment manager or advisor on behalf of the JPFPF are made in the best interests of the JPFPF and not made in a manner to the advantage of such investment adviser or manager, other persons, or clients to the detriment of the JPFPF;

**ii.** Appropriate policies, procedures, or other safeguards have been adopted and implemented by such manager or advisor to ensure that relationships with any affiliated persons or entities do not adversely influence the investment decisions made on behalf of the JPFPF;

**iii.** The investment manager or advisor is not the subject of a claim or litigation brought by a present or former client or by a regulatory agency asserting that such investment manager or advisor has breached its fiduciary responsibilities, or, if such be the case, disclosing the particulars of each such claim or litigation;

**iv.** A written code of ethics, conduct, or other set of standards, as submitted to the Financial Advisory and Investment Committee and the JPFPF and acceptable to them, governs the professional behavior and expectations of owners, general partners, directors or managers, officers, and employees of the investment adviser or manager, has been adopted and implemented, and that such standards are effectively monitored and enforced; and

**v.** Policies of the JPFPF concerning prohibited business relationships among family members and other related parties have been complied with.

**b.** ***Disclosures*:**

**i.** Any known circumstances or situations that a prudent person could expect to create an actual or potential conflict of interest, including specifically (i) any material interests in or with financial institutions with which officers and employees conduct business on behalf of the JPFPF, and (ii) any personal financial or investment positions of the investment manager of advisor that could be related to the performance of an investment program of the JPFPF over which the investment advisor or manager has discretionary investment authority on behalf of the JPFPF; and

**ii.** All direct or indirect pecuniary interests that the investment manager or advisor has in or with any party to a transaction with the JPFPF if the transaction is related to any discretionary investment authority that the investment manager or advisor exercises on behalf of the JPFPF.

**3.** ***USE OF OFFICE OF GENERAL COUNSEL*:**

The parties agree that while the Charter gives the JPFPF the authority to employ separate legal counsel, the City's Office of General Counsel (the "OGC") is the proper source for legal representation on routine matters (*e.g.*, open records, public meetings, and other ordinary legal issues). The parties acknowledge and agree that separate counsel is and will be necessary regarding investments, pension and/or retirement related matters. The JPFPF and the OGC shall consult on needs for separate counsel for other specific purposes. The parties agree that the current legal counsel structure and fees is reasonable and appropriate. In the event that parties should in the future be unable to agree regarding the selection or use of separate legal counsel nothing contained in this provision is intended to be nor should be construed as a waiver of any rights either party may otherwise have under the Charter or Florida Law.

**4. *QUALIFICATIONS FOR COUNCIL-APPOINTED TRUSTEES AND THE FIFTH TRUSTEE*:**

Persons appointed to serve as Trustees of the JPFPF by the City, as well as any persons selected as the fifth member of the Trustees by the other four trustees, shall continue to be persons with professional financial experience and/or public pension experience, governance experience, institutional investment experience, community experience and wisdom, or comparable professional training, knowledge, and expertise.

**5. *ACTUARIAL STANDARDS, TRANSPARENCY AND DISCLOSURE*:**

The City and Trust agree that the assumed annual actuarial rate of return should remain at 7.0% through the term of the 2014 Agreement, defined below, unless otherwise agreed by the City and JPFPF based on sound actuarial practices, or as otherwise required by applicable law. An actuarial valuation of the JPFPF shall be performed by the JPFPF actuary annually, as of October 1 of each fiscal year. The annual actuarial valuations shall be completed and delivered as expeditiously as possible to the Board of Trustees, the Financial Advisory and Investment Committee, the City's Director of Finance and to the

City Council Auditor promptly upon completion but in any event the JPFPF shall complete and deliver such analyses and reports no later than 120 days after the end of each fiscal year, provided the City has responded promptly to requests made by the JPFPF for information from the City that is necessary for the preparation of such valuations. Actuarial analysis and reporting by the JPFPF will utilize the following standards in addition to other standards governing its work:

**a.** Annual ARC calculations based on most recent actuarial assumptions;

**b.** Alternative funding scenarios based on variable investment performance in addition to the base case, that extend to future years and incorporate volatility;

**c.** The latest "experience studies" prepared by the JPFPF actuary;

**d.** Consistency in actuarial methods;

**e.** Accrual method: Entry Age Normal (EAN);

**f.** Annual normal cost disclosure for each pension design tier (current employees and future employees);

**g.** Actuarial practices will be consistent from year to year unless changed through an "experience study" or decision of the JPFPF, with advice from the Financial Advisory and Investment Committee, or unless necessary for compliance with applicable laws or regulations;

**h.** Unfunded liabilities will be amortized as separate annual bases over closed 30-year periods or less, unless otherwise required by law; and

**i.** Clear and transparent disclosure of actuarial and financial matters, including distributing to City's Chief Financial Officer and City Council Auditor, and prompt posting on the JPFPF's website, the JPFPF's quarterly investment return reports showing results both gross and net of investment fees and with comparisons to assumption and benchmarks of the JPFPF, and to results of comparable pension funds.

In addition to the foregoing regarding the standards for actuarial and financial studies, on or before 120 days after the end of each fiscal year of the JPFPF, currently September 30 of each year, commencing with the end of the 2014 fiscal year of the JPFPF, the JPFPF shall prepare annual financial statements and submit them electronically or as otherwise agreed to the Mayor, City Council President, City Director of Finance, City Council Auditor, and the Treasurer of the JPFPF; and, on or before March 15 of each year, to the Florida Department of Management Services (the "Department") in format(s) prescribed by the Department. The financial statements will:

**j.** Be in compliance with the requirements of the Government Accounting and Standard Board's Statement No. 67, Financial Reporting for Pension Plans and Statement No. 68, Accounting and Financial Reporting for Pensions, using the mortality tables and generational projections by gender most recently available from qualified actuarial sources. If yet unaccepted updates also are available that suggest longevity improvements beyond accepted tables, then such updates shall be used in lieu of accepted tables so long as such usage remains acceptable within GASB requirements and is permitted by applicable law;

**k.** Report funding status, contribution rates and expected normal cost of new benefits earned using both the current assumed rate of return on investments and the greater of 5.4% or an assumed discount rate that is 200 basis points less than the JPFPF's assumed rate of return; and

**l.** Provide information indicating the projected assets, liabilities and actuarially required contributions to the JPFPF over the next 30 years based on the JPFPF's latest valuations and actuarial assumptions.

In addition to the above information, the JPFPF shall also make available on a timely basis on its website prior actuarial studies and reports in order that accurate comparisons can be made, minutes of its meetings for the past 3 years on a rolling basis, and copies of all reports or studies commissioned by the JPFPF that are matters of public interest, including experience studies and investment performance reports.

6. ***SELECTION OF EXECUTIVE DIRECTOR-ADMINISTRATOR*:**

The selection of any future JPFPF's Executive Director-Administrator shall be governed by a professional process subject to Florida law in which the candidate shall be selected by the JPFPF using the City Employee Services Department's search and selection processes, and, if necessary, utilizing the assistance of an executive search firm retained by the JPFPF. A salary and benefits survey should be conducted prior to advertising for the position in order to establish a compensation level comparable to funds of similar size and complexity to the JPFPF. In addition to the requirements of applicable law, candidates will be required to have a minimum of five years of pension administration or institutional investment experience, expertise in the oversight of investment portfolios, and a degree in finance, economics, accounting or a related area of study from an accredited university. Comparable experience administering the activities of a state or local public pension plan will also be considered. Candidates who are CPAs or who have a JD, MBA or CFA degree will be preferred.

7. ***FUTURE ADMINISTRATION OF THE JPFPF:***

As part of the selection of the next JPFPF's Executive Director-Administrator, the aggregate compensation of the JPFPF's Executive Director-Administrator shall be determined in accordance with the market analysis of comparably-sized public pension plans provided for in the provision entitled "Selection of Executive Director-Administrator." The City and/or JPFPF shall ensure that any future Executive Director-Administrator and/or senior management employee shall be placed in either the City General Employees' Pension Fund or a defined contribution plan with the JPFPF's employer contribution subject to the limits of federal law. The JPFPF's current Senior Staff Pension Plan will be frozen as of the close of the pay period immediately preceding August 15, 2014, and following that date no further benefits will accrue under the Senior Staff Pension Plan. Participants in the current Senior Staff Pension Plan will receive the plan benefits which the parties have determined are comparable to those as if they had been enrolled in the FRS Special Risk Plan, unless the Board sets a lesser benefit level.

**8. *ENHANCED INVESTMENT AUTHORITY*:**

Provided the investment is permitted in the written investment policy adopted by the Board as provided in chapter 112, part VII, Florida Statutes, and is otherwise allowed by state and federal law, the JPFPF is authorized to invest and reinvest the assets of the Pension Fund in:

a. Any lawful investment as provided in applicable provisions of Sections 112.661, 175.071, 185.06, 215.47, Florida Statutes. In applying this section, the following definitions govern the investments authorized:

i. "Alternative investment" means an investment by the Board in a private equity fund to include all of the private equity sub-strategies, including venture capital, distressed investing, private debt/ mezzanine debt, private real assets/natural resources/energy, venture fund, or distress fund or a direct investment in a portfolio company through an investment manager or general partner .

ii. "Alternative investment vehicle" means the limited partnership, limited liability company, or similar legal structure or investment manager through which the Board invests in a portfolio company.

iii. "Portfolio company" means a corporation or other issuer, any of whose securities are owned or held by an alternative investment vehicle or the Board and any subsidiary of such corporation or other issuer.

iv. "Portfolio positions" means individual investments in portfolio companies which are made by the alternative investment vehicles.

v. Proprietor" means an alternative investment vehicle, a portfolio company in which the alternative investment vehicle is invested.

b. Investments authorized for the General Employee Pension Fund or the Correctional Offices Pension Fund.

c. Notwithstanding the foregoing, investments in "hedge funds" are prohibited.

d. Prior to considering any investment policy changes in accordance with this Agreement, the JPFPF Board shall give the City Council Finance Committee 10 days written notice of the Board meeting at which the proposed investment policy change shall be considered.

**D. ADDITIONAL UNFUNDED LIABILITY PAYMENTS**

1. On the effective date of this plan (October 1, 2014), the JPFPF will transfer the balances in the Enhanced Benefits Account and the City Stabilization Account (approximately $61 million total at present) to the City for the benefit of the Plan.

2. From October 1, 2015 through September 30, 2021, the JPFPF shall at the City's direction apply the Chapter 175/185 funds received annually, less the annual discretionary bonus payment authorized in Ordinance 2006-508, to the base benefits of the Plan or as additional unfunded liability payments.

3. Subject to appropriations, the City of Jacksonville shall contribute not less than $40 million annually in additional unfunded liability payments through the term of this 2014 agreement (October 1, 2014 through September 30, 2024), or until the JPFPF has achieved a funding status of 80%, whichever is earlier.

4. If either party fails to fulfill its full annual funding commitment as set forth in paragraphs 2 and 3 above, the other party is relieved of its additional funding commitment on a proportional basis for that fiscal year. However, should the City be the party that fails to fulfill its full

annual funding commitment, the following shall occur:

a. The City shall be obligated in the following fiscal year to contribute its funding commitment for that fiscal year plus the funding that the JPFPF would have provided in the previous year but for the City's failure to fulfill its annual funding commitment.

b. The Board shall have the option to use the funds it would have provided to unfunded liability but for the City's failure to fulfill its annual funding commitment to either pay down the unfunded liability or fund a share plan as otherwise described in this Agreement.

5. To ensure that there is public focus and transparency for the City's efforts to fulfill its annual funding commitment, the City will adopt the following Ordinance Code provision to be effective on October 1, 2014:

*"Upon receipt of the Duval County Property Appraiser's initial ad valorem revenue estimate, which is currently due on June 1, the City of Jacksonville's Chief Financial Officer (CFO) shall convene an 'Additional Unfunded Liability Payment Committee' (the "Committee") subject to the Sunshine requirement of Chapter 286, Florida Statutes, consisting of the following persons in addition to the CFO:*

*1. The Council Auditor;*

*2. The Chief Administrative Officer;*

*3. The treasurer;*

*4. The budget officer;*

*5. The JEA Chief Financial Officer; and*

*6. The chairman of the Jacksonville Retirement Reform Task Force (the "Task Force") or, at his discretion or inability to serve, the chairman of the Task Force Plan Funding Subcommittee. If neither is willing or able to serve, the Mayor shall appoint another member of the Jacksonville*

*Retirement Reform Task Force.*

*"These persons will review available funding sources for the required $40 million additional unfunded liability payment, including without limitation the sources cited in the Jacksonville Retirement Reform Task Force Final Report; innovative cost savings; incremental growth in available revenues such as ad valorem and state shared revenues; sale of City owned real estate; JEA revenue sharing; and other appropriate sources. No later than June 20, the Committee shall make a funding source(s) recommendation to the Mayor and Council President for their consideration in proposing and adopting the City of Jacksonville budget for the following fiscal year.*

*"Effective with the 2015-2016 Fiscal Year budgeting process and for the term of this Agreement, the Mayor shall include the Committee's recommendation in his proposed annual budget that is presented to the Jacksonville City Council no later than July 15. If the Mayor does not include the Committee's recommendation in his proposed budget, he shall propose that the $40 million annual payment come from another source. The City Council shall review for appropriation the Mayor's recommendation or any other unencumbered amounts necessary to fund the $40 million annual payment. If the City Council decides not to appropriate the $40 million annual payment, it shall certify in writing the reasons for that decision."*

E. **ESTABLISHMENT OF SHARE PLAN**

Effective January 1, 2015, the JPFPF is authorized to create a share plan for active members. The Share Plan will be funded solely from revenues received pursuant to Chapters 175 and Chapter 185, Florida Statutes. The PFPF shall not fund any such share plan unless and until the following circumstances occur: (1) The City fails to meet its full funding obligation under the 2014 Agreement in a particular fiscal year, and the JPFPF is thus relieved of its unfunded liability payment obligation on a proportional basis, at which time the Board shall have the option to use the funds it would have provided to unfunded liability to either pay down the unfunded liability or fund a share plan; or (2) the JPFPF satisfies its funding obligations under this Agreement, at which time the Board may use the Chapter 175/185 revenues to pay down the unfunded liability, provide the annual discretionary bonus payment authorized in Ordinance 2006-508, or fund a share plan.

## III. MISCELLANEOUS MATTERS.

A. **Reliance on Representations.** The City and JPFPF have each relied upon the representations of the other to ascertain the parties' positions established herein. The failure to accurately supply material information which resulted in a misrepresentation that cannot be overcome at the time of discovery shall result in the Agreement being deemed voidable at the discretion of the other party.

B. **Consultation among Parties**: The City and the JPFPF should consult on an ongoing basis related to their performance under the 2014 Agreement, public records, open government issues and other matters. Senior representatives of each should meet monthly to discuss matters of importance to either, and both parties should proceed in a spirit of good faith and cooperation. In that regard, the parties should make available to each other on a continuing basis, all information that is necessary to assure their mutual understanding and success. The City and the JPFPF should endeavor to work harmoniously to enforce their respective obligations under the 2014 Agreement and applicable Charter, statutory and Ordinance Code provisions, and to avoid obstruction of their respective rights. Meetings will be in accordance with applicable federal, state, and local laws.

C. **Expression by Charter and Ordinance**. The City and the JPFPF will support and promulgate the 2014 Agreement through appropriate revisions to the Charter and Ordinance Code.

D. **Provision of Information.** The City and the JPFPF agree to make available to each other on a continuing basis, all information that is necessary to insure the success of the 2014 Agreement and to work harmoniously to enforce the provisions of the 2014 Agreement and all pension ordinances, the City Charter, and statutes, and to avoid obstruction of all parties' rights under the law or the 2014 Agreement. The Parties further agree to recodify existing municipal ordinance code consistent with the intent of the 2014 Agreement, including but not limited to the benefit, administrative and investment provisions necessary for their mutual benefit.

E. **Provision Previously Approved by Council, not Altered Herein, Remain**.. The provisions as set forth herein amend and restate the terms of the existing Police and Fire Pension Plan (i.e., 2000-1146-E, et seq.). To the extent not amended or restated, all provisions of the superseded plans shall remain in full force and effect. It is intended that there be no lapse either in time or effect between this plan and such superseded plans. Any Ordinance or part of any Ordinance in conflict with the provisions hereof is repealed to the extent of the conflict and should any part of this Ordinance be held invalid by a court of competent jurisdiction, the remainder of this Ordinance shall continue if full force and effect and it shall be presumed that this Ordinance was adopted without the invalid provision.

F. **Adequate Time to Confer**. The Parties signing below have had adequate time to confer with counsel or their clients in order to be informed on the matters within the 2014 Agreement.

G. **Recommendation of Approval**. The City and JPFPF each represent that they will urge the approval of the 2014 Agreement, and the implementation of its terms, by each of their governing bodies.

Agreed upon on Tuesday, June 3, 2014 and executed on Wednesday, June 4, 2014, by:

________________________________
ALVIN BROWN, MAYOR
City of Jacksonville

________________________________
JOHN KEANE, EXECUTIVE DIRECTOR
Jacksonville Police and Fire Pension Fund

Approved:

________________________________
General Counsel

Milliman

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milliman.com

June 4, 2014

Mr. Joey Greive, CFA, CFP
Treasurer
City of Jacksonville
117 West Duval Street, Suite 300
Jacksonville, FL 32202

**Re: Update to Projections Regarding Jacksonville Police and Fire Pension Fund to include proposed 2014 Retirement Reform Agreement**

Dear Joey,

As requested, we have updated our prior actuarial analysis of the Jacksonville Police and Fire Pension Fund to reflect the results of the October 1, 2013 valuation, dated February 11, 2014, and completed by Pension Board Consultants, Inc. This update reflects certain demographic and investment experience during the plan ending September 30, 2013 and an assumption change disclosed in the report. Our prior analysis was based on the October 1, 2012 valuation, dated March 28, 2013 and also completed by Pension Board Consultants, Inc. In addition, this analysis includes cost estimates of the proposed 2014 Retirement Reform Agreement.

The purpose of this letter is to estimate the impact on the City's expected contribution over the next 35 years to fund the City of Jacksonville Police and Fire Pension Fund (Plan) under two possible scenarios. Specifically we have prepared 35 year projections under the following:

1. Baseline projections based on the current plan provisions, methods and assumptions outlined in the October 1, 2013 valuation report prepared by Pension Board Consultants, Inc.

2. Proposed 2014 Retirement Reform Agreement (RRA) agreed to in public discussions between the City and the Jacksonville Police and Fire Pension Fund culminating on Wednesday May 21, 2014, and June 3, 2014. The terms of the agreement were provided to us by the City. City staff clarified certain terms of the agreement.

These projections are based on Milliman's match of the October 1, 2012 actuarial valuation for the Plan, modified to recognize certain demographic and investment experience during the plan year ending September 30, 2013, and one assumption assumed change disclosed in the October 1, 2013 valuation report prepared by Pension Board Consultants, Inc. (The assumption change was an increase in the assumed annual expense load from $4.5 million to $9.0 million. The $9.0 million represents actual administrative and manager fees in FY 2013, per page 10 of the 2013 valuation report prepared by Pension Board Consultants, Inc.) Our updated baseline results, as of October 1, 2013, were reasonably close to the October 1, 2013 actuarial valuation performed by the Plan's actuary, Pension Board Consultants, Inc. Milliman's determination of the overall actuarial liability is within 0.1% of the liability in the October 1, 2013 actuarial valuation report. Based on this replication, we believe our analysis provides a reasonable estimate of the impact of the proposed plan and assumption changes.

This analysis assumes the effective date of any benefit change or new benefit tier is October 1, 2014. Actual costs will differ based on the actual effective date as well as emerging experience.

The following details the assumptions and methods used in the baseline and the proposed RRA projections.

| | Valuation Baseline | 2014 Proposed Retirement Reform Agreement |
|---|---|---|
| **Assumptions** | | |
| • Discount Rate | 7.00% | 7.00% |
| • Salary Scale | 4.00% | 4.00% |
| • Mortality Table | 1) | 1) |
| • Payroll Growth Rate | 3.25% | 3.25% |
| • Expense Load | $9,025,105 | $9,025,105 |
| **Methods** | | |
| • Asset Value Method | Market | Market |
| • Amortization Method | Level %, Closed | Layered Level % |
| • Remaining Amortization Period As of October 1, 2013 | 22 | 30 2) |

1) The RP-2000 combined Healthy Mortality Table for Males and Females projected by Scale AA to the valuation date.
2) The October 1, 2012 combined amortization base was re-established as individual bases. Future gains or losses are amortized over 30 years from the valuation date. This is described as a "layered" approach.

It is our understanding that the City's General Counsel is of the opinion that benefits may not be modified for current retirees, current active members who have DROPped, Police and Fire members who are still working but have become eligible for retirement (i.e. have at least 20 years of service) or other active members with respect to benefits currently accrued.

Based on the 2013 Valuation results prepared by Pension Board Consultants, Inc. the Plan's total actuarial liabilities (funded and unfunded) are estimated to be approximately $2.88 billion. Slightly in excess of 74% of that liability, about $2.14 billion, is attributable to Plan retirees, former vested members, and those in DROP. The liability for active employees who are not in DROP is approximately $738 million or only about 25.6% of the Plan's total actuarial liability. The percentage of the liability attributable to future compensation and service for current active employees who are not in DROP is approximately 6% (or $175 million) which is consistent with the liabilities based on the 2012 valuations. To completely eliminate the aforementioned estimated $175 million liability would require a benefit freeze, meaning active members would accrue no additional retirement benefits post - September 30, 2013. Thus the City's ability to generate significant savings by modifying the future service benefits of current active members is fairly limited.

## 2014 Retirement Reform Agreement Provisions – Current Employees

The RRA provides for three changes to benefit provisions for current employees, which differ from the 2013 Mediation Settlement Agreement in several ways:

1) It accelerates the proposed increase in their mandatory contributions.
2) For active employees with less than 10 years of service as of September 30, 2014, benefits will be based on Final Average Compensation (FAC) averaged over the last 48 months of service, subject to the FAC not being less than the September 30, 2014, 24 month averaged FAC.
3) The guaranteed rate of return on the DROP accounts of 8.40% is removed for those entering DROP on or after January 1, 2015. Instead their DROP accounts will be credited with actual Fund performance returns subject to a floor of 5% and a cap of 10%.

The employee contribution rate for the current active participants will be increased from 7% to 10% of earnings. The increase to 8% of earnings will occur October 1, 2014 regardless of actual salary increases. The increases above 8% of pay will be dependent on the timing of actual salary increases. For fire members, salary levels must first be increased back to previous levels as of September 30, 2010 before the increase in the employee contribution rate will exceed 8%. This requires a 2% salary increase for fire members. For police officers, salary levels must first be increased only partially back to previous levels as of December 31, 2011 before the increase in the employee contribution rate will exceed 8%. This also requires a 2% salary increase for police. Concurrent with the restoration of the aforementioned pay cuts, the employee contribution will be further increased from 8% to 10%.

Solely for purposes of this analysis we assumed that the employee contribution rate would increase to 10% effective October 1, 2014.

## 2014 Retirement Reform Agreement Provisions – Future Employees

The RRA modified the plan provisions for all employees hired on or after October 1, 2014. These changes are:[1]

[1] All of the changes for the future employees, other than a minor change to the early retirement provision, are identical to the 2013 Mediation Settlement Agreement.

- The employee contribution rate will be 10% of earnings each year for the employee's career (i.e. contributions will not cease at any point). Currently, the employee contribution rate is 7%.

- Cost-of-living adjustments (COLAs) will equal the increase in Social Security COLA capped at 1.5% commencing the third January 1 following termination of employment.

  After subsequent conversations with the City, it has been determined that commencement of benefit should be used versus termination of employment. For example, a member terminated October 1, 2030 and commences a pension on October 1, 2050 at age 62. The first COLA would apply January 1, 2053. For members who decide to Back-DROP the COLA would first apply on the third January 1 following termination, i.e. COLAs would not apply during the Back-DROP period. We recommend the details of the application of the COLA be incorporated into the appropriate plan documents. Currently, the COLA is a fixed 3% and commences as early as 3 months after DROP.

- Final Average Compensation (FAC) will be based on the last 60 months of service. Currently, it is based on the last 24 months. Compensation includes shift and differential pay, except that it may not exceed 125% of the shift pay earned during the five years prior to the FAC period. For this analysis, no adjustment to the FAC was made for the shift pay maximum.

- Upon completion of 25 years of service, the accrual rate is 2.5% per year of service, up to a maximum of 75% which occurs at 30 years of service. Prior to completion of 25 years of service, the accrual rate is 2% per year of service. Currently, the accrual rate is 3% for the first 20 years and 2% for the next 10 years for a maximum benefit of 80%. The accrual rate applies to a member's FAC to determine the benefit amount.

- Normal Retirement Date (NRD) will be upon the completion of 30 years of service. Benefits will commence at NRD. Currently, NRD is upon completion of 20 years of service or when 20 years would have been completed.

- Early Retirement will be available upon the completion of 25 years of service with the total accrual rate reduced by 2.5% for each year short of 30 years. The resulting early retirement accrual rate may not be less than 52.5%. The following table compares the early retirement accrual rates under the RRA with the current system.

| Years of Service | Normal Accrual Under Current System | Normal Accrual Under RRA | Early Retirement Under RRA |
|---|---|---|---|
| 30 | 80% | 75.0% | 75.0% |
| 29 | 78% | 72.5% | 70.0% |
| 28 | 76% | 70.0% | 65.0% |
| 27 | 74% | 67.5% | 60.0% |
| 26 | 72% | 65.0% | 55.0% |
| 25 | 70% | 62.5% | 52.5%* |

* Would have been 50.0% at 25 years of service, without the 52.5% floor.

Currently, there is no early retirement available since NRD is set at 20 years.

- Members will become vested in an employer-provided benefit upon completion of 10 years of service. Currently, members become vested upon completion of 5 years of service. For those members who serve less than 25 years, benefits will be deferred until age 62 and will be based on an accrual rate of 2.0% per year.

- The current DROP program will be replaced with a Back-DROP. The Back-DROP will be available for up to five years upon reaching 30 years of service. The Back-DROP interest rate will be based on trust fund earnings but, not less than 0%, and not greater than 10%. If Back-DROP includes years of service less than 30 years, the total accrual rate based on total years of service minus Back-Dropped years of service is reduced by 2% for each of service less than 30 (versus the early retirement penalty of 2.5%.) FAC is based on the 60 months ending at the selected prior date (actual termination date less years Back-Dropped.)

For example, a member retiring at 30 years of service elects the Back-DROP effective at 25 years of service. The total accrual rate of 62.5% (30 years in total less 5 Back-DROP years for 25 years x 2.5%) less a 10% accrual rate penalty (5 years short of 30 years x 2%) results in a final accrual rate of 52.5%. The FAC is based on the 60 months ending at the completion of 25 years of service.

- The benefit amount, as of October 1, 2014, will be limited to $99,999.99 indexed to Social Security inflation (CPI-U) with a maximum annual increase of 1.50%. We have assumed the cap would apply to the member's benefit at retirement. The benefit is not assumed to increase in the intervening years after retirement and prior to the commencement of the COLA. Furthermore, the 75% survivor percentage is assumed to apply to the capped member's benefit. We recommend the details of the application of the cap be incorporated into the appropriate plan documents.

- A disability benefit will be provided equal to 50% of earnings base. Members becoming disabled after attaining eligibility for early retirement are assumed to elect the larger of the early retirement and disability retirement benefits. Currently, the disability benefit is 60% of earnings base.

- The RRA does not explicitly reference the pre-retirement surviving spouse benefit. The current benefit is determined assuming the member has completed no less than 20 years of service, which are the required years of service for attaining Normal Retirement Age (NRA). Since the RRA changes the definition of NRA we have assumed this change would impact the calculation of the pre-retirement surviving spouse benefit. In this analysis, we have assumed the pre-retirement surviving spouse benefit is determined assuming the member has completed no less than 30 years of service to be consistent with the attainment of NRA. No other elements of the pre-retirement surviving spouse benefit was assumed to be changed, including the spouse's percentage of 75%, child benefit of $200 per month until age 18 (22 in college) and $400 per minimum. We recommend the details of this benefit provision be reviewed and incorporated into the appropriate plan documents.

In estimating the impact of the RRA, we modified the assumed rates of retirement for post-September 30, 2014 hires due to changes in the retirement conditions including DROP as follows.

| Years of Service | Rate |
|---|---|
| 25 | 15% |
| 26 | 3% |
| 27-29 | 5% |
| 30 | 70% |
| 31-34 | 10% |
| 35 | 100% |

Also, all members are assumed to retire upon attainment of age 65.

**Unfunded Liability Reduction Measures – Proposed Retirement Reform Agreement**

The proposed RRA introduced several new unfunded liability reduction measures. Based on specifications provided by the City we have incorporated the following reduction measures into the cost projections for the proposed RRA.

1) October 1, 2014 and/or October 1, 2015 – a one-time total transfer of $61 million is made from the Enhanced Benefit Account and the City Budget Stabilization Account to the Pension Fund. We have modeled this provision as follows:

   $40 million as additional UAL payment (over and above the ARC) in the fiscal year ending September 30, 2015 (FY 2015), and $21 million as an additional UAAL payment (over and above the ARC) in FY2016.

2) For each of the next seven fiscal years (FY 2015 – FY 2021) the City will have access to all the Chapter 175/185 funds, except for the annual holiday bonus which last year amounted to approximately $2 million. Beginning with FY 2022, the entire amount of the Chapter 175/185 funds reverts to the trust for use as determined by the Board pursuant to the proposed RRA. Thus, beginning with FY 2022 the proposed RRA projections assumed there are no Chapter 175/185 funds available to either fund the base benefits of the Plan or as additional UAL payments. The City has estimated the initial amount of Chapter 175/185 funds to be used by the City is $8 million. We have assumed this amount will remain constant from year to year producing a total of $56 million over the seven years. We have modeled the use of

the funds for the seven years as follows:

> $5 million to fund the base benefits of the Plan for each of the seven years and $3 million as an additional UAL payment for the next seven years

3) Effective October 1, 2014 - additional $40 million annual transfers (i.e. additional City contributions) will be made to pay down the UAL. We have modeled this transfer as follows:

   The additional $40 million annual transfer would continue through FY 2024 or when the Fund attains an 80% funded status, whichever is earlier, and then cease.

   These $40 million annual transfers include the additional UAAL payments in item (1) but not item (2) above. The item (2) additional UAL payments are in addition to the $40 million annual City transfer.

We have assumed any transfers made as an additional UAL payment will occur on October 1, the first day of the plan year, and hence earn a full year of investment earnings. Should any actual transfer occur after October 1, the transfer will earn less interest than expected and its impact would be less than projected in this analysis.

Each of these items also reduce the actuarial gain or loss established in each future valuation year. Actuarial gains and losses are amortized over 30 years. Thus these additional funding contributions are amortized over 30 years, which in turn reduce future contribution requirements.

## Amortization Methodology

Prior to the 2012 actuarial valuation, the unfunded actuarial accrued liability (UAL) amortization consisted of amortizing 18 separate bases generally established as of the historical valuation dates. The initial base, established October 1, 1976, was to be paid off over 40 years with each subsequent base amortized over 30 years. Thus as of October 1, 2011 the remaining amortization periods ranged from one year for the base established October 1, 1982 to 30 years for the base developed as part of the 2011 actuarial valuation. In general, a base may be a charge or a credit and reflects benefits changes, assumption changes, experience gains or losses and/or method changes.

As part of the 2012 actuarial valuation process, the Plan's actuary combined all the remaining bases plus the new base established as of October 1, 2012 into a single base amortized over 23 years. Twenty-three years represented a weighted average of the remaining amortization period of the individual bases. He noted in his cover letter to that report that "This provides simplicity and a more reasonable future UAAL amortization pattern." In the 2013 actuarial valuation, the Plan's actuary continued this combined methodology, meaning that as of October 1, 2013 all of the bases including the September 30, 2013 actuarial gain are combined in one base and amortized over 22 years.

For the baseline projection, we assumed that there would continue to be a single combined base at each valuation date in the future with the amortization period reducing each year until the period is 1 year. This results in a cliff or sizeable drop in required City funding after 22 years from October 1, 2013. Under the proposed RRA, we have reversed the combining of the bases effective October 1, 2012, and established 30 years as of the amortization period for future bases, including the September 30, 2013 actuarial gain. This change would impact the ARC determined for FY 2015 based on the 2013 actuarial valuation. Establishing individual bases on an annual basis is referred to as a layered approach, i.e. each year's layer is paid over a separate 30 year period. We note the Jacksonville Retirement Reform Task Force recommended this layered amortization method, the Florida Retirement System and many other public pension plans use a layered amortization method, and the parties agreed to this method in the new Police and Fire governance provisions.

The unfunded actuarial liability is amortized using a level percentage of payroll method, which means that payments are expected to increase based on total payroll increasing 3.25% per year. This methodology is used in the baseline projections as well as the projections for the proposed RRA. To the extent that actual payroll increases are less than the assumed 3.25% increase, an actuarial loss will occur as fewer contributions would have been received by the Plan. The actuarial loss will result in a higher contribution rate plus the lower payroll base will also result in a higher contribution rate.

## Valuation Timing

This analysis assumes the effective date of the proposed RRA is October 1, 2014. Adoption of the proposed RRA is assumed to occur prior to October 1, 2014 such that the proposed RRA would first impact contributions based on the October 1, 2013 actuarial valuation for the fiscal year ending September 30, 2015.

**Projection Assumptions and Methodology**

Our projections assume that the number of active members as of October 1, 2013 remains constant each year in the future. We have also adjusted the assumed October 1, 2012 – September 30, 2013 pay increases such that the projected October 1, 2013 active compensation uses in this analysis matches the amount disclosed in the October 1, 2013 valuation. All other assumptions including: individual pay increases and patterns of termination, disability and mortality are consistent with the most recent valuation assumptions. The retirement assumptions for proposed RRA projections were modified for future hires as noted above. Beginning with the 2013 valuation, the administrative expense load is assumed to be $9,025,105 and is assumed to increase by 2.50% per annum. We have also assumed that the City always pays the Annual Required Contribution, unless noted above under the proposed RRA projections. Under the proposed RRA analysis we have assumed the City's ARC will be reduced by 0.58% of pay (attributable to expected Court Fines and Penalties) in all years, regardless whether there are Chapter 175/185 funds available to reduce the ARC. Baseline projections assume the City's ARC is reduced by 4.58% of pay attributable to expected Court Fines and Penalties plus half of the Chapter 175/185 funds.

Terminating and retiring members are replaced by new active members with the same age and gender characteristics as members who were hired during the past few years. Future entrants were assumed to join the Plan to maintain a stable active population. New entrant profiles are traditionally based on relevant recent hires into a Plan. Since only a few new participants entered this Plan in 2010-11 and 2011-2012, our modeling is based on members joining the plan on or after October 1, 2009 (there were 91 such members). An average pay raise of 1.5% was assumed between 2009 and 2012 for these members and future new entrant salaries were assumed to increase 4.00% from the prior year, consistent with the individual salary increase assumption used in the 2012 and 2013 valuation reports prepared by Pension Board Consultants, Inc.

It is important to note that the projections were completed assuming a deterministic scenario where the market value of investments was assumed to earn the valuation interest rate of 7.00% each and every year of the projection period starting with the 2013-14 fiscal year. The October 1, 2012 and October 1, 2013 asset values are the actual market value reported in the respective valuation reports. In addition we assumed the calculated actuarial asset values would continue to be reduced by the reserve account balance and the Senior Staff plan assets, if any. Under the proposed RRA projections, $61 million of these assets are assumed to be transferred by October 1, 2015. Any balance in these accounts is assumed to increase at an annual rate equal to the interest rate. In general, valuation results are completed as of one date but are not reflected in the City's contribution until a year later. This procedure, which is common practice among public pension plans, in combination with an increasing contribution rate is a source of constant actuarial losses. For purposes of this analysis we have assumed that valuations would be performed annually beginning in 2013. This means the City contribution rate will change from year to year, beginning with the 2014-15 fiscal year.

## Results

Attached are six charts showing the Adjusted City Contribution, the Adjusted City Contribution as a percentage of payroll, the amount of the Unfunded Actuarial Liability and the Funded Status (Actuarial Value of Assets divided by the Actuarial Liability), along with the Adjusted City Contribution as a percentage of general revenues assuming revenues increase 1% or 2% per annum. Each chart shows the Baseline, and the proposed RRA. Results are shown for the next 35 years (FYE 2014 to FYE 2048).

Please note that for simplicity and comparability, the total dollars are not discounted to reflect the time value of money. The funding dollars shown for the proposed RRA does not include the additional contributions made to reduce the UAL as they are not Actuarially Required Contributions.

## Basis for Analysis

This analysis is based on methods and assumptions used in the October 1, 2012 actuarial valuation, the October 1, 2013 actuarial valuation and the additional assumptions or methods noted above. The data was based on the October 1, 2012 proxy actuarial valuation database. The results of our analysis depend on future experience conforming to those actuarial assumptions. It is certain that actuarial experience will not conform exactly to the assumptions used in this analysis. To the extent future experience deviates from those assumptions, the results of this analysis could vary from the results presented here.

Actual costs will be based on actual experience of the Plan. Please note that the cost impact of the proposed changes may be higher or lower than the study estimates depending upon rates of retirement actually experienced by the Plan. A realistic estimate of retirement rates is critical to determining the actual future impact on plan costs. If the Plan Change scenario is adopted, it is possible that members would postpone retirement until later ages, which will affect the projections shown in this study.

The calculations are based on data and other information provided to us by the City or the Police and Fire Pension Board and/or actuary of for our proxy October 1, 2012 actuarial valuation and supplemented for purposes of this analysis. The supplemental data included a copy of the October 1, 2013 actuarial valuation. We have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

Milliman's work product was prepared exclusively for the internal business use of the City of Jacksonville for a specific and limited purpose. It is a complex technical analysis that assumes a high level of knowledge concerning the Plan's operations, and uses City's data, which Milliman has not audited. To the extent that Milliman's work product is not subject to disclosure under applicable public record laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exceptions:

(a) The City may provide a copy of Milliman's work, in its entirety, to the Plan's or the City's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the System.
(b) The City may provide a copy of Milliman's work, in its entirety, to other Governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. We have not explored any legal issues with respect to the proposed plan changes. We are not attorneys and cannot give legal advice on such issues. We suggest that you review this proposal with counsel.

I, Robert Dezube, am a consulting actuary for Milliman, Inc. I am a member of the American Academy of Actuaries, and meet their Qualification Standards to render the actuarial opinion contained herein.

Please call if you would like to further discuss this project.

Sincerely,

Robert

Robert S. Dezube, FSA
Consulting Actuary

Attachments

CC: Derrel Chatmon (w/attachments)
Chris Hand (w/attachments)

RSD/COJ/49
M:\Jackvill\Update work based on 2013 val and database\CB Impact 0603_SFP.docx

Actuarial Analysis of Retirement Reform Agreement

Between

THE CITY OF JACKSONVILLE

And

THE JACKSONVILLE POLICE AND FIRE PENSION FUND BOARD OF TRUSTEES

**Financial Charts Showing the Agreement's Impact on:**

- Annual City of Jacksonville (COJ) Annual Required Contribution (ARC)
- Annual COJ ARC as a Percentage of Payroll
- Annual Funded Status of Police and Fire Pension Fund (PFPF)
- Annual Value of Unfunded Actuarial Liability
- Annual ARC as a Percentage of General Fund Revenue
  - Assuming general revenue increases 1.0% per year
  - Assuming general revenue increases 2.0% per year

**Financial Results:**

| Scenario | Total dollars ($billions) over the next 35 years[1] | Increase/(Reduction) from Baseline ($billions) |
|---|---|---|
| 1. Baseline | $6.61 | N/A |
| 2. Proposed RRA | | |
| - A one-time total transfer of $61 million is made from the Enhanced Benefit Account and the City Budget Stabilization Account to the Pension Fund; $40 million as an additional UAL payment in FY2015, and $21 million as an additional UAAL payment in FY2016.<br>- $40 million in annual City contributions continue until the earlier of FY2024, or attaining an 80% funded status. These payments are offset by the one-time transfers of $40 million in FY2015 and $21 million in FY2016.<br>- For each of the next seven years (FY2015 – FY2021) $8 million of Chapter 175/185 funds are used by the City; $5 million to fund the base benefits of the Plan, and $3 million as an additional UAL payment. | $4.78 [2] | ($1.83) |

[1] Total dollars exclude expected employee contributions, State Chapter Funds allocation (i.e. premium-tax refunds) and expected court fines and penalties. State laws make the City responsible for funding the difference between the actuarially determined contribution and these amounts.
[2] Excludes all additional sources of funds used to accelerate the funding of the Unfunded Actuarial Liability.

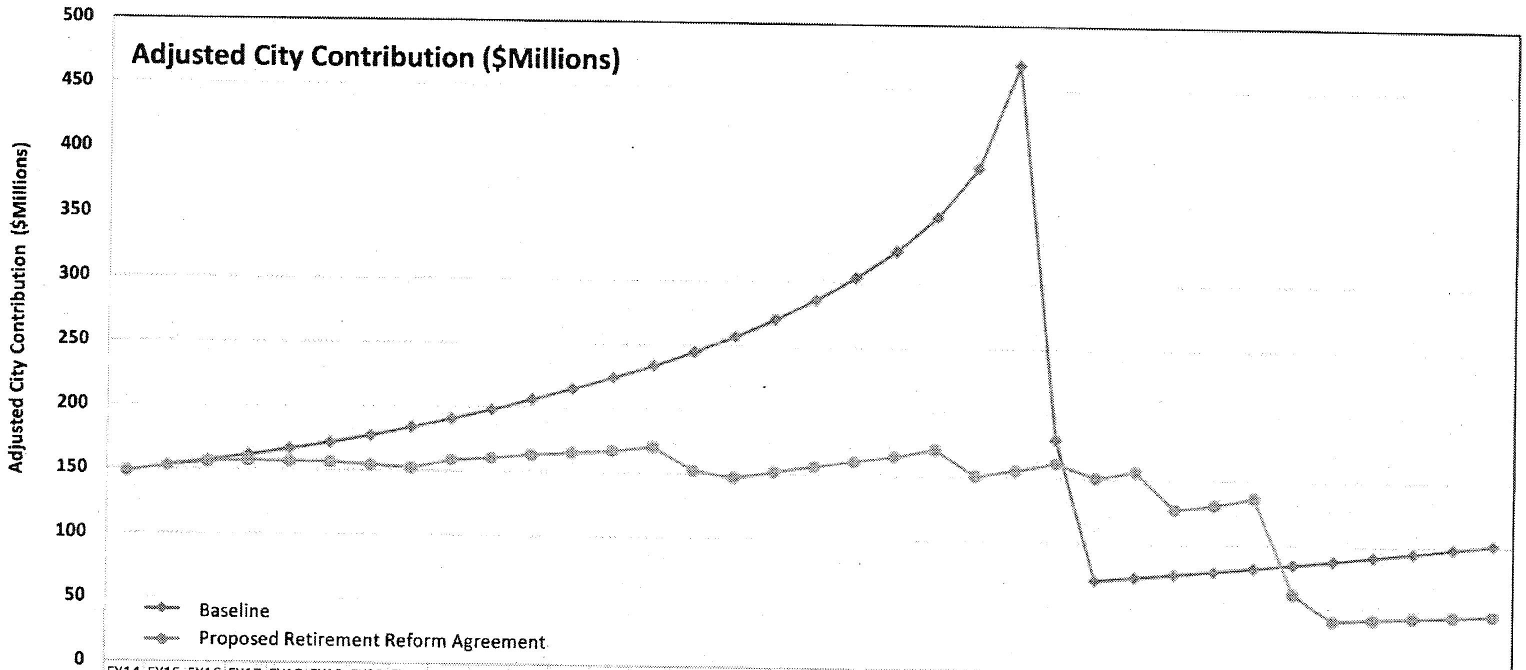
**Comparable Results from 2013 (see our letter dated May 28, 2013):**

| Scenario | Total dollars ($billions) over the next 30 years[3] | Increase/(Reduction) from Baseline ($billions) |
|---|---|---|
| 1. Baseline (Proposed Assumptions/ Methodology) | $6.02 | N/A |
| 2. MSA | $4.82 | ($1.20)[4][5] |

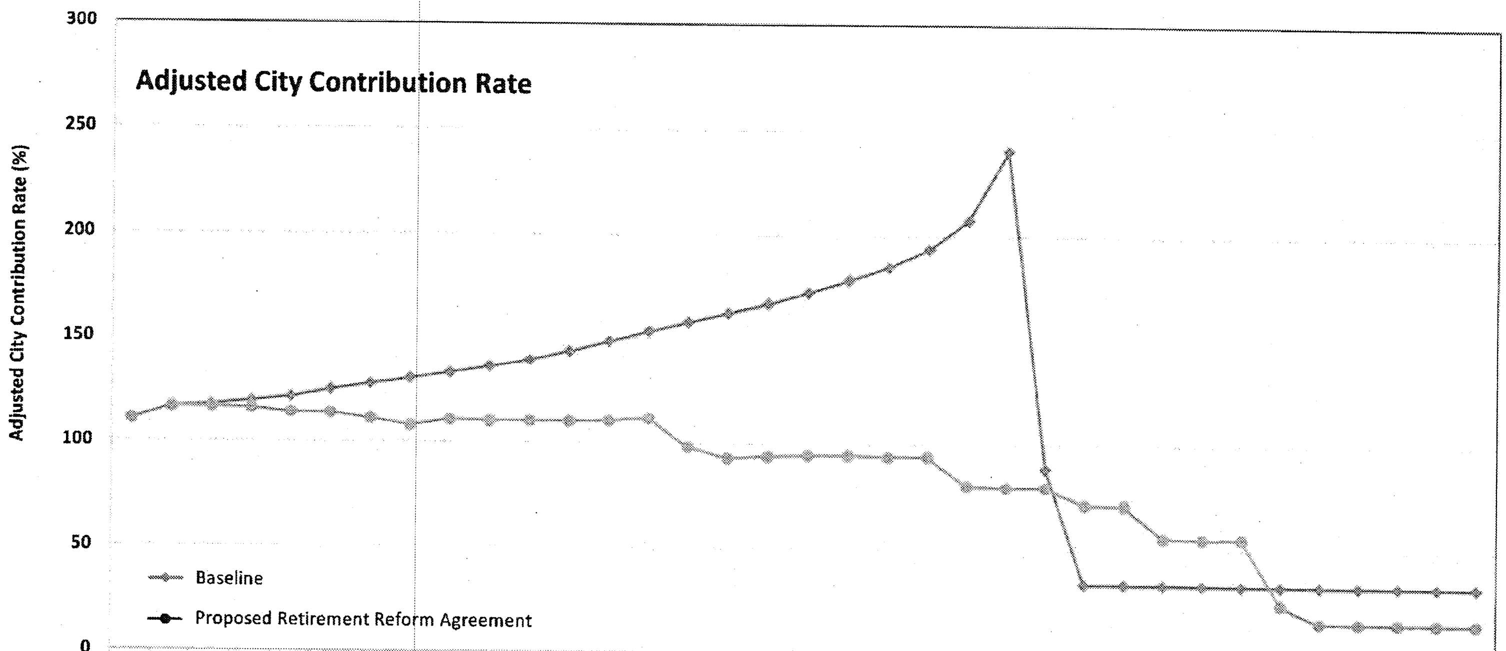
[3] Based on the 2011 Actuarial Valuation

[4] Approximately $0.21 billion of the reduction is attributable to the change in the discount rate mandated by the MSA from the current actuary's recommendation of 7.00% to the graded assumption of 7.75% phasing down to 7.25%.

[5] We had estimated the savings over 35 years to be approximately $1.62 billion.

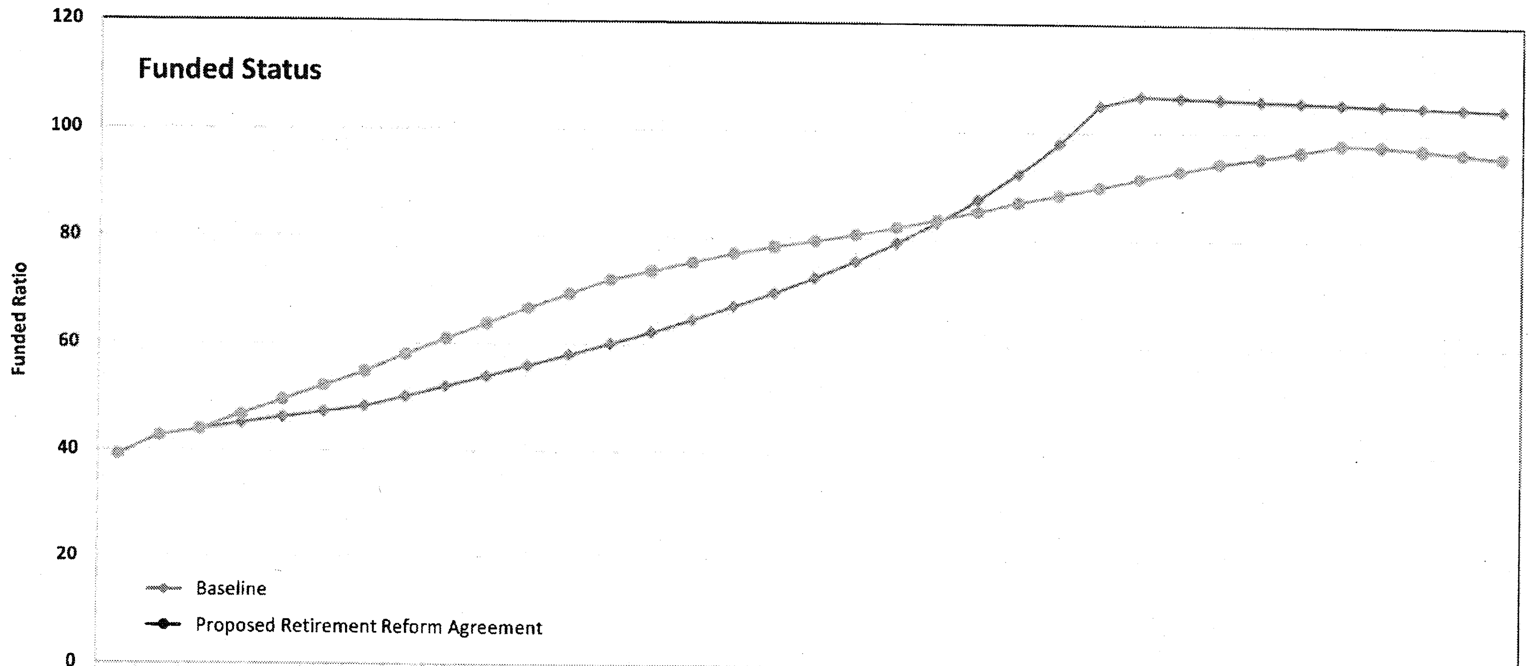



| | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | FY33 | FY34 | FY35 | FY36 | FY37 | FY38 | FY39 | FY40 | FY41 | FY42 | FY43 | FY44 | FY45 | FY46 | FY47 | FY48 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Baseline | 148 | 153 | 157 | 162 | 167 | 172 | 177 | 184 | 191 | 199 | 207 | 215 | 224 | 234 | 245 | 257 | 271 | 286 | 304 | 325 | 352 | 390 | 469 | 180 | 71 | 74 | 77 | 79 | 82 | 85 | 88 | 92 | 95 | 98 | 102 |
| Proposed Retirement Reform Agreement | 148 | 153 | 156 | 157 | 156 | 156 | 155 | 152 | 159 | 161 | 163 | 165 | 167 | 171 | 153 | 147 | 152 | 157 | 161 | 166 | 171 | 151 | 156 | 162 | 151 | 156 | 127 | 131 | 137 | 63 | 42 | 43 | 45 | 46 | 47 |



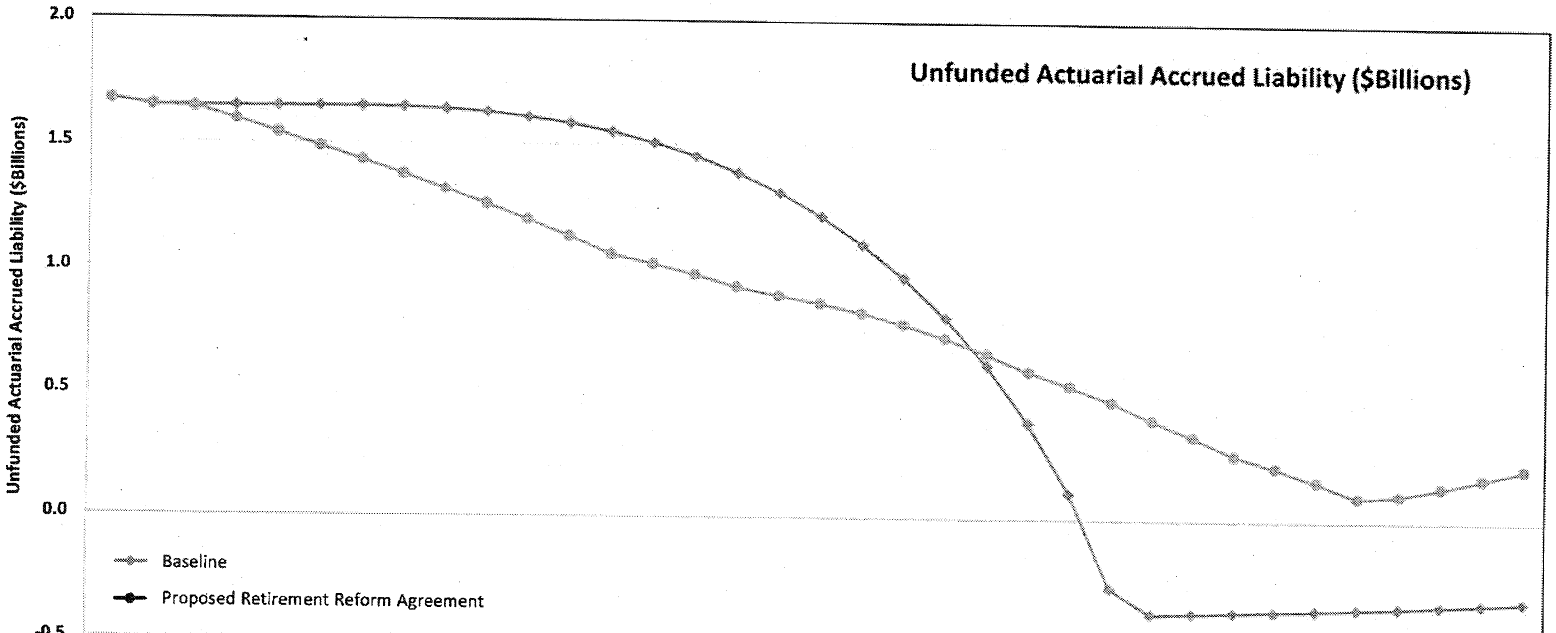

| | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 111 | 117 | 118 | 120 | 122 | 125 | 128 | 131 | 133 | 137 | 140 | 144 | 149 | 154 | 158 | 163 | 167 |
| | 111 | 117 | 117 | 116 | 114 | 114 | 111 | 108 | 111 | 110 | 111 | 111 | 111 | 112 | 98 | 93 | 94 |

| | FY31 | FY32 | FY33 | FY34 | FY35 | FY36 | FY37 | FY38 | FY39 | FY40 | FY41 | FY42 | FY43 | FY44 | FY45 | FY46 | FY47 | FY48 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 173 | 179 | 185 | 194 | 208 | 241 | 89 | 34 | 34 | 34 | 34 | 33 | 33 | 33 | 33 | 33 | 33 | 33 |
| | 95 | 95 | 94 | 94 | 80 | 80 | 80 | 72 | 71 | 56 | 56 | 56 | 25 | 16 | 16 | 16 | 16 | 15 |




| | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | FY33 | FY34 | FY35 | FY36 | FY37 | FY38 | FY39 | FY40 | FY41 | FY42 | FY43 | FY44 | FY45 | FY46 | FY47 | FY48 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Baseline | 39 | 43 | 44 | 45 | 46 | 47 | 48 | 50 | 52 | 54 | 56 | 58 | 60 | 62 | 65 | 67 | 70 | 73 | 76 | 79 | 83 | 87 | 92 | 98 | 105 | 107 | 107 | 106 | 106 | 106 | 106 | 105 | 105 | 105 | 105 |
| Proposed Retirement Reform Agreement | 39 | 43 | 44 | 47 | 49 | 52 | 55 | 58 | 61 | 64 | 67 | 69 | 72 | 74 | 76 | 77 | 79 | 80 | 81 | 82 | 84 | 85 | 87 | 88 | 90 | 92 | 93 | 95 | 96 | 97 | 98 | 98 | 97 | 97 | 96 |

*This work product was prepared solely for the City of Jacksonville for the purposes described herein and may not be appropriate to use for other purposes Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work*




| | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Baseline | 1.67 | 1.65 | 1.65 | 1.65 | 1.65 | 1.65 | 1.65 | 1.65 | 1.64 | 1.63 | 1.61 | 1.58 | 1.55 | 1.51 | 1.46 | 1.39 | 1.31 | 1.22 |
| Proposed Retirement Reform Agreement | 1.67 | 1.65 | 1.64 | 1.59 | 1.54 | 1.49 | 1.43 | 1.38 | 1.32 | 1.26 | 1.20 | 1.13 | 1.06 | 1.02 | 0.98 | 0.93 | 0.90 | 0.87 |

| | FY32 | FY33 | FY34 | FY35 | FY36 | FY37 | FY38 | FY39 | FY40 | FY41 | FY42 | FY43 | FY44 | FY45 | FY46 | FY47 | FY48 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Baseline | 1.11 | 0.97 | 0.81 | 0.62 | 0.39 | 0.11 | (0.27) | (0.38) | (0.37) | (0.37) | (0.36) | (0.36) | (0.35) | (0.34) | (0.34) | (0.33) | (0.32) |
| Proposed Retirement Reform Agreement | 0.83 | 0.78 | 0.73 | 0.67 | 0.59 | 0.54 | 0.48 | 0.40 | 0.34 | 0.27 | 0.22 | 0.16 | 0.10 | 0.11 | 0.14 | 0.18 | 0.22 |

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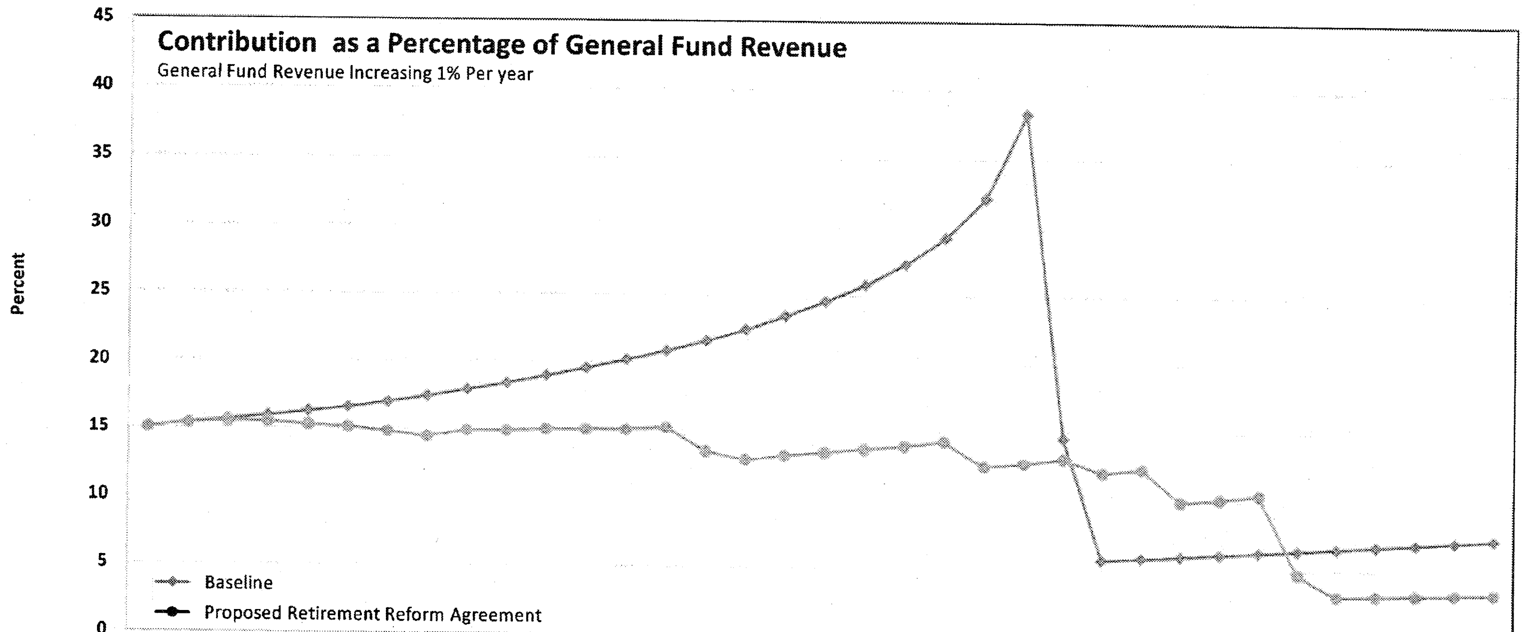


| | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 15 | 15 | 16 | 16 | 16 | 17 | 17 | 17 | 18 | 18 | 19 | 20 | 20 | 21 | 22 | 23 | 23 | 25 |
| | 15 | 15 | 16 | 15 | 15 | 15 | 15 | 14 | 15 | 15 | 15 | 15 | 15 | 15 | 13 | 13 | 13 | 13 |
| Rev. ($billions) | 0.98 | 0.99 | 1.00 | 1.01 | 1.02 | 1.03 | 1.04 | 1.05 | 1.07 | 1.08 | 1.09 | 1.10 | 1.11 | 1.12 | 1.13 | 1.14 | 1.15 | 1.17 |

| | FY32 | FY33 | FY34 | FY35 | FY36 | FY37 | FY38 | FY39 | FY40 | FY41 | FY42 | FY43 | FY44 | FY45 | FY46 | FY47 | FY48 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 26 | 27 | 29 | 32 | 38 | 15 | 6 | 6 | 6 | 6 | 6 | 6 | 7 | 7 | 7 | 7 | 7 |
| | 14 | 14 | 14 | 12 | 13 | 13 | 12 | 12 | 10 | 10 | 11 | 5 | 3 | 3 | 3 | 3 | 3 |
| Rev. ($billions) | 1.18 | 1.19 | 1.20 | 1.21 | 1.22 | 1.24 | 1.25 | 1.26 | 1.27 | 1.29 | 1.30 | 1.31 | 1.33 | 1.34 | 1.35 | 1.37 | 1.38 |

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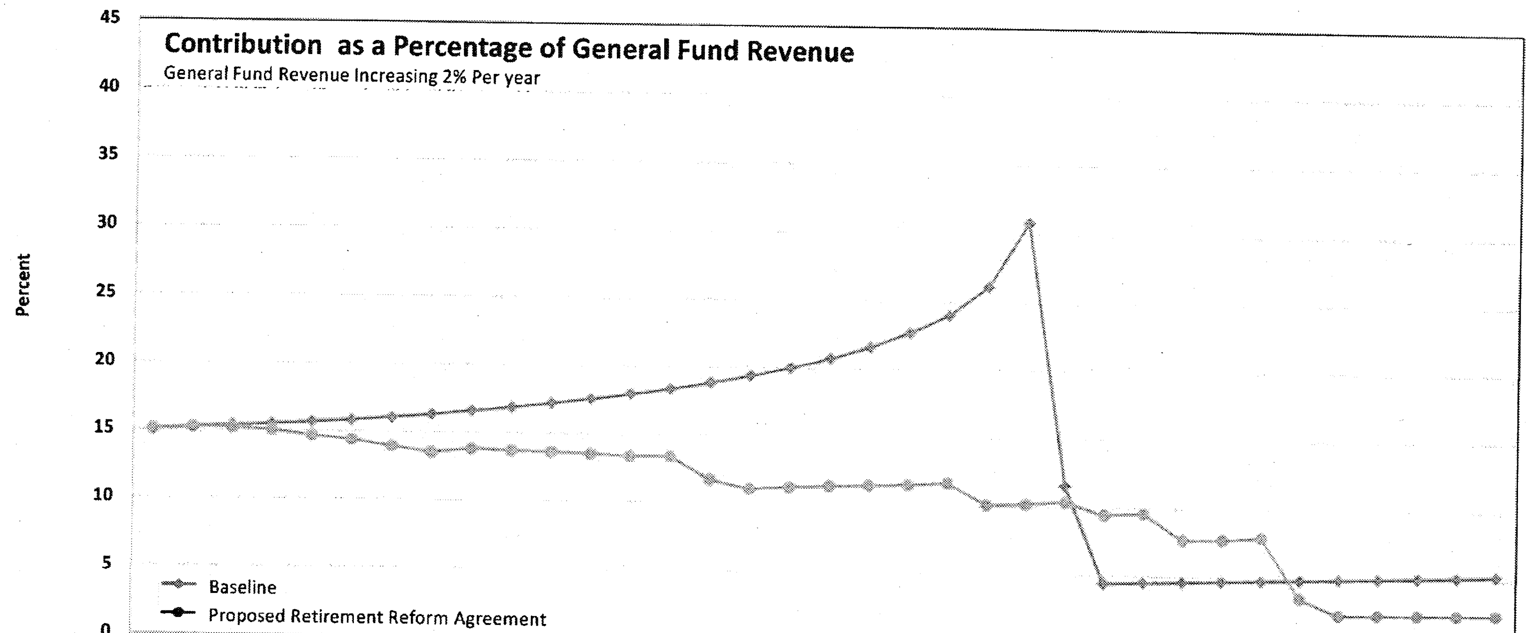


| | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 | FY28 | FY29 | FY30 | FY31 | FY32 | FY33 | FY34 | FY35 | FY36 | FY37 | FY38 | FY39 | FY40 | FY41 | FY42 | FY43 | FY44 | FY45 | FY46 | FY47 | FY48 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Baseline | 15 | 15 | 15 | 15 | 16 | 16 | 16 | 16 | 17 | 17 | 17 | 18 | 18 | 18 | 19 | 19 | 20 | 21 | 22 | 23 | 24 | 26 | 31 | 12 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Proposed Retirement Reform Agreement | 15 | 15 | 15 | 15 | 15 | 14 | 14 | 13 | 14 | 14 | 14 | 14 | 13 | 13 | 12 | 11 | 11 | 11 | 11 | 12 | 12 | 10 | 10 | 10 | 10 | 10 | 8 | 8 | 8 | 4 | 2 | 2 | 2 | 2 | 2 |
| Rev. ($billions) | 0.98 | 1.00 | 1.02 | 1.04 | 1.06 | 1.09 | 1.11 | 1.13 | 1.15 | 1.18 | 1.20 | 1.22 | 1.25 | 1.27 | 1.30 | 1.32 | 1.35 | 1.38 | 1.40 | 1.43 | 1.46 | 1.49 | 1.52 | 1.55 | 1.58 | 1.61 | 1.65 | 1.68 | 1.71 | 1.75 | 1.78 | 1.82 | 1.85 | 1.89 | 1.93 |

# LEGISLATIVE FACT SHEET

**DATE:** 06/04/14 **BT OR RC NUMBER:** ____________
(Administration Bills)

**SPONSOR** (Department/Division/Agency/Council Member): Office of the Mayor

**PURPOSE/SUMMARY:**

An Ordinance pertaining to Chapter 121 (Police and Firefighters Pension Plan), Ordinance Code;

- Creating Section 121.201(f) to outline the Police and Fire Pension Fund's role in future negotiation and modification of pension benefits;
- Amending Section 121.102(e) (Police and Fire Pension Plans) Creating a new category of member known as a "Group II Member" based upon a date of hire on or after October 1, 2014 and section 121.113(a)(1), 121.112(A)(2), and (b) (Calculation of Pension Contributions for Police and Fire Pension fund) revising the contribution percentages of existing Police and Fire Pension Plan Members;
- Creating Section 121.114 (Unfunded Actuarial Liability) to outline the mutual obligations of the City and the Police and Fire Pension Fund Board of Trustees in addressing the unfunded liability;
- Creating Section 121.115 (Supplemental Share Plan); Creating Section 121.116 (Investment Authority) to outline the investment authority of the Police and Fire Pension Fund Board of Trustees;
- Creating Section 121.117 (Executive Administrator) to outline the qualifications for future Executive Administrators of the Police and Fire Pension Fund;
- Creating Section 121.118 (Use of General Counsel) to outline the Police and Fire Pension Fund's use of the Office of General Counsel;
- Amending section 121.201 (Retirement Benefits) to create 121.201A for "Group I Members" and to create 121.201B for "Group II Members" to outline the pension benefits extended to each group, Section 121.204 (Surviving Spouse's Benefits), Section 121.206 (Children's Benefits), and Section 121.209 (Deferred Retirement Option Program (DROP));
- Creating new Section 121.211 (Group II BACKDROP Program) to establish the BACKDROP program of pension benefits extended to Group II Members; Amending Chapter 121 to Create a new Part 5 (Establishing a Financial Investment and Advisory Committee);
- Amending Chapter 121 to create a new Part 6 (Regarding Ethics, Fiduciary Responsibilities and Best Practices);
- Approving the 2014 Retirement Reform Agreement in the case of Randall Wyse, et al, vs. City of Jacksonville, et al, Case No. 3:13-CV-121-J-34MCR, United States District Court, Middle District of Florida;
- Attaching the required actuarial impact statement and providing an effective date.

**APPROPRIATION :** Total Amount Appropriated: $ N/A as follows:

**(Name of Fund as it will appear in title of legislation)** ____________________

Name of Federal Funding Source:____________________ Amount: $____________

Name of State Funding Source: ______________________ Amount: $____________

Name of City of Jax Funding Source: ______________________ Amount: $____________

Name of In-Kind Contribution Source: ______________________ Amount: $____________

Name of Bond Acct ______________________ Amount: $____________

Number ______________________

**IMPACT - FINANCIAL/OTHER:**

$1.83 Billion of savings over 35 years.

**ACTION ITEMS:**

Emergency? Yes____ No _X__ Justification:__________________

______________________________________________

| | | | |
|---|---|---|---|
| Federal or State Mandates | Yes ___ | No _X__ | |
| Fiscal Year Carryover? | Yes ___ | No _X__ | |
| CIP Amendment? | Yes ___ | No _X__ | (Attach CIP form) |
| Contract/Agreement (C/A) Approval | Yes _X_ | No ___ | (Attach a copy only) |
| C/A negotiations on-going? | Yes ___ | No _X__ | |
| Oversight Department Required? | Yes ___ | No _X__ | Name of Dept.____________ |
| Related RC?/BT? | Yes ___ | No_X__ | (Attach a copy) |
| Waiver of Code? | Yes ___ | No _X__ | (Identify Code Provision ________) |
| Code Exception? | Yes ___ | No_X__ | (Identify Code Provision ________) |
| Continuation Grant? | Yes ___ | No_X__ | |
| Surplus Property Certification? | Yes ___ | No_X_ | (Attach a copy) |
| Related Enacted Ordinances? | Yes ___ | No_X__ | Ord. # of Previous Ord. ________ |
| Report Required to City Council/Council Auditors | Yes ___ | No_X__ | Date _______ Frequency_________ |

## ADMINISTRATION TRANSMITTAL

To: MBRC, c/o Roselyn Chall, Budget Division, Suite 325

CC: Chris Hand, Chief of Staff, Office of the Mayor
Mayor's Office, Fourth Floor, City Hall at St. James

From: Ashley Benson, Office of General Counsel
(Name, Job Title, Department)

Phone: 630-1830 E-mail: abenson@coj.net

Contact person: Ashley Benson, Office of General Counsel
(Name, Job Title, Department)

Phone: 630-1830 E-mail: abenson@coj.net

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## COUNCIL MEMBER / INDEPENDENT AGENCY / CONSTITUTIONAL OFFICER TRANSMITTAL

To: Peggy Sidman (630-4647), Office of General Counsel
Suite 480, City Hall at St. James

From: ______________________________
(Name, Job Title, Department)

Phone: ________________ Fax: ________________ E-mail: ________________

Contact person: ______________________________
(Name, Job Title, Department)

Phone: ________________ Fax: ________________ E-mail: ________________

Legislation from Independent Agencies requires a resolution from the Independent Agency Board approving the legislation.

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**FACT SHEET IS REQUIRED BEFORE LEGISLATION IS INTRODUCED**

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