

City of Jacksonville

Retirement Reform

2014-386

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Introduced by Council President at the request of the Mayor:

**ORDINANCE 2014-386**

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~~ JANUARY 1, 2015 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; MUTUAL CONTRIBUTIONS) 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 (BOARD OF TRUSTEES INVESTMENT AUTHORITY) TO OUTLINE THE INVESTMENT AUTHORITY OF THE POLICE AND FIRE PENSION FUND BOARD OF TRUSTEES; CREATING SECTION 121.117 (EXECUTIVE DIRECTOR 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

1 THE POLICE AND FIRE PENSION FUND'S USE OF THE  
2 OFFICE OF GENERAL COUNSEL; AMENDING SECTION  
3 121.201 (RETIREMENT BENEFITS) TO CREATE  
4 SECTION 121.201A FOR "GROUP I MEMBERS" AND TO  
5 CREATE SECTION 121.201B FOR "GROUP II MEMBERS"  
6 TO OUTLINE THE PENSION BENEFITS EXTENDED TO  
7 EACH GROUP, SECTION 121.204 (SURVIVING  
8 SPOUSE'S BENEFITS), SECTION 121.206  
9 (CHILDREN'S BENEFITS), AND SECTION 121.209  
10 (DEFERRED RETIREMENT OPTION PROGRAM (DROP) FOR  
11 GROUP I MEMBERS); CREATING NEW SECTION 121.211  
12 (~~GROUP II BACKDROP PROGRAM~~ BACKDROP FOR GROUP  
13 II MEMBERS) TO ESTABLISH THE BACKDROP PROGRAM  
14 OF PENSION BENEFITS EXTENDED TO GROUP II  
15 MEMBERS; AMENDING CHAPTER 121 TO CREATE A NEW  
16 PART 5 (FINANCIAL INVESTMENT AND ADVISORY  
17 COMMITTEE); AMENDING CHAPTER 121 TO CREATE A  
18 NEW PART 6 (ETHICS, FIDUCIARY RESPONSIBILITIES  
19 AND BEST PRACTICES); AMENDING ARTICLE 22  
20 (JACKSONVILLE POLICE AND FIRE PENSION BOARD OF  
21 TRUSTEES) OF THE CHARTER OF THE CITY OF  
22 JACKSONVILLE; APPROVING THE 2014 RETIREMENT  
23 REFORM AGREEMENT; ATTACHING THE REQUIRED  
24 ACTUARIAL IMPACT STATEMENT; PROVIDING AN  
25 EFFECTIVE DATE.

26  
27 **WHEREAS**, the consolidated City of Jacksonville (the "City") has  
28 both a Jacksonville Sheriff's Office and a Jacksonville Fire/Rescue  
29 Department and seeks to ~~offer and~~ continue to offer a retirement  
30 Plan to law enforcement officers and firefighters that will provide  
31 appropriate benefits and be financially stable; and

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

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

10       **WHEREAS**, the Jacksonville Association of Firefighters (Local  
11 122, International Association of Firefighters), which is the  
12 collective bargaining agent for all firefighters and their ranked  
13 superiors, and Fraternal Order of Police Lodge 5-30, which is the  
14 collective bargaining agent for all law enforcement officers and  
15 their ranked superiors, hereinafter referred to as the "Unions",  
16 are bargaining units certified in accordance with Florida law that  
17 presented waivers as to their right to collective bargaining on  
18 pension benefits; and

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

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

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

31       **WHEREAS**, the Parties represent that they will in good faith,

1 present and support the terms of the 2014 Pension Reform Agreement  
2 (**attached hereto as Exhibit 1**) to their respective elected and/or  
3 appointed officials and use their best efforts to obtain the  
4 approval of said officials necessary for the implementation of the  
5 2014 Pension Reform Agreement; and

6 **WHEREAS**, the Agreement and adoption of the ordinances  
7 suggested therein will save the City of Jacksonville taxpayers  
8 ~~\$1.83 billion over the next 35 years~~ at least \$1.5 billion over the  
9 next 35 years; and

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

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

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

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

28 **WHEREAS**, upon the approval of the Agreement by both the  
29 ~~JPFPE~~ Board and the City (inclusive of City Council and the Mayor),  
30 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 121.101(f), 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.**

~~October 1, 2014~~ January 1, 2015, the ~~JPFPE~~ Board

~~October 1, 2014~~ January 1, 2015

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

(e) Definitions of Membership Classes:

(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~~ January 1, 2015 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.

6



1 retired under the terms of the Plan.

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

5 (37) Beneficiary or Beneficiaries: Are (i) with respect to  
6 Group I Members, former active Group I Members who have completed  
7 five or more years of credited service as active members and have  
8 either (1) vested their service for deferred retirement (Inactive  
9 Beneficiary) or (2) have met time and service requirements for  
10 retirement, or are retired as totally and permanently disabled  
11 while an active member, or anyone receiving benefits as a surviving  
12 spouse or minor child of a member (Active Beneficiary); or (ii)  
13 with respect to Group II Members, former active Group II Members  
14 who have completed ten or more years of credited service as active  
15 members and have either (1) vested their service for retirement or  
16 (2) have met time and service requirements for retirement, or are  
17 retired as totally and permanently disabled while an active member,  
18 or anyone receiving benefits as a surviving spouse or minor child  
19 of a member (Active Beneficiary). In the case of the distribution  
20 of DROP benefits for Group I Members, the estate of the Qualified  
21 Member or former Qualified Member may also be considered to be a  
22 beneficiary in the event that there is no surviving spouse.

23 \* \* \*

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

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

28 (a) Salary Deductions.

29 (1) Group I Members. A deduction of ~~seven~~ eight percent  
30 per annum, plus an additional two percent subject to the conditions  
31 described within (i) and (ii) below, from all salaries (base

1 salary, longevity, City college incentive, enhanced certification  
2 pay, emergency operation and hazardous duty pay; shift  
3 differential, and "upgrade" pay; and excluding all overtime, state  
4 incentive pay, reimbursed expenses and allowances such as  
5 cleaning/clothes allowances, and payments for unused accrued time),  
6 of all ~~members of the Police and Fire Departments participating in~~  
7 ~~this fund, or who will become members hereafter~~ Group I Members, to  
8 be deducted in installments from each periodical paycheck of each  
9 ~~of these members~~ Group I Member., together with a sum equal to not  
10 less than the minimum recommended contribution in the most recent  
11 actuarial valuation of the fund expressed as a percent per annum of  
12 all salaries (as defined above) of all members of the Police and  
13 Fire Departments participating in this fund according to the amount  
14 thereof as set up in the current budget in each year hereafter,  
15 together with such additional sums as may be necessary to  
16 administer this fund, which two latter amounts shall be designated  
17 by the Board and certified to the Council for each fiscal year, and  
18 the Council shall thereupon place the amount so designated in the  
19 budget for the succeeding year and levy a tax therefor, if  
20 necessary; except that the City may in good faith challenge the  
21 City contribution designated by the Board. In the event of such a  
22 challenge, the Board's actuary and City's actuary shall agree on an  
23 impartial third actuary who shall resolve all disputes between the  
24 actuaries and whose decision shall be binding and final as between  
25 the Board and the City. The foregoing eight percent deduction shall  
26 be increased by two percent as follows:

27 (i) For Fire Members: On October 1, 2010, fire Members  
28 received a general wage reduction of two percent. (See Agreement  
29 Between the City of Jacksonville and the International Association  
30 of Firefighters Local 122, October 1, 2009 through September 30,  
31 2012.) In the first pay period, after ~~October 1, 2014~~ January 1,

2015, 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~~ January 1, 2015, 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.

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

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

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

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

12        (~~ef~~) The application of the employer pick up provisions of  
13 section 414(h)(2) of the Internal Revenue Code, as described above  
14 in 121.113(~~de~~) shall also extend to elective contributions made by  
15 payroll deduction installment payments for the purpose of securing  
16 service credit for prior service or additional service. As used  
17 herein, "elective contributions" shall include contributions  
18 initiated under conditions wherein, (i) a member is eligible to  
19 purchase credit for prior service under 121.107, ~~or~~ for (ii) a former  
20 member who received a refund of contributions previously made to  
21 the fund who was subsequently rehired and again becomes a member  
22 and elects to repurchase such prior broken service under 121.107,  
23 or (iii) a member who is eligible to purchase service as a police  
24 officer or firefighter within the State of Florida under  
25 121.107(d), or (iv) a member who is eligible to purchase additional  
26 permissive service credit for wartime military service under  
27 121.208. However, direct payments made by the member for elective  
28 contributions shall not qualify under the pick-up provisions. In  
29 order to qualify for pre-tax treatment under Section 414(h)(2),  
30 elective contributions paid via payroll deduction installment  
31 payments must be made pursuant to the completion of a binding

1 irrevocable payroll authorization executed by the member. Such  
2 employee contributions made through payroll deduction will be  
3 picked up and paid by the City with the member having no option of  
4 receiving such picked up amounts directly instead of having such  
5 amounts contributed to the fund. The payroll deduction  
6 authorization will state the number of pay periods during which the  
7 deduction(s) will be made, the dollar amount of the deduction(s),  
8 and that the plan will not accept direct payments from the member  
9 while the payroll deduction is in effect.

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

18 **Sec. 121.114. Unfunded Actuarial Liability; Mutual**  
19 **Contributions; Florida Premium Tax Dollars.**

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

25 (b) The ~~JPPFB~~ Board will transfer the balances in the Enhanced  
26 Benefits Account and the City Stabilization Account (currently  
27 approximately \$61 millionAs of October 1, 2015, \$60,915,907.00  
28 total) to the City for the benefit of the Plan. This payment shall  
29 be made on January 1, 2015.

30 (c) Subject to appropriations, beginning with fiscal year  
31 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 2020-21, ~~JPPFB~~ Board 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.) The first payment pursuant to this section shall be made on January 1, 2015. All subsequent payments shall be made on January 1st of each subsequent year until the obligations of this section have been met.

(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 than 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 ~~JPPFB~~ Board pro rata amount ~~due~~ paid the previous year under subsection (e) (1).

(3) In a year fiscal year where the ~~JPPFB~~ Board'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

1 established in Section 121.115 or (iii) pay the holiday bonus.  
2 (As used herein, "holiday bonus" refers to the annual  
3 discretionary Chapter 175/185 Fund bonus payment identified in  
4 City Ordinance 2006-508-E.) The share plan created herein will  
5 be governed by the rules and regulation in Section 121.115. The  
6 share plan will remain unfunded until the requirements outlined  
7 in this section have been met.

8 (4) After the 2023-24 fiscal year, the Board may use  
9 the Florida Premium Tax Dollars to either: (i) pay down the  
10 unfunded liability as a voluntary contribution or (ii) fund a  
11 share plan as established in Section 121.115 or (iii) pay the  
12 holiday bonus. (As used herein, "holiday bonus" refers to the  
13 annual discretionary Chapter 75/185 Fund bonus payment identified  
14 in City Ordinance 2006-508-E.)

15 (f) Each year, upon receipt of the Duval County Property  
16 Appraiser's initial ad valorem revenue estimate (currently June,  
17 1), the ~~Chief Financial Officer shall convene and be a member of an~~  
18 Mayor shall appoint an Unfunded Liability Payment Committee (the  
19 "Committee"), which ~~shall include (1) the Council Auditor; (2) the~~  
20 ~~Chief Administrative Officer; (3) the Treasurer; (4) the Budget~~  
21 ~~Officer; (5) the JEA Jacksonville Electric Authority Chief Financial~~  
22 ~~Officer; and (6) the chairman of the Jacksonville Retirement~~  
23 ~~Reform Task Force, or at his discretion or inability to serve, the~~  
24 ~~chairman of the Task Force Plan Funding Subcommittee. If neither~~  
25 ~~is willing or able to serve, the Mayor shall appoint another member~~  
26 ~~of the Jacksonville Retirement Task Force.~~ consists of the Chief  
27 Financial Officer, the Chair of the Taxation, Revenue, &  
28 Utilization Expenditures (TRUE) Commission, and a previous member  
29 of the former Jacksonville Retirement Reform Task Force. The Chief  
30 Financial Officer shall serve as Chair of the Committee.

31 (g) These persons shall review available, appropriate and



1 potential revenues and cost savings sufficient to provide the  
2 City's contribution set forth in this section, including but not  
3 limited to the sources cited in the Jacksonville Retirement Reform  
4 Task Force Final Report; innovative cost savings; incremental  
5 growth in available revenues, such as ad valorem taxes and state  
6 shared revenues; sale of City-owned real estate; JEA revenue  
7 sharing; and other appropriate sources. The Committee is encouraged  
8 to seek input from other City officials and leaders regarding  
9 possible funding sources. No later than June 2030 of each year,  
10 the Committee shall make a funding source(s) recommendation to the  
11 Mayor and Council President for their consideration in proposing  
12 and adopting the City budget for the following fiscal year.

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

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

30 (a) *Supplemental share plan retirement benefit.* A supplemental  
31 share plan retirement benefit ("Share Plan") is hereby created. The

1 Share Plan shall consist of an individual share account for each  
2 active police officer or firefighter ("Participant") on or after  
3 the effective date hereof. The sole source of funds for the Share  
4 Plan shall be Florida Premium Tax Dollars (i.e., Chapter 175/185  
5 Funds) distributed pursuant to Section 121.114. The Jacksonville  
6 Police and Fire Pension Fund Board of Trustees may deposit into the  
7 Share Plan only those monies identified in Section  
8 121.114(e) (3) (ii) and only when in conformance with the  
9 requirements of Section 121.114(d) and (e). The Share Plan shall  
10 remain dormant until such time as the Board makes its first deposit  
11 pursuant to Section 121.114(e) (3) (ii).

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

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

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

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

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

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

8 (b) Investments in hedge funds are prohibited.

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

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

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

25 (2) "Alternative investment vehicle" means the limited  
26 partnership, limited liability company, or similar legal structure  
27 or investment manager through which the board invests in a  
28 portfolio company.

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

1 such corporation or other issuer.

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

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

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

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

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

1 section.

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

12 ~~(c) The Board of Trustees' current Senior Staff Pension Plan~~  
13 ~~will be frozen as of the close of the pay period immediately~~  
14 ~~preceding August 15, 2014, and following that date no further~~  
15 ~~benefits will accrue under the Senior Staff Pension Plan.~~  
16 ~~Participants in the current Senior Staff Pension Plan will receive~~  
17 ~~the plan benefits after closure of the Plan, and following their~~  
18 ~~employment termination, as if they had been enrolled in the FRS~~  
19 ~~Special Risk Plan, unless the Board sets a lesser benefit level.~~  
20 As of the effective date of this legislation, the Board's Senior  
21 Staff Pension Plan (the "Plan") is closed and frozen. No additional  
22 participants shall join the Plan and no further benefits shall  
23 accrue under the Plan. Following closure of the Plan and  
24 employment termination, current Plan participants shall receive the  
25 plan benefits in a manner comparable to plan benefits as if they  
26 had been enrolled in the FRS Special Risk Plan, unless the Board  
27 sets a lesser benefit level.

28 **Section 121.118. Use of General Counsel.** The parties agree  
29 that while the Charter gives the JPFF Board the authority to employ  
30 separate legal counsel, the City's Office of General Counsel (the  
31 "OGC") is the proper source for legal representation on routine

1 matters (e.g., open records, public meetings, and other ordinary  
2 legal issues). The parties acknowledge and agree that separate  
3 counsel is and will be necessary regarding investments, pension  
4 and/or retirement related matters. The JPEPF Board and the OGC shall  
5 consult on needs for separate counsel for other specific purposes.  
6 The parties agree that the current legal counsel structure and fees  
7 is reasonable and appropriate. In the event that parties should in  
8 the future be unable to agree regarding the selection or use of  
9 separate legal counsel nothing contained in this provision is  
10 intended to be nor should be construed as a waiver of any rights  
11 either party may otherwise have under the Charter or Florida Law.

12 **Section 2. Part 2, Chapter 121 Amended; Section 121.201**  
13 **Amended; Sections 121.201A and 121.201B Created; Sections 121.204,**  
14 **121.206 and 121.209 Amended; Section 121.211 Created.** Part 2,  
15 Chapter 121, *Ordinance Code*, is hereby amended; Section 121.201,  
16 *Ordinance Code*, is hereby amended; Sections 121.201A and 121.201B,  
17 *Ordinance Code*, are hereby created; Sections 121.204, 121.206 and  
18 121.209, *Ordinance Code*, are amended; and Section 121.211,  
19 *Ordinance Code*, is hereby created; to read as follows:

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

21 **PART 2. PENSION BENEFITS**

22 **\*\*\***

23 **Sec. 121.201. Retirement benefits.**

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

28 ~~(a) Time service retirement. Members shall be entitled to a time~~  
29 ~~service retirement benefit equal to a maximum of 80 percent of the~~  
30 ~~average salary (as defined in Section 121.113 (a)) received by the~~  
31 ~~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~~



1 preceding the time of disability retirement as those members of his  
2 pension plan who retire on time service retirement. Any member who  
3 elects to retire under a disability pension as provided in this  
4 Section shall be required to meet the same requirements for a  
5 disability pension as are required for any other member of the  
6 respective fund requesting a disability retirement. The Board shall  
7 establish the effective date on which the disability benefit shall  
8 commence.

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

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

23 (c) Vested retirement benefits.

24 (1) Members who terminate employment on or after the effective date  
25 of this Ordinance with five or more years of credited service and  
26 are not otherwise eligible to retire, are eligible to receive  
27 either a deferred retirement benefit of three percent of the  
28 average salary received by the member for the 52 pay periods  
29 immediately preceding the date of vesting, for each year of  
30 credited service prior to the date of vesting, to commence on the  
31 date the member would have been eligible to receive minimum time

1 ~~service benefits or be paid a refund of 100 percent of member~~  
2 ~~contributions to the Plan without interest. Within 30 days of a~~  
3 ~~member leaving the payroll prior to normal service retirement, the~~  
4 ~~member must make the election in writing to either vest or the~~  
5 ~~refund will be issued automatically. Acceptance of the refund of~~  
6 ~~employee contributions constitutes an irrevocable waiver of all~~  
7 ~~rights to benefits from the Plan.~~

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

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

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

20 ~~(1) A Cost of Living Adjustment (COLA) based on each prior annual~~  
21 ~~benefit amount actually received (exclusive of onetime bonuses or~~  
22 ~~adjustments) shall be provided for retirees and survivors.~~  
23 ~~Beginning with the first bi-weekly pay period after January 1,~~  
24 ~~2007, and for the first bi-weekly pay period after each succeeding~~  
25 ~~January 1, the recipient shall be granted a COLA in the amount of~~  
26 ~~three (3) percent.~~

27 ~~(2) In addition to the COLA, a minimum adjustment supplement of~~  
28 ~~five (5) dollars per month for each year of actual credited service~~  
29 ~~of the participant used to compute the pension benefit shall be~~  
30 ~~provided for current and future retirees and their survivors, and~~  
31 ~~it shall be paid beginning with the first full biweekly pay period~~

1 after October 1, 2003, and continuously thereafter; provided  
2 however that such supplement shall be no less than twenty-five (25)  
3 dollars nor more than one hundred and fifty (150) dollars per  
4 month. The adjustment supplement described herein shall be based  
5 upon the member's actual years of service rather than imputed years  
6 of service, which is used for purposes of calculating pension  
7 benefits under the disability retirement provisions of section  
8 121.201(b) and the surviving spouse provision of section  
9 121.204(a), and becomes operative in the event of the disability or  
10 death of a member, respectively. The Mayor shall annually, each  
11 January, evaluate the annual cost of the foregoing adjustment  
12 supplement by comparing it to the City's annual cost to provide  
13 single employee group health insurance. In the event that the  
14 City's cost to provide such health insurance per employee is less  
15 than the amount of such supplement per retiree, then the supplement  
16 shall be reduced to the amount of the insurance cost.

17 (e) Deferred Retirement Option Program (DROP). A member eligible  
18 to receive normal retirement benefits as provided in Section  
19 121.201 (a), may remain in the employment of the City until the  
20 elected termination date by electing to participate in the DROP, as  
21 provided in Section 121.209, deferring the receipt of such  
22 retirement benefits for a maximum of 130 full bi-weekly pay periods  
23 (60 months) from the date of participation in the Deferred  
24 Retirement Option Program.

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

30 (g) Annual Compensation Limit. Section 401(a)(17) of the Internal  
31 Revenue Code establishes an annual compensation limit for each

1 employee under a qualified plan. The provisions of Code Section  
2 401(a)(17) are further described pursuant to Treasury Regulations  
3 Section 1.401(a)(17)-1. The Police and Fire Pension Plan  
4 incorporates by reference the annual compensation limit described  
5 under Section 401(a)(17) and Treasury Regulations Section  
6 1.401(a)(17)-1. Accordingly, the Plan acknowledges that the  
7 compensation taken into account for any Member of the Plan in  
8 determining plan allocations or benefit accruals for the plan is  
9 limited to the annual compensation limit as described in Internal  
10 Revenue Code Section 401(a)(17) and the Treasury Regulations  
11 related thereto. The Plan additionally elects to avail itself of  
12 the transition rule for governmental plans as described in Treasury  
13 Regulation Section 1.401(a)(17)-1(d)(4)(ii) which provides that  
14 'eligible participants', as such term is used in the regulations,  
15 will not be affected by the revised limit per the 1993 OBRA and  
16 accordingly such 'eligible participants' may have their  
17 contributions and benefits computed by using compensation of more  
18 than \$150,000.00 (as adjusted), so long as it does not exceed the  
19 limit in effect on July 1, 1993. All other plan participants ('non-  
20 eligible participants') shall be subject to the revised limits for  
21 plan years beginning after December 31, 1995.

22 (h) Requirements that Actuarial Assumptions be specified. Section  
23 401(a)(25) of the Internal Revenue Code provides that whenever the  
24 amount of any benefit is to be determined on the basis of actuarial  
25 assumptions, such assumptions are specified in the plan in a way  
26 which precludes employer discretion. The provisions of Code  
27 Section 401(a)(25) and the linkage between the proper use of  
28 actuarial assumptions and the conclusion that the plan is  
29 established and maintained primarily to provide systematically for  
30 the payment of 'definitely determinable benefits' to employees, is  
31 further described pursuant to Treasury Regulations Section 1.401-

1 ~~1(b)(1)(i). The Police and Fire Pension Plan incorporates by~~  
2 ~~reference the requirements that actuarial assumptions be specified~~  
3 ~~as described under Code Section 401(a)(25) and Treasury Regulations~~  
4 ~~Section 1.401-1(b)(1)(i).~~

5 ~~(i) Required distributions. Distributions from the Plan will be~~  
6 ~~made in accordance with the requirements of the regulations under~~  
7 ~~Internal Revenue Code Section 401(a)(9) and that any provisions in~~  
8 ~~the Plan that are contradictory to the distribution requirements~~  
9 ~~shall be overridden. In accordance therewith, distributions to~~  
10 ~~participants must commence by the later of April 1 of the calendar~~  
11 ~~year following the calendar year in which the employee attains the~~  
12 ~~age of 70 ½, or April 1 of the calendar year following the calendar~~  
13 ~~year in which the employee retires. In addition to meeting the~~  
14 ~~minimum distribution amount, the distribution must also meet the~~  
15 ~~incidental benefit requirements of Internal Revenue Code Section~~  
16 ~~401(a)(9)(g) and Proposed Regulations Sections 1.401(a)(9)-1 and~~  
17 ~~1.401(a)(9)-2.~~

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

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

22 (a) Time service retirement.

23 (1) For members with 10 or more years of service as of  
24 ~~October 1, 2014~~ January 1, 2015, those Members shall be entitled to  
25 a time service retirement benefit equal to a maximum of 80 percent  
26 of the average salary (as defined in Section 121.113 (a)(1))  
27 received by the member for the 52 pay periods immediately preceding  
28 the time of retirement, upon the completion of 30 years of credited  
29 service. For each year prior to the thirtieth year of service that  
30 a member retires, the 80 percent retirement benefit shall be  
31 reduced by two percent, of the average salary (as defined in

1 Section 121.113 (a)(1)) received by the member for the 52 pay  
2 periods immediately preceding the time of retirement, with the  
3 minimum normal retirement benefit being 60 percent after completion  
4 of 20 years of credited service.

5 (2) For ~~members~~~~employees~~ with fewer than 10 years of service  
6 as of January 1, 2015, those Members shall be entitled to a time  
7 service retirement benefit equal to a maximum of 80 percent of the  
8 average salary (as defined in Section 121.113 (a)(1)) received by  
9 the member for the 104 pay periods immediately preceding the time  
10 of retirement, upon the completion of 30 years of credited service.  
11 For each year prior to the thirtieth year of service that a member  
12 retires, the 80 percent retirement benefit shall be reduced by two  
13 percent, of the average salary (as defined in Section 121.113  
14 (a)(1)) received by the member for the 104 pay periods immediately  
15 preceding the time of retirement, with the minimum normal  
16 retirement benefit being 60 percent after completion of 20 years of  
17 credited service. However, in no event shall the average salary be  
18 less than it would have been using the 52 pay periods ending on  
19 ~~October 1, 2014~~January 1, 2015.

20 (b) Disability retirement.

21 (1) A Group I member, who prior to reaching the minimum normal  
22 retirement becomes permanently and totally disabled from useful and  
23 efficient service as a police officer or firefighter, as  
24 established by competent medical evidence, shall be entitled to a  
25 disability retirement. The disability retirement benefit for  
26 members with 10 years of service as of January 1, 2015 shall be  
27 equal to 60 percent of the average salary received by the member  
28 for the 52 pay periods immediately preceding the time of disability  
29 retirement. The disability retirement benefit for members with  
30 fewer than 10 years of service as of January 1, 2015 shall be equal  
31 to 60 percent of the average salary received by the member for the

1 104 pay periods immediately preceding the time of disability  
2 retirement. However, in no event shall the average salary be less  
3 than it would have been using the 52 pay periods ending on January  
4 1, 2015. The Board shall establish the effective date on which the  
5 disability benefit shall commence. The Board shall, by rule,  
6 establish procedures for the examination of applicants for  
7 disability retirement, for the conduct of disability retirement  
8 hearings, for review of said hearings by a court of competent  
9 jurisdiction, and reexamination of retirees on disability pension.  
10 In the event the application for a disability pension is denied by  
11 the Board, then a new application for the same disability cannot be  
12 filed by the member within six months of the denial.

13 (2) For Group I members with 10 or more years of service as of  
14 January 1, 2015, ~~A Group I member of the pension funds created by~~  
15 ~~these acts~~ who have been in the service of the City for a period  
16 of time equal to the minimum time necessary for time service  
17 retirement or more and becomes permanently and totally disabled  
18 from useful and efficient service shall be entitled to the same  
19 rate of pension benefit calculation of the average salary (as  
20 defined in Section 121.113 (a)(1)) received by the member for the  
21 52 pay periods immediately preceding the time of disability  
22 retirement as those members of his pension plan who retire on time  
23 service retirement. For Group I members with fewer than 10 years of  
24 service as of January 1, 2015, who have been in the service of the  
25 City for a period of time equal to the minimum time necessary for  
26 time service retirement or more and become permanently and totally  
27 disabled from useful and efficient service shall be entitled to the  
28 same rate of pension benefit calculation of the average salary (as  
29 defined in Section 121.113 (a)(1)) received by the member for the  
30 104 pay periods immediately preceding the time of disability  
31 retirement as those members of his pension plan who retire on time

1 service retirement. However, in no event shall the average salary  
2 be less than it would have been using the 52 pay periods ending on  
3 January 1, 2015.

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

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

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

23 (c) Vested retirement benefits.

24 (1) For Group I members with 10 or more years of service as of  
25 January 1, 2015, Members who terminate employment on or after the  
26 effective date of this Ordinance with five or more years of  
27 credited service and are not otherwise eligible to retire, are  
28 eligible to receive either a deferred retirement benefit of three  
29 percent of the average salary received by the member for the 52 pay  
30 periods immediately preceding the date of vesting, for each year of  
31 credited service prior to the date of vesting, to commence on the



1 date the member would have been eligible to receive minimum time  
2 service benefits or be paid a refund of 100 percent of member  
3 contributions to the Plan without interest. For Group I members  
4 with fewer than 10 years of service as of January 1, 2015, who  
5 terminate employment on or after the effective date of this  
6 Ordinance with five or more years of credited service and are not  
7 otherwise eligible to retire, are eligible to receive either a  
8 deferred retirement benefit of three percent of the average salary  
9 received by the member for the 104 pay periods immediately  
10 preceding the date of vesting, for each year of credited service  
11 prior to the date of vesting, to commence on the date the member  
12 would have been eligible to receive minimum time service benefits  
13 or be paid a refund of 100 percent of member contributions to the  
14 Plan without interest. However, in no event shall the average  
15 salary be less than it would have been using the 52 pay periods  
16 ending on January 1, 2015. Within 30 days of a member leaving the  
17 payroll prior to normal service retirement, the member must make  
18 the election in writing to either vest or the refund will be issued  
19 automatically. Acceptance of the refund of employee contributions  
20 constitutes an irrevocable waiver of all rights to benefits from  
21 the Plan.

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

30 (3) Members who are entitled to receive vested retirement benefits  
31 are not eligible to qualify for potential enhancements pursuant to

1 the minimum monthly pension provisions of section 121.301.

2 (d) Cost of Living Adjustments.

3 (1) A Cost of Living Adjustment (COLA) based on each prior annual  
4 benefit amount actually received (exclusive of onetime bonuses or  
5 adjustments) shall be provided for retirees and survivors.  
6 Beginning with the first bi-weekly pay period in the first January  
7 after commencement of benefit and retirement in each subsequent  
8 first bi-weekly pay period in January, the recipient shall be  
9 granted a COLA in the amount of three percent.

10 (2) In addition to the COLA, a minimum adjustment supplement of  
11 five (5) dollars per month for each year of actual credited service  
12 of the participant used to compute the pension benefit shall be  
13 provided for current and future retirees and their survivors, and  
14 it shall be paid beginning with the first full biweekly pay period  
15 after October 1, 2003, and continuously thereafter; provided  
16 however that such supplement shall be no less than twenty-five (25)  
17 dollars nor more than one hundred and fifty (150) dollars per  
18 month. The adjustment supplement described herein shall be based  
19 upon the member's actual years of service rather than imputed years  
20 of service, which is used for purposes of calculating pension  
21 benefits under the disability retirement provisions of section  
22 121.201A (b) and the surviving spouse provision of section  
23 121.204(a)(1), and becomes operative in the event of the disability  
24 or death of a member, respectively. The Mayor shall annually, each  
25 January, evaluate the annual cost of the foregoing adjustment  
26 supplement by comparing it to the City's annual cost to provide  
27 single employee group health insurance. In the event that the  
28 City's cost to provide such health insurance per employee is less  
29 than the amount of such supplement per retiree, then the supplement  
30 shall be reduced to the amount of the insurance cost.

31 (e) Deferred Retirement Option Program (DROP). A member eligible

1 to receive normal retirement benefits as provided in Section  
2 121.201A (a), may remain in the employment of the City until the  
3 elected termination date by electing to participate in the DROP, as  
4 provided in Section 121.209, deferring the receipt of such  
5 retirement benefits for a maximum of 130 full bi-weekly pay periods  
6 (60 months) from the date of participation in the Deferred  
7 Retirement Option Program.

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

13 (g) Annual Compensation Limit. Section 401(a)(17) of the Internal  
14 Revenue Code establishes an annual compensation limit for each  
15 employee under a qualified plan. The provisions of Code Section  
16 401(a)(17) are further described pursuant to Treasury Regulations  
17 Section 1.401(a)(17)-1. The Police and Fire Pension Plan  
18 incorporates by reference the annual compensation limit described  
19 under Section 401 (a)(17) and Treasury Regulations Section  
20 1.401(a)(17)-1. Accordingly, the Plan acknowledges that the  
21 compensation taken into account for any Member of the Plan in  
22 determining plan allocations or benefit accruals for the plan is  
23 limited to the annual compensation limit as described in Internal  
24 Revenue Code Section 401(a)(17) and the Treasury Regulations  
25 related thereto. The Plan additionally elects to avail itself of  
26 the transition rule for governmental plans as described in Treasury  
27 Regulation Section 1.401(a)(17)-1(d)(4)(ii) which provides that  
28 'eligible participants', as such term is used in the regulations,  
29 will not be affected by the revised limit per the 1993 OBRA and  
30 accordingly such 'eligible participants' may have their  
31 contributions and benefits computed by using compensation of more

1 than \$150,000.00 (as adjusted), so long as it does not exceed the  
2 limit in effect on July 1, 1993. All other plan participants ('non-  
3 eligible participants') shall be subject to the revised limits for  
4 plan years beginning after December 31, 1995.

5 (h) Requirements that Actuarial Assumptions be specified. Section  
6 401(a)(25) of the Internal Revenue Code provides that whenever the  
7 amount of any benefit is to be determined on the basis of actuarial  
8 assumptions, such assumptions are specified in the plan in a way  
9 which precludes employer discretion. The provisions of Code  
10 Section 401(a)(25) and the linkage between the proper use of  
11 actuarial assumptions and the conclusion that the plan is  
12 established and maintained primarily to provide systematically for  
13 the payment of 'definitely determinable benefits' to employees, is  
14 further described pursuant to Treasury Regulations Section 1.401-  
15 1(b)(1)(i). The Police and Fire Pension Plan incorporates by  
16 reference the requirements that actuarial assumptions be specified  
17 as described under Code Section 401(a)(25) and Treasury Regulations  
18 Section 1.401-1(b)(1)(i).

19 (i) Required distributions. Distributions from the Plan will be  
20 made in accordance with the requirements of the regulations under  
21 Internal Revenue Code Section 401(a)(9) and that any provisions in  
22 the Plan that are contradictory to the distribution requirements  
23 shall be overridden. In accordance therewith, distributions to  
24 participants must commence by the later of April 1 of the calendar  
25 year following the calendar year in which the employee attains the  
26 age of 70 ½, or April 1 of the calendar year following the calendar  
27 year in which the employee retires. In addition to meeting the  
28 minimum distribution amount, the distribution must also meet the  
29 incidental benefit requirements of Internal Revenue Code Section  
30 401(a)(9)(g) and Proposed Regulations Sections 1.401(a)(9)-1 and  
31 1.401(a)(9)-2 if applicable.

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

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

5 (a) Time service retirement. Upon reaching 30 years of credited  
6 service, Group II Members shall be entitled to a time service  
7 retirement with a benefit equal to 2.5 percent of average salary  
8 multiplied by the number of years of credited service, but not  
9 exceeding a maximum of 75 percent of average salary. The term  
10 "average salary" as used in the foregoing sentence means the  
11 average "salaries" (as defined in Section 121.113(a)(2)) received  
12 by the Group II Member during the 130 bi-weekly pay periods  
13 immediately preceding the date of retirement. Notwithstanding the  
14 foregoing, the annual retirement benefit shall not exceed  
15 \$99,999.99, which amount shall be adjusted January 1 of each year  
16 beginning January 1, 2015<sup>6</sup>, by the most recent cost of living  
17 adjustment applicable to recipients of Social Security retirement  
18 benefits, as determined by the U.S. Social Security Administration  
19 each calendar year, but not exceeding 1.5 percent.

20 (b) Disability retirement.

21 (1) A Group II Member who, prior to reaching the minimum normal  
22 retirement eligibility of 30 years of credited service, becomes  
23 permanently and totally disabled from useful and efficient service  
24 as a police officer or firefighter, as established by competent  
25 medical evidence, shall be entitled to a disability retirement.  
26 The disability retirement benefit shall be equal to 50 percent of  
27 the average "salaries" (as defined in Section 121.113(a)(2))  
28 received by the Group II Member for the 130 pay periods immediately  
29 preceding the time of disability retirement. The Board shall  
30 establish the effective date on which the disability benefit shall  
31 commence. The Board shall, by rule, establish procedures for the

1 examination of applicants for disability retirement, for the  
2 conduct of disability retirement hearings, for review of said  
3 hearings by a court of competent jurisdiction, and reexamination of  
4 retirees on disability pension. In the event the application for a  
5 disability pension is denied by the Board, then a new application  
6 for the same disability cannot be filed by the Group II Member  
7 within six months of the denial.

8 (2) A Group II Member who has been in the service of the City for a  
9 period of time at least equal to the minimum time necessary for  
10 time service retirement and who becomes permanently and totally  
11 disabled from useful and efficient service, shall be entitled to  
12 the same pension calculation as a Group II Member who retires  
13 pursuant to a time service retirement as described in Section  
14 121.201B(a). Any Group II Member who elects to retire under a  
15 disability pension as provided in this Section shall be required to  
16 meet the same requirements for a disability pension as are required  
17 for any other Member of the Fund requesting a disability  
18 retirement.

19 (c) Vested retirement benefits.

20 (1) Group II Members who terminate employment with at least 10 but  
21 less than 25 years of credited service are eligible to receive a  
22 deferred retirement benefit of 2.0 percent of the average  
23 "salaries" (as defined in Section 121.113(a)(2)) received by the  
24 member during the 130 pay periods immediately preceding the date of  
25 separation vesting, for each year of credited service. If the  
26 vested member has less than 25 years of credited service at the  
27 time of separation, t  
28 alternative, and in lieu of any other benefit from the Fund, a  
29 vested member may elect to be paid a refund of 100 percent of  
30 member contributions to the Plan without interest. Within 30 days  
31 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. Early retirement benefits pursuant to this section will be calculated as follows:

Years of Service:		Rate:	Percentage of Final	
			Average Compensation:	
Accrual 25 years	@	2.50%	=	62.50%
Penalty 5 years	@	2.50%	=	12.50%

1	Total	=	50.00%	(Floor 52.50%)
2	Accrual 26 years	@	2.50%	= 65.00%
3	Penalty 4 years	@	2.50%	= 10.00%
4	Total	=	55.00%	
5	Accrual 27 years	@	2.50%	= 67.50%
6	Penalty 3 years	@	2.50%	= 7.50%
7	Total	=	60.00%	
8	Accrual 28 years	@	2.50%	= 70.00%
9	Penalty 2 years	@	2.50%	= 5.00%
10	Total	=	65.00%	
11	Accrual 29 years	@	2.50%	= 72.50%
12	Penalty 1 year	@	2.50%	= 2.50%
13	Total	=	70.00%	

(d) Cost of Living Adjustments. (1) 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 commencement of ~~benefit 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.

(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



1 however that such supplement shall be no less than twenty-five (25)  
2 dollars nor more than one hundred and fifty (150) dollars per  
3 month. The adjustment supplement described herein shall be based  
4 upon the member's actual years of service rather than imputed years  
5 of service, which is used for purposes of calculating pension  
6 benefits under the disability retirement provisions of section  
7 121.201A (b) and the surviving spouse provision of section  
8 121.204(a)(1), and becomes operative in the event of the disability  
9 or death of a member, respectively. The Mayor shall annually, each  
10 January, evaluate the annual cost of the foregoing adjustment  
11 supplement by comparing it to the City's annual cost to provide  
12 single employee group health insurance. In the event that the  
13 City's cost to provide such health insurance per employee is less  
14 than the amount of such supplement per retiree, then the supplement  
15 shall be reduced to the amount of the insurance cost.

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

21 (f) Annual Compensation Limit. Section 401(a)(17) of the Internal  
22 Revenue Code establishes an annual compensation limit for each  
23 employee under a qualified plan. The provisions of Code Section  
24 401(a)(17) are further described pursuant to Treasury Regulations  
25 Section 1.401(a)(17)-1. The Police and Fire Pension Plan  
26 incorporates by reference the annual compensation limit described  
27 under Section 401 (a)(17) and Treasury Regulations Section  
28 1.401(a)(17)-1. Accordingly, the Plan acknowledges that the  
29 compensation taken into account for any Member of the Plan in  
30 determining plan allocations or benefit accruals for the plan is  
31 limited to the annual compensation limit as described in Internal

1 Revenue Code Section 401(a)(17) and the Treasury Regulations  
2 related thereto. The Plan additionally elects to avail itself of  
3 the transition rule for governmental plans as described in Treasury  
4 Regulation Section 1.401(a)(17)-1(d)(4)(ii) which provides that  
5 'eligible participants', as such term is used in the regulations,  
6 will not be affected by the revised limit per the 1993 OBRA and  
7 accordingly such 'eligible participants' may have their  
8 contributions and benefits computed by using compensation of more  
9 than \$150,000.00 (as adjusted), so long as it does not exceed the  
10 limit in effect on July 1, 1993. All other plan participants ('non-  
11 eligible participants') shall be subject to the revised limits for  
12 plan years beginning after December 31, 1995.

13 (g) Requirements that Actuarial Assumptions be specified. Section  
14 401(a)(25) of the Internal Revenue Code provides that whenever the  
15 amount of any benefit is to be determined on the basis of actuarial  
16 assumptions, such assumptions are specified in the plan in a way  
17 which precludes employer discretion. The provisions of Code  
18 Section 401(a)(25) and the linkage between the proper use of  
19 actuarial assumptions and the conclusion that the plan is  
20 established and maintained primarily to provide systematically for  
21 the payment of 'definitely determinable benefits' to employees, is  
22 further described pursuant to Treasury Regulations Section 1.401-  
23 1(b)(1)(i). The Police and Fire Pension Plan incorporates by  
24 reference the requirements that actuarial assumptions be specified  
25 as described under Code Section 401(a)(25) and Treasury Regulations  
26 Section 1.401-1(b)(1)(i).

27 (h) Required distributions. Distributions from the Plan will be  
28 made in accordance with the requirements of the regulations under  
29 Internal Revenue Code Section 401(a)(9) and any provisions in the  
30 Plan that are contradictory to the distribution requirements shall  
31 be overridden. In accordance therewith, distributions to

1 participants must commence by the later of April 1 of the calendar  
2 year following the calendar year in which the employee attains the  
3 age of 70 ½, or April 1 of the calendar year following the calendar  
4 year in which the employee retires. In addition to meeting the  
5 minimum distribution amount, the distribution must also meet the  
6 incidental benefit requirements of Internal Revenue Code Section  
7 401(a)(9)(g) and Proposed Regulations Sections 1.401(a)(9)-1 and  
8 1.401(a)(9)-2.

9 \* \* \*

10 **Sec. 121.204 Surviving Spouse Benefits.**

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

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

16 (1) The following shall apply only to Group I Members' spouse  
17 benefits: Any ~~M~~member of the fund hereafter who shall be killed or  
18 die from effects of an injury or of any illness or disease and any  
19 such ~~M~~member so killed or dying shall have a spouse living with  
20 such ~~M~~member at time of death, the Board shall direct the payment  
21 from the fund of the following sum to the surviving spouse, 75  
22 percent of the pension benefit the deceased ~~M~~member would be  
23 entitled to receive, had the ~~M~~member completed 20 years of credited  
24 service ~~(60 percent of the average salary as defined in Section~~  
25 ~~121.113(a) received by the member for the 52 pay periods~~  
26 ~~immediately preceding the time of death)~~ and survived to receive  
27 such pension. If a deceased ~~M~~member served in excess of 20 years,  
28 the 75 percent of the pension benefit shall be based upon the  
29 actual years of service. In applying the provisions of this  
30 Section, the adjustment supplement described in 121.201A(d)(2) that  
31 is calculated for the benefit of the surviving spouse of a Group I

1 Member shall be based upon the actual years of credited service,  
2 subject to the minimum and maximum provisions, rendered by the  
3 member rather than the assumed completion of 20 years of credited  
4 service otherwise acknowledged in this Section. The pension benefit  
5 as used herein shall be comprised of the base pension benefit as  
6 adjusted for the COLA, but exclusive of the adjustment supplement  
7 described in 121.201A(d)(2) which shall be 100 percent allocable to  
8 the surviving spouse.

9 (2) The following shall apply only to Group II Members' spouse  
10 benefits: A Member of the fund hereafter who shall be killed or  
11 die from effects of an injury or of any illness or disease and any  
12 such Member so killed or dying shall have a spouse living with  
13 such Member at time of death, the Board shall direct the payment  
14 from the fund of the following sum to the surviving spouse, 75  
15 percent of the pension benefit the deceased Member would be  
16 entitled to receive, had the Member completed 25~~25~~30 years of  
17 credited service, as defined in 121.201B(c)(4), and survived to  
18 receive such pension. If a deceased Member served in excess of  
19 25~~25~~30 years, the 75 percent of the pension benefit shall be based  
20 upon the actual years of service. The pension benefit as used  
21 herein shall be comprised of the base pension benefit as adjusted  
22 for the COLA, but exclusive of the adjustment supplement described  
23 in 121.201B(d)(2) which shall be 100 percent allocable to the  
24 surviving spouse.

25  
26 (b) If any such beneficiary of the fund shall hereafter be killed or  
27 die and any such member so killed or dying shall have a spouse living  
28 with such beneficiary at time of death, the Board shall direct the  
29 payment from the fund of the following sum to the surviving spouse, 75  
30 percent of the pension benefit the beneficiary was receiving. The  
31 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) for Group I Members and in 121.201B(d) (2) for Group II Members which shall be 100 percent allocable to the surviving spouse.

\* \* \*

(g) A spouse shall be deemed living with the Member if the Member or spouse is confined to a nursing or hospital facility at the time of the Member's death, provided that the Member was living with the spouse at the time of admission to the nursing or hospital facility.

\* \* \*

#### **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 Member'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

1 18 years, whether or not the child is a qualified student, or (ii)  
2 each child becomes married, whereupon the children's benefits  
3 described herein shall cease. If there is no surviving spouse, each  
4 child who is age 18 or over and who is a qualified student shall be  
5 entitled to the payment of a child's benefit of \$200 per month  
6 until (i) each child reaches age 22, or (ii) each child becomes  
7 married, whereupon the child's benefit described herein shall  
8 cease. In the event of multiple children causing the payment of a  
9 prorated benefit as each child no longer becomes eligible for the  
10 payment of children's benefits the remaining eligible children  
11 shall receive the greater of the benefits provided for in this  
12 Section up to the limits provided.

13 \* \* \*

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

16 This Section 121.209 applies only to Group I Members, and the term  
17 "Member" as used in this Section means "Group I Member". In  
18 general, and subject to the provisions of this Section, the  
19 Deferred Retirement Option Program, hereinafter referred to as the  
20 DROP, is a program under which an eligible ~~M~~member of the plan, may  
21 elect to participate, deferring receipt of normal retirement  
22 benefits while continuing employment with the City without loss of  
23 any other employee benefits. Upon an eligible ~~M~~member's election to  
24 participate in the DROP, the amount of credited service and final  
25 average salary becomes frozen for purposes of determining pension  
26 benefits. Additional service beyond the date of entry into the DROP  
27 shall no longer accrue any additional benefits under the Pension  
28 Fund. The deferred monthly retirement benefits under the DROP shall  
29 accrue in the fund on behalf of the participant, plus interest  
30 compounded monthly, as provided in subsection (c)(1) of this  
31 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.

(a) *Eligibility of member to participate in the DROP.* All members who are eligible to, may elect participation in the DROP, provided members comply administratively with the rules and regulations established by the board for the administration of the DROP.

(1) A member who is eligible to receive normal retirement benefits under Section 121.201A(a) may participate in the DROP providing the member elects to participate within the time limits contained in Section 121.209(b)(1).

\* \* \*

(b) *Participation in the DROP.*

\* \* \*

(2) Upon participation in the DROP, the member shall be deemed a "qualified member" as defined in Section 121.102(e)(62).

\* \* \*

(c) *Benefits payable under the DROP.*

(1) Effective with the date of DROP participation, the ~~Member's~~ initial normal retirement benefit, including creditable service and average compensation, as provided in Section 121.201A(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 121.201A(d), and interest, shall accrue monthly in the fund for the benefit of the DROP participant. As of January 6, 2015, for Members with 20 or more years of creditable service, such interest shall produce an annual rate of return of 8.40 percent. As of January 6, 2015, for Members with less than 20 years of creditable service, such interest shall accrue based on the

1 actual rate of return; provided however, that the minimum interest  
2 shall be 5.0 percent and the maximum interest shall be 10.00  
3 percent. Interest calculations shall be administered in accordance  
4 with rules prescribed by the board and interest distributions shall  
5 be credited using the 30-day month/360-day year method of  
6 calculation.

7 \* \* \*

8 (3) At the conclusion of the participant's DROP and termination of  
9 employment with the City, the Board shall distribute the  
10 participant's total accumulated DROP benefits, as soon as  
11 administratively practical, subject to the following provisions:

12 (i) The board shall receive written verification by the  
13 participant's employer that such participant has terminated  
14 employment as provided in subsection (b) (4) (ii) of this Section.

15 (ii) The terminated DROP participant or if deceased, such  
16 participant's surviving spouse or representative, shall elect on  
17 forms provided by the Board to receive payment of the DROP benefits  
18 in accordance with one of the options listed below. For a DROP  
19 participant who fails to elect a method of payment within 30 days  
20 of termination of the DROP, the Board will pay a lump sum as  
21 provided in subsection (a), below, as soon as administratively  
22 practical. For a surviving spouse of a current or former DROP  
23 participant who fails to elect a method of payment within 90 days  
24 of the date of death of the current or former DROP participant, the  
25 Board will pay a lump sum as provided in subsection a., below, as  
26 soon as administratively practical.

27 \* \* \*

28 d. Monthly distribution. The account balance shall be distributed  
29 in a monthly amount paid biweekly of substantially equal amounts,  
30 until the DROP account is depleted, over a stipulated number of bi-  
31 weekly periods to be selected by the participant or the surviving



1 spouse, less withholding taxes remitted to the Internal Revenue  
2 Service. Such selection once made, cannot be changed, unless  
3 changed to Option (a) or (b), above. The annual rate of interest to  
4 be factored into such distribution period shall be based on the  
5 actual rate of return; provided however, that the minimum interest  
6 shall be 5.0 percent and the maximum interest shall be 10.00~~8.4~~  
7 percent. Notwithstanding the foregoing, in the event that the  
8 participant selected a payout period over the participant's life  
9 expectancy or over the joint life expectancies of the participant  
10 and the participant's spouse in order to avoid the application of  
11 the ten percent additional tax on early distributions reflected in  
12 Section 72(t) of the Internal Revenue Code, such participant may  
13 shorten the number of biweekly payout periods originally selected  
14 by the participant, provided that the timing of such modification  
15 conforms to the standards described in Section 72(t)(4) of the  
16 Internal Revenue Code.

17 \* \* \*

18 (5) DROP participants shall not be eligible for the disability  
19 retirement benefits provided in Section 121.201A(b) of this  
20 Chapter.

21 \* \* \*

22 (e) Cost of living adjustment. On the first full biweekly pay  
23 period after April 1, 2000 or as soon as administratively practical  
24 thereafter, and for the first full biweekly pay period after each  
25 succeeding April 1st, the deferred retirement benefit may be  
26 increased, under the provisions of Section 121.201A(d)(1), if  
27 applicable.

28 (f) Health insurance subsidy. DROP participants are not eligible  
29 for the health insurance subsidy as provided in Section  
30 121.201A(d)(2) of this Chapter until termination of employment is  
31 effectuated.

\* \* \*

(i) *Contributions and deductions.*

(1) The employer contributions on the salary, as defined in Section 121.113(a) (1) of DROP participants shall be zero percent.

(2) A deduction of two percent per annum shall be made from all salaries (as defined in Section 121.113(a) (1)) of DROP participants as the contribution from the participant during the period of DROP participation, with such amount being credited to the Base Benefits Fund.

\* \* \*

**Sec. 121.211 BACKDROP for Group II Members.**

(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 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

1 applicable with BACKDROP benefits and a reduced time service  
2 benefit calculated as of the beginning of the BACKDROP Period as if  
3 the BACKDROP Participant had retired as of that date, but payable  
4 starting as of actual retirement at the end of the BACKDROP Period.

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

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

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

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

18 (i) The time service retirement benefits pursuant to Section  
19 121.201B the BACKDROP Participant Member would have received had  
20 the BACKDROP Participant actually retired at the commencement of  
21 the BACKDROP Period, and

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

25 (2) Upon retirement, the BACKDROP Participant thereafter shall be  
26 eligible to receive a reduced time service benefit determined as of  
27 the beginning of the BACKDROP period, as defined in Section  
28 121.211(eb) (1) (iii). Should the Member elect to use any year or  
29 partial year of service which occurred prior to reaching 30 years  
30 of credited service in their BACKDROP period, the retirement  
31 benefit otherwise calculated for those years will be reduced by two

percent of average salary as defined in Section 121.113(a)(2). The reduced time service benefit will be calculated as follows:

Number of years of Credited Service at Commencement of BACKDROP:	Retirement Benefit as a of Percentage of Average Salary as defined in Sec. 121.113(a)(2):
25 but less than 26	52.50%
26 but less than 27	57.00%
27 but less than 28	61.50%
28 but less than 29	66.00%
29 but less than 30	70.50%

(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

1 fiduciary responsibilities.

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

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

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

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

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

31 (c) With regard to the selection of other professionals or

1 professional services, including, but not limited to, actuaries,  
2 the Financial Investment and Advisory Committee shall furnish  
3 advice and recommendations to the Board as requested by the Board,  
4 following such processes as may be determined with respect to the  
5 particular selection.

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

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

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

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

26 (2) The Board may waive the prohibition in Subsection (c) (1) if,  
27 (a) such potential conflict is fully disclosed to the Board as well  
28 as the Financial Investment and Advisory Committee, and (b) only  
29 after the Financial Investment and Advisory Committee members who  
30 have no apparent conflict in the matter unanimously recommend  
31 waiver of the prohibition upon a finding that (i) the Police and

1 Fire Pension Fund will not be adversely impacted by such contract  
2 or services; and (ii) that the allowance of such contract or  
3 services together with service by the Financial Investment and  
4 Advisory Committee member is in the best interest of the Police and  
5 Fire Pension Fund. The waiver by the Board must be by unanimous  
6 vote and must contain a finding that (i) the Police and Fire  
7 Pension Fund will not be adversely impacted by such contract or  
8 services; and (ii) that the allowance of such contract or services  
9 together with service by the Financial Investment and Advisory  
10 Committee member is in the best interest of the Police and Fire  
11 Pension Fund.

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

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

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

18  
19 **Section 4. Part 6, Chapter 121 Created.** Part 6, Ethics, Fiduciary  
20 Responsibilities and Best Practices, Chapter 121, Ordinance Code,  
21 is hereby created to read as follows:

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

23 **\* \* \***

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

25  
26 **Section 121.601. Police and Fire Pension Fund Board of Trustees;**  
27 **Fiduciary Responsibilities; Improper Business Relationships.**

28 (a) Police and Fire Pension Fund Board of Trustees members shall be  
29 deemed to be fiduciaries of the Police and Fire Pension Fund. Each  
30 member individually and the Board of Trustees as a whole shall be  
31 required to undergo periodically any and all fiduciary and ethical



1 training required by the Board or by ordinance.

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

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

12 (2) The Board may waive the prohibition in Subsection (c) (1) if,  
13 (a) such potential conflict is fully disclosed to the Board and (b)  
14 the Board, by unanimous vote, finds that (i) the Police and Fire  
15 Pension Fund will not be adversely impacted by such contract or  
16 services; and (ii) that the allowance of such contract or services  
17 together with service by the Board of Trustees member is in the  
18 best interest of the Police and Fire Pension Fund.

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

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

26 (a) The Police and Fire Pension Fund Board of Trustees shall have  
27 the duty to have an annual actuarial valuation of the Police and  
28 Fire Pension Fund performed by the Board of Trustee's actuary.  
29 This valuation shall be performed as of October 1 of each year. The  
30 annual actuarial valuations shall be completed and delivered as  
31 expeditiously as possible to the Board, the Financial Investment

1 and Advisory Committee, the City's Director of Finance and to the  
2 City Council Auditor promptly upon completion but, in any event,  
3 the Board of Trustees shall have the valuation analyses and reports  
4 completed and delivered no later than 120 days after October 1. The  
5 120-day deadline set forth herein is conditioned upon the City  
6 promptly responding to reasonable requests made by the Board of  
7 Trustees to the City for information necessary for the preparation  
8 of such valuations.

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

12 (1) Annual actuarially required contributions  
13 calculations based on most recent actuarial assumptions;

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

17 (3) The latest "experience studies" prepared by the  
18 JPEPF's Board's actuary;

19 (4) Consistency in actuarial methods;

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

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

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

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

1 the greater of 5.4% or an assumed discount rate that is 200 basis  
2 points less than the Fund's assumed rate of return.

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

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

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

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

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

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

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

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

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

1 clients to the detriment of the Fund;

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

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

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

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

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

31 (1) Any known circumstances or situations that a prudent

1 person could expect to create an actual or potential conflict of  
2 interest, including specifically (i) any material interests in or  
3 with financial institutions with which officers and employees  
4 conduct business on behalf of the Police and Fire Pension Fund, and  
5 (ii) any personal financial or investment positions of the  
6 investment manager of advisor that could be related to the  
7 performance of an investment program of the Police and Fire Pension  
8 Fund over which the investment advisor or manager has discretionary  
9 investment authority on behalf of the Police and Fire Pension Fund;  
10 and

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

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

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

23 \* \* \*

24 **Section 22.02. - Membership.**

25 (a) The membership of the Jacksonville Police and Fire Pension  
26 Board of Trustees shall consist of five members, of whom two shall  
27 be legal residents of the City of Jacksonville appointed by the  
28 city council; one shall be a police officer elected by a majority  
29 vote of the police officers who are members of the pension fund,  
30 and one shall be a firefighter elected by a majority of the  
31 firefighters who are members of the pension fund, and the last

1 shall be chosen by a majority of the previous four members. The  
2 fifth member's name shall be submitted to the City Council, which  
3 shall, as a ministerial act, appoint such person as the fifth  
4 member of the board. Effective for all new appointments after July  
5 1, 2005, each resident member shall serve as a trustee for a period  
6 of 4 years, unless sooner replaced by the City Council at whose  
7 pleasure he or she shall serve, and may succeed himself or herself  
8 as a trustee. Effective for all elections after July 1, 2005, the  
9 police officer and firefighter members shall serve as trustees for  
10 a period of 4 years, unless they shall sooner leave the employment  
11 of the city as a police officer or firefighter, whereupon the class  
12 of employees whose elected representative has left office shall  
13 elect a successor to fill the unexpired term of office as provided  
14 for in this section. Each employee member may succeed himself or  
15 herself in office. Members shall continue to serve until their  
16 respective successors are appointed, elected, or selected. Trustees  
17 appointed by the City, as well as any persons selected as the fifth  
18 member of the Trustees by the other four trustees, shall continue  
19 to be persons with professional financial experience and/or public  
20 pension experience, governance experience, institutional investment  
21 experience, community experience and wisdom, or comparable  
22 professional training, knowledge, and expertise.

23 \* \* \*

24  
25 ~~(b) The board shall elect a chairman and a secretary. The~~  
26 ~~secretary of the board shall keep a complete minute book of the~~  
27 ~~actions, proceedings, and hearings of the board. Board members~~  
28 ~~shall not receive any compensation as such, but may receive~~  
29 ~~expenses and per diem as provided by law. Three members of the~~  
30 ~~board shall constitute a quorum, but at least three members of the~~  
31 ~~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



1 superseded plans.

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

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

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

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

30 Form Approved:  
31

1     /s/ *Margaret M. Sidman*

2     Office of General Counsel

3     Legislation Prepared By: Cindy A. Laquidara

4     g:\shared\legis.cc\2014\ord\ordinance 2014 pfpp draft 6-4-14.doc

**Exhibit A**

**2014 Retirement Reform Agreement**

**Revised on October 21, 2014**

**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~~ January 1, 2015 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 JPPPF 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 to past 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. REVISIONS TO CITY ORDINANCE CODE/JPPPF POLICIES:**

The City of Jacksonville and the JPPPF agree to the following matters to be incorporated into the City Ordinance Code and any applicable JPPPF policies and/or procedures effective ~~October 1, 2014~~ January 1, 2015 upon approval by the Board, City Council, and Mayor:

#### **A. PENSION DESIGN:**

The Parties hereby agree to the following pension design modifications.

#### **1. EMPLOYEES HIRED ON OR AFTER OCTOBER 1, 2014 ("New Employees"):**

- a. Vesting:** The vesting period will be 10 years;
- b. Retirement Age:** Employees may retire with 30 years of service;
- c. Accrual Rate:** 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. Early Retirement:** 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 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 be 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 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 JPPF 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 JPPF 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 JPPF 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 JPPF’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 JPPFP 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 JPPFP 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 JPPFP and will be required to undergo periodic fiduciary training as required by the JPPFP and, together with members of the JPPFP, 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 JPPFP’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 JPPFP 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 JPPFP).

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 JPPPF, which shall receive and act upon such advice and recommendations as the JPPPF, in its fiduciary capacity, shall determine. For the selection of individual investment managers, the Financial Advisory and Investment Committee will work with the JPPPF'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 JPPPF. The JPPPF will then make its decision(s) taking into account such recommendations and other information which is available to the JPPPF. For the selection of other financial professionals, including actuaries, the Financial Advisory and Investment Committee will furnish advice to the JPPPF 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. ETHICS, CERTIFICATION AND DISCLOSURE REQUIREMENTS FOR INVESTMENT MANAGERS AND ADVISORS:**

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

**a. Certifications:**

- i. The investment manager or advisor serves as a fiduciary to the JPPPF, and all

investment decisions made by the investment manager or advisor on behalf of the JPFPPF are made in the best interests of the JPFPPF and not made in a manner to the advantage of such investment adviser or manager, other persons, or clients to the detriment of the JPFPPF;

**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 JPFPPF;

**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 JPFPPF 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 JPFPPF 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 JPFPPF, and (ii) any personal financial or investment positions of the investment manager or advisor that could be related to the performance of an investment program of the JPFPPF over which the investment adviser or manager has discretionary investment authority on behalf of the

JPPPF; 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 JPPPF if the transaction is related to any discretionary investment authority that the investment manager or advisor exercises on behalf of the JPPPF.

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

The parties agree that while the Charter gives the JPPPF 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 JPPPF 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 JPPPF 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 JPFPPF based on sound actuarial practices, or as otherwise required by applicable law. An actuarial valuation of the JPFPPF shall be performed by the JPFPPF 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 JPFPPF 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 JPFPPF for information from the City that is necessary for the preparation of such valuations. Actuarial analysis and reporting by the JPFPPF 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 JPFPPF 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 JPFPPF, 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 JPPPF's website, the JPPPF's quarterly investment return reports showing results both gross and net of investment fees and with comparisons to assumption and benchmarks of the JPPPF, 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 JPPPF, currently September 30 of each year, commencing with the end of the 2014 fiscal year of the JPPPF, the JPPPF 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 JPPPF; 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 JPPPF's assumed rate of return; and

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

In addition to the above information, the JPPPF 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 JPPPF that are matters of public interest, including experience studies and investment performance reports.

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

The selection of any future JPPPF's Executive Director-Administrator shall be governed by a professional process subject to Florida law in which the candidate shall be selected by the JPPPF 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 JPPPF. 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 JPPPF. 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 JPPPF:**

As part of the selection of the next JPPPF's Executive Director-Administrator, the aggregate compensation of the JPPPF'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 JPPFP 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 JPPFP’s employer contribution subject to the limits of federal law. The JPPFP’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 JPPFP 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 JPPFP 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 JPPFP 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, 2014 through September 30, 2021, the JPPFP 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 JPPPF 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 JPPPF 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)~~ Mayor shall ~~convene~~ appoint 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~~ The Chief Financial Officer (CFO);*
- 2. ~~The Chief Administrative Officer~~ The Chair of the Taxation, Revenue, and Utilization of Expenditures (TRUE) Commission;*

3. ~~*The treasurer and a previous member of the former Jacksonville Retirement Task Force;*~~

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 JPPF 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 JPPF 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 JPPF 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 JPPF 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 JPPF 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 JPPPF 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 JPPPF will support and promulgate the 2014 Agreement through appropriate revisions to the Charter and Ordinance Code.

D. **Provision of Information.** The City and the JPPPF 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 in 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 JPPFPF 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

| Form Approved:

\_\_\_\_\_  
| Office of General Counsel

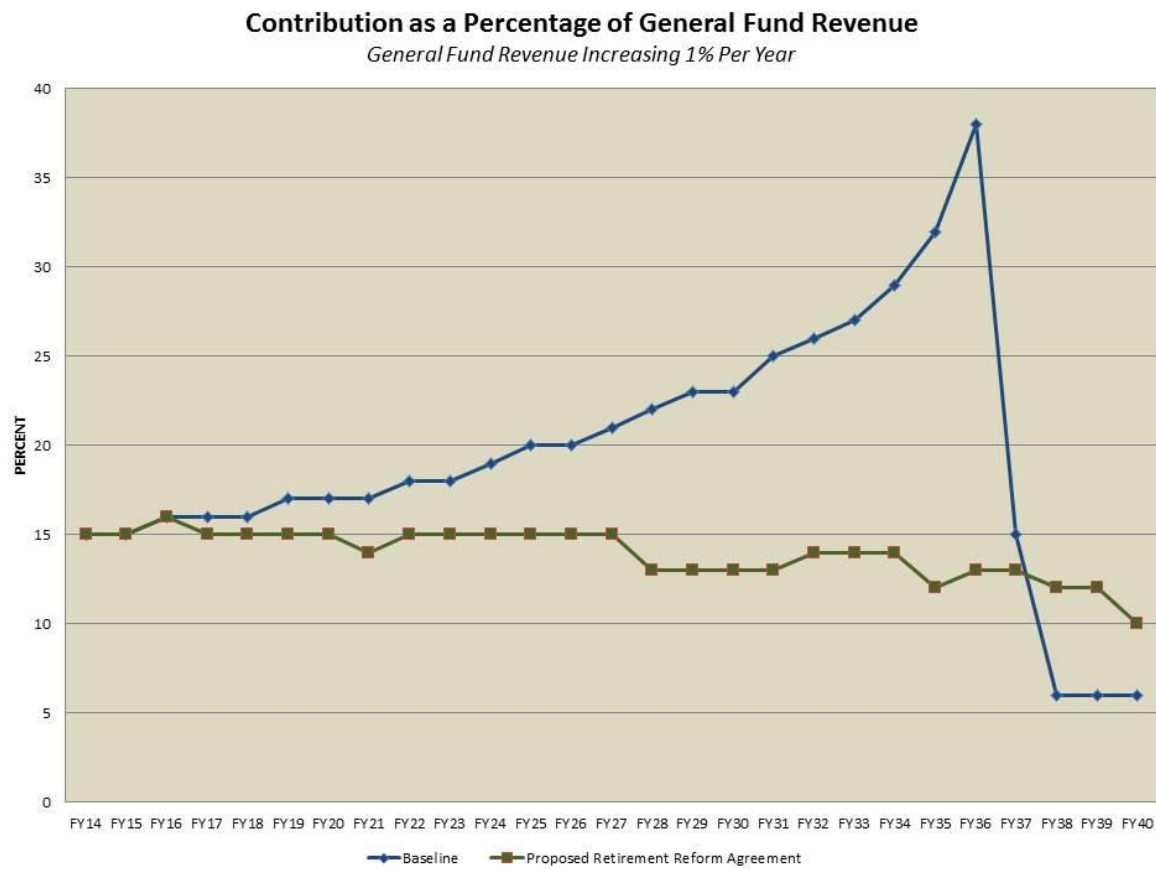
## RETIREMENT REFORM AGREEMENT: A SUMMARY

- The City has negotiated a tentative agreement with the Police and Fire Pension Fund that offers a comprehensive, long-term and effective solution to the City of Jacksonville's skyrocketing police and fire pension costs.
- The Pension Fund currently has an unfunded liability, or deficit, of \$1.65 billion, with only 43% of the assets needed to meet its legal obligations to current retirees and employees.
- This agreement saves taxpayers at least \$1.5 billion during the next 35 years. It stabilizes the City's annual payments to the Pension Fund that would otherwise continue to escalate, and it dramatically reduces the City's percentage of payroll that is consumed by pension costs. (*See charts at end.*)
- According to an independent analysis by the Pew Charitable Trusts, this agreement achieves 87% of all the savings recommended by the Jacksonville Retirement Reform Task Force.
- The agreement reflects shared sacrifice and shared commitment. It protects taxpayers, while respecting police and fire employees. The agreement will restore the financial health of the Pension Fund and ensure competitive pension benefits for police and fire employees.
- By adjusting employee contributions and retiree benefits, the agreement will save the City 66% in pension normal costs for each police or fire employee hired under the new plan.
  - Both current and future employees will contribute significantly more toward their future pension benefits (up to 10% versus 7% now).
  - The guaranteed rate of return for current employees in the Deferred Retirement Option Program (DROP) is eliminated, and the program is abolished entirely for new employees.
  - Additional years of service are required before new employees are eligible to retire, and the annual cost-of-living adjustments is reduced to a maximum of 1.5%
- This agreement reforms Pension Fund governance with greater accountability and transparency.
  - Virtually all of the governance changes recommended by the Retirement Reform Task Force are included.
  - These reforms provide the opportunity for improved investment returns and financial performance that will bolster the pension fund balance.

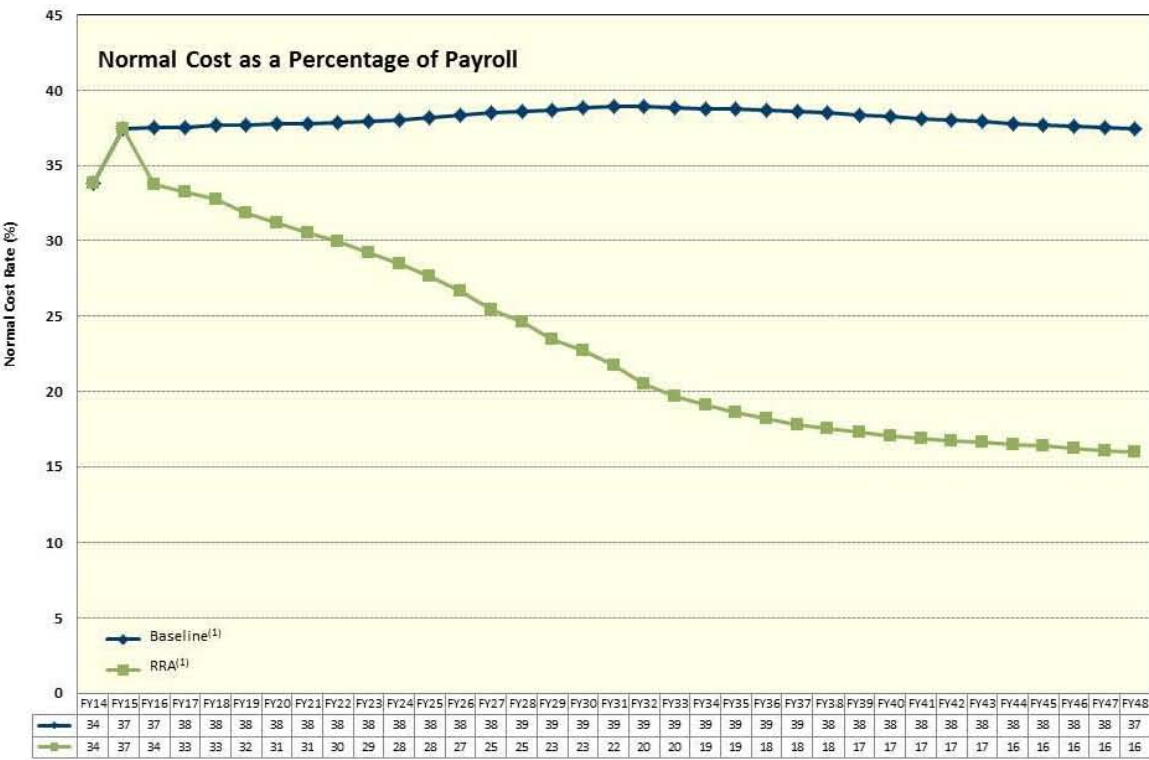


- Future modifications in pension benefits will be negotiated through collective bargaining with police and fire unions, not the Pension Fund.
- The unfunded liability is reduced with accelerated payments.
  - The Pension Fund will immediately transfer \$61 million and contribute an additional \$56 million during the next 7 years.
  - The City will make \$40 million annual payments until either 2024 or the fund is 80% solvent, whichever is sooner.
  - Each year, a special City committee will recommend a funding source for this payment. The mayor will be required by law to identify the \$40 million in the annual proposed budget.

**CHART 1: With this agreement, the City's annual police and fire pension costs will stabilize and begin to decline as a percentage of the general budget. Without the agreement, pension costs will consume an ever-larger share of the City's general budget.**



**CHART 2: With this agreement, the City’s police and fire pension costs as a percentage of payroll will decline dramatically as employee contribution and benefit changes take effect, compared to the baseline trend without the agreement.**



Notes:  
(1) With health subsidy and expense  
This 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. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

# Retirement Reform Agreement

Police and Fire Employees in the PFPF

## Pension Benefit Changes for Current Employees



OFFICE OF THE MAYOR  
ALVIN BROWN  
MAYOR

Plan Element	Current Plan	2013 Agreement	2014 Agreement
<b>DROP Interest Rate</b>	Guaranteed DROP interest rate of 8.4 percent	Same as Current Plan	For employees who have not yet entered DROP by the end of 2014, eliminates guaranteed rate of return.  DROP interest rate will be the actual rate with floor of 5% and cap of 10%.
<b>Final Average Compensation(FAC)</b>	FAC based on last 24 months of service	Same as Current Plan	For employees with less than 10 years of service, the FAC will be based on the last 48 months of service.
<b>Employee Contributions</b>	Employee pre-tax contribution of 7 percent	Contribution would have increased to 9%, but only if the City restored the 2% pay cut implemented for fire employees in 2010 and police employees in 2012 <b>and</b> provided additional pay raises.	Contribution will increase to 10%.  Increase will occur in two stages.  Upon implementation of the agreement on October 1, 2014, the employee contribution will increase from 7% to 8%.  When the City restores the 2% pay cut implemented for fire employees in 2010 and police employees in 2012, the employee contribution will increase from 8% to 10%.

# Retirement Reform Agreement

Police and Fire Employees in the PFPF

Pension Benefit Changes for Future  
Employees (as of October 1, 2014)



OFFICE OF THE MAYOR  
ALVIN BROWN  
MAYOR

Plan Element	Current Plan	2014 Agreement
<b>Vesting</b>	5 years	10 years
<b>Cap on Benefits</b>	No cap on annual benefits	Caps annual benefits at \$99,999.99 (indexed to inflation with a cap of 1.5%)
<b>Retirement Age</b>	Retire with 20 years of service at any age	Retire with 30 years of service at any age
<b>Accrual Rate</b>	Benefit accrual rate of 3% per year for first 20 years and then 2% per year for 10 years subject to a maximum of 80%.	Benefit accrual rate of 2.5% for all years of service with a maximum of 75%.
<b>Pension Start Date</b>	Normal Retirement Age	Normal Retirement Age  Employees may take early retirement between 25 and 30 years with a 2.5% accrual rate penalty for years short of 30, subject to a floor of 52.5%.
<b>Vest and Terminate</b>	Terminate at any time after vesting and collect at what would have been normal retirement age (20 years of service)	For any employee who vests but leaves before completing 25 years, the benefit accrual rate will be 2% with no benefit paid until age 62.
<b>Deferred Retirement Option Program (DROP)</b>	DROP eligibility: <ul style="list-style-type: none"> <li>Employee can enter DROP at 20 years of service</li> <li>Eligible for: <ul style="list-style-type: none"> <li>5 years of DROP with up to 30 years of service</li> <li>3 years of DROP with 30-31 years of service</li> <li>2 years of DROP with 31-32 years of service</li> </ul> </li> </ul>	Eliminates DROP.  Permits Back-Drop for up to five years upon an employee reaching 30 years of service.  Any employee whose Back-Drop calculation includes years of service less than 30 will incur a 2% accrual rate penalty for each of those years.

# Retirement Reform Agreement

Police and Fire Employees in the PFPF

Pension Benefit Changes for Future  
Employees (as of October 1, 2014)



OFFICE OF THE MAYOR  
ALVIN BROWN  
MAYOR

Plan Element	Current Plan	2014 Agreement
<b>DROP Interest Rate</b>	Guaranteed DROP interest rate of 8.4 percent	Eliminates DROP  Back-Drop interest rate is the actual rate with floor of 0% and cap of 10%.
<b>Cost of Living Adjustment (COLA) on Retirement Benefits</b>	3 percent Cost of Living Adjustment (COLA) begins as early as three months after DROP	COLA capped at 1.5 percent beginning the third January following employment termination
<b>Final Average Compensation(FAC)</b>	FAC based on last 24 months of service	FAC based on last 60 months of service
<b>Employee Contributions</b>	Employee pre-tax contribution of 7 percent	Employee pre-tax contribution of 10 percent
<b>Spousal Benefits</b>	75 % spousal benefit without cost (following retiree death)	75% spousal benefit without cost (following retiree death)
<b>Disability Pensions</b>	Disability Pension at 60 percent of earnings base.	Disability Pension at 50 percent of earnings base.
<b>Wages in Pension Calculation</b>	Includes Shift and Differential	Includes Shift and Differential. However, shift pay included in the calculation may not exceed 125% of shift pay earned during the five years prior to the FAC period.

# Retirement Reform Agreement Police and Fire Employees in the PFPF



OFFICE OF THE MAYOR  
ALVIN BROWN  
MAYOR

## Police and Fire Pension Fund Governance Reforms

- **Financial and Investment Advisory Committee.** The Jacksonville Police and Fire Pension Fund (the “JPFPF”) will appoint a financial and investment advisory committee (the “Committee”) of five (5) persons who will be charged with advisory oversight to the JPFPF Board on financial matters, actuarial practices and assumptions, investment strategy and policy, and the selection of outside financial services providers, including investment managers and advisors. Committee members will serve in a volunteer capacity and be financially sophisticated professionals who bring expertise to the Fund’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 Committee must be residents of Duval, Nassau, St. Johns, Baker or Clay County, Florida. Committee members will be nominated for service by the Board 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 Committee shall annually elect a chair and secretary from its members. The Board shall provide administrative support to the Committee.

Committee members shall be deemed to be fiduciaries of the JPFPF and will be required to undergo periodic fiduciary training as required by the Board and, together with members of the Board, 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 Committee shall not directly or indirectly contract with or provide services for the investment of JPFPF assets during the time of such member’s service on the Committee or for two (2) years thereafter (unless such potential conflict is fully disclosed to all Trustees of the JPFPF as well as to all existing members of the 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).

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

- **Ethics, Certification and Disclosure Requirements for Investment Managers and Advisors.** The City and the Board intend to assure that investment managers and advisors employed by the JPPPF will reflect the highest ethical standards and investment performance, and that they will report regularly to the Committee and the Board on matters within their engagement. Any investment manager or advisor of the JPPPF who has discretionary authority for any investment of the JPPPF shall agree to certify and/or disclose annually to the Financial Advisory and Investment Committee and to the Board, no later than the January 31 following the previous calendar year, that:
  - The investment manager or advisor serves as a fiduciary to the JPPPF, and all investment decisions made by the investment manager or advisor on behalf of the JPPPF 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 JPPPF
  - 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 JPPPF

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- 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
  - A written code of ethics, conduct, or other set of standards, as submitted to the Committee and the Board 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
  - Policies of the JFPF concerning prohibited business relationships among family members and other related parties have been complied with.
  - Any known circumstances 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 JFPF, and (ii) any personal financial or investment positions of the investment manager or advisor that could be related to the performance of an investment program of the JFPF over which the investment advisor or manager has discretionary investment authority on behalf of the JFPF
  - All direct or indirect pecuniary interests that the investment manager or advisor has in or with any party to a transaction with the JFPF if the transaction is related to any discretionary investment authority that the investment manager or advisor exercises on behalf of the JFPF.
- **Use of Office of General Counsel.** The parties agree that while the Charter gives the JFPF 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



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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 JPPPF 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.

- **Qualifications for Council-appointed Trustees and the Fifth Trustee.** Persons appointed to serve as Trustees of the JPPPF 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.
- **Actuarial Standards, Transparency and Disclosure.** The assumed annual actuarial rate of return should remain at 7.0% through the term of the 2014 Agreement” unless otherwise agreed by the City and JPPPF based on sound actuarial practices, or as otherwise required by applicable law. An actuarial valuation of the JPPPF shall be performed by the JPPPF’s 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, 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 JPPPF 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 JPPPF for information from the City that is necessary for the preparation of such valuations. Actuarial analysis and reporting by the JPPPF will utilize the following standards in addition to other standards governing its work:
  - Annual ARC calculations based on most recent actuarial assumptions
  - Alternative funding scenarios based on variable investment performance in addition to the base case, that extend to future years and incorporate volatility

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- The latest “experience studies” prepared by the JPFPF’s actuary
- Consistency in actuarial methods
- Accrual method: Entry Age Normal (EAN);
- Annual normal cost disclosure
- 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 Advisory and Investment Committee, or unless necessary for compliance with applicable laws or regulations
- Unfunded liabilities will be amortized as separate annual bases over closed 30-year periods or less, unless otherwise required by law; and
- 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 Fund’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 Fund, currently September 30 of each year, commencing with the end of the 2014 fiscal year of the JPFPF, the Board 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:

- 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

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

The JPPFP 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 JPPFP that are matters of public interest, including experience studies and investment performance reports.

- **Selection of Executive Director-Administrator.** The selection of any future JPPFP Executive Director-Administrator 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. 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.
- **Future Administration of the JPPFP.** As part of the selection of the next JPPFP Executive Director-Administrator, the aggregate compensation of the JPPFP's Executive Director-Administrator shall be determined in accordance with the market analysis of comparably-sized public pension plans provided

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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 employer contribution subject to the limits of federal law. The JPFPF's current Senior Staff Pension Plan will be frozen and 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 JPFPF Board sets a lesser benefit level.

- **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 this 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.
- **Consultation among Parties.** The City and the JPFPF should consult on an ongoing basis related to their performance under this 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 this 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.

## EXECUTIVE SUMMARY OF RETIREMENT REFORM TASK FORCE RECOMMENDATIONS

March 19, 2014

On August 21, 2013, Mayor Alvin Brown appointed seventeen persons to the Jacksonville Retirement Reform Task Force (the “Task Force”), whose mission was to examine the Jacksonville Police and Fire Pension Fund (the “Fund” or “JPFPF”) and make recommendations concerning its future and the design of and funding for pension benefits for Jacksonville police and firefighters. The Task Force was an enlarged and reconstituted task force from that which had been appointed by the Mayor on July 3, 2013. The Task Force completed its work on March 19, 2014, and on that date unanimously adopted its Report (the “Report”) for delivery to the Mayor, the City Council President and the Administrator of the JPFPF.

The Report contains numerous findings and conclusions and makes recommendations with detailed explanations. The Task Force believes that simple restatement of its specific recommendations in a simple Executive Summary will be helpful to the community. However, the Task Force urges that policymakers and community leaders read the full Report to understand the history and rationale for the Task Force’s decisions.

### A CALL TO ACTION

*The stabilization of the City’s employee pensions, especially the JPFPF, is the single most important issue facing the City today. Unless reform is accomplished soon, the City’s quality of life will continue to decline because of the increasing burden that pension obligations will have on the City’s financial resources. The Task Force calls city leaders to action to solve the pension crisis.*

*Leadership is crucial for implementing appropriate solutions. The Mayor, City Council President and members of the City Council, the JPFPF Administrator and its Trustees, and community leaders from Jacksonville’s businesses and its nonprofit and civic sectors all have important roles to play. Even religious leaders are crucial for the solution of this problem, for ultimately it is a moral issue. What is our community life going to be like for the next generation? As citizens, we must be able to assure a sound financial foundation for Jacksonville so that we may meet our basic needs and partake in the “pursuit of happiness” that our country’s constitutional documents enshrine.*

### A BRIEF BACKGROUND

The City of Jacksonville, like many other municipalities and most states, has long provided defined benefit pension plans for its employees. Jacksonville has adopted three such plans: one for its general employees, one for correctional officers employed by the Jacksonville Sheriff’s Office and another for police and fire personnel. The latter is the JPFPF.

The funding of the JPFPF has become a significant part of the City’s operating budget. In the FY 2000 budget, the City’s JPFPF pension payment from its operating funds was a little

over \$32 million. In the FY 2008 budget, it had grown to \$65 million; by FY 2012, to \$90 million, by FY 2013 to \$120 million, and in the City's current FY 2014 budget, it is \$148 million. The total approved City operating budget for FY 2014 is \$983,601,445, meaning that the "actuarially required contribution" (the "ARC") for the JPPPF in FY 2014 amounts to 15.1% of the City's operating budget. When the ARCs for the other two City pension funds are added to the JPPPF's, the percentage of the annual City operating budget for required pension payments alone is 18.4%. (The City is legally required by State law to pay the full ARCs for all its pension funds.) By comparison the Library's portion of the budget is 3.4%, Public Works is 3.6% and Parks and Recreation is 2.6%.

The City's increasing annual pension obligations are crowding out funds for other needed community services, such as libraries, parks and road repair. In addition, there are fewer and fewer dollars available for paying salaries or funding capital needs, either directly or through capital financing, or economic development programs that can produce jobs. Moreover, the City is projecting a budget deficit for FY 2015 of almost \$14 million, rising over the next few fiscal years to almost \$68 million in FY 2018, the fiscal year in which the JPPPF's ARC would rise to more than \$200 million. Obviously, the mounting pressure on the City's budget would translate into a steady decline in the community's quality of life.

The Task Force found that the JPPPF, as currently funded, cannot support the current level of retirement benefits of the men and women currently serving the public as police officers and fire and rescue employees. The people of Jacksonville and their elected representatives must understand that the promises made to those men and women, and the City's financial position, are jeopardized by the underfunded status of the JPPPF.

The Task Force's analysis, outlined in this Report, illustrates that the 2012 JPPPF unfunded pension liability totaled *\$1.7 Billion* (\$1.64 Billion, according to a draft actuarial report of the JPPPF for FY 2013). That is a staggering sum. Nevertheless, the Task Force is hopeful that the people of Jacksonville can pay down this debt significantly over the next 14 years, and do so without further diminishing the capacity of the City of Jacksonville to operate its libraries and parks, support arts and culture and sports, and provide core services to children, elders, and veterans.

Time is of the essence. In recent months, the ratings agencies have started to apply much more scrutiny to the status of public pension systems supported by debt-issuing municipalities. Just this month (March, 2014), the Fitch rating agency noted the City's "very high pension burden." Its adjusted funded ratio for all of Jacksonville's pension plans is very weak at 50.5%. (Jacksonville's funded ratios are even lower using Moody's adjusted methodology for analyzing municipal pensions.) According to Fitch, "[P]ension pressures have escalated rapidly [in Jacksonville] reflecting plan benefit structures (including an automatic 3% cost-of-living adjustment for all plans) and asset performance during the recession".

Without needed reform, it seems certain that Jacksonville is headed towards a ratings downgrade. Fitch anticipates resolving Jacksonville's Negative Outlook by the end of the calendar year and, "a downgrade of at least one notch is expected absent agreement on a pension deal that shows progress towards reducing the unfunded liability in a way that is affordable and

preserves financial flexibility.” The City can no longer postpone remedying the unfunded status of the JPPPF.

The Task Force knows the people of Jacksonville to be honorable and expects that as a community we will together meet this challenge.

As far as pension design is concerned, the Task Force’s recommendations in the Report call for no changes to the retirement income of those already retired. Those benefits are protected under the Florida constitution and by statute. The Task Force does call for sacrifices from *future* employees: specifically, increased employee contributions, longer years of service before collecting retirement income, increasing to five years the number of years to be used in determining the average salary for pension computation, reduced and delayed cost of living adjustments (“COLAs”), elimination of the deferred retirement option program (“DROP”), although the “BACK-DROP” program is retained, and a limit on retirement income.

The Task Force’s recommendations also call for sacrifice from *current* employees: specifically, a modest increase in employee contributions (most of which will only come once previous pay cuts have been restored); for those employees not eligible for DROP on the effective date of the recommendations, the annual interest guaranty of 8.4% would change to the JPPPF’s realized rate of return, but not less than zero or more than 10%; reduction of the COLA for benefits earned after the effective date of the change, from a compounding 3%, to the rate of inflation as measured by the consumer price index, but not more than 1.5% annually; and, *only for those current employees with less than ten years’ service on the effective date of the recommended reforms*, changing the number of years for computation of the average salary from two to five years for benefits earned after the effective date of the change (this change would only affect those who receive future salary increases), and delaying the COLA payable on benefits earned after the effective date of the change to a date that would be three years following retirement, but not earlier than age 55.

In addition, the Task Force calls for sacrifices from those of us who benefit from the service of police officers and fire and rescue workers. To reach the Task Force’s intermediate target of an 80% funded ratio for JPPPF by 2028 (which represents an accelerated step towards reaching the ultimate goal of 100% funding, as required by Florida law), the people of Jacksonville are asked to contribute \$200 million annually to the JPPPF. As noted above, the current fiscal year’s contribution from the City’s general fund totals \$148 million. The Task Force recommends that the general fund contribution be capped at the current \$148 million and that the additional dollars required be new dollars raised through a ½ percent sales tax increase (colloquially stated as a “half-cent per dollar” sales tax increase), or, failing that, an ad valorem tax increase of a little over one mil.

In addition to implementing reforms of JPPPF pension design and finding funds to increase the JPPPF’s funding ratio to an intermediate goal of 80% and to an ultimate goal of 100%, as required by Florida law, comprehensive reform must also include changes to the governance of the JPPPF. The Report recommends several reforms addressing governance issues.

The Task Force thanks the Mayor for creating the Task Force and participating in its process. As stated in the Report the Task Force expresses its appreciation and gratitude to the Pew Charitable Trusts (“Pew”), the Laura and John Arnold Foundation (“Arnold”), and MAEVA Group, LLC (“MAEVA”), who made their resources available to the City of Jacksonville to undertake a fact-based analysis of these complicated issues involving the JPFPF. In particular the Task Force is immensely grateful to David Draine, a senior researcher for Pew, and Jonathan Trichter, a principal at MAEVA, for their diligent work for the Task Force and their attendance at virtually all Task Force meetings. The Task Force also expresses its thanks to Mayor Alvin Brown and his staff, particularly chief of staff Chris Hand and treasurer Joey Greive; to City Council President William Gulliford; to the City’s General Counsel, Cindy Laquidara and her staff, including special counsel James Linn; to John Keane, the Administrator of the JPFPF; to Jacksonville Sheriff John Rutherford; and to Fire Chief, Martin Senterfitt; all of whom provided substantial assistance to the Task Force; to Robert Dezube of Milliman, Inc., who presented actuarial analysis and commentary to the Task Force on behalf of the City; and finally to the many citizens who attended the meetings and offered thoughtful feedback and recommendations during the Task Force’s discussions. The Task Force especially expresses its gratitude and thanks to Carol Wells, who is Chris Hand’s administrative assistant, for her thorough, timely and unselfish administrative assistance to the Task Force generally and to its individual members.

### A BRIEF SUMMARY OF TASK FORCE RECOMMENDATIONS

A summary of the Recommendations of the Task Force is:

#### Governance Reforms

1. Financial and Investment Advisory Committee. The Jacksonville Municipal Code (the “Ordinance Code”) should 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 Board 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 Board 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



Board shall provide administrative support to the Financial Advisory and Investment Committee.

2. Ethics, Certification and Disclosure Requirements for Investment Managers and Advisors. Investment managers and advisors employed by the JPFPPF will reflect the highest ethical standards and investment performance, and that they will report regularly to the Financial Advisory and Investment Committee and the Board on matters within their engagement. Specific certification and disclosure requirements are enumerated, some of which are already being employed by the JPFPPF.
3. Use of Office of General Counsel. While the Charter gives the JPFPPF the authority to employ separate counsel, the JPFPPF should ordinarily use the Office of General Counsel of the City (the “OGC”) for its legal needs. The JPFPPF should consult with the OGC should it find that the JPFPPF needs additional or separate counsel for specific purposes, including the nature of the work and the fee arrangement. The Task Force also recommends that the OGC research and issue a binding opinion pursuant to Section 7.202 of the Charter concerning the powers of the JPFPPF to employ counsel and the JPFPPF’s responsibility under the Charter to utilize the OGC for its legal needs.
4. Selection of JPFPPF Board Members. The terms of Board members of the JPFPPF should be as provided in Section 22.02(a) of the Charter. Presently the City Council appoints two Board members, one is elected by the fire and safety members of the JPFPPF, one is elected by the police members of the JPFPPF and the fifth is chosen by majority vote of the four other Board members and confirmed by the City Council acting in a ministerial capacity. The Task Force recommends that the selection process be modified in the Charter to provide for the appointment of the fifth Board member by the Mayor with the approval of the City Council.
5. Qualifications for Council-appointed Trustees and the Fifth Trustee. Persons appointed to serve as Trustees of the JPFPPF by the Mayor and City Council should 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.
6. Actuarial Standards, Transparency and Disclosure. 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 JPFPPF based on sound actuarial practices, or as otherwise required by applicable law. An actuarial valuation of the JPFPPF should be performed by the JPFPPF’s 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, 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 JPFPPF 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 JPFPPF for information from the City that is necessary for the preparation of such valuations. Actuarial analysis and reporting by the JPFPPF should utilize standards

recommended by the Task Force in the full Report in addition to other standards governing the JPFPPF's work. In addition to the standards for actuarial and financial studies, on or before 120 days after the end of each fiscal year of the JPFPPF, currently September 30 of each year, commencing with the end of the 2014 fiscal year of the JPFPPF, the Board 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 JPFPPF; 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 conform to standards enumerated in the full Report. The JPFPPF should 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 JPFPPF that are matters of public interest, including experience studies and investment performance reports.

7. Selection of Future Administrator/Chief Investment Officer. The selection of any future Plan Administrator/Chief Investment Officer should be governed by a professional process subject to Florida law in which the candidate will be selected 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. 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 JPFPPF. In addition to the requirements of applicable law, candidates should 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, or comparable training and experience. Comparable experience directing the activities of a state or local public pension plan will also be considered. As agreed in the MSA, candidates who are CPAs or who have a JD, MBA or CFA degree will be preferred.
8. Future Administration of the JPFPPF. Upon the selection of the next Administrator/Chief Investment Officer of the JPFPPF, the aggregate compensation of the JPFPPF's Administrator/Chief Investment Officer shall be determined in accordance with the market analysis of comparably sized public pension plans provided for in recommendation 7 above. The City and/or JPFPPF shall assure that any future Administrator and/or senior management employee shall be placed in the City General Employees' Pension Fund. The current Senior Staff Pension Plan shall 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. Benefits will be distributed to Senior Staff Pension Plan participants after closure of the Plan as if such participants had been enrolled in the Florida Retirement System Special Risk Plan, or by the purchase of annuities as permitted by law.
9. Revision of the 30-Year Agreement. The City and the JPFPPF should agree that the 30-Year Agreement will be terminated and a new agreement entered into, (herein referred to

as the “2014 Agreement”). The 2014 Agreement should provide that the agreements made therein as to the funding obligations of the City and the employees and JPFPPF will be continued, as modified by the recommendations of the Task Force; and the 2014 Agreement should incorporate the recommendations of the Task Force therein. However, the governance recommendations of the Task Force should be accomplished permanently by amendment to the Charter and/or Ordinance Code, as appropriate, and should not be incorporated into the 2014 Agreement. To the extent there is a conflict between the provisions of the 30-Year Agreement and the recommendations of the Task Force, such recommendations shall control. The 2014 Agreement shall terminate on the date upon which the JPFPPF fund assets reach a funded ratio of 80%, that is, the actuarial value of assets divided by the actuarial accrued liability equals 80% or more (the “Agreement Termination Date”).

Because of the Circuit Court Decision, unless it is reversed or modified, the 2014 Agreement will not be concerned with the Task Force’s recommendations concerning pension benefits for police and fire employees.

The 2014 Agreement shall retain the provisions of the 30-Year Agreement concerning the funding obligations for the JPFPPF, and shall incorporate the recommendations of the Task Force that concern funding the unfunded actuarial accrued liability (including the contributions required of the City).

In order to provide for the enforcement of the 2014 Agreement and increased transparency, in the 2014 Agreement the City and the JPFPPF shall agree, *inter alia*, that until the Agreement Termination Date the performance of both the City and the JPFPPF under the 2014 Agreement shall be monitored and enforced by a special master (the “Master”) whose appointment will be requested of the United States District Court before whom the Federal Litigation (defined in the Report) is pending. The Master will examine and certify on a quarter-annual basis whether: (i) the City is paying its contributions to the Fund or on its behalf on a timely basis in accordance with the terms of the 2014 Agreement; (ii) whether the Financial Advisory and Investment Committee is performing the functions for which it was created and whether its recommendations of the Task Force are being received and acted upon by the Board in the manner contemplated by the 2014 Agreement; (iii) to the extent that the JPFPPF’s investment performance is at variance with actuarially assumed returns or with the investment performance benchmarks established, net of fees, for such investments, whether the Financial Advisory Investment Committee has provided reasonable explanation as to the investment actions, if any, that will be taken in consideration of such variability; (iv) whether the City and Board are each exercising transparency in the conduct of their affairs concerning the Fund and its administration; and (v) such other matters as may be reasonably requested by either the City or the JPFPPF, or as may be deemed necessary by the Master.

The City and the JPFPPF have agreed that they will request the United States District Court to appoint the Honorable Harvey E. Schlesinger, United States District Judge, as the initial Master and that his successor(s), if any, will be person(s) of comparable

experience, temperament and community respect. It is intended that reports shall be made to the Master on a quarter-annual basis, in public proceedings, and that copies of such reports shall be made available to the public at large promptly upon filing. It is also intended that for jurisdictional and enforcement purposes the Federal Litigation should continue until at least the Agreement Termination Date.

10. Return to Collective Bargaining. Unless the Circuit Court Decision is modified or reversed, the determination of retirement benefits for police and fire employees should immediately be resumed through the collective bargaining process as defined in Chapter 447, Florida Statutes, and other applicable law. If the Circuit Court Decision is modified or reversed, the pension benefits set forth in the 30-Year Agreement, as modified by the recommendations of the Task Force, should be incorporated into the 2014 Agreement for its term, and it should provide that collective bargaining of police and fire pension benefits shall recommence upon the Agreement Termination Date, unless such modification or reversal requires otherwise.
11. Consultation among Parties. The City and the JPPFP 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 JPPFP should endeavor to work harmoniously to enforce their respective obligations hereunder, under the 2014 Agreement, and applicable Charter, statutory and Ordinance Code provisions, and to avoid obstruction of their respective rights.
12. Expression by Charter and Ordinance. The City and the JPPFP should agree to articulate the recommendations of the Task Force by supporting and promulgating the 2014 Agreement and by supporting and promulgating appropriate revisions to the Charter and Ordinance Code, as the case may be that will accomplish their recommendations of the Task Force.
13. Application to General Employees and Correctional Officers Pension Plans. While the General Employees' Pension Plan and the Correctional Officers Pension Plan are not within the purview of the Task Force's charge, the Task Force suggests that the recommendations set forth in recommendations 1 (the Financial Advisory and Investment Committee), 2 (ethics and disclosure requirements) and 6 (standards for actuarial analysis and reporting), of the Governance section of the Report should be considered by the City for application to those pension plans.

### Investment Authority Reforms

The Task Force discussed the current investment policies and authority of the JPPFP. The members of the Task Force felt that its mission was not originally considered to include the consideration of the JPPFP's investment authority, but that an evaluation could be expertly

conducted by the Financial and Advisory Committee that the Task Force recommends as a JPPF governance improvement. The Task Force recommends that the City Council defer its consideration of the expansion of the investment authority of the JPPF until the Financial Advisory and Investment Committee can weigh in on the subject and make recommendations to the Board and to the City Council. The Report does point out for the City Council certain additions and corrections to the current legislation that should be considered.

### Pension Design Reforms

The Report of the Task Force analyzes various pension designs, reference to which is made. Interested persons are directed to the Report for the analysis and conclusions of the Task Force. The final pension designs for new and current police and fire personnel are the following:

#### Recommended Changes for New Employees

New employees would enter into a final average salary defined benefit pension plan, based on the following parameters which were agreed on in the Mediated Settlement Agreement.

Normal Retirement: Age 62 or 30 years of service

Early Retirement: 25 years of service

Vesting Eligibility: 10 years of service

Benefit Multiplier Per Year of Service:

- 2.5 percent with 30 or more years of service
- Between 25 and 30 years of service: 2.5 percent, reduced by an early retirement factor
- 2 percent with fewer than 25 years of service

Final Average Salary: Last 5 years

Employee Contribution: 10 percent of pay

COLA:

- Begins after three years in retirement
- Indexed to the Consumer Price Index
- Cap of 1.5 percent

Other Notes:

- DROP is replaced with a Back-DROP plan that does not include a guaranteed return.
- Annual benefits are capped at \$100,000 or 75% of final average salary.

### Recommended Changes for Current Employees

Current employees would have the following changes to their benefits and employee contributions based on the Task Force's recommendations. Police officers and firefighters who are already retired and their beneficiaries would experience no changes.

- Increasing employee contributions—Employee contributions should immediately increase from 7 to 8 percent of pay and then subsequently increase to 10 percent following salary increases to make up for recent pay cuts.
- Changing the interest guarantee in the DROP program—For current workers not eligible to enter the DROP program at the time of implementation, DROP accounts will credit employees with the actual returns generated by the JPPPF, with a floor of 0 percent and a ceiling of 10 percent.
- COLAs applied to benefits for current employees that have not yet been earned. Benefits based on service through the date of implementation will continue at their present rate (3 percent annually in retirement, compounded monthly), but benefits based on service following the date of implementation will receive a COLA benefit rate equal to the lower of CPI or 1.5 percent.

In addition, the Task Force recommends that with respect to current employees with less than ten years' service to the City, to be applied *only* to prospective benefits for service after the implementation date:

- 1) The determination of final average pay should use the final 60 months of salary, with the understanding that in no event would the amount so determined be less than what the amount equal to the final 24 months of pay as of the implementation date would have been.
- 2) COLAs should not be payable on benefits earned *prospectively* until a date that is three years following retirement, but in any event not earlier than age 55.

### Recommended Funding Solutions for the Payment of the UAAL

The Report of the Task Force analyzes various funding solutions for paying down the UAAL, reference to which is made. Interested persons are directed to the full Report for the analysis and conclusions of the Task Force. The preferred solution for funding is the following:

The Task Force recommends that the City use the discretionary sales tax surtax available to counties under F.S. 212.055(8) (the “Surtax Statute”). Under the Surtax statute the City is empowered to enact up to an additional one percent (1%) sales surtax. It is estimated that the full surtax would generate an additional \$136 million per year for the City.

The Task Force observes that a half-percent surtax would raise approximately \$68 million dollars, which is \$18 million more than the additional \$50 million recommended by the Task Force for accelerating the payment of the UAAL. It has been represented to the Task Force that the General Employees’ Pension Plan also has a substantial UAAL, so the additional \$18 million could be used to accelerate the reduction of that UAAL.

Given the requirements of the Surtax Statute, the Task Force recommends that in the budget process for the 2014-15 budget year, which begins on October 1, 2014, the City Council increase the millage rate to generate additional revenue in the approximate amount of \$68 million (the amount estimated to be produced by a half-percent surtax). With that legislation the City Council should also adopt an ordinance levying a half-percent surtax under the Surtax Statute, and place the levy on the ballot in November, 2014, for consideration by the voters. In effect, the voters would have a choice as to whether they preferred the additional revenue to be generated by the levy of the sales surtax or by the increase in the ad valorem millage rate.

The changes contemplated by the Task Force’s Recommendations would require approximately \$50 million of additional revenue from the City in the short-term; but over the next thirty years, the changes are estimated to save in excess of \$1.7 billion. Part of this comes from reducing the benefits offered to new employees, part comes from changes to current employee benefits, and the remainder comes from paying down the UAAL faster. If the proposed changes are implemented, the JPPFP is expected to reach an 80% funded ratio in 2028, rather than in 2033. Achieving that result at the earlier date will result in substantial savings to the City, and without doing so a spike in the required pension contributions required of the City will seriously impact every aspect of the City’s finances. Current retirees will not have any changes to their existing benefits, new workers will realize the plan previously agreed upon between the City and the JPPFP in the MSA, and prospective benefits earned by current employees will have changes directionally closer though still more remunerative than those of new employees and also reflective of changes made to current employees in the Florida Retirement System.

### CONCLUSION

The Task Force urges that its Recommendations be considered as a complete package and not be jeopardized by piecemeal negotiation. The Report as a whole has been adopted by unanimous vote of Task Force members, although a few individual points were not unanimous. The entire Task Force believes that the willingness of the City to provide additional funds to the JPPF should be conditioned upon the willingness of the JPPF and its members to share the burden of pension relief going forward. The taxpayers should not be expected to make significant sacrifices if police and fire personnel are not willing to do so.

Respectfully submitted,

RETIREMENT REFORM TASK FORCE

Dr. Chester Aikens*	Greg Anderson**
Charles C. Appleby	David A. Boor
Carl Cannon	Tad Delegal
Kirsten Doolittle	Dr. Sherry Magill
Robert L. Miller	Kelli O'Leary
Dr. William Rupp	Robert T. Shircliff
Gregory Smith	John F. Thompson
John F. Wilbanks	Gwen Yates

William E. Scheu, Chair

\*Dr. Aikens tragically died on December 5, 2013, immediately following a Task Force meeting. His contributions to the work of the Task Force were substantial, and the Task Force grieves for his family and for the Jacksonville community in the loss of this fine man.

\*\*Greg Anderson, as a member of the City Council, fully participated in the work of the Task Force, but abstained from voting on any proposal affecting or related to pension design. His vote on the Report as a whole does not include his taking of any position on any aspect of pension design.



## **Analysis of the Proposed Pension Reform Agreement between the City of Jacksonville and the Jacksonville Police and Fire Pension Fund**

David Draine, Pew Charitable Trusts

Following our work with the Jacksonville Retirement Reform Task Force, we have continued to monitor the pension discussion in Jacksonville. Now a new proposed pension reform agreement has been announced between the City and the Jacksonville Police and Fire Pension Fund that draws heavily from the consensus recommendations of the Task Force but differs in several key areas. Following the request of Task Force Chair Bill Scheu for further analysis and in order to help Jacksonville's policymakers make an informed decision, we have analyzed the impact of the proposed agreement both in relation to the current pension policy status quo as well as the original Task Force recommendations. Pew's analysis is that this proposal contains the vast majority of the Task Force's recommendations and offers a comprehensive solution to Jacksonville's public safety pensions.

The Task Force's deliberations led to recommendations based on the following conclusions:

- Newly hired police officers and firefighters would receive a reformed defined benefit pension plan based on prior deliberations between the City and the Police and Fire Pension Fund.
- Current employees would be part of the shared sacrifice through changes to employee contributions, reductions in cost of living adjustments for benefits not yet earned, changes in the interest on DROP accounts, and a change in how salary is calculated for retirement benefits for workers with less than 10 years of service.
- Retirees would experience no loss or change in benefits.
- The City of Jacksonville would go above the minimum requirement in funding police and fire pensions—both to pay down the debt faster and to buffer against future investment losses.
- Additional contributions would be best funded through a voter approved sales tax increase.
- Plan governance and disclosure would be improved to reduce the risk of future funding crises.

The agreement from the City and the Fund differ from the Task Force recommendations in five ways:

- 1) Changes to the cost of living adjustments for current employees are no longer in the agreement.
- 2) The Fund has agreed to use \$117 million in Chapter Funds (currently used to enhance retiree benefits) and Reserve Funds to help pay down the pension debt.
- 3) The pattern of payments is different though a commitment to going above the minimum payment requirements is maintained—specifically rather than committing to making flat payments of \$200 million until the plan is 80 percent funded, the City is instead committing to making an additional \$40 million payment above the required contribution for 10 years.
- 4) There is no explicit funding source for the \$40 million payments; instead an "Additional Unfunded Liability Payment Committee" will be formed to identify funding sources for FY 2016 and subsequent years. The FY 2015 \$40 million payment will be paid from Chapter Funds and Reserve Funds transferred from the Fund to the City.
- 5) Proposed changes to the Fund board are not in the proposed agreement although the bulk of the other governance recommendations were included.

Table 1 shows estimated savings under two investment return scenarios for four policies. The investment scenarios are the assumed rate of return for the Police and Fire Pension Fund (7 percent returns) and a 25<sup>th</sup> percentile scenario (5.4 percent returns, under plan assumptions 75 percent chance that long-term returns will be at or above this level). The four policy options are the current status quo (baseline), the recommendations of the Task Force, the latest agreement if COLA changes were kept in, and the latest agreement without the recommended changes to the COLA. The total cost is the sum of city contributions—both the actuarial required payments and any additional supplemental payments—from fiscal year 2014 through fiscal year 2044.

Table 1—Estimated Cost of Jacksonville Police and Fire Pension Fund—2014 through 2044

<b>7% Returns</b>				
<i>Approach</i>	<i>Total Cost , Not Inflation Adjusted</i>	<i>Savings</i>	<i>Total Cost, Inflation Adjusted</i>	<i>Fiscal Year to Hit 80% Funded</i>
<b>Baseline</b>	<b>\$6,117</b>	<b>\$0</b>	<b>\$4,348</b>	<b>2033</b>
<b>Task Force Recommendations</b>	<b>\$4,346</b>	<b>\$1,772</b>	<b>\$3,324</b>	<b>2028</b>
<b>City-Fund Agreement + COLA</b>	<b>\$4,337</b>	<b>\$1,780</b>	<b>\$3,069</b>	<b>2029</b>
<b>City-Fund Agreement</b>	<b>\$4,574</b>	<b>\$1,543</b>	<b>\$3,426</b>	<b>2029</b>

<b>5.4% Returns</b>				
<i>Approach</i>	<i>Total Cost , Not Inflation Adjusted</i>	<i>Savings</i>	<i>Total Cost, Inflation Adjusted</i>	<i>Fiscal Year to Hit 80% Funded</i>
<b>Baseline</b>	<b>\$7,819</b>	<b>\$0</b>	<b>\$5,353</b>	<b>2035</b>
<b>Task Force Recommendations</b>	<b>\$5,822</b>	<b>\$1,997</b>	<b>\$4,170</b>	<b>2036</b>
<b>City-Fund Agreement + COLA</b>	<b>\$5,647</b>	<b>\$2,172</b>	<b>\$3,750</b>	<b>2040</b>
<b>City-Fund Agreement</b>	<b>\$5,989</b>	<b>\$1,830</b>	<b>\$4,236</b>	<b>2040</b>

Source: The Terry Group, 2014

Assumptions based on Police and Fire Pension Fund assumptions when applicable, including a 2.5 percent assumed inflation rate.

The finding from this analysis is that both the Task Force recommendations and the City-Fund agreement represent substantial savings from sticking to Jacksonville’s current pension policies—\$1.77 billion under the Task Force recommendations and \$1.54 billion from the City-Fund agreement. While eliminating the COLA changes reduces the savings for the City by approximately \$237 million, it is partially made up by changes in how the Chapter Funds are allocated (approximately \$117 million in Chapter Funds and Reserve Account Funds). In addition, the changes to the final average salary calculation are preliminarily estimated to save \$26 million.

These numbers are approximate but they give a useful sense of scale and scope to policymakers looking to compare current policy, the Task Force Recommendations, and the latest City-Fund agreement. Final numbers for budgeting purposes should come from the official plan actuary.

The latest agreement incorporates many of the key principles of the Task Force and achieves approximately 87 percent of the anticipated savings. It does not propose a funding source for the additional payments (though it does suggest a process for finding one) and the additional pension payments are cut off after 10 years whether or not the fund has hit 80 percent funded—both aspects can be fixed outside of the negotiation process between the City and the Police and Fire Fund. In particular, by capping the extra payments to 10 years, it delays when the Fund reaches 80 percent funded in the low investment return scenario.

Taking into account the changes from the original recommendations, this agreement represents substantial long-term savings to the City, achieves the new plan design recommended by the Task Force, commits Jacksonville to a disciplined funding approach, and includes virtually all of the governance recommendations. Pew's analysis is that this proposal contains the vast majority of the Task Force's recommendations and offers a comprehensive solution to Jacksonville's public safety pensions.

## RETIREMENT REFORM: THE COSTS OF DELAY

### Without Retirement Reform, the City of Jacksonville Faces...

*Skyrocketing pension costs that are unsustainable*

*Lack of funds to invest in quality public services*

*Higher pension costs for every new police & fire employee*

*Credit rating downgrades that result in higher borrowing costs*

*Costly and lengthy federal litigation*

*Possible inability to accept major federal grant to hire new police officers due to pension costs*

- The City of Jacksonville's skyrocketing police and fire pension costs are **unsustainable**. Without a solution, these costs will continue to rise at a rapid rate and the City's **annual pension payment will grow to a staggering \$469 million in fiscal year 2036**.
- Every dollar that is spent on these rising pension costs is a dollar that **cannot be invested in quality public services** like public safety, streets, parks, libraries, senior services, neighborhoods and job creation.
- The sooner we act, the sooner we can achieve financial stability that will protect Jacksonville's hard-working taxpayers and allow the City to make the necessary investments in our future prosperity and quality of life.
- Just one year's delay in implementing the agreement's pension benefits plan for new police and fire employees will cost the City **an estimated \$24 million in additional pension costs over 30 years**.
- Nearly 600 police and fire employees are currently in the Deferred Retirement Option Program (DROP) and will retire within the next 5 years. If these retiring employees are replaced by employees with the new pension plan in effect, **the City will save \$4.8 million per year and \$143 million in total pension costs over 30 years**.
- The major credit rating agencies are closely watching Jacksonville's pension costs. Without retirement reform, **Jacksonville's credit rating faces further downgrades** and the City will be forced to pay millions of dollars in additional borrowing costs due to higher interest rates.
- Without retirement reform, the City could be subject to **costly and lengthy federal litigation** – with an uncertain outcome – with the Police and Fire Pension Fund and individual police and fire employees.
- Without retirement reform, **the City may not be able to accept a major federal COPS grant** awarded to the Sheriff's Office to hire full-time police officers for 3 years. The federal grant pays for 75% of officer salaries and benefits, but the Sheriff's Office may not be able to afford the 25% local match because of prohibitive long-term costs under the current pension plan.

## RETIREMENT REFORM: BY THE NUMBERS

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**At Least  
\$1.5 Billion Over  
35 Years**  
*Total Savings to  
Jacksonville  
Taxpayers in This  
Agreement*

**Approximately  
\$300 Million**  
*Added Savings  
Compared to Last  
Year's Agreement*

**87%**  
*Percentage of  
Total Savings  
Recommended by  
Retirement Reform  
Task Force  
Achieved by This  
Agreement*

**66%**  
*How Much the City  
Saves in Pension  
Costs for Each  
New Police or Fire  
Employee Hired  
Under This  
Agreement*

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**\$1.65 billion**

Unfunded liability of the Police and Fire Pension Fund

**43%**

Pension fund assets on hand to meet obligations to current and future retirees

**\$153 million**

The City's current annual payment for police/fire pension costs (*15 times greater amount than a decade ago – \$9.7 million in fiscal year 2003*)

**At least \$1.5 billion over 35 years**

Savings to Jacksonville taxpayers in this agreement

**\$300 million**

Approximate additional savings in this agreement compared to last year's agreement

**87%**

Percentage of total savings recommended by the Jacksonville Retirement Reform Risk Force that this agreement achieves

**66%**

How much the City of Jacksonville saves in pension costs for each new police or fire employee hired under reform agreement (*City will pay 10% of total pension costs instead of 30%*)

**\$52 million**

Total savings over 30 years if the new pension plan were already in effect for the 251 new police and fire employees hired by the City in just the past two years

**\$143 million**

Total savings if the new pension plan is in effect for new police and fire employees hired to replace nearly 600 employees who have enrolled in the Deferred Retirement Option Program (DROP) and will retire within the next 5 years

**43%**

The increase in the employee pension contribution under the agreement (*from 7% of salary to up to 10% of salary*)

**\$117 million**

Police and Fire Pension Fund's total transfer of state funds to the City of Jacksonville, as part of the agreement, to help reduce the unfunded pension liability

## RETIREMENT REFORM: WHAT PEOPLE ARE SAYING

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*“...this proposal contains the vast majority of the Task Force’s recommendations and offers a comprehensive solution to Jacksonville’s public safety pensions.”*

Analysis by Pew  
Charitable Trusts

*“The perfect must not be the enemy of the good.”*

The Florida  
Times-Union

*“A downgrade of at least one notch [to Jacksonville’s credit rating] is expected absent agreement on a pension deal....”*

Fitch Ratings

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*The latest agreement incorporates many of the key priorities of the [Retirement Reform] Task Force and achieves approximately 87 percent of the anticipated savings....*

*Taking into account the changes from the original recommendations, this agreement represents substantial long-term savings to the City, achieves the new plan design recommended by the Task Force, commits Jacksonville to a disciplined funding approach, and includes virtually all of the governance recommendations. Pew’s analysis is that this proposal contains the vast majority of the Task Force’s recommendations and offers a comprehensive solution to Jacksonville’s public safety pensions.*

**Analysis by David Draine, Pew Charitable Trusts  
(Consultant to Retirement Reform Task Force)  
June 17, 2014**

*We need a new, affordable pension plan. Until that happens, the city of Jacksonville’s budget will be weighted down with the bills of the past rather than the opportunities of the future.*

*Perfection isn’t possible.*

*The perfect must not be the enemy of the good.*

**The Florida Times-Union  
August 8, 2014**

*A downgrade of at least one notch [to Jacksonville’s credit rating] is expected absent agreement on a pension deal that shows progress towards reducing the unfunded liability in a way that is affordable and preserves financial flexibility.*

**Fitch Ratings  
August 22, 2014**

*The downgrade to [Jacksonville’s bond ratings] reflect the city’s high fixed costs, which are elevated by weak pension funding levels....Moody’s will closely monitor the city’s ability to control rapidly increasing fixed costs.*

*Assignment of the stable outlook reflects the resurgence of the local economy, our expectation that the city will maintain sound reserve levels and the forthcoming implementation of the new pension reform plan.*

**Moody’s Investors Services  
June 17, 2014**

**JACKSONVILLE POLICE AND FIRE  
PENSION BOARD OF TRUSTEES  
MEETING MINUTES – JUNE 27, 2014  
RICHARD “DICK” COHEE BOARD ROOM**

**NOTE:** If any person decides to appeal any decision made with respect to any matter considered at this public meeting such person will need a record of proceedings, and for such purpose such person may need to ensure that a verbatim record of the proceedings is made at their own expense and that such record includes the testimony and evidence on which the appeal is based. The public meeting may be continued to a date, time, and place to be specified on the record at the meeting.

**PRESENT**

Walter Bussells, Chairman  
Nathaniel Glover Jr., Board Secretary  
Asst. Chief Bobby Deal, Police Trustee (*left after resigning position*)  
Dr. Adam Herbert, Trustee  
Lt. Richard Tuten III, Fire Trustee  
Asst. Chief Larry Schmitt, Newly Elected Police Trustee (*once Bobby resigned, Trustee Schmitt was seated*)

**STAFF**

John Keane, Executive Director-Administrator  
Bob Klausner, General Counsel  
Joey Greive, Fund Treasurer  
Debbie Manning, Executive Assistant

**EXCUSED**

Dan Holmes, Summit Strategies  
Council Member Richard Clark, City Council Liaison  
Kevin Stork, Controller

**CITY REPRESENTATIVES INVITED**

C. Ronald Belton, Director of Finance & Chief Financial Officer, City of Jacksonville - *absent*  
Kirk Sherman, City Council Auditor - *absent*

**GUESTS**

Chris Hand, Administrative Aide, Office of the Mayor  
Steve Amos, FOP President  
Randy Wyse, Jax. Assoc. of Fire Fighters, President (*40 minutes late*)  
Dennis Blankenship, FOP  
Leslie Coursey, Action News Reporter

Robert Jackson, Action News Photographer  
Steve Patterson, FL Times Union  
Jim Piggot, WJXT  
Curtis Lee

**NOTE:** Any person requiring a special accommodation to participate in the meeting because of disability shall contact the Executive Director-Administrator at (904) 255-7373, at least five business days in advance of the meeting to make appropriate arrangements.

**CHAIRMAN BUSSELLS CALLED THE MEETING TO ORDER AT 8:35AM**

A moment of silence was observed for the following deceased members:

Denise Kauffman Hughes, Active Police Detective  
Frederick K. Petty, Retired Police Sergeant  
Frank K. Wimpee, Retired Fire Fighter Engineer  
W. Jerry Hiers Sr., Retired Fire Prevention Division Chief

The Board of Trustees recited the Pledge of Allegiance.

**BEFORE WE START OUR REGULAR AGENDA, CHAIRMAN BUSSELLS INTRODUCED TRUSTEE DEAL TO MAKE AN ANNOUNCEMENT TO THE BOARD.**

**TRUSTEE DEAL ADDRESSED THE BOARD REGARDING HIS RETIREMENT. HIS LAST DAY IS JULY 4<sup>TH</sup>. HE'S GOING OUT WITH A BANG, WITH A CITY FIREWORKS DISPLAY. THE PENSION BOARD HAS A TENTATIVE AGREEMENT WITH THE CITY THAT THE BOARD IS TAKING UNDER REVIEW WITH CITY COUNCIL. TRUSTEE DEAL IS RESIGNING FROM THE BOARD EFFECTIVE THIS MORNING.**

**HE WAS FIRST ELECTED TO THE BOARD IN 1989, AND WAS CONTINUALLY RE-ELECTED. IN ALL SINCERITY, THERE IS NO MORE OF A NOBLE CAUSE. THE PEOPLE HE'S WORKED WITH ON THIS BOARD OVER THE YEARS, VOLUNTEERING THEIR TIME, TALENTS, AND SERVICE HAVE HAD NOTHING BUT THE COMMUNITY AND FIDUCIARY BEST INTEREST AT HEART FOR OUR 5000 MEMBERS. IT'S BEEN A GREAT JOURNEY, HE HATES TO SEE THIS COME TO AN END AT THIS POINT IN HIS CAREER AND LIFE.**

**WE ARE ON COURSE TO RESOLVE THIS PENDING PENSION ISSUE AND MOVE ON. BOBBY COMMENDED CHAIRMAN BUSSELLS AND TRUSTEE HERBERT WHO CAME ON THE BOARD AT A TOUGH TIME AND HAVE WEATHERED THE STORM WITH INTEGRITY. TRUSTEE GLOVER HAS TACKLED MULTIPLE JOBS FOR A LONG TIME AND NEVER FORGOT WHERE HE CAME FROM AND HOW IMPORTANT PENSIONS ARE. THE SEVEN PEOPLE ON THIS STAFF WHO RUN**



THIS PENSION FUND FOR 5000 MEMBERS, AND A 1.5 BILLION DOLLAR PENSION FUND, HAVE DONE A TREMENDOUS JOB TO MAKE SURE WE CAN FULLFIL OUR ROLE TO THE MEMBERS. BOBBY RESPECTS AND ADMIRES THEM. ALL THE BEST.

CHAIRMAN BUSSELLS SAID BOBBY IS HEADING ON TO HIGHER AND GREATER SERVICE. WE DON'T KNOW WHAT IT'S GOING TO BE, BUT BOBBY HAS A LOT LEFT TO GIVE. THANKS FOR HIS OUTSTANDING SERVICE. HIS RETIREMENT IS JUST THE BEGINNING FOR BOBBY'S NEW CAREER.

APPLAUSE FROM EVERYONE AT THE MEETING.

BOBBY DEAL THANKED EVERYONE. HE RECRUITED LARRY SCHMITT TO RUN FOR THE PENSION ADVISORY COMMITTEE. LARRY HAS ATTENDED BOARD MEETINGS FOR THE LAST YEAR AND HALF ALONG WITH PENSION REFORM MEETINGS. HE WAS ELECTED TO THE BOARD BY POLICE OFFICERS. BOBBY FEELS LARRY HAS A PASSION AS HE DOES. TRUSTEE SCHMITT WAS SEATED TO REPLACE BOBBY AT THE MEETING. BOBBY THANKED EACH AND EVERYONE AND LEFT THE MEETING. GOD BLESS YA'LL.

#### PUBLIC SPEAKING PERIOD

NO REQUESTED SPEAKERS. PUBLIC SPEAKING PERIOD CLOSED.

#### TRUSTEE ELECTION RESULTS - *confirmation*

THE BOARD RECOGNIZED ASSISTANT CHIEF LARRY SCHMITT AS THE NEW POLICE TRUSTEE AS PRESIOUSLY STATED BY TRUSTEE DEAL

#### CONSENT AGENDA - ITEMS 2014-06-(1-10)CA

##### 2014-06-1CA MINUTES TO BE APPROVED

1. Minutes of the Closed Attorney/Client meeting held May 5, 2014. Copy held in the meeting file.
2. Minutes of the Board meeting held May 16, 2014. Copy held in the meeting file.
3. Minutes of the Special Board meeting held May 27, 2014. Copy held in the meeting file.

## **2014-06-2CA DISBURSEMENTS**

The listed expenditures have been reviewed and deemed payable. The Police and Fire Pension Fund Controller certifies that they are proper and in compliance with the appropriated budget.

### **DISBURSEMENTS A**

1.	John Keane	\$	698.74
2.	Klausner, Kaufman, Jensen & Levinson	\$	46,674.18
3.	Dr. Scott Baker	\$	150.00
4.	Acadian Asset Management LLC	\$	95,394.00
5.	Avera & Smith LLP	\$	23,775.16
6.	Lowenstein Sandler LLP	\$	288.00
7.	Pension Board Consultants	\$	8,000.00

**TOTAL** **\$ 174,980.08**

### **DISBURSEMENTS B**

Transaction list of Accounts Payable distributions. (\$ 37,798.77)

## **2014-06-3CA PENSION DISTRIBUTIONS**

<b>A.</b>	<b>May 23, 2014</b>	Regular Gross	\$4,239,318.81
		Regular Lumpsum	\$ 1,384.40
		Regular DROP Gross	\$ 786,718.67
		DROP Lumpsum	\$ 244,570.30
		DROP Rollover	\$ 0.00
		<b>TOTAL</b>	<b>\$5,271,992.18</b>

<b>B.</b>	<b>June 6, 2014</b>	Regular Gross	\$4,237,206.16
		Regular Lumpsum	\$ 0.00
		Regular DROP Gross	\$ 787,550.50
		DROP Lumpsum	\$ 62,500.00
		DROP Rollover	\$ 0.00
		<b>TOTAL</b>	<b>\$5,087,256.66</b>

<b>C.</b>	<b>June 20, 2014</b>	Regular Gross	\$4,246,256.32
		Regular Lumpsum	\$ 19,782.23
		Regular DROP Gross	\$ 789,415.15
		DROP Lumpsum	\$ 208,891.99
		DROP Rollover	\$ 150,022.77
		<b>TOTAL</b>	<b>\$5,087,256.66</b>

**TOTAL**

**\$5,414,368.46**

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

**2014-06-4CA TIME CONNECTIONS**

1. **ACORD, Timothy L.**, Prior Florida Service (7 days).
2. **BAILEY, Jeffery S.**, Prior Wartime Military Service (9 mths, 4 days).
3. **BOWERS, Bobby F.**, Prior Wartime Military Service (1 yr., 4 mths).
4. **BUCHANAN, Johnnie L.**, Prior Wartime Military Service (2 yrs.).
5. **HYSLER, John P.**, Prior Wartime Military Service (10 mths., 18 days).
6. **PAYNE, James**, Prior Wartime Military Service (1 yr.).
7. **TAYLOR JR., Harold G.**, Prior Wartime Military Service (2 yrs.).
8. **TAYLOR JR., Harold G.**, Prior Duval Service (2 yrs., 8 mths., 11 days).
9. **VALLIERE, Matthew**, Prior Florida Service (2 mths.).
10. **WHITE, Jeffery S.**, Prior Wartime Military Service (1 yr., 9 mths., 4 days).
11. **WYSE, Randall W.**, Prior Duval County Service (1 mth.).

**2014-06-5CA REFUND OF PENSION CONTRIBUTIONS**

1. **CROWLEY, Sean W.**, resignation/termination on June 23, 2014, will be issued a refund of his pension contributions. Police Officer
2. **WALTHOUR JR., Leotha**, resignation/termination on June 6, 2014, will be issued a refund of his pension contributions. Fire Fighter

**2014-06-6CA APPLICATION FOR VESTED RETIREMENT**

1. **FERRARO, Andrew P.**, date of vesting May 30, 2014, to be placed on pension May 3, 2024. Police Officer
2. **PACE, Arin R.**, date of vesting May 23, 2014, to be placed on pension

August 11, 2023. Fire Fighter Engineer

3. **STILLWAGON, Chad D.**, date of vesting May 13, 2014, to be placed on pension June 26, 2026. Police Officer

#### **2014-06-7CA APPLICATION FOR SURVIVOR'S BENEFITS**

1. **HIERS, Jane H.**, widow of William "Jerry" Hiers Sr. who died May 26, 2014.
2. **PENNINGTON, Jackye**, widow of Robert L. Pennington who died May 2, 2014.

#### **2014-06-8CA APPLICATION FOR DROP**

1.	ACORD, Timothy L.	Police	
2.	BRANNON JR., Daniel E.	Police	
3.	BUJEDA, James A.	Police	
4.	CONANT JR., Thomas L.	Police	
5.	CROSBY, Christopher P.	Police	
6.	DAVIS, King R.	Fire	
7.	DIX, Kevin M.	Fire	
8.	<del>FORD, Charles H.</del>	Police	<i>withdrew</i>
9.	GRANGER III, William S.	Fire	
10.	HODGE III, Clarence	Fire	
11.	HOPSON I, Tommy E.	Police	
12.	JOHNSON, Russell L.	Police	
13.	KEYS, Mark W.	Fire	
14.	KICKLIGHTER, Lesa A.	Police	
15.	LENDVAY, Ronald L.	Police	
16.	LEWIS, Roger H.	Fire	
17.	LUTZEN, Raymond P.	Fire	
18.	MATTHEWS, Emmett L.	Police	
19.	MESH, Kevin J.	Police	
20.	MITCHELL, Derrick D.	Police	
21.	POWELL, Donald W.	Fire	
22.	REAGOR, Charles E.	Police	
23.	SCOTT JR., Elroy M.	Fire	
24.	SMITH, Howard M.	Police	
25.	STAFFORD JR., Timothy E.	Police	
26.	STEVENS, Heather R.	Police	
27.	SULLIVAN, Edward R.	Police	
28.	TURBEVILLE, Thomas T.	Police	
29.	WILSON, Kurtis R.	Fire	

- |     |                         |        |
|-----|-------------------------|--------|
| 30. | <b>WILSON, Nancy C.</b> | Police |
| 31. | <b>YUL, Daniel S.</b>   | Police |

#### **2014-06-9CA DROP PARTICIPANT TERMINATION OF EMPLOYMENT**

1. **COOK, Robert W.**, DROP commencement date of October 25, 2013, termination of employment effective date June 20, 2014. Police Officer
2. **HENSLEY, Kevin W.**, DROP commencement date of July 24, 2009, termination of employment effective date May 23, 2014. Police Sergeant
3. **HICKS, Wayne S.**, DROP commencement date of April 27, 2012, termination of employment effective June 6, 2014. Fire Fighter Engineer
4. **LOCKETT, FARAND R.**, DROP commencement date of April 16, 2010, termination of employment June 6, 2014. Police Sergeant
5. **MERICLE, Robert A.**, DROP commencement date of July 22, 2011, termination of employment effective June 6, 2014. Fire Captain
6. **REINHARD, Thomas S.**, DROP commencement date of July 24, 2009, termination of employment effective June 6, 2014. Police Officer
7. **SMITH, John G.**, DROP commencement date of October 28, 2011, termination of employment effective May 30, 2014. Fire Fighter

#### **2014-06-10CA DROP DISTRIBUTIONS**

1. **COOK, Robert W.**, the entire balance his DROP account paid to him lump sum.
2. **HENSLEY, Kevin W.**, a portion of his DROP account paid in a lump sum; the DROP balance paid to him bi-weekly over the next 36 years.
3. **HICKS, Wayne S.**, a portion of his DROP account paid in a lump sum; the DROP balance paid to him bi-weekly over the next 39.8 years.
4. **LOCKETT, Farand R.**, a portion of his DROP account paid Directly to Entrust Group Inc.; the DROP balance paid to him bi-weekly over the next 37.9 years.
5. **MERICLE, Robert A.**, the entire balance of his DROP account paid to him lump sum.

6. **REINHARD, Thomas S.**, the entire value of his DROP account paid to him bi-weekly over the next 25 years.
7. **SMITH, John G.**, a portion of his DROP account paid in a lump sum; the DROP balance paid to him bi-weekly over the next 20 years.

**CHAIRMAN BUSSELLS ASKED IF THERE WERE ANY QUESTIONS OR COMMENTS REGARDING THE CONSENT AGENDA.**

**MOTION TO APPROVE THE CONSENT AGENDA ITEMS 2014-06-(1-10)CA WAS MADE BY TRUSTEE TUTEN, SECONDED BY TRUSTEE GLOVER. VOTE WAS UNANIMOUS.**

### **OLD BUSINESS**

**2012-06-13** 2013/2014 Budget – May, 2014 review - *attachment*

**RECEIVED AS INFORMATION**

### **NEW BUSINESS – ITEMS 2014-06-(1-11)**

**2014-06-1** FY2014/2015 Budget – *attachment*

**JOHN STATED UNDER THE TERMS OF THE SETTLEMENT AGREEMENT WE HAVE TO FILE WITH CITY COUNCIL BY JUNE 30<sup>TH</sup>. KEVIN HAD PREVIOUSLY BRIEFED THE BOARD ON SOME OF THE TRENDS IN THIS BUDGET. THE MAIN INCREASE IS FOR INVESTMENT MANAGER FEES. DUE TO THE STRONG GROWTH OF THE MARKET, ANOTHER INCREASE IS IN INTERNAL SERVICE CHARGES. THE REST OF THE BUDGET IS RELATIVELY FLAT. WE RECOMMEND APPROVAL TO THE BOARD FOR FILING WITH CITY COUNCIL.**

**MOTION MADE BY TRUSTEE GLOVER TO APPROVE THE FY2014/2015 BUDGET, SECONDED BY TRUSTEE HERBERT. VOTE WAS UNANIMOUS.**

**2014-06-2** Actuarial Impact Statement – Pension Board Consultants – *attachment*

**JOHN STATED THIS IS IN REFERENCE TO ORDINANCE 2014-386. THE IMPACT FOR NEW HIRES IS SHOWN AT THE BOTTOM OF PAGE ONE. IT SHOWS A REDUCTION IN COST FOR THE NEW EMPLOYEES. THEN ON PAGE TWO, ARE CHANGES IMPACTING OUR CURRENT EMPLOYEES AND THE ESTIMATED VALUE OF THE SAVINGS.**

**CHAIRMAN BUSSELLS ASKED JOHN IF THIS IS REQUIRED BY STATE LAW WHEN CHANGES ARE BEING CONTEMPLATED, SO THIS SATISFIES THE STATE REQUIREMENTS?**

**PER KLAUSNER, THIS DOES SATISFY THE REQUIREMENTS STATED BY ARTICLE 10, SECTION 14 OF THE STATE CONSTITUTION. SECTION 112.63 OF THE FLORIDA STATUTES.**

**JOHN WAS ASKED BY CHAIRMAN BUSSELLS TO SUMMARIZE THE REPORT FOR THE BOARD, WHICH HE DID. AFTER WE ACT ON THIS TODAY, THE REPORT WILL BE FILED WITH THE CITY COUNCIL.**

**MOTION WAS MADE BY TRUSTEE GLOVER TO APPROVE THE ACTUARIAL IMPACT STATEMENT AND IT'S FILING WITH CITY COUNCIL, SECONDED BY TRUSTEE HERBERT. VOTE WAS UNANIMOUS.**

**2014-06-3 Ordinance 2014-386 – *attachment***

**JOHN ADVISED THE ACTUAL ORDINANCE IS 57 PAGES IN LENGTH. THERE IS A 21 PAGE ADDENDUM FOR AMENDMENTS TO THE SETTLEMENT AGREEMENT FOLLOWED BY THE ACTUARIAL ANALYSIS PERFORMED FOR THE CITY BY MILLIMAN ACTUARIAL FIRM.**

**TRUSTEE HERBERT ASKED IF THIS REFLECTED THE AGREEMENT REACHED BETWEEN JOHN AND MAYOR? JOHN STATED YES.**

**CHAIRMAN ASKED IF THE MILLIMAN CONCLUSION WAS CONSISTENT WITH THAT OF OUR ACTUARY REPORT WE OBTAINED? ACCORDING TO JOHN, IN THE ACTUARIAL PROFESSION, THEY HAVE A RANGE TO AGREE OR DISAGREE ON. BOTH OF THE ACTUARIAL FIRMS CONCLUDED THAT THE RESULTS WERE WITHIN THE ACCEPTABLE RANGE. THIS NEW AGREEMENT REFLECTS THE LONG TIME SAVINGS.**

**CHAIRMAN BUSSELLS ASKED IF JOEY GREIVE HAD ANY INSIGHTS INTO THE MILLIMAN ACTUARIAL REPORT. JOEY CONFIRMED HE WAS VERY INVOLVED IN THE MILLIMAN REPORT. HE CONFIRMED THE ACTUARIES DO HAVE A RANGE OF REASONABLENESS AND THEY WORKED TOGETHER. ANY DISPUTES WERE RESOLVED. THE ACTUARIAL IMPACT STATEMENT WE OBTAINED, HAS NOT BEEN SIGNED OFF ON AS YET BY JOEY'S OFFICE, BUT ONCE SUBMITTED, THEY WILL REVIEW. WE NEED TO FILE WITH CITY COUNCIL.**

**TRUSTEE GLOVER ASKED KLAUSNER IF HE HAD ANY COMMENTS OR LEGAL ISSUES. KLAUSNER ASKED BOARD MEMBERS TO ASK QUESTIONS ABOUT THE TENTATIVE SETTLEMENT AGREEMENT AND THE ORDINANCE. IT'S**

**IMPORTANT THAT EVERYONE IS CLEAR ON THEIR UNDERSTANDING TO YOUR SATISFACTION.**

**CHANGED THE TIME FRAME OF THE CURRENT RESTATED SETTLEMENT AGREEMENT. ESSENTIALLY, THE ECONOMIC PORTIONS RUN THRU 2024. THE GOVERNANCE AND STRUCTURAL PROVISIONS, WHICH IS HOW THE BOARD IS STRUCTURED AND OPERATES, UNCHANGED PENSION BENEFITS, AND EVERYTHING ELSE THAT WASN'T SPECIFICALLY DISCUSSED, RUNS THRU 2030.**

**KLAUSNER SAID THIS IS NOT A NEW AGREEMENT. IT'S THE FOURTH AMENDMENT TO AN AGREEMENT WE'VE HAD WITH THE CITY SINCE THE 90'S. IT WILL BE ENFORCED THRU A CONSENT JUDGEMENT, BECAUSE THERE IS CURRENTLY PENDING LITIGATION FILED BY MEMBERS.**

**YOU CANNOT APPROVE THE AGREEMENT YET BECAUSE, THE MAYOR HAS DONE WHAT HE CAN DO. HE HAS AGREED HE WILL BUDGET THE MONEY, HOWEVER, HE CAN'T APPROPRIATE IT. THAT'S A CRITICAL ELEMENT. THE COUNCIL MUST AGREE TO THIS. SO THAT'S WHY IT'S APPROPRIATE TODAY THAT THE BOARD IS JUST DISCUSSING, CONSIDERING AND INQUIRING ABOUT THIS AGREEMENT AS OPPOSED TO VOTING TO APPROVE THE AGREEMENT. THE COUNCIL WILL PROBABLY OFFER AMENDMENTS TO THE AGREEMENT, AND COME BACK TO THE BOARD TO VOTE ON.**

**CHAIRMAN BUSSELLS COMMENDS THE ADMINISTRATION FOR THE SPEED WITH WHICH THEY HAVE BEEN ABLE TO PRODUCE THE LEGISLATION GIVEN THE ENORMOUS COMPLEXITY OF THE SUBJECT. MAKE SURE THE BOARD MEMBERS HAVE READ THE ORDINANCE COMPLETELY, AND THIS REFLECTS WITHOUT AMBIGUITY WHAT WAS AGREED TO AT THE TABLE DURING THE NEGOTIATION SESSIONS.**

**KLAUSNER, SAID THE TRUSTEES SHOULD CAREFULLY READ THE ORDINANCE, AND IF YOU HAVE QUESTIONS BEFORE YOU TAKE A FINAL VOTE, THAT'S THE TIME TO ASK THE QUESTIONS. EVERYONE MAY INTERPRET THE WORDING DIFFERENTLY. THE TRUSTEES HAVE TO BE SATISFIED IN YOUR MIND. COMMUNICATE WITH KLAUSNER DIRECTLY REGARDING YOUR INDIVIDUAL QUESTIONS.**

**BEING NEW TO THE BOARD, TRUSTEE SCHMITT ASKED IF THIS WAS THE ORDINANCE INTRODUCED BY THE CITY COUNCIL? KLAUSNER CONFIRMED. KLAUSNER SAID THIS DOCUMENT IS THE TENTATIVE AGREEMENT THAT WAS DISCUSSED IN THE PUBLIC MEETINGS AT CITY HALL, AND DRAFTED BY THE MODERATOR. THE ORDINANCE IS INTENDED TO BE THE IMPLEMENTING DOCUMENT. THE ORDINANCE ALSO PRESERVES AS UNCHANGED, ANY**



**ASPECT OF THE EXISTING 30 YEAR AGREEMENT THAT WAS NOT TOUCHED UPON IN THE DISCUSSIONS.**

**CHAIRMAN BUSSELLS REVIEWED THE PAST YEAR IN THE COMPREHENSIVE PENSION REFORM PROCESS. I THINK IT WOULD BE USEFUL AND APPROPRIATE FOR US TO AFFIRM AGAIN THAT WHAT JOHN INTRODUCED AND NEGOTIATED AT THE TABLE, HAS NOW BEEN INTRODUCED AND WOULD BE ACCEPTABLE TO US SUBJECT TO ANY AMBIGUITY BEING CLARIFIED, WERE IT BE APPROVED BY THE MAJORITY OF THE CITY COUNCIL AS INTRODUCED. IT WOULD BE USEFUL THAT THE BOARD NEEDS TO INDICATE THAT WHATS BEEN INTRODUCED BY THE ADMINISTRATION, BASED ON NEGOTIATIONS, WOULD FIND SUPPORT.**

**KLAUSNER WOULD ADD ONE POINT. REMEMBER, WE CURRENTLY HAVE AN AGREEMENT WITH THE CITY WHICH IS EMBODIED BY A SERIES OF ORDINANCES, AND THE COUNCIL'S ABILITY AMEND WHAT WAS DISCUSSED, IS DEPENDENT UPON THE CURRENT AGREEMENT. ANY CHANGE THAT THE COUNCIL MAY CHOOSE TO MAKE, THEY HAVE TO COME BACK TO THE BOARD. THERE COULD BE AMENDMENTS. CHAIRMAN BUSSELLS HAS CORRECTLY STATED.**

**CHAIRMAN BUSSELLS STATED LETS HAVE FURTHER DISCUSSION BY THE BOARD. HE WANTS TO BE SURE THE BOARD DOES NOT APPEAR TO BE BLOCKING THE PROCESS. WE WANT COMPREHENSIVE PENSION REFORM.**

**TRUSTEE TUTEN ASKED KLAUSNER, TRUSTEE TUTEN HAS READ THE ORDINANCE. THERE ARE QUESTIONS HE'S GETTING FROM THE MEMBERS AS FAR AS CERTAIN ISSUES WHICH TRUSTEE SCHMITT MAY ALSO GET FROM MEMBERS. ARE WE ALLOWED TO CALL A WORKSHOP TO DISCUSS THE ORDINANCE FURTHER AMONGST OURSELVES TO GET A BETTER UNDERSTANDING FOR OUR MEMBERS? KLAUSNER STATED YOU CAN DO THIS AS A WORKSHOP IN A PUBLIC SETTING.**

**TRUSTEE HERBERT STATED HIS VIEW IS THAT WE WERE VERY CLEAR UP FRONT AS THESE DISCUSSIONS TOOK PLACE, THAT THERE WERE CERTAIN THINGS THIS BOARD FELT STRONGLY ABOUT. WE PROVIDED GUIDANCE TO JOHN KEANE AS TO WHAT WE WANTED TO SEE HAPPEN. JOHN ENTERED INTO GOOD FAITH NEGOTIATIONS WITH THE MAYOR. THERE WERE SUBSEQUENT CONVERSATIONS. THE BOARD HAS FIDUCIARY OBLIGATIONS TO OUR MEMBERS. THE AGREEMENT THAT WAS WORKED OUT, IS CONSISTENT WITH WHAT WE FELT WAS IMPORTANT FOR OUR MEMBERS. IT CLEARLY REFLECTED SHARED SACRIFICE. WE HAVE CLEARLY COME UP WITH A PLAN TO DEAL WITH UNFUNDED LIABILITY. TRUSTEE HERBERT'S VIEW IS THAT THE BOARD SHOULD GO AHEAD AND SAY TO THE CITY COUNCIL THAT WE ARE IN AGREEMENT WITH WHAT HAS BEEN NEGOTIATED.**

THE CITY COUNCIL STILL HAS THE PEROGATIVE TO COME BACK AND MAKE SOME PROPOSALS TO US FOR CHANGES, BUT THERE IS TOO MUCH AT STAKE FOR US TO PROCRASTINATE ON THIS, OR TO BACK AWAY FROM AN AGREEMENT THAT IN HIS VIEW, IS CLEARLY IN THE BEST INTEREST OF OUR MEMBERSHIP. TRUSTEE HERBERTS ADVISED THAT WE ARE COMFORTABLE WITH THIS AGREEMENT. WE HAVE THE ACTUARIAL STUDY THAT REINFORCES THE FACT THAT THIS IS APPROPRIATE. THEN LET THE COUNCIL TAKE WHATEVER ACTION IT FEELS IS APPROPRIATE. IF THEY DON'T AGREE, THEY WANT TO MAKE CHANGES, THEY CAN COME BACK.

THE COUNCIL HAS TO UNDERSTAND THAT WE HAVE MADE A COMMITMENT TO HELP THEM DURING THAT FIRST YEAR AND HALF WITH OUR 60 MILLION CONTRIBUTION. IN HIS VIEW THIS IS A WIN-WIN PROPOSITION FOR OUR MEMBERS AND FOR THE CITY. IF WE WAIVER, IT COULD BE WORSE FOR OUR MEMBERS. TRUSTEE HERBERTS ADVICE WOULD BE TO INDICATE THAT THE BOARD DOES CONCUR WITH THE AGREEMENT THAT WAS NEGOTIATED, AND GIVE THE COUNCIL THE OPPORTUNITY TO DO WHATEVER IT'S WILL IS, RECOGNIZING THAT WE MAY OR MAY NOT AGREE WITH THAT.

TRUSTEE TUTEN SAID LIKE WITH ANY NEGOTIATION, THAT WAS DEPENDENT UPON THE CITY COMING BACK TO THE BOARD FOR REVIEW. TRUSTEE TUTEN HAS READ EVERYTHING WORD FOR WORD. HE HAS NO PROBLEM TALKING WITH HIS MEMBERS REGARDING THEIR CONCERNS. THE DEADLINE OF 2024 CREATES A LEVEL OF UNCERTAINTY TO OUR MEMBERS. WE HAVE A CONTRACT THAT'S GOOD UNTIL 2030. WHY NOT LEAVE THAT IN PLACE SO OUR MEMBERS HAVE A SENSE OF SECURITY IN PLACE SO THEY DON'T HAVE TO WORRY ABOUT 20 YEARS DOWN THE LINE. UNTIL WE KNOW THAT THIS IS WHAT WE WANT RIGHT NOW, WE NEED TO INSPECT THIS.

TRUSTEE HERBERT RESPONDED THAT WE SHOULD HAVE HAD THAT CONVERSATION AT THE BOARD MEETING BEFORE WE SENT JOHN OVER TO NEGOTIATE. WHAT YOU'RE ASKING IS FOR US TO BACK AWAY FROM THE DEAL AND START THE NEGOTIATION OVER AGAIN.

TRUSTEE TUTEN DOESN'T WANT TO THROW OUT THE DEAL, JUST MAKE SOME CHANGES. THE TIME FRAME IS THE BIGGEST CATCH. THE BOARD IS RESPONSIBLE TO MAKE SURE THAT THIS IS WHAT NEEDS TO BE DONE.

TRUSTEE HERBERT SAID WHEN THEY WENT BACK TO THE TABLE, THAT THAT ISSUE WASN'T RAISED. HE'S CONCERNED THAT IF WE PRESENT THIS ISSUE NOW, THE CITY COULD COME BACK WITH ANOTHER ISSUE, AND MORE NEGOTIATIONS. THIS IS IN THE OVERALL BEST INTEREST OF OUR MEMBERSHIP AND WE'RE BETTER OFF GOING AHEAD APPROVING WHAT HAS BEEN NEGOTIATED, AND SEE WHAT HAPPENS WITH REGARD TO COUNCIL.

**TRUSTEE GLOVER SAID EARLIER, IF WE KEEP DRAGGING THIS OUT, IT'S JUST CAUSING PROBLEMS, AND IT'S ALSO EXAGGERATING THE PANIC OUT THERE. THIS IS SOMETHING THAT IS PAINFUL FOR ALL OF US. WE DID GIVE JOHN CLEAR CAREFUL DIRECTIONS.**

**TRUSTEE SCHMITT SAID FOR HIM, IT'S NOT A MATTER OF CHANGING WHAT WE HAVE TO CONTINUE ON WITH THIS TO GET IT DONE. HE'S STILL TRYING TO UNDERSTAND WHAT THAT 2024 AGREEMENT MEANS. WHAT DOES HAPPEN IN 2024? WHAT HAPPENS TO THOSE MEMBERS THAT ARE GOING INTO THIS AGREEMENT, AND NOW IT'S 2024, WHAT DOES THAT MEAN FOR THEM? THAT'S THE BIGGEST QUESTIONS HE'S GETTING. BEFORE WE GO FORWARD, WHAT DOES THIS IMPACT HAVE?**

**CHAIRMAN BUSSELLS SAID TRUSTEE TUTEN HAS RAISED A VERY SIGNIFICANT ISSUE. HE HEARD TRUSTEE TUTEN STATE THAT AT LEAST ONE OR MORE SIGNIFICANT ISSUES THAT WERE NEGOTIATED, TUTEN WOULD NOT BE ABLE TO SUPPORT WHEN THIS DOES COME TO A VOTE. THIS IS AN ISSUE WE MUST RESOLVE RIGHT NOW. DIRECTED TO KLAUSNER IF THERE IS A RESOLUTION NECESSARY WITHOUT VIOLATING THE PROCESS.**

**JOHN KEANE STATED WE COULD DRAW UP A RESOLUTION TO THE CITY COUNCIL SAYING THE BOARD HAS FORMALLY RECEIVED THE ORDINANCE TODAY, WITH THE BACKUP MATERIAL, AND THE ACTUARIAL IMPACT STATEMENT PREPARED BY THE FUND ACTUARY. WHILE THE BOARD IS GENERALLY IN SUPPORT OF THE ORDINANCE, THERE ARE SOME QUESTIONS WE STILL HAVE BEFORE THE BOARD, SO THEY WILL KNOW FROM THE RESOLUTION THAT WE HAVE OTHER ISSUES THAT NEED TO BE ADDRESSED.**

**KLAUSNER STATED THAT THE 2024 IS REALLY TIED TO FUNDING ARRANGEMENTS, WHERE THE BOARD PUTS UP MONEY AND THE CITY PUTS UP MONEY. ACTUARIALLY, THAT DATE WAS CHOSEN BECAUSE IT'S GOING TO TAKE ABOUT TEN YEARS TO CONTRIBUTE OUR ADDITIONAL CHAPTER MONEY AND THE CITY IS GOING TO PUT IN 40 MILLION A YEAR FOR THE TEN YEARS, TO BRING THE FUND LEVEL TO WHAT WAS DEEMED THE TARGET ACCEPTABLE LEVEL AT 80%. NOTHING HAPPENS. NO BENEFITS CHANGE IN 2024. REMEMBER WE ARE DISCUSSING AN AMENDMENT TO THE BOARD'S AGREEMENT. ALL ALONG THIS PROCESS, THE CITY AND UNIONS CAN DO WHATEVER THEY WANT. IT CAN'T AFFECT THE FUNDING AND STRUCTURE BETWEEN THE BOARD AND THE CITY. OUR NEGOTIATIONS ARE NOT COLLECTIVE BARGAINING. IN 2024, WE WILL HAVE COMPLETED THE BOARD FUNDING, THE FUNDS OBLIGATION TO PUT UP CHAPTER MONEY STOPS, AND GOES BACK TO THE FUND. THE CITY'S OBLIGATION ENDS IN 2024. THE STRUCTURE OF THE BOARD IS NOT GOING TO CHANGE. BENEFITS TO THE MEMBERS IS NOT GOING TO CHANGE. THE UNIONS AND THE CITY CAN DO WHAT THEY WANT FOR COLLECTIVE BARGAINING. WHAT THE CITY DID SAY**

**IS THAT FOR THE NEXT TEN YEARS, THEY WILL NOT USE THEIR POWER TO ACT UNILATERALLY.**

**TRUSTEE SCHMITT SAID THEN WHY ISN'T THIS CALLED AN AMENDMENT TO THE 2030 AGREEMENT INSTEAD OF A 2014 AGREEMENT? KLAUSNER SAID IT IS. LOOK AT THE ORDINANCE ON PAGE 20 OF 21, PARAGRAPH E, OF THE ORDINANCE, IT STATES THAT THE PROVISIONS HEREIN AMEND AND RESTATE THE TERMS OF THE POLICE AND FIRE PENSION PLAN WHICH IS THE 2000 AGREEMENT. THAT'S ALSO REFLECTED IN THE ORDINANCE ON PAGE 56, SECTION 9, SAVINGS CLAUSE. TRUSTEE SCHMITT STATES THAT WHERE THE CONFUSION IS COMING FROM OUR MEMBERS IS BECAUSE IT REPEATEDLY SAYS THE 2014 AGREEMENT, AND REALLY IT IS AN AMENDMENT TO THE 2030 AGREEMENT. DO WE STILL HAVE THE 2030 AGREEMENT OR DOES IT NOW END IN 2024?**

**KLAUSNER SAID THAT IS BECAUSE CERTAIN ASPECTS OF THE 2000 AGREEMENT, WHICH IS AN AMENDMENT TO THE 1990 AGREEMENT, HAVE CHANGED. THE ASPECTS OF IT ARE THE ADDITIONAL FUNDING. ALSO, WE WILL HAVE A NEW TIER OF BENEFITS FOR NEW HIRES THAT IS NOT CURRENTLY PROVIDED FOR IN THE AGREEMENT THAT WOULD END IN 2030. KLAUSNER SAYS THAT'S WHY THE BOARD HAS TO BE SATISFIED WITH THE LANGUAGE.**

**TRUSTEE HERBERT ASKED WHY ALL OF THIS WASN'T DISCUSSED IN THE SECOND MEETING? KLAUSNER THOUGHT IT WAS HOWEVER, EVERYONE'S INTERPRETATION IS NOT THE SAME.**

**TRUSTEE TUTEN SAID HE THINKS THE BIGGEST CONCERN WITH THE MEMBERS IS SIMPLY THAT WHEN THIS 2024 DEAL EXPIRES, THE UNIONS WILL NEGOTIATE WITH THE CITY FOR NEW PENSION BENEFITS. PEOPLE ON THE JOB RIGHT NOW, THEIR BIGGEST FEAR IS THEY ARE NOT COVERED UNTIL 2030. UNCERTAIN ABOUT THEIR FUTURE.**

**TRUSTEE GLOVER FEELS THE SAME THING TRUSTEE TUTEN IS TALKING ABOUT, THE UNCERTAINTY. THAT'S WHY WE NEED TO GET THIS DEAL DONE. WE NEED TO DO THIS IN A WAY, SO THAT IN RETROSPECT WE'RE PROUD OF WHAT WE NEGOTIATED.**

**CHAIRMAN BUSSELLS SAID AS FIDUCIARIES, IT SOUNDS LIKE SOME OF THE ELEMENTS OF THE COMPREHENSIVE PENSION REFORM THAT JOHN NEGOTIATED, MAY NOW BE WITHDRAWN BY SOME OF OUR TRUSTEES BASED ON FEEDBACK BY SOME MEMBERS. IT SEEMS, THAT WE SHOULD MAKE THIS KNOWN TO CITY COUNCIL, AND NOT LET THEM CONTINUE TO WORK AND THEN HAVE US REJECT IT. THIS NEEDS TO BE ADDRESSED NOW, IF THAT IS WHERE WE ARE. DEFINATIVE ACTION IS NEEDED.**

TRUSTEE TUTEN SAYS EVEN THOUGH WE NEGOTIATED, TRUTHFULLY UNTIL YOU SEE THE FINAL PRODUCT, THE MEMBERS COULDN'T VOICE THEIR OPINION. THIS IMPACTS THE MEMBERS. THIS IS NOT WRITTEN THE WAY IT IS AND TRUSTEE TUTEN HAS TO REPRESENT THE MEMBERS.

KLAUSNER HAS A SUGGESTION. WHAT APPEARS TO BE THE CONCERNS EXPRESSED BY TRUSTEE TUTEN AND TRUSTEE SCHMITT, IS LESS ABOUT THE CONTENT OF WHAT IS REPRESENTED MEANING THE TERMS AND THE TITLEMENT. CHAIRMAN BUSSELLS SAYS HE'S NOT SURE HE HEARD THAT. KLAUSNER IS TAKING FROM WHAT TRUSTEE SCHMITT SAID, WHY DOES IT SAY 2014 AGREEMENT? WELL, IF YOU READ INTO THE DOCUMENT, IT SAYS IT'S THE FOURTH AGREEMENT TO THE 30 YEAR AGREEMENT AND CERTAIN TERMS WILL BE SATISFIED BY 2024, AND THE REST OF THE TERM WILL GO TO 2030. KLAUSNER SAID WE COULD PROBABLY TITLE THIS MORE CLEARLY.

TRUSTEE HERBERT SAYS IT SOUNDS LIKE THIS IS AN EDUCATION ISSUE THAT KLAUSNER COULD HELP US WITH. TO HELP THE MEMBERS, POLICE AND FIRE, UNDERSTAND BETTER. TRUSTEE HERBERT'S MOTION IS THAT THIS BOARD GOES ON RECORD INDICATING THAT WE ARE IN AGREEMENT WITH THE DRAFT AGREEMENT THAT HAS BEEN NEGOTIATED AND THAT MOTION BE MADE TO CITY COUNCIL. SECONDED BY TRUSTEE GLOVER SO WE CAN OPEN UP FOR DISCUSSION.

TRUSTEE SCHMITT CLARIFIED THAT HE IS IN NO WAY INDICATING THAT THE NEGOTIATIONS DIDN'T GO THE WAY THEY SHOULD. HIS ONLY ISSUE IS THAT HE'S NOT EXACTLY SURE WHAT IT SAYS. THAT'S THE CONFUSION THE MEMBERS ARE BRINGING TO HIM. TRUSTEE SCHMITT IS ASKING FOR CLARIFICATION.

CHAIRMAN BUSSELLS SAYS WE ARE DISCUSSING. THIS ISSUE IS NOT MATHEMATICS. WHILE WE ARE IN DISCUSSION MODE, IF WE COULD GET AN INDICATION, IF ANYONE IS HAVING SOME RESERVATION ABOUT ANY OF THESE?

JOHN KEANE SAID THERE ARE TWO THINGS WE COULD DO AT THIS POINT. APPROVE THE ACTUARIAL IMPACT STATEMENT THAT WE WILL SEND TO CITY COUNCIL. (CHAIRMAN BUSSELLS SAID WE DID THAT ALREADY). THERE ARE SOME TECHNICAL ISSUES WITH THIS ORDINANCE. SENATOR SMITH SAID OVER AND OVER THAT THIS IS THE FOURTH AMENDMENT TO THE SETTLEMENT AGREEMENT. THE DOCUMENT IS NOT TITLED PROPERLY. IT HAS A TEN YEAR TIME FRAME TO GET THIS MONEY TOGETHER. BUT THE ADOPTION OF THE ACTUARIAL IMPACT STATEMENT TO CITY COUNCIL, CLEARLY SHOWS THAT THE BOARD IS ON RECORD SUPPORTING THESE BENEFIT LEVELS.

KLAUSNER SAID ACTUALLY THIS MAY GET TO THE RESOLUTION THAT WE ARE SPEAKING OF. A RESOLUTION RECOMMENDING TO THE CITY COUNCIL THE ADOPTION OF THE BENEFIT, GOVERNANCE, AND FUNDING CHANGES REFLECTED IN THE AGREEMENT. THAT'S WHAT THE BOARD IS RESOLVING TO DO. KLAUSNER IS TAKING THIS AS INSTRUCTION FROM THE BOARD, THAT HE NEEDS TO SEND A NOTE BACK TO THE CITY, EXPLAINING THE CONCERNS. IF THE BOARD THINKS IT WOULD BE USEFUL, TO HAVE A SEPARATE MEMBERSHIP MEETING FOR THE FIRE FIGHTERS AND A SEPARATE MEETING FOR THE POLICE OFFICERS TO ANSWER THEIR QUESTIONS. KLAUSNER COULD HELP ASSUAGE THE FEAR OF THE MEMBERS BY HOLDING THESE MEETINGS.

TRUSTEE GLOVER SAID THIS INFORMATION PIECE IS CRITICAL FOR OUR MEMBERS. GET THE FACTS OUT THERE.

CHAIRMAN BUSSELLS SAID WE HAVE A MOTION. THE IDEA OF THOSE BRIEFINGS IS VERY TIMELY. HE DEFERRED TO TRUSTEE SCHMITT AND TRUSTEE TUTEN TO DETERMINE HOW, WHEN, AND WHERE THE MEETINGS WILL BE HELD. THE SOONER THE BETTER. CHAIRMAN BUSSELLS ASKED TRUSTEE HERBERT TO RE-STATE THE MOTION ON THE FLOOR.

CHAIRMAN BUSSELLS DIVERTED TO KLAUSNER TO RE-STATE THE RESOLUTION. KLAUSNER RE-STATED THE WORDING FOR THE RESOLUTION FOR THE BOARD TO CONSIDER. NO FURTHER DISCUSSION. VOTE WAS UNANIMOUS.

KLAUSNER STATED WE WILL HOLD THESE MEETINGS WITH FIRE FIGHTERS AND POLICE OFFICERS PRIOR TO THE NEXT BOARD MEETING ON JULY 18TH, SO IF AS A RESULT OF THOSE MEETINGS WE CAN ADDRESS THE LANGUAGE WITH THE GENERAL COUNCILS OFFICE, THEN TO THE BOARD FOR A MORE DEFINITIVE RESOLUTION.

CHAIRMAN BUSSELLS TOOK A FIVE MINUTE BREAK FROM 10:00AM TO 10:05AM. MEETING WAS THEN RESUMED.

#### **EXECUTIVE DIRECTOR'S REPORT**

##### **Investment Report**

**2014-06-4** Summit – Flash Report – May 31, 2014 – *attachment*

#### **RECEIVED AS INFORMATION**

JOHN KEANE STATED THE TOTAL RETURNS FOR THE PREVIOUS MONTH WERE UP IN EXCESS OF THE TOTAL FUND POLICY.

**CHAIRMAN BUSSELLS SUMMARIZED THAT WE ARE HAVING A FINE YEAR, MUCH HIGHER THAN THE ACTUARIAL ASSUMPTION. THE YEARS NOT OVER, BUT ANOTHER FINE YEAR WITH OUR INVESTMENT POLICY.**

**2014-06-5** Summit Monthly Economic & Capital Market Review – May, 2014 - *attachment*

**RECEIVED AS INFORMATION. DOCUMENTS ARE ON OUR WEBSITE.**

**TRUSTEE GLOVER STATED THAT THERE SEEMS TO BE AN INFERENCE THAT THE CURRENT STRUCTURE WAS SOMEHOW WOEFULLY FLAWED. THIS IS A GOOD STRUCTURE AND WE EMBRACE IT, BUT WE ARE NOT ADMITTING THAT THE CURRENT STRUCTURE WAS NOT EFFECTIVE. WE ARE FURTHER STRENGTHENING OUR PROCESS.**

**2014-06-6** Public area lighting and cost saving program "PALACS Program" - *attachment*

**RECEIVED AS INFORMATION**

### **Legal**

**2014-06-7** Notice of Proposed Agency Action – *attachment*

**KLAUSNER DISCUSSED WITH THE BOARD. A MEMBER OF THE FUND, HAMLIN, WHO PLED NO CONTEST TO A NUMBER OF FELONIES. ADJUDICATION WAS WITHHELD, BUT FOR LEGAL PURPOSES THATS IRRELAVENT UNDER FLORIDA FORFITURE OF BENEFITS LAW, ARTICLE 2, SECTION 8 OF THE FLORIDA CONSTITUTION, FLORIDA STATUTES 112.3.173, REQUIRES THE FORFITURE OF RETIREMENT BENEFITS EXCEPT FOR RETURN OF CONTRIBUTION WITHOUT INTEREST OF ANY PUBLIC EMPLOYEE OR OFFICER WHO COMMITS A FELONY RELATED TO THEIR EMPLOYMENT. THE FACTS SHOW, ACCORDING TO THE PLEA AND AMENDED INFORMATION, THAT THERE WERE PROBABLY 20 CHARGES. HE PLED GUILTY TO FIVE CHARGES, ALL OF WHICH ARE FELONIES, THE COURTS SAID WITH OR WITHOUT ADJUDICATION. BOARD MUST PRESENT HIM WITH NOTICE OF PROPOSED AGENCY ACTION, SCHEDULE A HEARING. THE ONLY FACTUAL ISSUE THAT COULD POSSIBLY BE PRESENTED IS IF SOME OF THE PLEAS ARE WITHDRAWN. GIVEN THAT IT WAS A PLEA, THE FACTS ARE ESTABLISHED. THE BOARD HAS NO DISCRETION ON THIS MATTER.**

**HEARING HAS BEEN SET FOR PRIOR TO JULY 18<sup>TH</sup> BOARD MEETING @ 8:30AM TO VOTE ON AGENCY ACTION. THE ISSUE IS, ARE YOU THIS PERSON. HE CAN SHOW UP FOR THE MEETING OR NOT. THIS CASE IS CLOSED.**

**RECEIVED AS INFORMATION**

**2014-06-8** Proposed additional Monitoring Agreement – *attachment*

**KLAUSNER STATED THIS IS A MINORITY OWNED FIRM.**

**TRUSTEE HERBERT MADE A MOTION TO APPROVE THE PROPOSED ADDITIONAL MONITORING AGEEMENT, SECONDED BY TRUSTEE GLOVER. VOTE WAS UNANIMOUS.**

**2014-04-4** Public Records Request changes noted (3) – *for information only*

**BOARD ACKNOWLEDGED CHANGES.**

**RECEIVED AS INFORMATION.**

**Administrative Report**

**2014-03-4** Board Meeting Action List for June, 2014 – *attachment*

**WE RE-FORMATTED THE ACTION LIST TO MAKE IT EASIER TO FOLLOW. CLOSED ITEMS WERE DELETED. OUTLINE HERE SHOWS OPEN ITEMS THAT WE WILL CONTINUE TO WORK ON.**

**KLAUSNER MADE A COMMENT UNDER B. THE FLORIDA SUPREME COURT HAS ACCEPTED JURISDICTION TO REVIEW THE ATTORNEY'S FEE ISSUE IN THE OPEN RECORDS CASE. CASE WILL BE HEARD IN FEDERAL ARGUMENT IN THE LATE PART OF THE YEAR. A DECISION IS EXPECTED.**

**CHAIRMAN BUSSELLS SAID THE ANNUAL REVIEW PROCESS OF JOHN'S CONTRACT IS DUE NOW. UPDATE ON THAT. CONTINUING TO DEVELOP A NEW EVALUATION INSTRUMENT. THE PERIOD OF EVALUATION RUNS FROM JULY 1<sup>ST</sup> TO JUNE 30<sup>TH</sup>. JOHN SAID WE WILL HAVE A NEW INSTRUMENT TO THE BOARD AT THE NEXT MEETING.**

**JOHN REMINDED EVERYONE ABOUT THE FILING OF THE FINANCIAL INFORMATION, FORM 1, WITH THE SUPERVISOR OF ELECTIONS. THIS IS DUE MONDAY, JUNE 30<sup>TH</sup>. TRUSTEE SCHMITT SHOULD ALSO FILE ONE AS A NEW MEMBER OF THE BOARD.**

**TRUSTEE HERBERT ALSO REMINDED JOHN OF THE EVALUATIONS FOR ALL OF THE EMPLOYEES THIS MONTH, DUE BY THE NEXT MEETING.**



**CHAIRMAN BUSSELLS SAID REGARDING JOHN'S EVALUATION FORM, TO STAY CONSISTENT WITH YOUR CONTRACT, IF WE ARE HAPPY WITH THE EVALUATION FORM, PLEASE DON'T WAIT FOR A BOARD MEETING TO RATIFY THE FORM.**

**RECEIVED AS INFORMATION**

**2014-06-9** DROP Enrollment Statistics thru July 2014 – *attachment*

**RECEIVED AS INFORMATION**

**2014-06-10** Letters to Mayor Brown, Chris Hand, Council President, Council Vice President, Council Member Richard Clark, and Finance Committee Chair regarding Actuarial Impact Statement – *attachment*

**RECEIVED AS INFORMATION**

**Legislative Report**

**2014-06-11** Resolution 2014-377 – *attachment*

**ORDINANCE WAS INTRODUCED INTO THE CITY COUNCIL TO SCHEDULE A REFERENDUM TO CHANGE THE METHOD OF SELECTING THE FIFTH TRUSTEE. THIS IS CONTRARY TO THE ORDINANCE THAT IS PENDING. NOT SURE HOW THEY WILL RESOLVE THE CONFLICT. THERE ARE A NUMBER OF FACTUAL ERRORS IN THE ORDINANCE ITSELF. KLAUSNER ALSO SAID THERE ARE CONSTITUTIONAL ISSUES BECAUSE OF A RECENT SUPREME COURT DECISION. I WOULD SUGGEST THAT THE BOARD SEND A LETTER STATING THE BOARD CONSIDERED THIS BELIEVING IT WAS RESOLVED BY THE ENACTMENT OF THE COMPREHENSIVE PENSION REFORM ORDINANCE, AND RECOMMEND THAT THEY NOT PASS THIS.**

**TRUSTEE TUTEN ASKED WHAT THEY WERE ATTEMPTING TO DO? KEANE STATED THEY WERE ATTEMPTING TO PUT THIS ON THE BALLOT, TO CHANGE THE FIFTH TRUSTEE. KLAUSNER SAID IT IS ATTEMPTING TO DO WHAT THE FLORIDA LEGISLATURE REFUSED TO DO THIS YEAR.**

**CHAIRMAN BUSSELLS SAID TO SEND A RESPECTFUL, PROFESSIONAL NOTICE THAT IT APPEARS UPON READING IT THAT ELEMENTS DO CONFLICT WITH THE NOW WELL ESTABLISHED CASE LAWS IN FLORIDA, AND THAT THAT BE CONSIDERED BY THE CITY COUNCIL. KLAUSNER WILL WORK WITH JOHN ON A LETTER FOR JOHN KEANE'S SIGNATURE.**

**TRUSTEE HERBERT ASKED IF THE SECOND WHEREAS ON PAGE 2 IS ACCURATE? THAT'S NOT ACCURATE IS IT? JOHN SAID NO SIR. THERE ARE THREE OR FOUR OF THEM THAT ARE NOT ACCURATE.**

**2014-04-8** HB177/SB388 – Baldwin Bill for 185 Funds - *Awaiting action by Administration*

**JOHN BRIEFLY DISCUSSED.**

**CHAIRMAN BUSSELLS ADJOURNED THE MEETING @ 10:25AM**

**TO BE APPROVED AT THE BOARD  
OF TRUSTEE MEETING ON JULY 25, 2014**

---

Nat Glover, Board Secretary



**POLICE AND FIRE PENSION FUND**

**ONE WEST ADAMS STREET, SUITE 100**

**JACKSONVILLE, FLORIDA 32202-3616**

*"We Serve...and We Protect"*

Phone: (904) 255-7373

Fax: (904) 353-8837

**John Keane**  
**Executive Director -**  
**Administrator**

June 30, 2014

***HAND DELIVERED***

Ms. Cheryl Brown  
Director/Council Secretary  
City Hall at St. James  
117 West Duval Street, Suite 425  
Jacksonville, FL 32202

RE: Resolution for Ordinance 2014-386

Dear Ms. Brown:

Enclosed please find a resolution approved by the Police and Fire Pension Fund Board of Trustees at their meeting on June 27, 2014 expressing support for enactment of Ordinance 2014-386.

Thank you.

John Keane  
Executive Director – Administrator

JK/dm

Enclosure



# POLICE AND FIRE PENSION FUND

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## A RESOLUTION OF THE POLICE AND FIRE PENSION BOARD OF TRUSTEES EXPRESSING SUPPORT FOR ENACTMENT OF ORDINANCE 2014-386

**WHEREAS**, the Police and Fire Pension Fund Board of Trustees and City engaged in discussion pursuant to Section 22.07 of the City Charter concerning changes in the Restated Settlement Agreement; and,

**WHEREAS**, those discussions resulted in a joint recommendation to the City Council for the 4<sup>th</sup> Amendment to the Restated Settlement Agreement and corresponding provisions of the City Ordinance Code; and,

**WHEREAS**, the Police and Fire Pension Fund Board believes the funding, benefit, and governance terms reached in the discussions with the City Officials are proper and appropriate for inclusion in a 4<sup>th</sup> Amendment to the Restated Settlement Agreement; and,

**NOW THEREFORE**, be it resolved by the Police and Fire Pension Fund Board of Trustees:

**Section 1.** The terms of funding, benefit structure, and governance are recommended for approval by the City Council subject to the adoption of a 4<sup>th</sup> Amendment to the Restated Settlement Agreement and the adoption of appropriate legislation consistent with those terms.

**Section 2.** This Resolution was adopted at the Police and Fire Pension Fund Board of Trustee meeting this 27<sup>th</sup> day of June, 2014.

**Section 3.** The Executive Director – Administrator is directed to file the Resolution with the City Council, as required by Section 25 of the Settlement Agreement dated March 5, 2001.

Attest:

John Keane, Executive Director - Administrator



**Legal Questions from Florida Times-Union**  
**Answers provided by General Counsel, Jason Gabriel**

- 1. In the June 2014 Milliman analysis of the tentative agreement, Milliman writes: "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 already accrued." Is that in fact the opinion of the General Counsel's Office? Is that based on particular court opinions?**

Florida courts have held that the retirement benefits of public employees cannot be reduced or adversely affected once the employee attains retirement status, even if the employee continues to work beyond the normal retirement date. Once an employee reaches the normal retirement date, a subsequent plan amendment cannot reduce the employee's future pension benefits.

- 2. Can the city change the 3 percent COLA on pensions for people who are already retired?**

If "change" means *reduce*, the answer is no. The pension benefits of employees who have already retired cannot be reduced.

- 3. Can the city change the 3 percent COLA on pensions for current employees who have already entered the DROP program?**

No - employees in the police & fire pension plan must reach the normal retirement date (i.e., complete 20 years of service) to enter the DROP. Once an employee reaches the normal retirement date, his/her pension benefits cannot be reduced.

- 4. Can the city change the COLA prospectively for current employees who have already put in 20 years of service?**

No - under the current police and fire pension plan an employee attains normal retirement age upon completing 20 years of service, and after that point the employee's pension benefits cannot be reduced.

- 5. Can the city change the COLA prospectively for current employees who have less than 20 years of service?**

Yes - Florida courts have held that the future pension benefits of current employees who have not reached retirement status may be reduced. This means pension benefits may be reduced prospectively for current employees who do not have 20 years of service.

- 6. Can the city end the guaranteed 8.4 percent rate of return in the DROP program for retirees who have DROP accounts?**

No, not as to employees who have already entered the DROP. The DROP is in the nature of a contract, and the terms are set when an employee enters the DROP. For this reason, the 8.4% rate cannot be reduced for employees who have already entered the DROP.

- 7. Can the city end the guaranteed 8.4 percent rate of return in the DROP program for current employees who are already in DROP?**

No - see answer to 6 above.

- 8. Can the city end the guaranteed 8.4 percent of return in the DROP program for current employees who have more than 20 years of service but have not yet entered DROP?**

As noted earlier, the general rule is that retirement benefits of public employees cannot be reduced or adversely affected once the employee attains retirement status, even if the employee continues to work beyond the normal retirement date. The most defensible legal path here for the City would be to follow the general rule.

Further, as practical matter assuming the City were to modify the DROP rate of return for employees with more than 20 years of service who have not entered the DROP, conceivably many if not most of those employees would likely enter the DROP before the change took effect.

- 9. Can the city end the guaranteed 8.4 percent of return in the DROP program for current employees with fewer than 20 years of service?**

Yes.

- 10. Can the city change the DROP program to require retirees who have DROP accounts to withdraw that money in a lump sum, meaning they would no longer be able get that guaranteed 8.4 percent return?**

The City cannot change the terms of the DROP for employees who have already retired, in a manner that would reduce the benefits of such employees.

- 11. Can the city change the DROP program to require current employees in the DROP program to withdraw that money in a lump sum when they end their employment?**

No - see answer to 10 above.

- 12. Can the city change the DROP program to require current employees who later enter DROP to withdraw that money in a lump sum payment when they end their employment**

Yes, for current employees who are not in the DROP.

- 13. Can the city eliminate the DROP program completely as an option for current employees who have less than 20 years of service to the city?**

Given the uncertainty over the legal status of the DROP program (ie, whether DROP is actually a retirement benefit - a different way of receiving an accrued benefit, a contractual element, or both) there of course would be legal risks to such an action. To my knowledge the legality of eliminating this type of program has not been tested by the courts yet.

**14. Can the city make changes in the tentative agreement and enforce those changes if the Police and Fire Pension Fund board does not likewise agree to those changes?**

No, in order for the current tentative agreement to be implemented, both the City and the pension board must approve the agreement.

**15. Can the city approve future creation of a “share plan” without violating section 106.08 of the Jacksonville Ordinance Code, which says benefits cannot be enhanced until the particular plan is at least 90 percent actuarially funded? Would approval of the “share plan” provision of the tentative pension reform agreement require approval by two-thirds of council members? Would this mean the entire bill would need two-thirds of council members to support it?**

The proposal would not violate Section 106.108 Ord. Code, and it would not require a two-thirds vote. Section 106.108 of the City Code states that "pension benefit enhancements" for any of the City's Pension Plans may only be approved if the affected plan is at least 90 percent actuarially funded at the time of approval of the pension benefit enhancement. A share plan is in the nature of a defined contribution plan - which is different than a defined benefit pension plan like the police and fire pension fund. Under a share plan benefits are not based on a formula. Individual accounts are established for participants, and the share plan benefit is based on the amounts contributed to the members' accounts, plus investment earnings or interest. The share plan contained in the tentative agreement would be funded entirely with Chapter 175 and 185 premium tax revenues from the state, not with City tax revenues. Because it appears that section 106.108 was intended to prohibit "pension benefit enhancements" funded by City revenues, and since the proposed share plan is not a pension benefit and will be funded entirely by state premium tax revenues, section 106.108 does not prohibit the creation of the proposed share plan, and a two-thirds vote of City Council is not required.

**16. A couple of years ago, the Florida Supreme Court ruled the state Legislature had the authority to increase the contribution rate by existing employees and prospectively eliminate the COLA on pension benefits earned after that change. In that case, there was no agreement by groups representing employees when that change took effect. It was a legislative act.**

**Is this ruling applicable to Jacksonville City Council? In other words, can City Council as the legislative body likewise vote on a set of pension benefits and those become the pension benefits from here on out, even if the Police and Fire Pension Fund board does not agree?**

The Florida Retirement System and the Jacksonville Police and Fire Pension system are two very different entities and cannot be easily compared.

There is a significant difference between the Florida Legislature amending the Florida Retirement System that was upheld by the Florida Supreme Court in the *Williams* case, and the action of the City Council in amending the city pension plan.

The *Williams* case involved a *facial challenge* of the statute amending state pension laws. While the Florida Supreme Court ruled in favor of the State on the facial challenge, it left open the possibility that the changes could be challenged as applied to a specific contract. For example, see the ***Florida State Fire Service, IAFF, Local 5-20 vs. State of Florida*** case (attached here) which dealt with an *as applied* challenge post-*Williams*.

We do not believe the City Council can unilaterally change the pension benefits of police officers and firefighters without at least going through the collective bargaining process.

But even an attempt to impose benefit changes unilaterally through the collective bargaining process carries legal risk. The City of Jacksonville has had an agreement in place for many years that has governed police and fire pensions. As you know, that agreement is at the heart of the **Wyse** case currently pending in federal court. That case is currently stayed until January to give City Council time to review and consider the tentative retirement reform agreement.