

The Northern Trust Company

50 South LaSalle Street

Chicago, IL 60603

(312) 630-6000



**Northern Trust**

August 27, 2014

John Keane

Jacksonville Police and Fire Pension Board of Trustees

1 W. Adams St. Ste. 100

Jacksonville, FL 32202-3616

**RE: Securities Lending Program**

Dear John,

We are writing to inform you of upcoming changes to your participation in Northern Trust's Securities Lending program. Currently, the securities lending cash collateral accepted in connection with loans of your securities is invested in Core USA Fund. This pool will no longer be offered by Northern Trust and in September, we will provide you with information regarding new fund options for your cash collateral reinvestment. The new options will include a commingled short-term investment fund and a registered 2a-7 money market fund. You will need to review these options and provide us with your selection in a timely manner.

**Reason for this Change**

Core USA Fund, like many of Northern Trust's cash collateral pools, is exempt from registration as an investment company under Section 3(c)(1) or Section 3(c)(7) of the US Investment Company Act of 1940. As such, it is a "covered fund" within the meaning of Section 619 of the Dodd-Frank Act, commonly referred to as the "Volcker Rule." Northern Trust has conducted a thorough analysis of the Volcker Rule since the adoption of the final regulations late last year. As a result of this analysis, we have concluded that, in light of the restrictions imposed by the Volcker Rule Northern Trust will not continue to offer or maintain our existing securities lending cash collateral pools. Therefore all clients investing cash in Core USA Fund will need to select a different cash collateral investment vehicle.

For more information about the Volcker Rule, please refer to the attached Regulatory Spotlight: The Volcker Rule from our April 2014 Securities Lending Market Intelligence newsletter.

**Upcoming Actions and Follow-up**

In September, we will provide important information and documentation related to the options available for securities lending cash collateral investment. You will need to review the options and provide us with your selection in a timely manner.

As always, we are happy to address your questions at any time and we invite you to contact us if you need any assistance. We look forward to working with you as we advance toward the completion of these changes.

Sincerely,

Donald S. Anderson

Securities Lending Relationship Manager

Global Securities Lending, Northern Trust

312-444-5386

DSA3@ntrs.com

**REGULATORY SPOTLIGHT: THE VOLCKER RULE**

*It is widely anticipated that during 2014, details relating to several global regulations impacting the securities lending industry will continue to emerge. This newsletter summarizes the latest regulatory developments regarding the Volcker Rule and provides updates on actions Northern Trust is taking in response to the finalized regulations.*

April 2014

**The Volcker Rule (Section 619 of the Dodd-Frank Act)****OVERVIEW**

Certain provisions of the US Dodd-Frank Wall Street Reform and Consumer Protection Act (commonly called the “Dodd-Frank Act”), which was enacted in July 2010, are expected to impact the securities lending industry. One such provision is Section 619 of the Dodd-Frank Act (commonly called the “Volcker Rule”), which impacts the securities lending industry in that it prohibits banking entities from owning, sponsoring or having relationships with hedge funds or private equity funds, referred to in the Volcker Rule as “covered funds”. A covered fund is any issuer that is not registered as an investment company with the US Securities and Exchange Commission because it qualifies for an exemption under either Section 3(c)(1) or Section 3(c)(7) of the US Investment Company Act. The intent of the Volcker Rule is to prevent banks from investing their own capital in ways that may expose their clients to higher risks of bank failure and conflicts of interest between banks and their clients.

Under the Dodd-Frank Act, five US regulatory agencies (the Board of Governors of the Federal Reserve, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Securities and Exchange Commission and the Commodity Futures Trading Commission) were tasked with developing regulations to implement the Volcker Rule. After multiple delays, the five agencies published their joint final rule (“Final Rule”) on December 20, 2013. The Final Rule became effective April 1, 2014, and affected financial institutions must be in compliance with it by July 21, 2015 at the latest.

Under the Final Rule, the securities lending industry is impacted by the broad definition of “covered fund,” which encompasses certain unregistered cash collateral reinvestment pools sponsored by agent lenders. As a result, it can be expected that agent lenders will consider alternative investment strategies or structures for cash collateral reinvestment.

**NORTHERN TRUST’S ACTIONS**

Our Global Financial Regulatory Reform team, Global Compliance team and legal advisors are assessing the impact of this regulation on our many business lines. Our Global Securities Lending team is partnering with these teams to assess what, if any, actions Northern Trust may take as a result of the Final Rule. We intend to keep our clients informed of regulatory developments that may impact our securities lending program in the future.



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**Northern Trust**

**VIA FEDERAL EXPRESS**

September 19, 2014

John Keane  
Jacksonville Police and Fire Pension Board of Trustees  
1 W. Adams St. Ste. 100  
Jacksonville, FL 32202-3616

**RE: Action Required for Securities Lending Program**

Dear John,

On August 27, 2014, we wrote to inform you that the securities lending cash collateral pool in which you currently participate, Core USA, will no longer be offered. Northern Trust is taking this action in light of the restrictions imposed on many of our cash collateral pools by Section 619 of the Dodd-Frank Act (the Volcker Rule).

In order to continue accepting cash as collateral for your securities lending program, you will need to select a different cash collateral investment fund. The options available to you are described below. Please complete and return the signed Addendum and Authorization Form to us by **January 23, 2015**.

**Cash Collateral Investment Funds**

Northern Trust has formed a new collective fund that is solely for investment of securities lending cash collateral, Collective SL Core Short Term Investment Fund (SL Core STIF). SL Core STIF is consistent with the guidelines of your current cash collateral pool, including eligible investments, credit quality, diversification and maturity and liquidity guidelines.

In addition, a registered 2a-7 institutional prime money market fund is also available. The Northern Institutional Liquid Assets Portfolio (NILAP) is solely for investment of securities lending cash collateral. Please note that the SEC recently published rules requiring new reforms for institutional prime money market funds, which apply to NILAP. Northern Trust will comply with these SEC rules by the compliance date of October 14, 2016. If you would like further information on NILAP, please contact me.



**Northern Trust**

John Keane

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September 19, 2014

The enclosed comparison chart highlights the key similarities and differences between your current cash collateral pool, SL Core STIF, and NILAP.

**Documentation for Review**

- Declaration of Trust of Northern Trust Investments Securities Lending Collateral Collective Funds Trust
- Fund Declaration of Northern Trust Collective SL Core Short Term Investment Fund
- Comparison Chart: Cash Collateral Pool Investment Guidelines, SL Core STIF Fund Declaration, and NILAP

**Documentation Requiring Action**

- Form of SL Core STIF Global Addendum to Securities Lending Authorization Agreement
- Exhibit I (Collateral Authorization Form) to Securities Lending Authorization Agreement

Please complete and return two copies of the Form SL Core STIF Global Addendum to Securities Lending Authorization Agreement and Exhibit I (Collateral Authorization Form) to Securities Lending Authorization Agreement. After January 23, 2015, we will confirm your transition date to your selected cash collateral investment fund. As always, we are happy to address your questions at any time and we invite you to contact us if you need any assistance. We look forward to working with you as we advance toward the completion of these changes.

Sincerely,

Donald S. Anderson

Securities Lending Relationship Manager  
Global Securities Lending, Northern Trust  
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Enclosures – [5]