

Retirement Reform Agreement Police and Fire Employees in the PFPF

Police and Fire Pension Fund Governance Changes



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ALVIN BROWN
MAYOR

1. **Financial and Investment Advisory Committee.** The Jacksonville Municipal Code (the “Ordinance Code”) shall be amended to require the JPPFF 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 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 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 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.

Financial Advisory and Investment Committee members shall be deemed to be fiduciaries of the JPPFF 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 Financial Advisory and Investment Committee shall not directly or indirectly contract with or provide services for the investment of JPPFF 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

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fully disclosed to all Trustees of the JPFPPF 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 JPFPPF 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 JPFPPF).

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 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 Financial Advisory and Investment Committee will work with the JPFPPF'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 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 Financial Advisory and Investment Committee will furnish advice to the Board 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 Board intend to assure that 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. Consequently: any investment manager or advisor of the JPFPPF who has discretionary authority for any investment of the JPFPPF 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:

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Certifications:

- (a) 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;
- (b) 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;
- (c) 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;
- (d) A written code of ethics, conduct, or other set of standards, as submitted to the Financial Advisory and Investment 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; and
- (e) Policies of the JPPPF concerning prohibited business relationships among family members and other related parties have been complied with.

Disclosures:

- (f) 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

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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 of advisor that could be related to the performance of an investment program of the JPFPPF over which the investment advisor or manager has discretionary investment authority on behalf of the JPFPPF; and

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

3. **Use of Office of General Counsel.** The parties agree that while the Charter gives the JPFPPF 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 JPFPPF 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.
5. **Qualifications for Council-appointed Trustees and the Fifth Trustee.** Persons appointed to serve as Trustees of the JPFPPF 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.

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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 shall 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 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’s actuary;
- d. Consistency in actuarial methods;
- e. Accrual method: Entry Age Normal (EAN);
- f. Annual normal cost disclosure; ***Note: it is now likely that since there will be two tiers of benefits if the Task Force’s recommended design is implemented, the normal cost should be broken out for each tier.***
- g. 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;
- 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 Fund’s

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website, the JPPFP's quarterly investment return reports showing results both gross and net of investment fees and with comparisons to assumption and benchmarks of the JPPFP, 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 JPPFP, 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 JPPFP; 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 Fund's assumed rate of return; and
- l. 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.

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

7. **Selection of Executive Director-Administrator.** The selection of any future JPFPPF 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.

8. **Future Administration of the JPFPPF.** As part of the selection of the next JPFPPF Executive Director-Administrator, the aggregate compensation of the JPFPPF'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 JPFPPF 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 JPFPPF employer contribution subject to the limits of federal law. The JPFPPF'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

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are comparable to those as if they had been enrolled in the FRS Special Risk Plan, unless the JPPFP Board sets a lesser benefit level.

10. **Negotiation of Pension Benefits.** Following the implementation of these benefit modifications, the JPPFP 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.
11. **Consultation among Parties.** The City and the JPPFP 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 JPPFP 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.
12. **Expression by Charter and Ordinance.** The City and the JPPFP will support and promulgate this Agreement through appropriate revisions to the Charter and Ordinance Code.