

1. Financial and Investment Advisory Committee. The Jacksonville Municipal Code (the "Ordinance Code") ~~shall~~ should be amended to require the JPPPF 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.

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Financial Advisory and Investment Committee members shall be deemed to be fiduciaries of the JPPPF 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 JPPPF 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 JPPPF 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 JPPPF 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 JPPPF).

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 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 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 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 Board 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 Board, no later than the January 31 following the previous calendar year, that:

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 JPFPPF 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 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 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.

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 JPPPF based on sound actuarial practices, or as otherwise required by applicable law. An actuarial valuation of the JPPPF ~~should~~shall be performed by the JPPPF's actuary annually, as of October 1 of each fiscal year. The annual actuarial valuations ~~should~~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:

- 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 JPPPF'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 Tusk 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

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- 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 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 Fund, currently September 30 of each year, commencing with the end of the 2014 fiscal year of the JPPPF, the Board ~~should~~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 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.

In addition to the above information, the JPFPPF ~~should~~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.