

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 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 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 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.

AGREED

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:

Certifications:

(a)The investment manager or advisor serves as a fiduciary to the JPFPPF, and all investment decisions made by the investment manager or advisor on behalf of the JPFPPF 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 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 JPPPF; 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 JPPPF if the transaction is related to any discretionary investment authority that the investment manager or advisor exercises on behalf of the JPPPF.

AGREED

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 JPFPPF and the OGC have consulted concerning the need for specific pension and retirement-related advice, and the OGC has indicated that she concurs with the engagement on such matters of Klausner, Kaufman, Jenson and Levinson (“Special Counsel”), who are currently counsel to the JPFPPF. The OGC has further indicated that she is familiar with and concurs with the fee arrangement that the JPFPPF has with the Special Counsel. The OGC and the Special Counsel will consult regularly to assure that the legal needs of the JPFPPF are being competently and efficiently handled for a reasonable fee. 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.

REJECTED CONTRARY TO STATE LAW.

4. Selection of JPFPP Board Members. The terms of Trustees of the JPFPP should be as provided in Section 22.02(a) of the Charter. Presently the City Council appoints two Trustees, one Trustee is elected by the fire and safety members of the JPFPP, one Trustee is elected by the police members of the JPFPP, and the fifth Trustee is elected by majority vote of such four Trustees. The Task Force recommends that the selection process be modified in the Charter to provide for the appointment of the fifth Trustee by the Mayor with the approval of the City Council.

REJECTED CONTRARY TO STATE LAW.

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.

**AGREED AS AMENDED BY DELETING “THE
MAYOR”.**

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 JPFPP based on sound actuarial practices, or as otherwise required by applicable law. An actuarial valuation of the JPFPP should be performed by the JPFPP’s actuary annually, as of October 1 of each fiscal year. The annual actuarial valuations should 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 JPFPP 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 JPFPP for information from the City that is necessary for the preparation of such valuations. Actuarial analysis and reporting by the JPFPP 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 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 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 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 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.

AGREED

7. Selection of Future Administrator/Chief Investment Officer. The selection of any future Plan Administrator/Chief Investment Officer of the JPPPF 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 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, 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.

**REJECTED. SUBSTITUTE LANGUAGE TO BE
OFFERED.**

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 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. 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.

REJECTED. SUBSTITUTE LANGUAGE TO BE OFFERED.

9. Revision of the 30-Year Agreement. The City and the JPPPF 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 in the 30-Year Agreement as to the funding obligations of the City and the employees and JPPPF 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 JPPPF 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 JPJFPF 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 above) 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.

PARAGRAPHS 1 THRU 5 REJECTED. SUBSTITUTE LANGUAGE TO BE OFFERED. PARAGRAPH 6 – AGREED.

10. Return to Collective Bargaining. Unless the Circuit Court Decision is modified or reversed, the determination of retirement benefits for police and fire employees shall 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, shall be incorporated into the 2014 Agreement for its term, and it shall provide that collective bargaining of police and fire pension benefits shall recommence upon the Agreement Termination Date, unless such modification or reversal requires otherwise.

REJECTED DUE TO PENDING LEGAL ISSUES.

11. Consultation among Parties. The City and the JPPPF 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 hereunder, under the ~~2014~~ Agreement, and applicable Charter, statutory and Ordinance Code provisions, and to avoid obstruction of their respective rights.

AGREED, BUT WITH DELETION OF “2014” IN TWO PLACES. MEETINGS WILL BE IN ACCORDANCE ARTICLE 22.07(b) OF THE CITY CHARTER AND PARAGRAPH 32 OF THE RESTATED SETTLEMENT AGREEMENT.

12. Expression by Charter and Ordinance. The City and the JPFPF 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.

FURTHER DISCUSSION REQUIRED.

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 Sections 1 (the Financial Advisory and Investment Committee), 2 (ethics and disclosure requirements) and 6 (standards for actuarial analysis and reporting), of this Governance section should be considered by the City for application to those pension plans.

REQUIRED CITY ACTION.