

OPERATING RULES AND PROCEDURE
CITY OF KEY WEST
GENERAL EMPLOYEES' RETIREMENT PLAN

Approved by the Board on:

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**CITY OF KEY WEST GENERAL EMPLOYEES' RETIREMENT PLAN
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RULE 1

BOARD OF TRUSTEES

1.1 DEFINITION OF FUNCTIONS

The Board of Trustees shall act as the named fiduciary of the Fund as defined by Florida law. The Board shall have the exclusive authority to operate, maintain and interpret the provisions of the state laws and local ordinances establishing and executing the investment policy of the Fund. The Trustees shall be solely responsible for the selection and retention of professional advisors to the Fund including but not limited to investment managers, performance monitors, plan administrators, attorneys, accountants, actuaries, and clerical staff.

1.2 DEFINITION OF FIDUCIARY

A fiduciary shall be defined as a person responsible for the discharge of his duties with respect to the Pension Plan solely in the interest of the participants and beneficiaries for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying the reasonable expenses of administering the Plan.

1.3 SUMMARY

Trustees shall be responsible for the investment and reinvestment of the assets of the Fund; for determining all claims for retirement benefits; for exercising the sole and exclusive administration of and the proper operation of the Plan; to perform such actuarial and accounting functions as are required by law; to prepare and distribute a Summary Plan Description as provided in §112.66, Florida Statutes to the Members of the Fund upon employment and every other year thereafter; and to fulfill all other such duties as may be required by law.

1.4 ESTABLISHMENT OF OFFICES

The Board shall elect a Chair, Vice Chair and Secretary every year. The Officers shall be Trustees of the Board. The Chair shall be responsible for the conduct of all meetings of the Board and shall have voting rights the same as any other Trustee of the Board. The Vice Chair shall assume the responsibilities of the Chair in his or her absence. The Chair shall perform such other duties as the Trustees may assign.

The Secretary shall be responsible for the keeping of minutes of the transactions of the Board. The Board may delegate to the Plan Administrator any function which will assist the Board in carrying out its duties and responsibilities. The Secretary, together with the Chair, shall execute all official contracts of the Board.

1.5 CONFLICTS OF INTEREST AND GIFTS

A. Conflicts of interest in voting shall be governed by the provisions of Section 112.3143, Florida Statutes, the Code of Ethics for Public Officials. Notwithstanding any other provision of law, no Trustee shall vote or participate in a determination of any matter in which that Trustee shall receive a special private gain except in the case of employee Trustees voting on benefits applicable to all Members of the Plan.

B. No Trustee (or their spouse or minor child) shall, at any time, solicit or accept any gift (including but not limited to, food, beverages and transportation), loan, reward, promise of future employment, favor, service, compensation, payment, or thing of value when the Trustee understands, knows or should have known that it was given to influence a vote or other action in which the Trustee was expected to participate in his official capacity. Gifts provided directly or indirectly by

a state, regional or national organization which promotes the exchange of ideas between, or the professional development of, members of that organization or staff of a governmental agency that is a member of that organization, are permitted.

1.6 PER DIEM AND REIMBURSEMENT

All Trustees shall be entitled to receive a per diem allowance and reimbursement for reasonable expenses incurred in conducting the business of the Fund. The Board shall establish reasonable reimbursement rates in accordance with guidelines of the Board.

1.7 ELECTION PROCEDURES

The Board of Trustees shall consist of five (5) persons: one (1) member appointed by the Mayor and the City Commission, who shall be active or retired member of the Plan or a nonmember of the Plan who shall be a resident of Monroe County; and three (3) members of the system elected by vote of members. The fifth member shall be chosen by majority of the previously mentioned four and submitted to the City Commission for appointment as a ministerial act. All trustee terms shall be four (4) years. Each trustee may succeed themselves if re-elected or re-appointed. The Mayor shall select one Commissioner to act as a liaison to the Board.

- A. General Employee Trustees. The General Employee Trustees shall be elected from among the Members of the Fund. Elections shall be by a majority vote. If no candidate receives a majority vote, a run-off election between the two top vote recipients shall be held at the earliest practical date. Elections shall be in the November preceding the expiration of the fourth year of the term. Trustees shall take office at the first meeting the following January. Employees shall be permitted to nominate themselves for office and elections may be conducted by mail-in ballot.

The election shall be conducted by placement of a ballot box in City Hall for a period of 72 hours beginning on a date to be selected by the Board. Alternatively, the Board may utilize an alternative method in the future, with the election conducted by sending a ballot or to each member of the plan, with results to be returned within five (5) days of the date the ballot is sent. Ballots shall counted by the Clerk's office and the winners certified by the Board. Candidates declared elected shall take office immediately upon commencement of the term for which they were elected or as soon thereafter as they shall qualify therefor.

B. Mayor/Commission Trustee. The one Trustee appointed by the Mayor and Commission shall be appointed for a four (4) year term in September prior to the expiration of the term on October 1.

C. Fifth Trustee. The fifth Trustee of the Board shall be chosen for a four (4) year term at the first meeting in January following the selection of the Mayor/Commission Trustee. The fifth Trustee may or may not be a legal resident of Key West and may or may not be an employee of the City.

1.8 SUCCESSION OF PERSONS TO VACANT POSITIONS

Vacancies on the Board of Trustees shall be filled in the same manner as the office was previously filled. The person selected to fill a vacancy shall fulfill only the remaining term of the vacant office.

1.9 EDUCATION REQUIREMENTS

Each Trustee is encouraged to attend a seminar or conference regarding Trustee duties and responsibilities and matters relating to the investment program of the Plan at least once each term.

Trustees are encouraged to attend seminars or conferences more frequently in order to remain informed regarding pension issues. New Trustees are encouraged to attend within the first six months of their term. Trustees shall be permitted to attend conferences or schools to satisfy the above minimum requirements or to maintain their Continuing Education Units (“CEU”).

1.10 DISCLOSURE OF FINANCIAL INTERESTS

Trustees must file a statement of financial interests (Form 1) with the supervisor of elections of the county in which they permanently reside within 30 days from the date of appointment and no later than July 1 of each year thereafter.

Trustees must file a final statement (Form 1F) within 60 days after leaving their office as Trustee. The final statement shall cover the period between January 1 of the year in which the Trustee leaves office and the last day of office.

If a Trustee has not filed by July 1, the supervisor of elections is required to notify such Trustee of a grace period to file by September 1. If a statement is not filed by September 1, a fine of \$25.00 per day will be imposed up to a maximum of \$1500.00. Fines cannot be paid from the pension plan. The Trustee may also be subject to additional penalties provided for in §112.317, Florida Statutes.

RULE 2

MEETINGS

2.1 ATTENDANCE AT BOARD MEETINGS

The Board shall set its own schedule of meetings. Special meetings or workshops may be called by the Chair or by a majority of Trustees. The Board shall meet at least once each quarter.

In recognition of the importance of the work of the Board, regular attendance at Board meetings is expected of all Trustees. Physical attendance of a quorum is required at meetings in order for the Board to conduct business. Once the physical presence of a quorum is established, Trustees not physically present may participate telephonically if so noted on the meeting agenda. Trustees shall only be permitted to attend meetings of the Board by teleconferencing or telephone if extraordinary circumstances exist for the Trustee's absence, as determined by the Board, and only if a quorum (3) of the Trustees is physically present at the meeting. Trustees who are permitted to remotely attend meetings shall be permitted to participate and vote at such meetings. Any Trustee who fails to attend two consecutive meetings of the Board without an excuse acceptable to the other Trustees shall be deemed to have resigned from the Board. Employee Members of the Fund who are called into the active service of the City at the time of a Board meeting shall automatically be deemed excused.

2.2 AGENDAS AND OTHER MEETING MATERIALS

A published Notice of Meeting and Agenda shall be prepared for each regular and special meeting and workshop of the Board by the Plan Administrator. The Notice of Meeting and Agenda shall set forth those items upon which the Board anticipates taking action or discussing. Each agenda item shall have attached to it backup material necessary for discussion or action by the Board. Each Notice of Meeting and Agenda shall inform members of the public that should they wish to appeal any decision made by the Board that they will need a record of the proceedings and that they may need to ensure a verbatim record is taken, which includes testimony and evidence upon which the appeal is based. Minutes of meetings are not a verbatim record, but rather a summary of Board action and discussion. In addition, the Notice of Meeting and Agenda shall also include a notice to

members of the public offering to provide assistance to those who are disabled, should they need assistance in order to attend the meeting. A copy of the Notice of Meeting and Agenda shall be posted in a location in the City Hall where notices of public meetings are customarily posted. The Board must provide and post reasonable notice of all meetings. Unless exempt, all agendas and meeting materials are public records as defined in Chapter 119, Florida Statutes.

2.3 RULES OF ORDER

In recognition of the importance of accomplishing the objectives of the Board in a most orderly fashion, the Board may follow Robert's Rules of Order or may establish its own rules of order for the conduct of its meetings. The Board shall not, however, be bound by strict observance of the rules of parliamentary procedure unless the Board deems it in its best interest to do so. Trustees shall not cast proxy votes.

2.4 APPEARANCE BEFORE THE BOARD

As a public body, the Board has a responsibility to accommodate members of the public and Members of the Fund who wish to appear before the Board. All appearances before the Board shall be scheduled through the Plan Administrator and time limits for presentations may be established by the Board provided that members of the public who wish to appear before the Board shall have at least three (3) minutes for public participation at the start of each meeting. Appearances before the Board may be in person or through a representative.

2.5 PUBLIC RECORDS

A. The records of the Fund are public records as set forth in Chapter 119, Florida Statutes, except for medical records. The Board and Plan Administrator shall maintain the confidentiality of medical records as required by law. All medical records of Members of the Fund shall be

maintained separately from other records of the Board so as to ensure security of the privileged information to which the Board is privy.

B. The serves as the Records Management Liaison Officer (RMLO) in accordance with Section 257.36, Florida Statutes. The RMLO shall be the official custodian of the records of the Board. The Board shall adopt the Florida General Records Schedule GSI-SL, as amended from time to time, and shall maintain an active and continuing program for the economical and efficient management of Board records.

2.6 GOVERNMENT IN THE SUNSHINE

All meetings of the Board shall be conducted in accordance with the provisions of Section 286.011, Florida Statutes, the Government in the Sunshine Act. No Trustee shall engage in communications with another Trustee outside of a public meeting on any matter which shall ultimately be the subject of a Board action. All meetings of Trustees at which official business of the Board shall be discussed shall be publicly noticed and open to the public in accordance with the law. All meetings of the Board shall be held in a location where public access is reasonably available. Regular meetings of the Board shall be held in Key West, Florida.

2.7 WORKSHOPS

The Board may from time to time wish to conduct workshop meetings for the purposes of developing policies or procedures of the Board or for the review of investment data of the Board. Workshops shall be conducted in a public forum the same as any other meeting and shall have a published agenda in advance of the workshop.

2.8 MINUTES

Complete minutes of all meetings of the Board shall be promptly prepared following the meeting and all minutes shall be submitted to the Board for approval following their preparation. All minutes shall be open for public inspection. Minutes of Board meetings will not be a verbatim record and are meant to be a summary of items considered and/or discussed and any Board action.

RULE 3

RULES OF PROCEDURE

3.1 LEGAL EFFECT

The Board of Trustees is authorized by law to establish rules of procedure for the operation of the Fund. No rule or regulation of the Fund may conflict with any lawful ordinance, charter provision, state or federal law.

3.2 ADOPTION PROCEDURES

All rules to be adopted by the Fund shall be in writing and shall be adopted by a majority vote of the Board. The Board shall review its rules and regulations on a periodic basis. The rules and regulations of the Fund shall be made available to any member of the Fund by requesting a copy from the Plan Administrator.

RULE 4

PLAN ADMINISTRATOR

4.1 SELECTION/STATUS

The Board shall retain the services of a Plan Administrator to carry out the administrative functions of the Plan. The Administrator shall be an independent contractor and shall serve at the pleasure of the Board.

4.2 STANDARDS

The Board shall establish the job duties of the Administrator including standards of education, experience and skills necessary for the execution of the duties of the position.

4.3 EVALUATION AND COMPENSATION

The Administrator shall be evaluated annually. Compensation shall be established by the Board of Trustees.

4.4 DECISION MAKING AUTHORITY

The Administrator shall not have the authority to bind the Board of Trustees in any contract or endeavor without the express authority of the Board.

RULE 5

INTERNAL PROCEDURES AND CONTROLS

5.1 MAIL

The Plan Administrator shall be responsible for handling all mail. In all respects, the provisions of Chapter 119, Florida Statutes, the Public Records Act, shall be observed.

5.2 EXPENSE PAYMENTS FROM THE FUND

A. Payments to professionals performing services previously authorized by the Board or for other expenses authorized by the Board shall routinely be made prior to Board approval as follows:

- (1) Statements received for services or expenses which are not pursuant to a written agreement shall be paid if such statements do not exceed \$1000.00.
- (2) Statements received for services or expenses which are rendered pursuant to a written agreement shall be paid if deemed to be in accordance with the agreement.

All payments made pursuant to paragraphs (1) and (2) above shall be considered by the Board at the first meeting following such payment and approved and ratified, if appropriate.

B. Any other payments from the Fund not described in subsection A above shall be approved by the Board prior to such payment.

C. Authorization for payments from the Fund shall be in writing and signed by one Trustee and the Plan Administrator.

5.3 PROCESSING OF PAYMENTS FOR EARLY OR NORMAL RETIREMENT AND RETURN OF CONTRIBUTIONS

A. Upon receipt of an application for early or normal retirement, the Board's Plan Administrator or other Board designee shall process the application as follows:

- (1) The application shall be reviewed for accuracy and completeness and for eligibility for benefits.

- (2) A copy of the application and any necessary records from the City shall be forwarded to the actuary for calculation of the benefit amounts payable for the normal form and all optional forms of benefits.
- (3) Upon receipt of the actuary's calculations, the calculations shall be presented to the Retiree and the Retiree shall make their election.
- (4) The application shall be approved by any Trustee and shall then be provided to the Custodian along with any necessary supporting documents in order to begin payments.
- (5) Copies of the Retiree's election form and the actuary's calculations shall be provided to the Board of Trustees prior to the commencement of payments or at the next meeting immediately following the commencement of payments, and the Board shall review and approve the retirement benefits.

B. Upon the termination of employment of a Member prior to their early or normal retirement date, the Board's Plan Administrator or other Board designee shall:

- (1) Determine whether the Member is vested or not vested and determine the amount of the Member's contributions.
- (2) Inform the Member of their right to leave their contributions in the plan or withdraw their contributions. If the Member desires to withdraw their contributions, provide the Member with the necessary forms, including the appropriate Return of Contributions form, the Special Tax Notice Regarding Plan Payments and the Certification of Receipt of the Special Tax Notice and the Lump Sum Distribution Election Form;

- (3) Recommend that the Member seek tax and/or legal advice regarding their choice.
- (4) Direct the Member to return the completed forms to the Plan Administrator;
- (5) Upon receipt of the properly completed forms, prepare and submit a payment request signed by any Trustee and copies of any necessary documents to the Plan Administrator to authorize the requested payment or rollover;
- (6) Provide copies of all documents to the Board of Trustees prior to payment or at the next meeting immediately following the payment, for the Board to approve the payment.

C. Pension payments should only be made as provided above. All reasonable efforts should be made to ensure 1099-R reporting forms to Retirees contain the proper information and codes so that Retirees report the proper amounts on their personal income tax returns.

5.4 REVIEW OF CUSTODIAL STATEMENTS

A. Custodial reports should be monitored by the Plan Administrator for disclosure of all asset inflows such as City and Member contributions and state excise tax payments if applicable. All errors, including those involving the misclassifications of Plan revenues, e.g., recording Member contributions as City contributions, must be corrected.

B. Custodial reports should also be monitored for all asset outflows. Asset outflows must be properly approved and verified on audit. Expenses shall be approved as provided in Rule 5.2 and Retirements and Returns of Contributions in accordance with Rule 5.3. Letters of authorization for the expenditure of funds must be issued by the Board and copies must be maintained in orderly files

5.5 ROLLOVERS TO AND FROM THE FUND

The Fund will accept and transfer eligible cash rollover distributions to and from the Fund as permitted by local, State and Federal law. The Board may adopt appropriate forms to facilitate such rollovers.

5.6 MISSING BENEFIT RECIPIENTS

If the Board cannot ascertain the whereabouts of any person to whom a full, unreduced benefit payment is due, including payments due under the DROP, the Board shall make all reasonable attempts to follow procedures outlined in the IRS guidance to locate any missing individuals who are owed benefits. If at the conclusion of such efforts the individual cannot be located, the payments otherwise due shall be cancelled, provided that if the individual is later located, the benefits due shall be paid.

Absent extenuating circumstances, the Board shall take the following steps in the event a benefit is due to a person who is missing:

- A. Search plan, any related plan, and publicly-available records or directories for alternative contact information.
- B. Use any of the following search methods:
 - (1) A commercial locator service;
 - (2) A credit reporting agency;
 - (3) A proprietary internet search tool for locating individuals.
- C. Attempt contact via the United States Postal Service (USPS) certified mail to the last known mailing address and through appropriate means for any address or contact information (including e-mail addresses and telephone numbers).

If such person has not made written claims for benefits within three (3) months of the date of the mailing, the Board may cancel all remaining payments otherwise due. In the event such person or their beneficiary later notifies the Board of their whereabouts and requests payments due, the benefits due shall be paid in accordance with Plan provisions.

RULE 6

INSURANCE

6.1 FIDUCIARY INSURANCE

The Trustees are authorized by law to purchase fiduciary insurance to insure members of the Board for errors and omissions/breaches of fiduciary duty at the expense of the Fund. A rider waiving recourse shall be purchased. The fiduciary insurance policy shall also cover the Plan Administrator.

6.2 TRAVEL COVERAGE

The fund may purchase, at its expense, life and accidental death and dismemberment insurance for each Trustee who shall travel outside of Monroe County for the purpose of Board related business.

RULE 7

RELATIONS WITH THE CITY

7.1 AUTHORITY OF THE BOARD

The Board of Trustees is an independent entity established by state law, city charter and local ordinance. The Board of Trustees shall not be considered a component part of nor subordinate to the City of Key West government. The Board shall have exclusive control of the operation of the Fund; however, no change to the retirement ordinance may be made except by action of the State Legislature or the City Commission.

7.2 CONTRACTUAL SERVICES

In the selection of contractual services, the Board shall pay particular attention to the existence of conflicts of interest when contractors are to be employed by the Board for services similar to services which the contractor also provides to the City.

7.3 USE OF THE CITY FINANCE DEPARTMENT

The Board shall be authorized to utilize the services of the City for the performance of banking functions of the Board. The City shall have no discretionary authority with regard to the utilization or direction of funds of the Board. The precise duties of the City shall be reduced to writing, the same as any other contract for services entered into by the Board.

7.4 USE OF INDEPENDENT CUSTODIANS

The Board shall be authorized to use the services of any duly qualified custodian in lieu of the City Finance Department for the performance of banking functions of the Board. The custodian shall be duly licensed, insured and bonded and shall meet all of the depository requirements of Chapter 280, Florida Statutes.

RULE 8

ORDINANCE CHANGES

8.1 FORM OF ORDINANCE

No ordinance change affecting the Pension Fund should be presented for a vote to the City Commission unless first reviewed and approved by a majority of the Trustees in accordance with the existing law governing the Fund. All proposed ordinances shall be reviewed by the General Counsel to the Fund who shall pass on the form and correctness of the ordinance. All proposed ordinance

changes carrying an economic benefit shall be reviewed by the actuary to determine the cost as required by law.

8.2 COLLECTIVE BARGAINING

The Board of Trustees acknowledges that it is neither an employee organization nor an employer as defined by Chapter 447, Part II, Florida Statutes. Therefore, the Board shall not engage in collective bargaining on behalf of the City or on behalf of any employee organization. The Board shall make itself available as a resource to labor organizations and the City for all matters relating to pension and retirement, if any.

8.3 APPEARANCE AT CITY COMMISSION MEETINGS

The Board of Trustees may if it deems it appropriate, through one of its members, its designee or its General Counsel, be present at all City Commission meetings where a discussion of matters of interest to the Board shall occur. The Board shall, prior to said meeting, designate an official spokesperson on behalf of the Fund.

8.4 ACTUARIAL IMPACT STUDIES

No benefit change shall occur without an actuarial impact study as required by state law. Actuarial impact studies initiated by the Board shall be at the expense of the Fund. Actuarial studies requested by the City or the bargaining agent, if any, and authorized by the Board shall be paid for by the City or bargaining agent respectively.

RULE 9

JUDICIAL PROCEEDINGS

9.1 PROCESS

All process issued by federal or state courts to the City of Key West concerning the Pension Fund or to the City of Key West General Employees' Retirement Plan shall immediately upon receipt be forwarded to the General Counsel for the Fund who shall respond thereto.

9.2 DISSOLUTION OF MARRIAGE

Upon entering into a Dissolution of Marriage, a Plan Member is encouraged to notify the Plan Administrator of the Member's attorney's name, address and telephone number. The Plan Administrator shall then promptly provide that information to the General Counsel to the Fund.

RULE 10

INVESTMENTS

10.1 HIRING INVESTMENT MANAGERS

In recognition of the importance of professional guidance in the investment of the assets of the Fund, all investments shall be performed by qualified, professional investment managers. The investment managers shall be selected at a regular or special meeting of the Board of Trustees by a majority vote of the Board. The Board may delegate the initial screening of investment managers to a committee of the Board but no final decision shall be made except at a meeting of the Board. All proposals for investment manager services shall be presented in writing to the Board and shall be made a part of the records of the Board.

10.2 HIRING PERFORMANCE MONITORS

The Board shall engage at all times, at least one performance monitor who shall be responsible for reviewing the performance of the various investment managers of the Fund. The performance monitor shall report to the Board on such time schedules as the Board shall establish but not less than annually. The performance monitor shall advise the Board as to the relative performance of each investment manager as compared to the various stock, bond and cash indices as are generally accepted in the investment market place as reflective of satisfactory investment performance. The performance monitor shall recommend in writing to the Board the retention or discharge of investment managers and the reasons supporting its recommendation. At the request of the Board, the performance monitor may perform evaluation and searches for investment managers and such other services as the Board shall request be performed.

10.3 PERFORMANCE GOALS AND OBJECTIVES

The Board shall establish performance goals and objectives for each investment manager in each class of investment and shall establish expected rates of return. The investment policy shall comply with the minimum requirements set forth in Section 112.661, Florida Statutes. The performance goals and objectives shall be reduced to writing in an Investment Policy Statement and shall be referred to in the contract between the Board and the manager. The performance goals and objectives shall be reviewed on not less than an annual basis and shall be compared to the actual performance of an investment manager to determine compliance with the goals and objectives set by the Board. All Investment Policy Statements and amendments thereto shall be provided to the City, the Department of Management Services and to the Board's actuary.

10.4 INVESTMENT STANDARDS

The Board shall establish written investment standards in the Investment Policy Statement. The standards shall set forth the distribution of the Fund between equities, fixed income, cash and cash equivalents, real estate and other forms of lawful investment. The standards shall set forth the relative percentages of the Fund to be distributed to each investment vehicle and shall establish permissible risk factors. Each investment manager shall subscribe to the Investment Policy Statement setting forth the written investment standards and performance goals and objectives of the Fund and the Investment Policy Statement shall be incorporated into each investment manager contract by reference.

10.5 DECISION MAKING AUTHORITY

The Board of Trustees shall determine the retention or discharge of any investment manager or performance monitor. The Board shall also establish the amount of funds to be entrusted to any investment manager and shall determine when funds shall be withdrawn and investments terminated. The Trustees shall not, however, participate in the selection of individual stocks, bonds or cash funds as that shall be the responsibility of the investment manager within the context of the performance goals and objectives and investment standards established by the Board.

10.6 WRITTEN CONTRACTS

Each investment manager shall enter into a written contract with the Board, in conformity with Rule 13.6. Each contract shall include an acknowledgment by the investment manager that it is familiar with the ordinances of the City of Key West and the provisions of Chapter 112.656(2), Florida Statutes. Each contract shall set forth with specificity the fees charged by the investment manager to the Fund. All investment manager contracts shall further set forth that the investment

manager is registered as an investment advisor and is otherwise qualified by law to engage in the management of the assets which are the subject of the contract. All written contracts shall be reviewed by the General Counsel to the Fund who shall approve the form and correctness of each such contract.

10.7 REPORTING

All investment managers and performance monitors of the Fund shall report on not less than an annual basis unless otherwise directed by the Board. The investment managers and monitors may, however, be directed by the Trustees to report on a more frequent basis. All such reports shall be in writing and shall be presented in person by a representative of the investment manager or performance monitor who has authority to make discretionary decisions with regard to the Trust's account and to settle claims and disputes arising from the contract. All such investment managers and performance monitors shall make these presentations in person at a regular meeting of the Board and shall bear their own costs and expenses in traveling to Board meetings. The performance monitor shall attend at least an annual meeting of the Board and shall report, in writing, the progress of each investment manager. The performance monitor shall also make written recommendations regarding retention of investment managers and changes in investment policy.

10.8 PRESENTATIONS BY PROSPECTIVE CONSULTANTS AND PROFESSIONALS

In recognition of the limited time resources of the Board, presentations of prospective investment managers, performance monitors, custodians or other prospective professional advisors shall only be by invitation of the Board. The Board shall maintain records of such prospective managers, monitors, custodians and other professionals to be reviewed by the Board in the event the

Board wishes to consider adding or making a change in its current manager, monitor, custodian or other professional.

In the event the Board elects to consider retaining a new manager, monitor, custodian or other professional, prospective applicants, including those applicants who had previously provided information to the Board, may be contacted and provided with a Request for Proposal. The Board or a committee appointed by the Board may conduct the initial screening of applicants by reviewing the proposals received in response to the Requests for Proposals. The Board may then schedule personal presentations by a "short-list" of qualified applicants.

The Board may also decide to retain managers, monitors, custodians and other professionals by utilizing any other method which the Board deems to be prudent under the circumstances.

10.9 DIVESTITURE

No divestiture of any asset of the Fund shall be made for any reason other than fulfillment of the fiduciary obligations of the Fund or compliance with State law.

10.10 PROXY VOTING

The Trustees shall be responsible for exercising all proxies on equities held by the Fund. The Trustees shall comply on a voluntary basis with the standards of the Employee Retirement Income Security Act of 1974 in the voting of proxies. The Board shall, by contract or other written agreement, give all investment managers proxy voting responsibility and the Trustees shall monitor the voting of the managers.

The Trustees (along with the United States Department of Labor) do not consider the following practices by investment management firms with proxy voting responsibility to be consistent with their fiduciary responsibility:

- A. Declining to vote proxies;
- B. Voting proxies exclusively for management without analysis of the underlying issues;
- C. Permitting negligent or inaccurate record-keeping regarding proxy voting;
- D. Accepting directions from other parties;
- E. Permitting the absence of policies or procedures to assure the proper exercise of this fiduciary responsibility.

Any significant proxy items and the vote by an investment manager shall be reported in writing to the Trustees. Records of all proxy votes shall be maintained and made available to the Trustees or any agents acting in their behalf. All such records shall be maintained in accordance with the Florida Public Records Act.

It shall be the primary responsibility of investment managers acting on behalf of the Board to vote all proxies to enhance the value of the Fund assets. All tender offers shall be treated in the same manner with regard to record-keeping and asset enhancement.

10.11 DECLARATION OF EXPECTED ANNUAL RATE OF RETURN

For each actuarial valuation, the Board shall seek the advice of its investment professionals and the actuary and then the Board shall determine the total expected annual rate of investment return for the current year, for each of the next several years and for the long term thereafter. This determination must be filed promptly with the Department of Management Services, with the City and with the Board's actuary.

10.12 INVESTMENT REPORTS TO THE CITY

The Board shall prepare annual fiscal year end reports for submission to the City Manager and the Finance Director which shall include the investments in the portfolio by class or type, book value, income earned and market value as of the end of the fiscal year.

RULE 11

ACTUARIAL SERVICES

11.1 SELECTION

The Board of Trustees shall retain at all times the services of an enrolled actuary. An enrolled actuary shall mean an actuary who is enrolled under Subtitle C of Title III of the Employment Retirement Income Security Act of 1974 and who is a member of the Society of Actuaries or the American Academy of Actuaries. Competitive bidding shall not be required in the selection of actuaries.

11.2 CONFLICTS OF INTEREST

In order to avoid conflicts of interest in the delivery of actuarial services, the Board shall not retain actuaries who are employed by the City, unless the Board is determined to be the client by a separate engagement letter or contract.

11.3 REPORTING

The actuary shall report to the Board on not less than an annual basis so that the Board may establish the adequacy of employer and employee contribution rates. Valuations shall be done at least every three years. No proposed change in retirement benefits shall be made without an actuarial

determination of the cost impact of the change. All actuarial reports shall be in accordance with the provisions of Section 112.63, Florida Statutes.

11.4 SETTING CONTRIBUTION RATES

The City shall deposit contributions for each Plan Year as determined by the Actuary, taking into account Member contributions, state contributions and total cost of the Plan, as represented in the most recent actuarial valuation.

11.5 CREDITED SERVICE

For purposes of actuarial calculations involving credited service, fractional parts of years shall be defined as completed months.

11.6 ACTUARIAL STUDIES FOR INDIVIDUAL PLAN MEMBERS

Each vested Plan Member shall be entitled, at the Fund's expense, to receive two actuarial studies to estimate his or her retirement benefits. Any additional studies shall be provided only at the Member's expense. Benefit calculations for terminated vested persons shall be performed by the actuary immediately upon termination.

RULE 12

ACCOUNTING SERVICES

12.1 AUDITS

The Fund shall cause to be made not less than on an annual basis an independent audit of the assets and liabilities of the Fund. Financial reporting should be made in accordance with generally accepted accounting standards.

A. All postings from the custodial statements to the Plan's working trial balance should be in accordance with the Board's general and/or specific authorizations.

B. All transactions recorded in the custodial statements should be analyzed, summarized and accurately posted to the correct trial balance accounts in the correct time period.

C. All adjustments, deductions or write-offs of account balances should be calculated, summarized and recorded in the correct period.

D. All postings to the working trial balance should be supported by and reference to adequate, authorized documentation.

12.2 CONFLICTS OF INTEREST

In order to avoid conflicts of interest, the Board shall not retain auditors who are employed by the City unless the Board shall be determined to be the client by separate engagement letter or contract.

12.3 REVIEW OF INTERNAL CONTROLS

The Policies and procedures provided for in these Operating Rules and Procedures shall be reviewed by the independent certified public accountant as part of the financial audit to determine the effectiveness of such controls to prevent losses of funds which might arise from fraud, error, misrepresentation by third parties, or imprudent actions by the Board or employees of the City.

RULE 13

LEGAL SERVICES

13.1 SELECTION

The Board shall select and appoint a General Counsel who shall be licensed to practice law in the State of Florida. The General Counsel shall have demonstrated competence in the area of public employee retirement systems in the State of Florida and shall have been practicing law for not less than ten years. Competitive bidding is not required in the selection of legal services.

13.2 CONFLICTS OF INTEREST

In recognition of the requirement that attorneys be independent in their judgment as set forth in the Code of Professional Responsibility, no attorney may serve as General Counsel who is also performing legal services on the part of the City or who otherwise engages in any legal services which the Board deems to be in conflict with its interests.

13.3 CITY ATTORNEY

In recognition of the responsibilities of the City Attorney and the potential for representing competing interests, the office of the City Attorney and/or law firm engaged to act in such capacity may not serve in any legal capacity on the part of the Trust.

13.4 PRIVILEGED COMMUNICATIONS

In all dealings between its General Counsel and the Board, the Board shall be deemed the client rather than any individual Trustee of the Board. All communications between the Board and its General Counsel shall be privileged communications except where otherwise governed by the Government in the Sunshine Law.

13.5 AUTHORITY TO DIRECT

The General Counsel shall take direction from the Board of Trustees as may be given at the various meetings of the Board. In between meetings of the Board, direction to the General Counsel shall be given by the Chair or other person directed by the Board. All files of the General Counsel to the Fund shall be open for inspection by any Trustee.

13.6 CONTRACTS

Whenever possible, all contracts shall provide that the laws of Florida shall govern and that venue for any legal action shall be in Monroe County, Florida. In no event shall any contract

be terminable by the investment manager on less than 45 days' written notice, unless otherwise agreed to by the Board.

RULE 14

CLAIMS PROCEDURES

14.1 CLAIMS OF AFFECTED PERSONS

A. The Board of Trustees shall grant an initial hearing upon receipt of a written request ("Claim"), on matters which affect the substantial rights of any person ("Claimant"), including Members, Retirees, Beneficiaries, or any person affected by a decision of the Board of Trustees.

B. The Board shall review the Claim at an initial hearing and enter an order within a reasonable time from the date of receipt of the Claim. This time period for setting the initial hearing shall allow for the collection of records and in the case of a disability claim, receipt by the Board of a written medical release authorization in a form approved by the General Counsel, a completed set of interrogatories prepared by the General Counsel and provided to the Claimant, and the gathering of medical records necessary to process the claim. General Counsel may extend the time for entering the order at an initial hearing when necessary.

C. It shall be the function of the General Counsel, throughout the claims procedure, to assist the Board in the discovery and presentation of evidence in order to assure that the Board receives all relevant information prior to the Board's decision.

D. The Claimant shall have the right to be represented by counsel at any or all times throughout the claims procedure.

14.2 INITIAL HEARING

A. At the initial hearing, the only evidence to be considered by the Board shall be documentary evidence contained in the pension file, including but not limited to, correspondence, medical records and reports of treating physicians and/or examining physicians and evidence received pursuant to paragraph B.

B. Other than questions from the Trustees, there will be no taking of additional evidence at the initial hearing, except that the Claimant will be afforded fifteen (15) minutes to make a presentation, which shall be limited to comments and/or arguments as to the evidence or information already contained in the pension file, including the report of the examining physician.

C. Upon completion of the review of the Claim at the initial hearing, the Board shall enter an order setting forth its findings and conclusions on the Claim. The written order shall be provided to the Claimant. The order shall include:

(1) The specific findings and conclusions of the Board, including specific references to pertinent provisions of the Plan on which such conclusions are based;

(2) A description of any additional material or information that the Board may deem necessary for the Claimant to perfect his Claim, together with the reasons why such material or information is necessary; and

(3) An explanation of the right to a full hearing on the Claim and the time limit in which a full hearing must be requested in writing.

D. The decision of the Board at the initial hearing shall not be final until after the time has expired to request a full hearing or, if a full hearing is requested, until the Board makes a decision at the conclusion of the full hearing.

14.3 FULL HEARING

A. Any Claimant may request a full hearing on the issues presented to the Board at an initial hearing and upon which the Board has entered an order as provided in subsection 2.C. above.

The request shall be in the form of a reply to the Board's Order.

B. A full hearing must be requested by the Claimant within thirty (30) days after being informed of the denial of benefits. The Board's order will be deemed received three (3) days following the date it is mailed to Claimant at the address provided to the Board by Claimant.

C. Upon receipt of the request for a full hearing and considering the amount of discovery which might be conducted, the Board shall establish a date for the full hearing and notify the Claimant. The full hearing may be postponed, if necessary, to permit full discovery of the facts.

D. Copies of all documents to be offered into evidence at the full hearing, including depositions, and a complete witness list with names and addresses of witnesses expected to be called, shall be furnished to the Board and the General Counsel by the Claimant at least twenty (20) days prior to the full hearing. At the Board's discretion, documents not furnished to the Board within the prescribed time limit may be excluded from evidence at the full hearing if a reasonable explanation is not provided for the delay in providing the documents.

E. A Claimant or the General Counsel may obtain discovery by deposition and/or interrogatories prior to the full hearing. Written notice of any depositions and/or interrogatories shall be given to the General Counsel and the Claimant.

F. The costs of any discovery, except discovery requested by the Board or the General Counsel, the appearance of witnesses at the hearing, and the making of a verbatim record of the proceedings shall be the responsibility of the Claimant.

G. The Claimant shall be responsible for the appearance of any witnesses which he/she wishes to have testify at the hearing. The Board shall, however, have the power to subpoena and require the attendance of witnesses and the production of documents for discovery prior to and at the proceedings provided for herein. The Claimant may request in writing the issuance of subpoenas by the Board. A reasonable fee may be charged for the issuance of any subpoenas not to exceed the fees set forth in Florida Statutes.

H. Testimony at the full hearing may be submitted in the form of a deposition. Depositions timely submitted will be part of the record before the Board at the full hearing and will not be read in totality at the full hearing; provided however, that this does not preclude the Claimant or the General Counsel from reading parts of depositions in an opening or closing statement.

I. Irrelevant and unduly repetitious evidence shall be excluded.

J. Any person who knowingly gives false testimony is guilty of a misdemeanor of the first degree, punishable as provided in Section 775.082 or 775.083, Florida Statutes.

K. The file maintained by the Board, including but not limited to various medical reports therein, is part of the record before the Board at the full hearing.

L. All proceedings of the Board shall be conducted in public.

M. In cases concerning an application for pension benefits, including applications for disability retirement benefits, the burden of proof, except as otherwise provided by law, shall be on the Claimant seeking to show entitlement to such benefits.

N. In cases concerning termination of pension benefits, including re-examination of Retirees receiving disability retirement benefits, the burden of proof shall be on the Board.

O. Except as to those records which are exempted from the provisions of Chapter 119, Florida Statutes, Florida's Public Record Law, records maintained by the Board are open for inspection and/or copying during normal business hours at a reasonable cost for the copying.

P. Should a Claimant requesting an initial or full hearing decide to appeal any decision made by the Board, with respect to any matter considered at such hearing, the Claimant requesting an initial or full hearing will need a record of the proceedings and will need to assure that a verbatim record of the proceeding is made if necessary. The Claimant requesting an initial or full hearing will be responsible for obtaining a court reporter or otherwise making a record of the proceedings before the Board.

Q. The decisions of the Board after the requested full hearing shall be final and binding.

R. After making a decision at the full hearing, the Board shall enter a final order setting forth its findings and conclusions and a copy of the order shall be provided to the Claimant.

S. Judicial review of decisions of the Board shall be sought by the filing of a timely petition for writ of certiorari with the Clerk of the Circuit Court, in the appropriate county.

14.4 CONDUCT OF THE FULL HEARING

A. The Chair shall preside over the hearing and shall rule on all evidentiary, procedural, and other legal questions that arise during the hearing. The Chair's rulings shall stand unless overruled by a majority of the Trustees present. The Chair shall open the full hearing by explaining the procedures to be followed.

B. The Claimant shall have the right to be represented by counsel or be self-represented. The General Counsel shall advise the Board.

C. The Claimant shall be allowed to make an opening statement not to exceed ten (10) minutes.

D. Testimony of witnesses shall be under oath or affirmation. Depositions and affidavits shall be admissible.

E. The Chair, any Trustee, the General Counsel, the Claimant or the Claimant's counsel, upon recognition by the Chair, may direct questions to any witness during the proceedings.

F. Either the Claimant or the General Counsel shall have the right to present evidence relevant to the issues, to cross-examine witnesses, to impeach witnesses and to respond to the evidence presented.

G. The Claimant shall be permitted a closing argument not to exceed fifteen (15) minutes.

H. The Board shall deliberate and make a decision following closing argument and thereafter enter an order as provided herein.

14.5 DISABILITY CLAIMS - ADDITIONAL PROCEDURES

A. All applications for disability pensions shall be in writing. Forms for such applications may be provided by the Board.

B. Upon receipt of the application for disability, the General Counsel will provide the Claimant with a set of interrogatories or questions to be answered under oath and a medical release authorization. Both documents will be completed by the Claimant and returned to the General Counsel.

C. Upon receipt of the properly completed interrogatories and medical release authorization, the General Counsel will request medical records from all relevant treating physicians; personnel records from the employer, copies of relevant workers' compensation records, and copies

of other records deemed to be relevant to the Claim. The Board shall pay, from the Fund, the cost of any medical examinations required by the Board and for copies of medical records.

D. The General Counsel will, if authorized by the Board, upon receipt of the medical records from the treating physicians, schedule an independent medical examination or examinations (IME) with an appropriate independent examining physician or physicians who will be asked to render an opinion about Claimant's physical condition as it relates to the claimed disability.

E. Upon receipt of the IME report or reports from the examining physician or physicians, the General Counsel will provide all records of treating physicians, relevant workers' compensation claims records, the independent medical evaluation, and all other relevant documents to the Board for inclusion in the pension file and the Board shall then schedule the initial hearing.

RULE 15

CONFIDENTIALITY

15.1 CONFIDENTIALITY OF MEDICAL RECORDS

A. §112.08(7), Florida Statutes is an exemption of medical records and medical claims records from the public records requirements of §119.07(1), Florida Statutes and such records are thus confidential.

B. This exemption provides that the Board shall not furnish such records to any person except the employee or his legal representative without written authorization from the employee or, unless otherwise prohibited by law, it receives a subpoena issued in a civil or criminal action from a court of competent jurisdiction where the party seeking the records gave proper notice to the employee or his legal representative.

C. Since, under Government in the Sunshine, trustees can only discuss issues involving medical records of an employee in a public meeting, such an authorization should be signed by an employee prior to discussion by the Board. Upon consideration of the medical records at a public Board meeting, such records then become subject to disclosure in the same manner as any other public record.

15.2 PUBLIC RECORDS REQUESTS

The Board will maintain information specified in §119, Florida Statutes, as confidential if it receives a written request from a Member to maintain confidentiality of information exempted by §119, Florida Statute.

The Board will notify the General Counsel of public records requests.

RULE 16

SEPARATION FROM EMPLOYMENT FOR MILITARY SERVICE

16.1 REEMPLOYMENT

Where a Member separated from employment with the City for Military service as provided for herein and became reemployed, the years or fractional parts of years that a Member served in the military service of the Armed Forces of the United States or the United States Merchant Marine, voluntarily or involuntarily, after separation from employment as a Firefighter with the City, for the purpose of going on active duty, shall be added to his years of credited service for all purposes, including vesting, provided that (except as otherwise prohibited by law, in which case the minimum standards for compliance shall apply):

A. The Member must have returned to his employment within one year from the date of his or her military discharge or release from active service.

- B. The Member must deposit into the Fund the same sum that the Member would have contributed if he has remained a member, plus an amount of interest that substantially approximates the amount earned by the Fund from the date of return to employment to the date of deposit.
- C. The maximum credit for military service shall be five (5) years.
- D. The Member was discharged or released from service under honorable conditions.

RULE 17

DISABILITY REVIEW PROCEDURE

17.1 PROCEDURE

The Board shall periodically review the status of disability retirees who may be eligible to return to employment with the City of Key West as a General Employee in accordance with the following:

- A. A disability affidavit on a form adopted by the Board shall be filed with the Board at least once each year. Failure to file the affidavit may result in a suspension of disability benefits.
- B. Upon receipt of the affidavit, the Board shall determine whether the disability Retiree continues to be entitled to receive disability benefits pursuant to the terms of the pension plan.
- C. If the Board determines that the disability retiree is still disabled, then disability benefits shall continue to be paid.
- D. If, after review of the affidavit, the Board is unable to determine whether the disability Retiree continues to be disabled, the Board shall make further inquiry as necessary.
- E. Such inquiry may include job availability and medical ability to perform duty. If the Board determines that a position appropriate for assignment may be available, and the disability

retiree may be able to perform duty in such position, an independent medical examination or examinations shall be performed at the Board's expense by a physician or physicians selected by the Board. A job description and physical or psychological requirements necessary to perform the position shall be provided to the independent medical examiner(s).

F. After receipt of the report or reports of the independent medical examiner(s), other medical evidence and determination of job availability, the Board shall determine whether disability benefits shall continue.

RULE 18

SURVEILLANCE

18.1 SURVEILLANCE

Any Trustee who has reason to believe that a disability Retiree may be recovered from disability and again able to perform useful and efficient service as a general employee and who further reasonably believes that surveillance of the Retiree, including the production of surveillance footage of the Retiree, will help to establish the fact of the recovery, may authorize the Board's General Counsel to arrange for such surveillance. Surveillance of disability applicants may also be authorized by any Trustee who reasonably believes that such surveillance will assist the Board in determining an applicant's ability to perform useful and efficient service as a general employee. The cost of any surveillance authorized by any Trustee shall not exceed \$ 3,000.00

RULE 19

AMENDMENTS/ADDENDUMS

19.1 AMENDMENTS/ADDENDUMS

The Board may from time to time amend the Operating Rules and Procedures as necessary and/or adopt addendums to the Operating Rules and Procedures which will have the same force and effect as the Rules contained herein.

**BOARD OF TRUSTEES FOR THE
CITY OF KEY WEST GENERAL EMPLOYEES'
RETIREMENT PLAN**

By: _____
Chair

By: _____
Vice Chair

Date: _____

Date: _____

By: _____
Trustee

By: _____
Trustee

Date: _____

Date: _____

By: _____
Trustee

By: _____
Plan Administrator

Date: _____

Date : _____