JACKSONVILLE POLICE AND FIRE PENSION FUND

BOARD OF TRUSTEES MEETING

DATE: March 17, 2017

TIME: 9:03 to 11:55 a.m.

PLACE: Jacksonville Police and Fire Pension Fund
One West Adams Street
Suite 100
Jacksonville, Florida 32202

BOARD MEMBERS PRESENT:

Richard Tuten, III, Board Chair
Richard Patsy, Board Secretary
William Scheu, Trustee
Willard Payne, Trustee
Chris Brown, Trustee

STAFF PRESENT:

Timothy Johnson, Executive Director
Debbie Manning, Executive Assistant
Stephen Lundy, Pension Benefits Specialist
Devin Carter, CFO
Robert Sugarman, Board Counsel
Ivelisse Berio Lebeau, Board Counsel
Peter Strong, Fund Actuary

FIAC MEMBERS PRESENT:

Brian Smith, Chairman
Robert Kowkabany
Tracey Devine

CITY REPRESENTATIVES PRESENT:

Jason Gabriel, General Counsel
Steve Durden, Office of General Counsel
Anna Brosche, City Council Liaison
Joey Greive, City Treasurer

GUESTS: Linda Dufresne, KBLD

Denice C. Taylor, FPR
AAA Reporters
904.354.4789

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BOARD MEETING

March 17, 2017 9:03 a.m.

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CHAIRMAN TUTEN: Let's call the meeting to order, please. Everybody stand for the pledge of allegiance.

I pledge allegiance to the flag of the United States of America, and to the Republic for which it stands, one nation, under God, indivisible, with liberty and justice for all.

CHAIRMAN TUTEN: All right.

Can we have a moment of silence, please, for a few deceased members: Donald Aspinwall, retired police; Franklin Bailey, Jr., retired firefighter; Christopher Chaffee, retired fire; and Dean F. Hodge, retired firefighter.

(Pause)

CHAIRMAN TUTEN: All right. Thank you very much.

The next is the public speaking period. We have Mr. Winkler. Come on up.

DIRECTOR JOHNSON: We have a podium in the back, John, if you want to use that.

MR. WINKLER: Thank you.

I have circulated a handout and I also

emailed to the Board members a copy of this material yesterday.

And rather than just read the letter to you, which obviously it speaks for itself, or remind you of your fiduciary duties, which I think everybody in this room is really well aware of, I just want to point out something to make it a little more explicit, even though the letter does strongly imply that this is the case.

And basically if you'll look at the first two pages that I have there, the first page is what Jarmon Welch prepared for you that we saw a couple months ago where the black box on this amortization schedule represents the funds that will not have to be expended as long as the supplemental payments in accord with Ordinance 2015-304-E actually do get made. And, again, according, you know, if the actuarial assumptions are met and what have you.

The amount that is under that black box, and I'm not discounting this present value, just added it up roughly, is about $934 million.

If you look at the second page, which is the page that I prepared using the 112 -- the Florida Statutes, Section 112.64(6)(a), amortization that would kick in once the pension surtax prerequisites are all met, you'll see that there's a similar black box assuming, again, that you actually have payment of those 304-E supplemental payments that were determined back in that -- in that version of pension reform.

That amount, as you can see, is much larger. It's 1.566 million versus the 934 million under the other box.

The point of this is that the plan that the mayor is proposing, that to undo the supplemental payments under 2015-304-E, it will not eliminate the need for those payments. It won't even reduce the need for those payments.

Rather, as you can see from just the comparison of these two numbers, it exacerbates the need for those payments. It is more important than ever that you go ahead and recognize that the power of compound interest means that a dollar now or a dollar in the near term is worth a whole lot more than future dollars way down the road.

Now, the rest of the package gets into aspects of just what we might be seeing in terms of people talking about the present value of the surtax. We haven't seen those numbers yet. I certainly haven't. I'm not privy to anything the administration is planning on offering to the City Council.

This is just -- it just amounts to a guess on my part, and I have no way of knowing whether they're going to say it's 1 billion or 5 billion or 100 billion, whatever.

But, again, and if you look back at the letter -- and if you look at your email, the spreadsheet that I attached is interactive. So you're able -- you're able to go in and make different assumptions regarding both the growth rate on the sales tax -- and, again, I would urge you to be very conservative about what you would think that growth rate ought to be, and also about the discount factor, which, as I make very abundantly clear in the letter, I think the discount factor for assets, future assets, has to be exactly the same as the discount factor that you're using to figure liabilities. You can't -- you can't take an orange in the place of an apple.

And that's all I have, gentlemen. And I wish you luck.

CHAIRMAN TUTEN: Thank you, sir.

Next speaker, Larry Pullo. Come on down.

MR. PULLO: My name is Larry Pullo. I'm a retired firefighter. I've been gone 12 years now. Basically all the information I've been getting is from the great Times-Union.

And I've done a little bit of research on my own looking at growth rates from the sales tax increase in 2001 to 2015 on the Better Jacksonville Plan.

My concern is this as a retiree. This pension plan has got to last another 60 or 70 years for the people coming on the job today. And I believe the city is let out of their liability of paying this extra money for the 2015 agreement, that the unfunded liability is going to grow to a point the sales tax is not going to cover it.

Historically, the Better Jacksonville Plan of 2001 to 2015, from what I could find, the sales tax increase was around 2.25 percent. The mayor is using an assumption of 3.75 to 4.25 increase. The numbers don't add up. I see a lot of red flags.

Plus, if you look at the numbers, by

delaying another 10 or 12 years is an extra unfunded liability to the taxpayers of almost $1.5 billion by waiting and not paying the money now.

So that's my concern. The Better Jacksonville Plan was based on -- I think it was a $2.25 billion bond and sales tax over 30 years. But the unfunded liability now on the three pension funds is, what, 2.6 billion? It's higher than what the bond issue for the Better Jacksonville Plan says.

I just don't see how a tax plan 13 years down the road is going to get us -- how do we get there?

And that's your job and I hope that you're looking at the actuaries outside the city and to make sure the numbers add up. If they add up, go for it. If they don't, you know, don't go for it.

That's my concern. Thank you.

CHAIRMAN TUTEN: Thank you, Chief.

MR. SCHEU: Did you say your analysis of the actual growth was 2.25 percent?

MR. PULLO: I did research. The other day I got on the computer saying the Better

Jacksonville Plan, sales tax increase.

I read in the paper the other day they said the assumption rate was around 3.25. What I found is from 2001 to 2015, the average growth is 2.25. And then the paper the other day said it was 3.25.

It's still under the 3.75 and 4.25 that the mayor is using as his assumption rate to pay off these pension debts. That's going to grow over the next 13 years.

So I don't know how -- I have no clue how high it's going to go, but I know it's going to go higher than what it is today. And sooner or later the city is going to get to a point whether it's three years down or five years down the road, they're going to have to float a bond or they're going to have to raise property tax, and then it's just going to hit the fan again.

So to me it's just like paying on my house. I pay extra on my house. I don't want to pay all that interest rate. Kicking the can down the road another 13 years I don't think is a good idea when you've got, what, 330-something million, 360 million, for the next 10 or 12 years. To increase the debt 1.5 billion just doesn't make sense as a citizen.

I don't live in Jacksonville anymore, but it still doesn't make sense. It's just -- it's not that much money. It makes a big difference on the other end. That's my concern about it.

MR. SCHEU: Thank you very much.

MR. PULLO: Thank you.

CHAIRMAN TUTEN: All right.

We have one more speaker, the illustrious Bill Gassett. Come on down, buddy.

MR. GASSETT: Good morning. My name is Bill Gassett, Jacksonville, Florida.

I think the news from the paper yesterday indicates we have problems more compelling than the national healthcare plan that's stumbling through the Congress.

I've come to realize that we have a hidden Shakespeare here with Mr. Gabriel in that he helped write Hamlet's soliloquy, "To be or not to be," as far as the group here.

MR. GABRIEL: Thank you.

MR. GASSETT: I think, though, at the minimum the Board should have an advisory role to the whole process, required advisory role, because they are required to drive the investment machine that generates the monies to pay for all the things that's being bandied about.

In addition to that, you have administrative issues that kind of feed into requirements of the retirement plan. And so as such you guys need advice, no matter what the plan, that you are responsible for doing the lion's share of the whole enchilada, with the expected returns of income can support whatever plan the department is due and the city.

It is possible that in the future agreements could be reached and come about unknowingly that could raise some severe yellow flags.

Then we also -- let's say as a separate issue, I agree with the previous speakers, that the hole that you're in, that the city is in, is very deep and is getting wider as well as deeper. You will not come out of this entrenchment unless there's a significant difference in the tax increase.

The first thing you need to look at, and I hope the mayor's guys would present this, but under your current system, you are, in effect, funding a 40-times -- I'm sorry -- 30-times the starting salary of an individual.

So that if he came to work at 30,000 this year and over the course of 30 years, he retires and needs to make sure he has his 30-year retirement, basically it boils down to about a 30-times increase about what he or she has to have in the bank to go forward in retirement.

The mayor's plan is very gracious, and all I know is what I read in the paper, the 25 percent, the 3 percent and the 10 percent, and I'm not aware of any other nuances.

But as that goes forward, he's giving you a 45-times increase. That's why at my last meeting I said, if I were a member of this organization, I would sign in a heartbeat.

So in this regard the adoption of the mayor's plan with all its faults is quite beneficial to you guys.

But I think -- if you do have a presentation from Mr. Weinstein or somebody, ask them, starting point is, where would a guy be if he came to work under your new plan today starting at, say, 30,000, whatever number, and what would that be at the end of the rainbow with the pot, giving these variables we're talked about.

I might add that under the mayor's plan a person could retire after 30 years in the service at age 55, depending, again, upon his or her starting salary as the base.

But at a $40,000 starting salary, with actually a million -- 1.8 million in the kitty to live on, and when he died 30 years later at age 85, he would still have 1.5 million in the kitty to pass on to his kinfolk.

This kind of analysis needs to be made. I'm confident on the logic and I'm pretty sure on the mathematics from just using a standard retirement income calculator.

MR. BROWN: Bill, you're referring to the define contribution plan for new employees? Is that what you're --

MR. GASSETT: That's been --

MR. BROWN: Which you know is outside of our purview.

MR. GASSETT: I know that, but it's what you guys know because some noise has to be raised here about -- you know, and perhaps you guys should perhaps raise your voice. That's fine.

But on the very bottom part, make sure it does give you at least a 30 fold increase because nobody has seen the hard numbers, really.

With that, any other questions?
MR. PATSY: Bill, I'm sorry. You said 1.8 million?
MR. GASSETT: Under the mayor's plan.
MR. PATSY: Okay.
MR. GASSETT: If they DROP in, as he's saying, at retirement your guy or girl will have in the bank $1.8 million to draw on after they have left.
CHAIRMAN TUTEN: What are you using for historical returns, just the S&P 500?
MR. GASSETT: We use the very simple 7 percent.
CHAIRMAN TUTEN: 7 percent.
MR. GASSETT: Yeah, which is more than adequate, believe me.
MR. SCHEU: That assumes that the mayor's -- that the city's contributions stay at those high levels over that full time.
MR. GASSETT: That's correct, and that's all I can go on.
MR. SCHEU: There's only a ten-year --
MR. GASSETT: I don't disagree, but that's all I can go on right now.
And, yes, there could be changes in between,

but my thrust is, when I say a 45 number, everybody is going to need -- everybody will be adjusted equally. But you do need to make sure, no matter what he does, if he gives you at least a $1.3 million starting number for the future for the retiree on the 401(k) plan.

Do you understand what I'm saying there? Because otherwise he'd be a different shifting out of the defined benefit plan today.

CHAIRMAN TUTEN: Well, one of the things to do would be to put a more realistic contribution from the city. There's no way they're going to stay at 25 percent --

MR. GASSETT: Well, it's something --

CHAIRMAN TUTEN: I'm sorry, Bill.

What do most private sector people contribute at, 5 percent match or 10?

MR. PATSY: It depends on --

MR. GASSETT: 5 is a good number.

MR. PATSY: Yeah. Pretty robust, actually.

CHAIRMAN TUTEN: Really?

MR. PATSY: You know, most of them are in the 3 to 3 1/2 percent from the employer contribution side of the equation.

CHAIRMAN TUTEN: Right.

MR. PATSY: Many firms have what's called auto-enrollment and auto-oscillation, which is very similar to the way this is going to be structured. You go in 6 percent with your salary right off the bat, and then it escalates to 10 percent over the full years.

CHAIRMAN TUTEN: Gotcha.

MR. PATSY: But -- but -- you must remember that private sector employees all get Social Security.

CHAIRMAN TUTEN: Right.

MR. PATSY: Okay. So 6 1/2 percent from the employer and the employee side of the equation is going to a pure defined benefit type of structure. That's a social safety note, but that's missing from this 401(k).

CHAIRMAN TUTEN: Right. Well, and when you factor in those numbers as far as percentages from the city and the employee, then you get a little closer to that 25 in total if they were to say -- you know, but you're still not -- in other words, I think the more -- what I'm trying to understand, Bill, is what you're saying is the current mayor's plan at its face, keeping his word for 30 years, is actually much more expensive for the city than the current reform deal.

MR. GASSETT: And the reason is it's three times more expensive.

CHAIRMAN TUTEN: Right.

MR. GASSETT: The way he's planned to deposit money in there, that's three times more expensive from the get-go.

CHAIRMAN TUTEN: Gotcha.

MR. GASSETT: And we have proof on that also.

But, yeah, he's giving you a 45 (inaudible).

MR. PATSY: Bill, what drawdown rate did you use?

MR. GASSETT: It's 7 percent and the 4 percent. So we recalculated on a $40,000 income. At that time he could retire at 77,100.

MR. PATSY: So it appreciates at 7 percent?

MR. GASSETT: While he's in the retirement stage, we continue the 7 percent, which is quite (interrupting cough) and gave him a 3 percent, you know, boost like you have now.

See, the truth of the matter is -- okay, one other thing. In this plan, I don't know, Stuart, perhaps you can answer the question.

What hasn't been answered is, when does the money get deposited? We know that the current plan, you're required to have 20 percent in fixed income. That's what's been killing you for the last few years.

Stuie, if I may ask the question through the Chair, do you guys have -- determine where the money would go into?

CHAIRMAN TUTEN: As far as the account for the employees?

MR. PATSY: Yeah.

CHAIRMAN TUTEN: That has not been determined, I don't believe.

MR. GASSETT: If I can make an appeal there, please don't make a required, you know, bracket on anything. Leave it to the --

(Simultaneous speech)

MR. SCHEU: That doesn't involve us.

MR. PATSY: And I apologize for digressing, but, historically, defined contribution accounts don't earn the same kind of regular return as defined pension accounts.

MR. GASSETT: That's right.

MR. PATSY: Okay. So did you run the numbers like at 4 or 5 percent?

MR. GASSETT: So you guys have been averaging 7 1/2 percent for the last 23 years. And that includes, you know, paying as you go on the handout. So there's no problem with 7 percent.

CHAIRMAN TUTEN: Bill, I do appreciate your work.

I would like to see the comparison with the different contribution rates from the city, you know.

MR. SCHEU: But that's not -- regardless, we're not concerned with that.

CHAIRMAN TUTEN: I know. But I -- my own personal thing.

Okey-dokey. We're done with the speakers. We are on to the Consent Agenda.

Director, do you have anything to add or do you want to throw anything in there?

DIRECTOR JOHNSON: No, I don't have anything to add to the Consent Agenda. It's submitted as proposed in your Board book.

MR. SCHEU: Move the Consent Agenda.

CHAIRMAN TUTEN: Got a motion.

MR. BROWN: I'll make a motion to accept the Consent Agenda.

CHAIRMAN TUTEN: We've got a motion and a second by Mr. Brown. Any questions or comments, concerns?

(No responses.)

CHAIRMAN TUTEN: All in favor?

(Responses of "aye.")

CHAIRMAN TUTEN: Opposed?

(No responses.)

CHAIRMAN TUTEN: No. Okay. Moving on.

Executive Director's Report. Mr. Johnson.

DIRECTOR JOHNSON: Thank you.

Good morning, everybody. If you would turn to the Executive Director's Report tab in your Board book, I'm going to drill down on a few items this month. I won't take a lot of your time, but I did want to focus your attention on page 2 of my report in the area --

MR. PATSY: Tim, can you speak up?

DIRECTOR JOHNSON: In the area of Records Retention, you'll see Access Records Scanned. That metric has not changed for the last couple of months.

And the reason for that is that now that we're into the indexing of these records, we have modified and improved the indexing so that we can better retrieve these records in the future in an electronic format.

So you're going to see a dramatic increase in the number of records scanned by Access going forward now that we know where those records are going to be going, now that we have better indexing to improve our retrieval.

Next, under the Operating Budget, we've made a change in the headings. In the past, in our far to the right heading, we had a Dollar Variance and a Percentage Variance, which were ambiguous. We've changed that now to Dollar Balance and Percentage Balance so the Board can understand what's remaining in the budget.

So this is our budget through February 28, 2017. And you'll see that we have close to 60 percent of the year remaining and 80 percent of our budget remaining. So it's easier for you to understand based on how we've changed that hearing.

I'll move down into the Updates.

Tracey Devine, who is our newest member of the FIAC, was approved by council on February 28th, 2017, for a term that expires a year later on March 1st, 2018.

And if Tracey comes in later when the second part of the agenda starts, I'll make sure she gets properly introduced.

Next, moving down to the FIAC Report, you will recall that in February the Board directed Summit to recommend active managers for consideration. Summit has completed a search book, which is part of the Investment Consultant's Report. And in that search book Summit recommends HS Management, Loomis Sayles and Sustainable Growth Advisors to be interviewed.

And through the Chair, on behalf of Dan Holmes, who couldn't be here today, I'd like the Board to authorize us to schedule those interviews so that Board members and members of FIAC can meet these three managers and make a decision ultimately on who to select.

So if you wouldn't mind, I recommend that the Board allow Dan and I to schedule those interviews for the Board and FIAC.

CHAIRMAN TUTEN: Do you want a motion and a second?

DIRECTOR JOHNSON: Yes, sir.

CHAIRMAN TUTEN: Okay.

MR. BROWN: I'll make a motion to authorize the director to schedule it.

MR. PAYNE: Second.

CHAIRMAN TUTEN: All right. We have a motion and a second to allow the director to set up the interviews. Any comments, questions?

(No responses.)

CHAIRMAN TUTEN: All in favor?

(Responses of "aye.")

CHAIRMAN TUTEN: Opposed?

(No responses.)

MR. SCHEU: That's consistent with this report when you look at it.

DIRECTOR JOHNSON: Thank you.

Next I wanted to talk a minute about the six-month review, which is part of my report. It looks like this. It's a colored document as part of my report.

What I did here is I tried to outline for the Board members the journey that we're taking through ultimately freezing the plan and beyond. We're on a journey beginning with where we are now and moving through the next several years.

As part of that journey, I wanted to give the Board an update on where we stand six month in, not only six month into that journey, but six months into my time here.

So I put this report together. It not only shows the journey, but where we are in the journey and then next what we have to do as we move forward.

I did send out an invitation in February to members of the Board who might want to sit down with me and go over this one on one. And I can say that I met with several Board members and got their feedback and incorporated that feedback into this document. So this is a work in progress.

My intent is every six months to give the Board an update on my progress as your executive director. So that's what this serves as. This won't be the last time you see something like this.

If you have any questions, I know for some of you it's the first time you're seeing it, feel free to call me directly. And if you'd like to go over it one on one, we can certainly do so. But I wanted to have this report in your Board book and for the record.

Next, behind that six-month report I have included a letter of appreciation that was written by Lieutenant Jesse York. And I included this because measuring our service and the satisfaction we give to our members is important.

Currently we survey all of our members who walk into our offices. There is a survey, and if they're willing to take it, we survey them. We get great responses from our members who come here for services.

As of our last check, the excellent in-service ranking was at 90 percent. So the staff is doing a great job.

In addition to that, we're working now to put a link on our email. So for those members who we work with by email, there will be a survey link on the email, and we'll encourage them to give us feedback on our service through the email. We'll also have that link on our web page.

But periodically we get a great letter like this and it's always fun to include these. This is not the first time I've done this. So if you wouldn't mind at some point taking the time to read about what Lieutenant York has to say about the work of our staff in his -- in his own words.

And then, lastly, I just found out this morning that our auditor is soon retiring. She'll be here on the agenda shortly under Old Business.

That fiscal year and 2016 audit needs to be ratified by the Board. You may recall that last month we had some amendments to the audit. Those have been updated. You'll be seeing it again and you'll be asked to ratify that today.

But that contract expires at the end of this audit, and Linda will be retiring in April. So that's just to put the Board on notice that we will have to conduct a search for a new external auditor for next year, fiscal year-end 2017.

So with that, I'll answer any questions you've got about my report.

MR. SCHEU: Tim, and this may be just my confusion --

DIRECTOR JOHNSON: Yes.

MR. SCHEU: But on the public records requests on the fiscal year-to-date it had said 35 and completed 41.

Does that mean that we -- is there a backlog too? Do we have -- are we staying on top of public records requests?

DIRECTOR JOHNSON: Yeah. So you're right. It's not linear. So you -- it's not like building a car where you start at the beginning and by the time you're finished, you've got a completed car.

There are public records requests that are in process. So it's entirely possible that we complete one this month that may have come in a month ago or may have come in two months ago. So you're not going to see a one-for-one.

The good news is we've completed more than we've gotten. So we're ahead of the curve in our productivity. But you're not going to see a one-for-one on that because they don't always get done as quickly as they come in.

On average now, we're turning these around in less than two weeks. So the overwhelming majority of them do get done quickly.

MR. SCHEU: So how many would you say are outstanding at this point? Roughly, roughly.

DIRECTOR JOHNSON: I'm with you.

If you'll look at that, you'll see that we're getting somewhere around ten a month, and it's a moving target. So some months are higher, some months are lower, depending on the activity.

But it's probably, you know, in the neighborhood of six to ten, eight to ten a month that we're getting that's probably outstanding.

CHAIRMAN TUTEN: Tim, these originate with the city and then come through us? Are these direct requests with us or --

DIRECTOR JOHNSON: No, it's direct with us. I mean, that was a major accomplishment which you'll see in that six-month report. And now, instead of going through the city's care system, we're actually getting the requests directly. That's why we're able to respond to them so much quicker. We're also tracking them on our own.

So for anyone who would want to delve into what those reports were, we have a record of every one of those reports -- not reports, but requests, who made the request, what they asked for, and then what they received, as well as how long it took us to get it done.

MR. SCHEU: Thank you.

DIRECTOR JOHNSON: You're welcome.

MR. BROWN: Tim, if I could, so that six-month presentation outlines things very well and it really shows, I think, all of the areas that we needed improvement in and also all the areas that the public is concerned about and how we're addressing those concerns.

Thank you for putting that into a document where others can see that. We appreciate it.

DIRECTOR JOHNSON: I appreciate that. Thank you.

All right. If that's all, that's my report.

CHAIRMAN TUTEN: Very good.

DIRECTOR JOHNSON: Thank you.

CHAIRMAN TUTEN: We have Counsel Reports up next. Bob.

MR. SUGARMAN: Let me introduce to you my law partner, Ivelisse Berio Lebeau, who is working with us on evaluating the issues that arose from the new collective bargaining agreements.

That's been our major work in the past month. We've been working with the OGC, and that's still a work in progress, requires further analysis and evaluation, and we're working with the OGC on that.

CHAIRMAN TUTEN: Okay. Got you. Good.

Anything else?

MR. SUGARMAN: No, sir.

CHAIRMAN TUTEN: That's about it. All

right.

Pete, Actuary Report. You're on deck, pal.

MR. STRONG: Well, we are diligently working to replicate Jarmon's valuation results. We're setting up our systems. We received full data of reports from Jarmon a few weeks ago, and we've reconciled that to the valuation reports that we has.

We're now at our first stab at replicating. We're within about 2 to 3 percent on the liability side and a little bit more off on the normal costs side. We're trying to troubleshoot and find where we're off, and so I believe within a couple of weeks we'll be there.

Our tolerance range is within 1 percent whenever we replicate a prior actuary's results, and I believe we can get there. We just have to go through the process.

CHAIRMAN TUTEN: Well, we appreciate what you're doing. We gave you a lot of work, you know, and this kind of decision and this sort of analysis is not typical. Obviously you know that.

But with the mayor's current plan, the way it's set up, and the deferred payments, the solvency of the fund, being able to write checks, et cetera, et cetera, you know, we gave you a lot of scenarios to consider. That's not just as easy as plugging in one variable into one equation and, hey, there we go. It's all over the place.

MR. STRONG: Exactly.

CHAIRMAN TUTEN: So we understand why it's taking so long.

MR. STRONG: And once we're there, we can move on to doing some real analysis, you know, on projections, you know, analyzing the impact of the surtax, et cetera, and the pending ordinance.

CHAIRMAN TUTEN: If we could, while we have you, Pete, I'm going to jump around for just a second. Where's that piece of paper?

Joey.

MR. GREIVE: Yes.

CHAIRMAN TUTEN: You handled this, so I don't know if -- what we're doing here, but this request that you've handed us -- does everybody have that piece of paper from the city?

DIRECTOR JOHNSON: I have some extras if anybody needs one.

CHAIRMAN TUTEN: Director, is it okay if we talk about this since we have Pete going or do you want to wait?

DIRECTOR JOHNSON: Yes, we'll do it now.

CHAIRMAN TUTEN: Okay. That's fine.

Just kind of run down what this is, Joey, and what --

MR. GREIVE: Sure.

CHAIRMAN TUTEN: -- you guys are expecting.

MR. GREIVE: Absolutely, Mr. Chair.

So as we did with 2014-386, 2015-54 and 2015-304, anytime changes are made to the benefit structure of the plan, the Board requests that its actuary do an impact statement.

And in preparation for you-all requesting that your actuary do that statement, we wanted to relay to you that the city is currently selecting 4.25 for the purposes of modeling on the sales tax growth rate. It will ultimately be an elected official decision.

And the 1.5 percent on the payroll growth rate, with the justification as required under the law of the pay raises that we've recently agreed to with the unions and also the recent and continued expansion of the public safety workforce.

So we just wanted to relay that to you so that in your discussion with your actuary, you can make those requests and know where the city stands.

And, further, we'd like this to be done by March 31st and reviewed by our actuary. And I know Pete's still working on the final checking of his replication, but with -- you know, our request would be that we get it done sooner than later.

If it can be done sooner than March 31st, even better. And the only reason for the tight turnaround request is that that analysis needs to be done in time for council to review and act on their implementing ordinance regarding the benefits.

And, you know, when we did it for those past three ordinances in '14 and '15, it was typically a two- to three-day turnaround, just a little one-pager. Some of you who were here probably remember that. Jarmon would just do a simple little one-page impact statement on the costs.

It may take Pete a little more time given that they're not fully replicated yet, but our request would be sooner than later, and definitely by March 31st, if possible.

CHAIRMAN TUTEN: Okay. I've got several questions, of course.

But, Pete, when you're doing the analysis you're doing now, are you including the current raises and the contracts that were just passed, the 6.5, 6, 5 and 7?

MR. STRONG: Right now we're just trying to replicate the 10/1/16 valuation with the assumptions that were used in that valuation report.

CHAIRMAN TUTEN: Okay.

MR. STRONG: So once we move forward and do analysis after we replicate it, we'll be reflecting, you know, these additional raises and the other changes.

CHAIRMAN TUTEN: Okay. And I noticed the most curious thing was the March 31st deadline. That's only two weeks. I mean, that's --

MR. STRONG: Yeah, that's going to be tight for us.

CHAIRMAN TUTEN: Yeah, that's -- that's almost impossible.

The other thing, the question I had was, with the city requesting that we use the rate of

1.5 percent for the payroll growth, I'd like to pose this question to the director: Have we come to a conclusion or have we decided what we're allowed to use?

Because I know it's not anywhere near that, and that's what the mayor got into a tiff about a couple months ago with the Board, was the fact that his payroll growth number led to an unexpected $44 million increase in contributions.

And then here we are a couple months later, and apparently it's not a big deal anymore, which is sort of surprising to me.

But I'm just kind of curious as to how we got here. But as far as our end, are we even legally allowed to do this, or how does that work?

DIRECTOR JOHNSON: So the Board will recall that we reviewed Jarmon's 10/1/16 actuarial report as part of a workshop that we did in January.

And at that time the growth rate that was recommended by our actuary was 0.067. And that was based on a ten-year rolling average, looking back at payroll growth over ten years and taking that average.

So on the actuarial report that the Board approved at that time, it accepted that payroll growth rate. Again 0.067.

You also directed me to write a letter to Doug Beckendorf at the state asking him to give us guidance on whether that growth rate reduction -- in order words, going from the growth rate number we had in 2015 down to this significantly lower rate in 2016 could be phased in over three years.

My recollection was that we would reduce it down to 2.5 and 1 1/4, and then the 6 -- 0.067. As of today, I haven't gotten a response back from that.

Now, we did get an indirect response back from our new actuary. Pete has had contact with Doug and I published the response that Pete received in your February Board book.

And the response was basically that the state would take in consideration all of the changes that are occurring -- you'd agree? -- all of the changes that are occurring in Jacksonville.

So the sales rate growth, the growth in pay raises, and then the other assumptions that will go into valuing the actuarial report.

So at this point, again, no official response. We haven't been given an okay to phase it in, but we have been told that he'll take that request into consideration along with considering everything else that's changing in Jacksonville.

MR. STRONG: He didn't want to cherry pick one assumption and approve that one assumption without looking at the whole picture.

CHAIRMAN TUTEN: Right. I -- well, that's part of my comments is the fact that it's -- you know, we don't even have the state's -- the head guy at the state's view on this, and now the city is expecting us to just go ahead and sign off on something that hasn't been approved anywhere. It's the cart-before-the-horse type thing.

But, Bill, you were going to say something?

MR. SCHEU: I've got a question and some thoughts.

Is part of this, Joey, using -- there's an assumption about the discount rate used on the present value of the future income stream that goes into this? Because you-all are going to take a present value of the future income stream from the sales tax. That gets cranked in as an asset?

MR. GREIVE: Yes.

MR. SCHEU: And what's the discount rate you-all are using?

MR. GREIVE: The assumed rate of the return of the plan.

MR. SCHEU: 7 percent.

MR. GREIVE: Correct.

MR. SCHEU: I don't know whether that's a good way to do it or not because I'm not a financial guy, but that should be an assumption for this -- for our actuary too, should it not? As part of this, some discount. Isn't he going to have to make that assumption too?

MR. GREIVE: I would refer that to Pete, who is shaking his head yes.

MR. STRONG: Yeah. And we agree with the comments that were made earlier that you should use the same rate to discount that that's used to discount the liabilities --

MR. SCHEU: Okay.

MR. STRONG: -- to have those be in conjunction.

MR. SCHEU: Would it be reasonable to ask Pete if he could do some alternatives so that you did it at 2.25, which the presentation made on the growth rate of the surtax, and at 3.75, which I think is the low end of what the mayor -- they're looking at, and then do it at the 4.25 so that we've got all three comparisons from low to high?

And the same thing, then, with the assumed rate of growth in the payroll. Do that both at 0.067 and 1.5 so you can see how those work.

And then the final comment was, I don't think the council is going to act by March 31st. Now, they may get the legislation, but they've got a several-week process. So I'm wondering if we couldn't ask our actuary to complete this in time to present it to us at our April meeting.

CHAIRMAN TUTEN: Well, I think -- I'm with you, Bill. I think we're up against -- there's several problems here.

The first is the fact that, you know, we're under the assumption ever since the union and the city came to an agreement for the police, fire, all that good stuff, that the Board was going to have to sign off on that deal as far as the -- you know, the extra payments to the reform agreement, et cetera.

So we went forward with that, giving our actuary a whole lot of scenarios to ponder because we have to make a decision.

Now we've been informed by Mr. Gabriel that, according to his research within the last couple weeks, that we're no longer responsible for that.

That's yet to be determined and we're about to talk about that later, of course. But as a Board, we still need to have Pete complete his original mission, but now we've just doubled up on him and say, look, oh, by the way, can you get this in there?

Because the city is assuming that all this is going to go forward and there's not going to be any changes or they're going to be allowed -- we don't even know what the state is going to allow us to do yet.

I don't mind giving Pete this job, but only if he can incorporate this in while he's doing what he's originally tasked for. Do you understand? Because, I mean --

MR. SCHEU: Well, I want to corporate with the mayor's office as much as we can and help the council. I just think if it's something on our behalf, we ought to see it before it goes on --

CHAIRMAN TUTEN: Well, I agree. That's what I'm saying here. I want Pete to -- I want Pete to accomplish his first mission for us, and if you can incorporate this into that, which I would assume you'd be able to do it on some level just simply because --

MR. STRONG: We can probably do some analysis in time for the April meeting.

CHAIRMAN TUTEN: Okay.

MR. SCHEU: Can we get him to include those alternatives?

CHAIRMAN TUTEN: Oh, yeah, sure. I'm not against that. The better -- the more the better. I'd like to see the big picture here, but it's -- I just don't know -- you know, I don't want to have to tell Tim two days from now, hey, send a letter to the city, we need another extension.

I think we just need to go ahead and do that now and tell Joey while he's sitting here that -- you know, with Pete sitting here, that, you know -- can you do it in two weeks, Pete? Because if you can, brother, go for it; but if you can't, tell us now and that way they'll know.

MR. SUGARMAN: I believe that -- the city is our partner. We should try to do what they've asked, but we do have an ordinance that we have to follow. And what Bill said is very telling when he says, I'm not a financial guy, but.

The ordinance gives us financial guys, and the financial guys are the FIAC. And one of the responsibilities of the FIAC in Section 121 in the ordinance -- one of their general responsibilities in Section 121.502,

"The FIAC shall have the responsibility and duty to provide advice to the Board on actuarial practices and assumptions."

We're being asked here to change or to consider certain assumptions. They have the responsibility to give you advice on that. This has now placed a burden on them.

We're ready. I'm sure Pete is ready to meet with them every day over the next two weeks if that's what it needs to do so they can give you advice.

Now, what happens with the advice once you get it, when you look at the Section 121.603 of the ordinance that says, "Actuarial and investment reports," it says that, "The actuarial practices will be consistent from year to year" -- at subparagraph 7 -- "unless changed to an experience study or a decision of the Board" -- which they appear to be asking to do here -- "with advice from the Financial Investment and Advisory Committee, or unless necessary to comply with applicable laws or regulations."

So although you don't have to follow their advice, they have the duty to give you advice and you have the duty to listen to their advice. So I believe that they must be involved in this process.

In other words, Mr. Chairman, my recommendation to you is that you refer this to the FIAC and ask them to meet as soon as possible to evaluate this and to give you advice.

CHAIRMAN TUTEN: Well, that's a good point, Bob.

MR. PATSY: Are you saying, Bob, that this request needs to be go to the FIAC first?

MR. SUGARMAN: Yes, sir. I'm recommending that the chairman refer to the FIAC with a request that they meet as soon as possible because, before you can talk about assumptions or methods, you need to hear their advice.

MR. SCHEU: I'm hearing that maybe two

different ways, because they don't need to take the request, but if we ask Pete to do these analyses on alternatives, we -- it sounds to me like we're required that that first go to the FI- -- not this, but the results go to the FIAC and then come to us.

MR. SUGARMAN: Yes.

MR. SCHEU: Because I'd hate to delay the request. It's the results -- if we ask him to do X, Y and Z, then he ought to refer that first to the FIAC --

CHAIRMAN TUTEN: Right.

MR. SCHEU: -- which fits -- then that can be part of the regular meeting in April. So we wouldn't have to have any special meetings and all that kind of stuff.

MR. SUGARMAN: Right. If they want it done in two weeks, you can have special meetings if the FIAC and the actuary can reduce it.

But you can't cut them out -- what I'm saying is, you can't cut them out of the process because it's their responsibility and duty to consider this, and it's your responsibility and duty to listen to their advice, not to follow it, but to listen to it.

MR. SCHEU: And that was part of all the reform that came out of the task force and then the City Council.

MR. SUGARMAN: Yes, sir. I'm reading right out of the ordinance.

MR. BROWN: So once the actuary completes his work, then the FIAC needs to convene as quickly as possible to review that work, provide us with advice --

MR. SCHEU: And then we can act.

MR. BROWN: -- and then we can act.

MR. SCHEU: Yes, yes.

CHAIRMAN TUTEN: Right.

MR. BROWN: Is that the way the order works?

MR. SCHEU: Right. Not refer this, but refer to them.

CHAIRMAN TUTEN: We're just asking Pete to incorporate this, if he can, as fast as he can, as confidently as he can, you know.

I'll make the comment straight to you, that no matter what comes from somewhere else, what we give you, that takes priority. Okay. That's your job, is for the pension fund, and don't feel under pressure that you've got to somehow rush outside requests just because someone else set the deadline that you may or may not be able to meet. That's not the way this works.

The city has their own actuary. They can run all these numbers. I'm sure they either have or are going to, and they're going to compare them probably against yours.

But you've got a lot to do. You're doing it as fast as you can. Don't feel under any pressure that you've got to rush simply because the city has a deadline.

MR. SUGARMAN: This is -- what they're asking for is an impact statement. Before a pension plan can be changed, the City Council has to have an impact statement.

They could get an impact statement from elsewhere, or they could have an impact statement that incorporated these.

But unless you approve the actuarial assumptions in your valuation, then what the impact statement -- whether it comes from Pete or from the city's actuary is fairly meaningless as to the actual impact on the plan.

That's why we recommend that the actuarial impact statement be done by the plan's actuary and following the plan's methods.

So if -- I would hate to see the City Council pass something based upon an impact statement, then when you do your valuation, you base it on different assumptions. That -- you can't do that. Well, you can do it legally, but you can't do it in any reasonable way of operating the pension fund.

So, again, if the city needs this in two weeks, we should give it a shot, but I believe the FIAC should be involved.

MR. SCHEU: Two things, a question by me.

It would have been helpful if we had gotten this earlier than just today because we didn't really have a chance to think about it.

Both Ms. Brosche and Councilman Anderson are here. Are we correct in the assumption that assuming you-all will get the implementing legislation -- proposed legislation between now and the end of the month, your normal practice would be to take five or six weeks to evaluate it and decide what you-all are going to do. Is that right?

MS. BROSCHE: The normal legislative cycle is five weeks, but not every bill takes five weeks, you know. It goes -- it won't happen with this bill, but there are bills that get introduced and approved the same night that they're introduced, and then there are some things that take a lot longer than the five weeks. And so I can't speak to that.

MR. SCHEU: But it's a pretty important piece of legislation.

MS. BROSCHE: Absolutely.

MR. SCHEU: Jason.

MR. GABRIEL: May I, Chair?

CHAIRMAN TUTEN: Yes.

MR. GABRIEL: To Mr. Scheu, and you bring up a good point, and I was going to wait till my part, but I think it's an appropriate time to answer.

What will happen is once the implementing ordinance is filed -- and, of course, there will be collective bargaining agreements with their ordinances, but -- you know, between the unions and the city.

But once the implementing ordinance is filed, which, of course, is going to have a lot of stuff in it, including the institution and implementation of the surtax, along with changes throughout the code, per the code and the charter, at that point in time we'll be required to provide the Board a copy of that along with all the supporting documentation for your review, and you'll have an opportunity to review and comment and provide that to council for their consideration.

And actually there's a stipulated time fame for that too because that review and comment has to happen prior to the public hearing when council actually considers it.

And so having said all that, depending on when that bill is filed and, of course, once it's filed we will immediately get a copy over to the Board, that will start the time clock ticking.

And like you said, I don't anticipate any -- anything other than the normal course of the legislative cycle here and hence that's typically five to six weeks.

But the public hearing, which is sort of a milestone in that legislative process -- it's not six weeks; I think, you know, loosely speaking, maybe three weeks or four weeks into the process -- is going to be sort of a milestone when this Board should have hopefully, you know, reviewed it and commented for council's benefit.

MR. SCHEU: But the council normally hears from the public more than just once, even though they have a -- you know, they've got a statutory required public hearing.

MR. GABRIEL: Right.

MR. SCHEU: But they -- sometimes they want them and sometimes they don't hear from the public. There will be other times.

MR. GABRIEL: There'll be -- there'll be multiple opportunities, that's correct, along the way.

MR. SCHEU: Right. So that if our -- when is our April Board meeting?

DIRECTOR JOHNSON: Third Friday in April.

MR. STRONG: April 21st.

MR. SCHEU: So as Bob said, we probably should try to hurry it along. But that would be an absolute deadline.

MR. GABRIEL: May I say one more thing, Mr. Scheu?

And just to supplement this, just to give you a little bit of a context to the March 31st sort of proposed deadline here for the actuarial valuation, the reason for that, I think, I'm just reading between the lines here, I'm not -- I haven't been instructed to give any of this advice here, but I think the context of that deadline is backtracking from other things.

And so, for example, we've got the legislation that will be coming your way, coming council's way. Per the code, when the council reviews the ordinance, there -- and I think it's already been alluded to here -- there's going to be the need for this -- I guess we're calling it an impact statement.

Well, that impact statement, also per the code, is contemplated to have been reviewed by the Division of Retirement. You see what I'm saying?

MR. SCHEU: Sure.

MR. GABRIEL: So I think once Mr. Strong has prepared that, whenever that is, and it's ready -- and, of course, if the FIAC reviews it, that's fine too, but then there will need to be an opportunity for the state at the Division of Retirement to look at it and also provide comment, again, for City Council's benefit.

So, again, these -- these time lines are all predicated on backtracking from the ultimate goal of, you know, implementing the surtax.

I just provide that for context.

MR. SCHEU: And so, again, the -- well, here's a lot of reasons for the quick pathway, but one is probably the need to get the budget for next year. So that is really in the summer that that happens. So there's still time to do stuff.

MR. SUGARMAN: If I may, results are requested here on the payroll growth rate assumption.

May I remind you of the requirements of the ordinance again in 603 -- 121.603, which says,

"In addition to following all professional standards and requirements for actuarial analysis in reporting, the Board of Trustees will utilize the following approaches and assumptions:"

And it says, "(3) The latest experience studies prepared by the Board's actuary."

So the -- what this is telling us is that if you're going to pick an assumption that's based -- for which an experience study has been done, you have to have an experience study behind that to support it.

It seems that here you're being asked to use an assumption on payroll growth based on collective bargaining agreements and based on future agreements. And that would be valid if your actuary approves. And we have other clients who do that.

But we -- our other clients are not restricted, as are you, to using the latest experience studies prepared by the Board's actuary. This is what you're told to do by the ordinance.

I don't know how you can support a payroll growth study, a payroll growth assumption, that is not supported by an experience study.

Very simply, if somebody challenges you, why didn't you take this payroll growth assumption, and said, where is the experience -- and the answer I would have to give them, or I would believe OGC has to give them, is, here's the experience study that supports it. That's what this tells us.

If we don't have an experience study, I don't know how we can use the assumption.

CHAIRMAN TUTEN: Well, I agree with you, Bob, on that part. That's logical. It makes sense. You have to have everything to back up whatever you want to claim.

The problem with that is we have to back up even further, getting back to what Director Johnson told us, we haven't even got a green light from the state yet, you know.

I think -- I don't need to ask Director Johnson, but possibly send off another letter to the state and see if they could expedite what they're thinking of, because until they say, you can do it, then, you know, we could put any variable in we want to. It's doesn't matter. It's doesn't technically mean it's legal.

And then if for some reason the state comes back and says no, we can't use it, and then what we've handed to the council and everybody else down the line, we're going to have to recalculate all of this, and that's going to take a long time.

MR. SCHEU: Well -- but if we did it in these alternatives --

CHAIRMAN TUTEN: Sure.

MR. SCHEU: -- so you did it based on that and then going forward. Because I do think we want to cooperate as much as we can, and we're not being asked to adopt anything.

We're just asking -- the way I read this, they're just asking our actuary to do some work for them. So we wouldn't be adopting anything. We would just be passing on what our actuary did using different assumptions, including those based on the experience study.

MR. SUGARMAN: That's right. These are hypotheticals.

MR. SCHEU: So we could do that.

MR. SUGARMAN: This are hypotheticals --

MR. SCHEU: Yeah.

MR. SUGARMAN: -- and then we would work with OGC and with the actuary to see if there is an experience study that backs up any assumptions that you adopt.

At the end of the day, you adopt the assumptions, and there needs to be an experience study that backs that up. Those are the two pieces of paper we need, your adoption and the experience study.

Now, this may be a way of getting there.

MR. SCHEU: But we don't have to adopt anything regarding this request.

MR. SUGARMAN: No.

MR. SCHEU: Because we're not being asked to act on that.

MR. SUGARMAN: These are just -- well, as I read it, the request -- and we go back. They want an actuarial impact statement.

Now, the actuarial impact statement is a word of art. That's something that's required by Florida law before a change in a pension plan can be adopted.

Now, if we said -- if you left out the word "actuarial impact statement" and replaced it with a study or a projection or a proposal, then those would be possibilities.

An actuarial impact statement is something that's used by a City Council to understand the impact; namely, the cost of a change they're being asked to make.

The city is our partner, and we have a City Council member who comes here to every meeting. I would hate to give the City Council an actuarial impact statement upon which they rely, and then find that you cannot or should not include that, the assumptions in that statement, in your annual valuation. That wouldn't be fair to the city.

MR. SCHEU: And it does ask the Board to perform it, not -- so we would have to submit it as our --

CHAIRMAN TUTEN: Well, I think what you've got to understand, Bill, what we're doing is we're sort of submitting it by default as our decision to -- we approve this.

When we authorize the impact statement, they give the numbers to Ms. Anna, that's what we've done without voting on it. We've said, go ahead and give it to them.

MR. SCHEU: Sure.

CHAIRMAN TUTEN: And, you know, like Bob is saying, if they had put in the language an impact study or something to where it wasn't formal. But, yeah, this is a formal request and it's going to be formal numbers we give them based on this request.

MR. SCHEU: So it's just we're sort of in -- we re in a fiduciary box.

CHAIRMAN TUTEN: Exactly.

MR. SCHEU: And part of it is caused by the legislation that the City Council passed in terms of our governance.

MR. SUGARMAN: That's right.

MR. SCHEU: Okay.

MR. SUGARMAN: If the request is changed

to -- what would you call it, Pete, just a study?

MR. STRONG: Yeah. Just an analysis or a study.

MR. SUGARMAN: If it's changed to an analysis or a study, then you don't have to go through any of these steps. You don't have to go to the FIAC --

MR. SCHEU: But then Jason --

CHAIRMAN TUTEN: Well, the problem the city has, though, that's not going to be technically legal. In other words, they need that impact statement from this Board, from the pension fund, for them to legally be able to do whatever you guys do with laws.

I mean, you can't pass a law without something legal backing it up. A study is not going to be enough.

MR. SCHEU: Jason, is that right?

MR. GABRIEL: And through the Chair to Board Member Scheu, you know, the language in the code in terms of what will supplement the legislation, the terms used are "an actuarial report." An actuarial report, together with recommendations and comments from the state Division of Retirement. So that's what the language is.

Now we're sort of maybe conflating impact statement with other concepts. I mean, you know, these are the baseline assumptions that are being requested by the city.

And I think, to sort of take a bird's-eye view here, if the fund's actuary -- and I understand that there is some communication with the city, again, with appropriate sort of silos of independence, but I think if there's that communication along with Division of Retirement, who, at the end of the day, will either sign off or disapprove or, you know, put some sort of stamp of approval on the whole process, I think that will be sufficient.

CHAIRMAN TUTEN: Bob, did you want to make a comment?

Well, and no disrespect to Mr. Gabriel, because as someone who loves to talk, I understand the use of words. But what you're telling me there is nothing more than a generalization, a generality.

Bob just told us 20 minutes ago that we have to use similar practices all the way down the line, as we've done in the past when it comes to actuary studies.

Those aren't reports. Those are impact statements. They're studies. They're hard numbers that we can pass down the line. In other words, we can't pass something and then give it to you guys as just, hey, here's our report, you know.

I know what it says. I'm not disagreeing with you there, but that's just not the way the Board does things. You don't -- that's not fiduciary at all. That sounds like something a used car salesman would try. You know, don't read the small print. Here you go. Wait a minute, hold up. That's not going to fly here.

We need an impact statement from him. It's going to take whatever amount of time it's going to take. We're going to try to expedite it for you guys' benefits. We're not fighting the city on this, bit it takes time.

And the first thing on the list is we need to get something from the state that says you're not wasting your time. We'll do all the scenarios we can do. That's not a problem. And if we do them and then the state comes back and says, you have to use -- you can use 1.5, then we can sign off.

I'm sure Pete could whip up an impact statement like that with those variables overnight, fax it to us, baby, here is it, because you've already got the numbers all done.

But as far as being legal, I'm not comfortable with passing anything down the line other than what's required by law. And that's called, do it the same way you've always done it, and then when you hand it to them, it's a legal document. They can use it. There's no -- there's no question about it.

MR. SCHEU: Well, I think we can collaborate with them and give them the alternatives and submit them all and say, here's what --

CHAIRMAN TUTEN: Well, I have no problem with that, Bill, but --

MR. SCHEU: I hate to just wait on the state to --

CHAIRMAN TUTEN: -- the general counsel here, and the language that's been floated was, we can do that. I have no problem with that, but I want neon letters at the top, this is just a study, this is not a legal document, because they're insinuating and stating that basically we could do that, and then what we hand them will be good enough, that they could use that in their reports.

And that's something I don't -- I don't want to do, you know. I want them to fully understand that this is not our final report.

MR. SUGARMAN: Right. I think you have two choices here. They want an actuarial impact statement. We've already told you what you have to go through in order to validate that.

If they want a study, we can -- that can be done without the FIAC, without having an experience study the facts. It's just, this is what it would look like if you use these assumptions.

But the City Council will have to seek its own advice, but I do not believe that the City Council can go just on a study. I believe the state law that says actuarial impact statement means an actuarial impact statement.

But, again, these are things we can work with the OGC on on this request that we received this morning.

CHAIRMAN TUTEN: Pete, do you have any questions?

I'm not arguing with you, Bill. I mean, I understand. We can do all these scenarios, and I'll be more than happy to hand it to everybody to look at, but the City Council and the city needs to know before they decide to green-light anything based on our numbers we've handed them, that we will give them the official, this is it. But we can hand them the preliminaries. I have no problem doing --

MR. SCHEU: I just think we need to get -- we need to be helpful and get going --

CHAIRMAN TUTEN: Oh, I agree.

MR. SCHEU: -- on doing the analysis. And I would propose on all these alternative assumptions on the payroll growth rate assumption and on the other assumption that's there too, the -- the --

MR. STRONG: Surtax.

MR. SCHEU: The surtax. Right, the surtax.

And maybe we should leave it to our counsel to work it out because Jason represents the City Council, he represents us, and he represents --

CHAIRMAN TUTEN: The mayor.

MR. SCHEU: -- the mayor. And so maybe we leave it to Bob and Jason to work out -- we sort of do it in the format of the report, but if an impact statement is required -- because we really don't want the council wasting its time.

If they pass the legislation and it turns out to be defective, then we're starting all over again.

MR. BROWN: Well, I think he's saying an impact statement absolutely is required.

MR. SUGARMAN: The impact statement is required. But I think, Bill, you've got the right path. We give them -- we give them the study with all these different assumptions and alternatives.

And then the city says, well, gee, I didn't know it was going to cost that much, or, gee, these are the numbers I was looking for. Our actuary says something different. They need that information. They need to know what our actuary would do with these things, these assumptions and alternatives.

Then if they say, this is the one that we like, this is the one we're asking you, the Board, to adopt, then we give it to the FIAC. We see if there's an experience study that backs it up.

And based on the advice you get from the

FIAC and based upon meeting the other requirements of the law, which requires you to use usual actuarial practices, you have to have an experience study, they have to be consistent, then you can adopt the experience study and they can go to the bank with that.

MR. BROWN: That also includes weighing in from the Division of Retirement Services, though, correct?

CHAIRMAN TUTEN: Yeah. When can we do all that? What if the state hasn't come back with their opinion as far as what number we can use for that payroll growth assumption that we've asked them about?

MR. SCHEU: But we're doing it alternatively. We're moving the ball down the court.

CHAIRMAN TUTEN: I understand.

MR. SCHEU: So if they require it, that's going to come out in the wash.

MR. SUGARMAN: Yeah. Well, that's one of the sign-ups. When the city says, I've seen all these studies, this is what I want, then we go to the FIAC, then we go to you, then we go to the state. We try to line it all up. Let's find out what they want.

MR. BROWN: Okay.

MR. SUGARMAN: And they're perfectly reasonable in asking us for a report of all the different choices so they can decide what they want.

CHAIRMAN TUTEN: That's fine.

MR. SCHEU: So I move we proceed in that manner using these alternative assumptions. And then if that needs to be converted into an impact statement as determined by council or the state, that we then start that process.

But I do think we need to try to move the ball down the court, so I'll make that motion --

CHAIRMAN TUTEN: Well, I agree. I have no problem with that.

MR. BROWN: And I disagree with you, Rich, on the direction to the actuary to not place any sort of rush on it.

While we certainly don't want them to make any errors, there is a time component, you know, that needs to be considered, as we are partnering with the city.

We know that the taxpayers have approved a referendum. We know that the unions have supported a prospective contract. We need to move as expeditiously as possible.

MR. PATSY: Realizing the 31st still may not be --

MR. BROWN: I don't think the 31st is realistic based on what our actuary is saying, but at the same time, we need to make sure that as close to that date as possible that we meet it.

MR. SCHEU: Right. And if it's just to report, unless they decide that we need an impact -- they need an impact statement, that we could then consider it either at a special meeting or a meeting on the -- our regular meeting, which should fit -- that should fit within the council's parameters anyway.

CHAIRMAN TUTEN: Okay. Do we need --

MR. SUGARMAN: So the motion would be to request from our actuary a report of all of the requests given by the city, and to authorize your lawyers and your actuary to work together to provide an actuarial impact statement once one is requested by the city following the usual procedures of the ordinance.

CHAIRMAN TUTEN: That's fine.

MR. SUGARMAN: Two-step procedure.
MR. BROWN: Okay.
CHAIRMAN TUTEN: Pete, you got all that, buddy?
MR. STRONG: I think so. But it's going to take us beyond the 31st.
CHAIRMAN TUTEN: Hey, you signed a contract, dude, too bad.
(Laughter)
MR. SCHEU: With Chris's part, we're not trying to slow walk it --
MR. BROWN: No, no.
MR. SCHEU: -- we really need to move it along.
MR. BROWN: I mean, there's a balance. We don't want it to be rushed to the point where it could container errors or bad information.
At the same time, you know, let's be candid here. There is a lot of considerations where time -- it's important to make sure that we're adhering to deadlines.
Do you have a copy of this?
MR. STRONG: Yes. I've been making notes.
MR. BROWN: So I'll make a motion to do exactly --

(Laughter)

MR. SCHEU: I'll second that. But that we do include these alternative assumptions.

MR. BROWN: Right, yeah.

MR. SUGARMAN: Yes. This is the full menu of what's going to be delivered.

MR. PATSY: And it's not official until --

MR. SUGARMAN: It's a report.

MR. PATSY: -- we get feedback from the state as far as the growth assumption rate.

MR. SUGARMAN: Right. The next time you'll probably see this is after the report is analyzed by pension office, by the city, by the -- the actuary will produce it, by the lawyers.

Next time you'll probably see this is an actuarial impact statement that will include whatever is off this menu that the city wants that the actuary is willing to sign his name to and that follows all the procedures in the ordinance.

CHAIRMAN TUTEN: Go ahead, Jason.

MR. GABRIEL: Thank you, Mr. Chair. And if I can just piggy-back on what Mr. Sugarman said and just to clarify.

So I want to make sure that this action is inclusion of, of course, pension counsel and OGC working together along with the actuaries in order -- and if we determine legally that it really should be this square impact statement as opposed to an actuary report, leave that to the lawyers to work through and your actuaries.

And then when you do see it, that it's -- whatever it is, that it manifests into a conclusive final document by the time you see it.

CHAIRMAN TUTEN: That's fine.

MR. SCHEU: That's fine.

MR. BROWN: So the motion includes what Mr. Gabriel said. Let's go back two pages on the transcription and that's everything we're pushing for. Let's go ahead and vote.

MR. PATSY: Joey, I have a question.

Where it says city actuary in -- looks like the fourth line, you're referring to Milliman, correct?

MR. GREIVE: Correct.

MR. PATSY: So effectively what you're asking is Milliman to check our work, correct?

MR. GREIVE: Correct.

MR. PATSY: Okay.

CHAIRMAN TUTEN: Okay. We have a motion and a second, correct, to start the study, et cetera, et cetera.

Any further questions?

(No responses.)

CHAIRMAN TUTEN: All in favor?

(Responses of "aye.")

CHAIRMAN TUTEN: Any opposed?

(No responses.)

CHAIRMAN TUTEN: None. Good luck.

MR. SCHEU: Can we take a short break?

CHAIRMAN TUTEN: All righty. The next up is Investment Consultant Report.

MR. PAYNE: He wants a break.

DIRECTOR JOHNSON: We're going to need a minute to get Craig Coleman on the line.

CHAIRMAN TUTEN: Who are we calling?

DIRECTOR JOHNSON: Craig Coleman.

CHAIRMAN TUTEN: Is any of this, Director -- do we need to vote on anything with any of this?

DIRECTOR JOHNSON: No.

CHAIRMAN TUTEN: In the interest of time, if you don't think it would offend Greg -- or Craig, I would maybe recommend to the Board, unless you want to talk to them about something, just review it on your own time and bring up any questions or concerns at the next meeting, or is there something in particular you guys want to talk about now?

MR. SCHEU: We've already acted on the request for interviews --

DIRECTOR JOHNSON: We're acted on Number 1.

MR. SCHEU: -- so we've already done that.

CHAIRMAN TUTEN: Okay. Flash Report and Economic Capital Market Review. We all watch TV. We've seen that, done it.

MR. LUNDY: I do have -- they have revised three pages of the report. I gave it to all the Board members, but if anyone else at the table needs some.

CHAIRMAN TUTEN: Okay. Thank you, Stephen.

So if you don't mind, we'll skip that for today, or review it, pass it on to Craig, and then if you want to quickly get to the audit --

MR. SCHEU: Yes. That's what I was going to say.

CHAIRMAN TUTEN: Then we'll take a break. How about that?

MR. SCHEU: That's fine.

CHAIRMAN TUTEN: Congratulations, by the way.

MS. DUFRESNE: Well, thank you. My first -- my first item is to clarify a little bit.

Our firm is ceasing financial statement audits. So moving toward retirement, but I'm still here. The firm is still here.

THE REPORTER: Excuse me --

MS. DUFRESNE: I'm sorry. I've not introduced myself. Linda Dufresne, KBLD, LLC, audit firm.

Anyhow, we are -- the firm is still here and we're just ceasing financial statement audit services for all of our clients. We haven't singled you out in any way.

CHAIRMAN TUTEN: Oh, I know.

MS. DUFRESNE: And so if there are services perhaps that your incoming auditor is unable to do because of independence that we may be able to help with because of our institutional knowledge with the fund, you know, keep us in mind.

CHAIRMAN TUTEN: Of course.

MS. DUFRESNE: With that clarified, we would just want to point out the minor changes to the financial statements that were presented last month.

So on page 3, as Anna pointed out, we had a decimal point in the wrong place in the third bullet point on page 3. The sentence now reads,

"In general, the current funded ratio indicates that for every dollar of benefits due, the fund has approximately .4524 dollars of assets to cover it." Which we consider that to be what we call a sensitive disclosure because it's fairly significant to all of you.

And also we wanted to point out that we also consider the city's fiduciary net pension liability of the 1.8 billion to be a sensitive disclosure and wanted to point that out.

On page 22, we updated the paragraph regarding Claims and Litigation to include some language about the litigation resulting from the proposed changes to the Senior Voluntary Fund.

And we also updated on page 22 the Subsequent Event to include that this ongoing discussion with the proposed structure of the ongoing pension contribution versus benefit funds is mentioned.

That's basically the changes. I want to thank you-all for allowing us to be of service as your auditors.

Any questions from you?

MR. SCHEU: What do we do, receive it and approve it, or what do we do?

MS. DUFRESNE: I have a manager rep letter that's going to be dated today and signed today, and then the final report can be released.

MR. SCHEU: Devin.

MR. CARTER: You need to vote on approval of the report. It was deferred at our last meeting based on the (inaudible).

MS. BROSCHE: I have a question not for Ms. Dufresne, but actually for Mr. Strong.

And I'm not sure if you're looking at the report, but on page 22, there about the middle of the page it talks about which mortality table is being used last year -- or for this report, the 10/1 report of 2016 versus the 10/1 report of 2015.

And my question is, I know you didn't prepare either of those reports, but does it make sense to you -- because there's more than meets the eye in terms of the dates of the mortality tables, does it make sense to you that we move from 2014 to 2000?

MR. STRONG: Well, the move was a requirement by state statute.

MS. BROSCHE: Okay.

MR. STRONG: House Bill 1309 effective for all valuation dates in 2016 requires all municipal plans in the State of Florida to use the same mortality rates used by the Florida Retirement System.

MS. BROSCHE: Okay. Thank you.

MR. STRONG: Sure.

CHAIRMAN TUTEN: So are we going to wait on her official signed-off report or are we going --

DIRECTOR JOHNSON: No, you do it today. You need a motion to approve.

CHAIRMAN TUTEN: Okay.

MR. SCHEU: I move.

MR. PAYNE: Second.

CHAIRMAN TUTEN: Who's second?

MR. PAYNE: I seconded.

CHAIRMAN TUTEN: Okay. We have a motion and a second. Any questions, comments?

(No responses.)

CHAIRMAN TUTEN: All in favor?

(Responses of "aye.")

CHAIRMAN TUTEN: Any opposed?

(No responses.)

CHAIRMAN TUTEN: Thank you.

MR. SCHEU: Thank you, Linda.

MR. BROWN: Thank you very much.

CHAIRMAN TUTEN: All righty. On that note, let's take a quick break. Are we going to come back to the meeting or --

DIRECTOR JOHNSON: We're going to come back to the meeting. Take a break and come back.

(A break was taken; thereafter the meeting continued as follows:)

CHAIRMAN TUTEN: All right.

Director Johnson -- is everybody here? Everybody's here.

New Business, in red. I'm looking forward to this one.

DIRECTOR JOHNSON: A lot has happened in the last 30 days. When the Board met in February, I was directed to schedule a workshop, and the intent of that workshop at the time was to give Board members the information with regard to their responsibilities and authority to possibly take action relative to a proposal from the city.

We were anticipating that the workshop would really be one in which you would be trained on the law so that when the request came, you have all the information you need to take action.

A lot has happened in the last 30 days. That's changed.

In the interim I sent an email out to the Board members asking them to submit questions to me that would go to both Mike Weinstein on the finance side and Jason Gabriel on the legal side.

Those questions that we sent to Jason he answered, and I sent those out to all the Board members with his response to the questions.

And you'll recall that there were two key questions in the beginning of that. One question was: What specific action is this Board being asked to consider?

And my recollection is that Jason's response to that was that the Board would be asked to consider accepting the collective bargaining agreement that had been negotiated between the city and the unions.

The second question was with regard to the timing of the action that we had to take. In the interim, Jason and his staff have, I guess, more deeply analyzed those questions.

And with regard to the first one, he has determined that there really isn't an action that this Board has to take.

In other words, they don't have to accept or ratify the union agreements between the parties. And as a result of that, there is nothing that the city has brought to us to analyze with regard to the impact of substituting the supplemental payment that we're receiving now with a future promise of contribution from the surtax.

So that's why Mike isn't here. Mike will not be making a presentation.

So I guess at this point it's a great opportunity for Jason and his staff to give us a little bit of background on what's changed from a month ago. Obviously when the agreements were written and signed off on, there was contemplation in it that the Board had a role, otherwise we wouldn't have been included in the agreements.

It was contemplated that the Board had a role last month when we met, otherwise we wouldn't have scheduled the workshop to prepare ourselves to be able to make some decision.

So now we don't have a role, at least as it applies to accepting these agreements and also accepting to replace the current stream of income, the supplemental payment, with the future stream of income from the surtax.

So Jason has sent an email out that explains generally his logic. That's been sent to all the Board members. He also has sent legal memoranda to Bob and his staff to kind of support the logic that goes behind what you-all now know.

And I think this is a great opportunity for us to find a little bit more out from Jason about what happened since the last time the Board met to get a little bit of color on the answers that he gave us.

And since we're doing this within a Board meeting, the Board is still in a position where it can make recommendations or direct me, if you choose to, as to what to do from here on.

So with that background, I'll turn it back over to the Chair who may want to give the floor to Jason so that he can, again, answer some questions about his new opinion relative to the Board's role.

CHAIRMAN TUTEN: I think you sum it up pretty good, Director. But I'm curious, Mr. Gabriel, and I'm going to need you to explain it to me.

You made contracts with the unions where this was -- where our approval was part of the deal. You had a meeting with four of the five trustees, myself not included, less than, what, a week ago?

And then it seems after the meeting, all the trustees all of a sudden, the city, whether it's you or whomever, decides that you don't need the Board's approval.

Now, before we get into our lawyer's interpretation and where we go from here, there's a whole host of theories as to why you came out with this opinion when you did instead of a month ago or basically never even coming out with it and then having them sign contracts, you know, without this being a part of it.

I find it very curious that it comes out now, literally days before we meet to discuss it, you know. I'll turn it over to you for the explanation.

MR. GABRIEL: Sure, sure. No problem.

Jason Gabriel, General Counsel for the Consolidated Government, also known as Shakespeare by some of the crowd.

(Laughter)

MR. GABRIEL: Let me start out with sort of two fundamental statutory charter ordinance code provisions and then I'll explain sort of what led up to where we are today. And I'll go nonlinear, just like some of Shakespeare's plays. I'll start in 2015 and go forward and then backwards.

So in 2015, we, the city, the Board and same named plaintiffs, entered into what's called a Pension Reform Agreement, which was a big step forward, I believe, from many years, decades, of inappropriate intertwining of this Board with pension design, amongst some other things.

I'll go back in time. In 1990 when this pension Board became an independent agency, as that term is defined in the charter, from maybe the first few minutes of its infancy, we were in litigation.

The Board instituted litigation against the city and it had to do with the use of chapter funds. And I'm not saying that the city didn't do something to perhaps instigate that, but be that as it may, the Board and the city have been in litigation since 1990 on and off.

It was in litigation. It was settled in 1992, 1993, out of which came this -- let's call it, for lack of a better term, an eight-year agreement which then was amended over time. We're going back to the Ed Austin Administration and then the Delaney Administration in 2000.

For whatever reasons, there was a culmination in a 2000 agreement which was known as, you know, colloquially amongst the community, the 30-year agreement, which came out of the 2000 negotiations with a treatment of chapter funds along with pension benefits, et cetera, and which then was amended over time. And then once again some litigation.

And I'm really going bird's-eye view here and not getting into the minutia of what instituted litigation, what-not.

But in 2000 -- end of 2012, beginning of 2013, there was what's known as the Wyse case where Randy Wyse and three other named plaintiffs sued the city.

And at the time, the Board, under previous fund counsel, cross-claimed into that case, and I'll reserve my commentary as to the appropriateness of that and how that went about, but the fact is, they cross-claimed into that case. And that case served as sort of a backdrop for further pension reform discussions and debates from 2012, 2013 on through 2015.

And 2015 culminated with what we call the 2015 agreement which was approved in May of 2015, right at the end of the Brown Administration and sort of on the cusp of the Curry Administration, along with several new council members.

Again, a very strong foot forward in terms of putting the various parties of the Consolidated Government sort of back into the traditional and legal role that they are called to serve by law.

And just as a side note to that May of 2015 approval of the reform agreement, the thrust of the Wyse case had at its heart a 30-year agreement that in March of 2015 was thrown out by a competent court of jurisdiction and, in fact, that was upheld by the First DCA.

So you have the 2015 agreement, which has in it a host of good stuff, including very well-thought through, wise governance and administration requirements, which implicate this Board and how it operates.

It had in it pension items. And there was a strong effort at the time to keep all of these nontraditional negotiations between the city and the Board in the Sunshine because we were so focused on not violating the Sunshine Law because of all of these cases in the backdrop, the Lee case, the Denton case, and et cetera.

And the product of that 2015 agreement was inclusive of new pension benefits with groupings of members, et cetera, financial sort of -- and I'm going to sort of organize in three tranches: Pension design with all the retirement benefits in there. That's one category.

The second category would be -- let's call it financial transactions, the pay-down of the unfunded liability and some components there. And then the governance administration.

So to sort of short-circuit the debate, governance administration today is off the table. It's been agreed to and no one is -- is even contemplating any changes there. So that's out. That big tranche is out.

Pension design. The retirement-benefit type stuff: DROP, contributions, defined benefit versus defined contribution and who's in what. Again, off the table.

Clear items of collective bargaining, the Board has no role in that. The 2015 agreement says as much. Law, Florida law says as much.

And the pension surtax statute that came about in 2016, which intervened between the 2015 reform agreement and where we are today, also underscores the point because in that law -- and the end goal here is obviously to promulgate these collective bargaining agreements between the city and the unions, and in essence to achieve this pension surtax funding source at the end of the day, which is why there's a premium on timing, a premium on all the sort of cats being heard together all at once, which would maybe not be normally the case.

But in that statute in 212.055(9)(a)3, it says, "The pension board of trustees for the underfunded defined benefit retirement plan or system, if such board exits, is prohibited from participating in the collective bargaining process and engaging in the determination of pension benefits."

Two sort of clauses that underscore the notion that any pension board has no place in collective bargaining, Florida law already, or in the determination of benefits, underscoring what I believe was already Florida law, but, in fact, highlighting in for purposes of tapping into the surtax.

So if the end goal, at least as a community, as a city, the legislature passed the surtax, the voters upheld it in a 65 percent vote, and if one of the end goals is, in fact, tapping into that as a funding source, we don't want to violate that statute.

And there's several components of that statute which we're all, you know, keeping in the backdrop, and one of them, once again, is this, is this provision.

Okay. So what changed between a month ago and perhaps now? So let's put aside -- let's put sort of a pin in what I just said in terms of brief history, 2015 reform agreement and the law.

The city and the unions entered into good-faith collective bargaining several weeks ago, a few months ago by now. A beautiful thing. Something we hadn't done in a while, period.

And, in fact, retirement benefits in particular hadn't been negotiated perhaps ever in this government. I can't speak to that, but at least not in the past 20 years because -- again, because of this nontraditional intertwining of the fund and the city, again, for reasons that precede all of us here.

The city and the unions engaged in traditional, legal collective bargaining. And because of the focus on tapping into the surtax, of course, there was a premium and a focus on two main thing: Wages and pension, wages and retirement benefits.

Obviously there's a lot of other things that are in the balance that I believe the unions wanted to bring up. And the city maintained that focus because, again, there's a premium on tapping into that surtax and a premium on getting at least these things accomplished, and then coming back to the table with reopeners on other items. And that's all chalked into the tentative agreements that were achieved.

So the tentative agreements essentially have wages and pension, but they're also reopeners for a few other things.

And that was the focus of the discussions until probably the last leg, maybe the last three meetings, don't quote me on that, where once a lot of these concepts on wages and pension were pretty much tentatively agreed to, at one of the meetings -- I believe it may have been initiated, the IAFF meeting with Randy and his group -- you know, a proposal was brought up, well, what about these reserve accounts? Sort of the things that at play here today.

What about these reserve accounts? Well, the city's position is, what about them? We have a treatment of them in the 2015 agreement. What say you, union?

Well, the unions came back and I think there was a little give and take, and, again, this is in the last -- I don't want to say the 11th hour, but the last leg of bargaining talks, and there was an agreement on a treatment of those reserve accounts, which every dollar within which are benefit-related dollars, either chapter funds for benefits or, my understanding is, perhaps some residue excess ARC payments from prior years.

So when that was agreed to -- and, again, everything is happening, you know, in a pretty expedient manner -- we were cognizant of the fact that there's this 2015 agreement and a treatment of sorts of those chapter fund dollars and those accounts.

And so as a safeguard, we advised -- I was probably one of them -- in a contingencies list, to put -- there's several contingencies in there, including a lawsuit, the plaintiff of which is sitting in the crowd -- but contingencies that have to be met in order to effectuate this whole plan, because there's so many things and so many cats to be heard here, for lack of a better term.

And so one of those was there may be a need to come to the Board. And I don't want there to be any misunderstanding. The Board has several roles to play, one of which we've already acted on here earlier, which has to do with the plan evaluation, and I'm going to get to another piece in a minute.

I'm specifically talking about any action needed to effectuate, as Mr. Johnson said, these collective bargaining agreements. And the answer to that is no. And the reason for that is, and sort of all of this -- all of these concepts I've brought up sort of culminate in the idea that a pension board does not intertwine with, does not interfere with the constitutionally protected rights of a union and the city to not only negotiate but agree upon benefits and matters of collective bargaining.

And so as a -- but going back to the agreement, as a safeguard, we put in that if there were any necessary -- and I'm not using it exactly as it's stated and we can read it if you'd like, but there was a deadline put for March 15th for ratification by the unions of these agreements, and if any necessary approvals are required by the fund, that those be had by the 15th.

So that was in there absolutely. What was also in there was a provision to terminate the 2015 agreement perhaps.

So, again, I'm not sure exactly what if any approvals would even be necessary. That's approved -- this is at some point maybe a month ago now, maybe exactly a month ago, two weeks ago, and once those were approved, you know, we were in touch with your executive director, Mr. Johnson.

And I know -- and as he has stated, elicited questions from you-all, wonderful questions, I'm very appreciative of the engagement of the Board and Mr. Johnson because what you-all did is you asked the exact right questions which elicited your lawyers to go back and study and analyze exactly, well, what is it that we're asking the Board to do?

And so we did that and, you know, we did answer the questions. And one of the -- and as Mr. Johnson pointed out, there were two questions in particular that sort of framed what exactly, at least on collective bargaining, would we need the Board to, you know, act on.

And so when we looked, I immediately, you know, caucused with my attorneys internally and we looked at it. And I instructed some research on, you know, are these chapter funds, reserve-account type things, are these, in fact, things that are negotiable by the fund and the city or are these, in fact, things that are negotiable by the city and the unions?

And there was a change in the law in 2015 which I think underscored what was already Florida law, which is in 2015 there was a legislative action which spoke to chapter funds and which allowed those to be negotiated between unions and the city.

And so in line with all of that and at the end of the day, in the final analysis, it was determined that every dollar in those reserve accounts are tied to pension benefits and are, in fact, pension benefits and are negotiable between the city and the unions.

The city and the unions have negotiated a retreatment of those -- of those accounts, and the fund is still the administer and manager of the fund and these accounts.

And the way it is proposed in these current tentative agreements is that, in fact, now there's a -- you know, 60 percent of the monies in there go to the -- well, when I say go to the city, they sit in those accounts still but are used for pay-down of the unfunded liability.

And then there's a 20 percent amount of the funds that go for the legal use of the FOP and another 20 percent that go to the legal use of the fire -- the IFF members.

And the way that would work is that those two unions would -- and we'll have to come up with a protocol that's appropriate -- would, I suppose year to year, if not more frequently, certify to the fund how under Florida law they would like those dollars to be used.

Now, as a policy matter, whether that's good or bad, that's another debate. I'm just telling you legally that's what was agreed to.

And so going back to the fundamental question of, what is the action of the Board, the action of the Board is inclusive of the actuarial plan reporting and valuations that you directed your actuary to undertake.

It will be inclusive of once the implementing ordinance, not the collective bargaining agreements, but the implementing ordinance is -- which is going to have a lot of various things in it, it's going to be a pretty comprehensive bill -- once that is filed, a copy will be immediately provided, as we're required to do, to the Board for your review and analysis and comment, which then is transferred to the City Council for their -- to inform them.

And the City Council is fee at that point to take your commentary or not and go from there.

So in any event, that's sort of a summary of my position and how we arrived at that conclusion.

Obviously I'm available for any questions you might have or clarification.

CHAIRMAN TUTEN: Anybody got any comments or questions before I get started, of course?

MR. SCHEU: I just want to -- and Jason and I have talked about it, but I'd like you to clarify on the record that despite the agreement saying this proposal, when accepted, supercedes and repudiates all previous agreements and past practices, including, but not limited to, the 2015 retirement reform agreement, which did contain governance.

MR. GABRIEL: Right.

MR. SCHEU: And just so that you intend, as part of this, to make it clear in the implementing legislation that none of the governance reforms will be changed.

MR. GABRIEL: Yes. Through the Chair to Board Member Scheu.

That's a very good point and that's exactly right. And, again -- and that's -- and I think some of the confusion might be -- because we do have a list of contingencies.

Now, at this point in time, that one in particular is unnecessary. And what you will see in the implementing ordinance -- again, you-all are going to have a bite at the apple to review and comment on that at the time -- is that there will be no treatment of any changes to Board or governance matters. And so to answer your question, that is correct.

MR. SCHEU: Thank you.

MR. BROWN: And so the question I have is about that third section we talked about, the supplemental payments.

How does -- how is this new -- the ordinance that's being created, how does it jibe with that and allow those to be mutually exclusive where they're not in conflict?

In other words, there's a schedule of supplemental payments --

MR. GABRIEL: Right.

MR. BROWN: -- that are designed to pay down the unfunded liability. I can only assume that the city is not going to intend on making those payments because of, you know, the way the ordinance will be drafted.

Are they able to not follow that schedule and that's legally okay? Can you explain that part?

MR. GABRIEL: Sure, sure. And it's a good question.

So that -- and you're referring to that what's called the financial tranche that's in the pension reform agreement. And when that was done, you know, there were several iterations of pension reform that culminated in the 2015 version. There were two or three ordinances prior to that that either failed or withdrawn.

And simultaneous with that was a -- I don't know if anyone here remembers, and, again, a lot of this precedes us. I think Mr. Scheu will remember. There was a -- there was a proposal for a JEA type funding source. Now, I think that was eventually withdrawn.

So what happened was when the 2015 agreement was entered into, at least on the funding source, there was no identified funding source at that time. It was done sort of in a -- I don't want to say in isolation, but it was done without any identified funding source.

There was a lot of debate that went into it. Should we raise the ad valorem tax? Should we do a sales tax of some sort? So many things were considered. And then there was this JEA proposal, but that was withdrawn.

So when that 2015 agreement was approved, it was done in isolation of any particular identified funding source. And, yes, and then there was this pay-down schedule. Let's call it this above and beyond the ARC payment, you know, additional payment.

And the way that that was driven into that agreement was that -- you know, and there's a chart you've seen that in year one, if the city paid this extra 5 million in addition to the ARC, that, in fact, from this stabilization account, another attributable 5 million would be parallel to that and hence 10 million would be paid down that year. The following year it was 10 million, then another 10 million would come in.

What the agreement also said was that in any year that the city didn't make that payment or maybe made -- maybe didn't make it at all or made a part of it, a pro rata amount would be identified from that budget, paid in, and then whatever is remaining would then go into -- I don't know if it goes into another account or stays there, but it would be used for, you know, other additional benefits.

That's how it was written. Because, again, we always, you know, come back to this fundamental notion that you can't bind fiscally especially future councils on things. That's all sort of underpinned in these concepts.

But, yes. I mean, to answer your question, that's what's in there. And what was agreed to on those dollars and the use of those dollars -- what was agreed to between the city and the unions was a retreatment of those -- of those dollars that now would be still used, some of which for the unfunded liability, but then others of which would be used -- you know, it's a little bit of a change in the disbursement as to how those dollars are used -- still for benefits and paying down the unfunded liability, but in a different context.

Now, you know, the philosophy and, you know, whether it's good or bad policy is another debate. What I'm providing is just essentially what the legal requirements are and how they have been renegotiated between the unions and the city.

CHAIRMAN TUTEN: Anybody got any questions?

MR. SCHEU: I'd rather hear from you.

CHAIRMAN TUTEN: Allow me.

All right. Explain something to me, Jason, here. You have two parties that have a contract with each other that goes into the future.

How does another party that had nothing to do with that first contract, how are they allowed to change the terms of that contract? In other words, the Board, the city, extra payments, et cetera, et cetera.

Now you're telling me because of the law that passed, that the unions can agree to something and the city can agree to something and that wipes out what we and the city agreed to.

Because the way I interpret it is the future exchanges of contracts and benefits, et cetera, the pension board has no say so. But that's not what we're talking about here. This is a former contract in the past.

So I understand where you're using the language, but I'm confused as to how the current union agreement are allowed to change what we agreed to, because we're not part of this process.

And I'm skeptical -- and I do thank you for coming, by the way, but I'm skeptical because the tone of that email was simply this: If these board members don't come talk to the mayor and Mr. Weinstein, then we can throw this whole thing out the window. It could be delayed up to a year. That's verbatim, right there. I'll go print it up.

So that tells me that this is of some sort of urgency that we need to get this done. We need to meet. You guys need to understand what's at stake here. You guys need to pass this.

You met with the four trustees, not myself, of course, and then all of a sudden, pop up, hey, we don't need you guys anymore.

That -- if I'm going to be the cynic, if I may, that sort of tells me that the mayor seems to think that the Board probably isn't going to go along with this, at least not in whole, and rather than deal with that fallout and the scrutiny -- because, once again, I'll repeat, the mayor has not presented anybody anything for this whole plan except for these four guys, and I can't ask them about it because that would be a violation of the Sunshine.

So nobody knows what he's promoting, what he's promising. It's all very hush, hush. It's all very hurry, hurry, hurry. And then now you drop this bomb two days on us in front of the meeting, we don't need you anymore.

The cynic would say, I think the mayor is trying to avoid any sort of bad press, any sort of controversy, any sort of, what if the Board goes off the rails and doesn't agree with my plan, then, oh, oh, what am I going to do because I've got these agreements, I've got the unions, but it's going to make me look bad.

And that's what the cynic, not myself, of course, but the cynic might say is happening because I haven't heard anything that you said, anything, that states a legal reason why someone else can break a contract between two other parties that was a contract that was done two years ago.

Now, I know what you say. Future benefits, this statute, blah, blah, blah. So I'll cut it short and ask our lawyer.

Keep it simple, Bob. We don't have to go into depth, but as a Board and as someone who was here the last time we made that first agreement, are there things that we need to be concerned about before we give the city carte blanche to just go ahead and do what they want to do?

MR. GABRIEL: I just want to make a clarification. When you say "our lawyer," the Office of General Counsel serves as your lawyer too, and fund counsel here --

CHAIRMAN TUTEN: Well, Jason, let me stop you right there --

MR. GABRIEL: -- is helping to assist the General Counsel.

CHAIRMAN TUTEN: From a history lesson, we'll do a history lesson.

The State of Florida took away control of this pension Board -- this pension fund from the city, just like they did throughout the state.

The Boards -- the firemen weren't the ones that did that. The state took control of pensions away because the cities were stealing dollars. They were losing dollars.

This is nothing personal, guys. I wasn't there then. But the state mandated this Board, not us, not the firemen, the state. And when you say you work for us, we've gone down this road a hundred times. It's nothing personal with you, Jason. You're not the first one. You're not going to be the last one.

But the problem is, it's called conflict of interest. And, Jason -- I'm going to get to you in a second, Bill, I promise.

The problem is, Jason, we've had this issue a hundred times. And the reason we have Bob and we had Bob Number 1 Klausner was simply because every now and then, like this instance, sometimes it's hard to discern, are they really giving us the best advice, or are they giving us advice that's -- and I understand, you're not in an enviable position. But when it comes to loyalty, who are you really working for? It's a simply equation. It's not complicated.

Who hired you and who can fire you? That's who you work for. It's as simple as that, Jason. Nothing personal. Once again, I'm not trying to -- but that's the simple answer. We don't hire you. We don't fire you.

I know you say you work for the city, but the mayor is the one that tells you what to do, not us. And this, to me, is a clear conflict of interest. That's why we have Bob there to inform us.

And I understand you're going to say you work for the Board. We don't need to hear all that anymore, trust me. I'm tired of listening to it. I've been down here too long. I'm tired of it.

You have a job to do. We want Bob to inform us based on his opinion. You're more than welcome to give me yours at all times. You are correct. You're the city's General Counsel. You're entitled to a number of things, but in this case, to me, there is a clear conflict of interest based on this last-minute strategy by the mayor to all of a sudden say, the Board, I know you made a deal, I know your name is on the contract, but all of a sudden, don't worry about it, fellas, we'll handle it, because that, once again, gets into our fiduciary duty.

And I will tell the Board and you and everyone here, like I told Tim one time, this decision is the first time in 14 years I can think of where I thought to myself, if we screw this up, we're actually going to be held liable.

People are actually going to sue us because of the decision. And I know we've got liability insurance, but believe me, $1 billion ain't going to touch this.

But I'm just very frustrated, Jason, that they -- that you had to come down here and give this presentation because, truthfully, something doesn't add up. The smell test does not work here. It does not.

MR. SCHEU: Before you put Jason on the spot, I do think there's some misunderstandings about the charter form of government. And we discussed it at length in the pension -- whatever that was called, retirement reform task force.

And the fact of the matter is, you might not have the whole Board in agreement with what you said about Jason's relationship.

The charter of the city says that the city's Office of General Counsel is the legal officer for the whole city, like it or not.

CHAIRMAN TUTEN: I'm not arguing that point, Bill.

MR. SCHEU: Let me finish.

And that if there's a conflict between various agencies, let's say the City Council, the mayor and us, the very powerful Office of General Counsel gets to decide it, and he or she issues an opinion.

He is our lawyer. You'll recall that I think his relationship with Bob is through him, not through us.

CHAIRMAN TUTEN: Bill, that's --

MR. SCHEU: But I don't -- you know, you brought it up. But I do think there's a legal responsibility to submit ourselves to what the charter says our governance is, and that includes that the Office of General Counsel is the counsel for the fund.

The statute provides for us to employ counsel, but that's only through the participation of the --

CHAIRMAN TUTEN: Well, Bill, I disagree with you --

MR. SCHEU: I know you do, but I wanted to get --

(Simultaneous speech)

CHAIRMAN TUTEN: If the Office of General Counsel compels you to do something that is a breach of your fiduciary duty, then what?

MR. SCHEU: We're going to get to fiduciary duty.

MR. BROWN: Rich, can we let Bob weigh in, see if there's --

CHAIRMAN TUTEN: Yeah. I just -- I understand what you're saying, Bill, but the problem is -- and what we're discussing here has been the original problem from the get-go.

That's why the state attorney, all those years ago, that was called old and demented and that opinion doesn't count anymore, that's the only opinion to come out of the state attorney general about this matter.

And it simply said, look, there's an inherent conflict of interest between the pension board and the city attorney. You'd better get your own lawyer.

And ever since -- every ruling since then, we're supposed to take that the fact that the GC is -- no, I have yet to see that ruling. Please someone show it to me.

I see the state attorney general punting a lot and putting the mess -- you know, I don't want to touch it. So I'm going to back to the only ruling I've ever seen from an attorney general for this state that said, you'd better get your own lawyer because there's a conflict.

MR. BROWN: I'm not quite sure what the point of your diatribe is, quite frankly.

We're being explained to by the general counsel his opinion on something. We have another attorney here that is specialized in pension matters. Let's get his opinion, is what I would ask.

CHAIRMAN TUTEN: Go ahead.

MR. SUGARMAN: The question the chairman asked, is there something we should be concerned with? I want to tell you something you should not be concerned with and I'll you what we are concerned with.

You should not be concerned with being charged or accused at all of being involved in collective bargaining. I tell you as a labor lawyer, the collective bargaining under the Public Employer Relations Act begins with a request for negotiations, either by the union or the city.

It continues when they meet with each other with the goal of getting a tentative agreement that is then ratified by the City Council and by the workers involved. Once you have a ratified collective bargaining agreement, collective bargaining has then ended and it's over.

I'm not here every day, but what I've been told, and I'm sure it's correct, is that none of you were involved in anything that I just described to you from the beginning to the end.

Now, once collective bargaining is done, if it changes our pension benefits, then our job is to, once we're given an ordinance that has those new benefits in it, to pay those benefits that were agreed upon and to collect from the workers the agreed upon contribution that collective bargaining and the ordinance tells us that they will pay, and then to send the city a bill for the rest, which is called the city's annual required contribution and which is contained in the actuarial valuation report.

The amount that the city pays may be affected by any additional payments the city pays us or by money transferred from this account.

So don't be concerned about being involved in collective bargaining. It didn't happen and it won't happen in the future, because if you ask Jason or if you ask me if you should be involved in that procedure from beginning to end, the answer is, you should not be involved.

Now, what are we concerned with? In order to -- in order to send that bill to the city, in order to do an actuarial valuation, we have to take a look at what are the assets of the plan and the rights and the obligations of the plan. That's what we have to look at.

So in order to look at those, we look at the state law recently amended, for example, to say that we can count the anticipated flow of surtax revenue as an asset of the plan, but leaving it up to you to decide how that is valued and what projections are to be used.

We have to look at the local ordinance. You heard me referring to that earlier today. We have to look at the 2015 agreement. That's a contract in which we are obligated to do certain things, and in return the city is obligated to do certain things. And we're analyzing that.

And you have to look at the consent decree. The consent decree is a federal court order that we are required to follow in a case that we are a party to, and that the court decided that it was so serious that we, together with the other parties of that lawsuit, have to file annual reports to the federal court as to how we're complying with the court's order.

So we are studying all of those things to see what your rights and obligations are and how they maybe impacted by the collective bargaining agreement.

You have no right to vote on the collective bargaining agreement. None at all. If the city said this collective -- you have to vote on this collective bargaining agreement, then that would be wrong.

If the city and the union said, in order for the agreement that we made to be effective, it has to be approved by someone else, if that's the condition they made on their agreement, then that's between them.

And we would -- and if we approve it or don't approve it, there's consequences to what happens, but that's under their agreement. We're not involved.

But Jason has told you you don't have to vote on what happened with the collective bargaining agreement.

Our work is seeing what your rights and obligations are under these other things, under -- as the Chairman said, an agreement that we have with the city, the 2015 pension reform agreement, and under the federal -- the federal court order and how they're impacted by all these other things. That's what we're working on now.

And you will be called upon to make decisions. How are you going to value the anticipated surtax income?

What rights do you have under the 2015

reform agreement and under the consent decree?

And are you going -- are you going to enforce those rights?

Are you going to seek to change those agreements or the consent decree, or is there an understanding that we may have with the city and -- that those things don't apply.

These are all the things that we're looking at now. But there will be things for you to decide, because you've got a contract and you've got a consent decree, and we don't believe that you can just throw them under the table and say, we don't have them anymore.

You have to decide what impact they have. That's what we're looking at now.

MR. BROWN: But it seems to me that there is no inherent counsel conflicts based on what both of you just said, correct?

MR. SUGARMAN: Pardon?

MR. BROWN: I mean, at the moment?

MR. GABRIEL: If I may, Mr. Brown --

MR. BROWN: Yes.

MR. GABRIEL: -- through the Chair to Board Member Brown.

You're hitting on all the right items here.

I didn't disagree with anything that Mr. Sugarman just outlined in terms of what he's looking at.

I think the only -- maybe difference at this point is that I've gone far down into a conclusion on those documents he's referred to, and he's looking at them. And that's fine.

And we can have this conversation afterwards and discuss it further. And we haven't had a chance to, you know, discuss and have a discourse on my conclusions.

I've provided him with the analyses and I'm happy to discuss it with him further, you know. So I don't think you're hearing a disagreement on what to look at.

I think the only thing you're hearing is that OGC has gone to a conclusion a little farther down the road than what Mr. Sugarman has done at this point in time, and not because of anything other than I was looking at it previous to him.

MR. SUGARMAN: Right. Let's back up.

You remember at the last meeting I concluded by saying we should treat this as any other proposal put before the Board.

And I said, send me the proposal, show us what the ordinance will look like, show us the amendments to the reform agreement and the amendments to the consent decree.

Now that the OGC has concluded, as you said, rather recently that no amendments are necessary, now that requires a new evaluation on our part.

MR. GABRIEL: And what I'm -- and sort of to end-cap everything I've said, it's that our conclusion hence means that there's no need at this point -- and maybe in the future we can have another discussion about this.

There's no need to dissolve the 2015 agreement, that, in fact, everything that's happened fits squarely and nicely and neatly and legally within the existing 2015 agreement and hence no need for changing it or amending it.

That's what we ultimately concluded. And, again, you know, we can talk further offline with fund counsel on that.

But that's what we've concluded essentially, which is why we're not -- to Mr. Scheu's point earlier, he mentioned that contingency about superceding or dissolving it, and, in fact, we're complying with it.

MR. SCHEU: What I'm hearing Bob say is that at this point you concur with the general counsel in that there's no action necessary for us to take today, but that what may be required is if you can't agree, then we're going to have a decision as to whether or not to seek to enforce from our perspective the earlier agreement and/or the -- do something in the federal court case.

But that's not for today. That's for down the road.

MR. SUGARMAN: Enforce or amend or maybe accept or maybe agree with --

MR. SCHEU: Right, right.

MR. SUGARMAN: -- if you see that none of it needs to be changed, but that's not for today.

MR. SCHEU: That's not for today.

MR. SUGARMAN: That's right.

MR. SCHEU: Okay.

So today, by exceeding to that joint opinion, would you-all discuss briefly what that means in terms of fiduciary responsibility?

We're not exercising -- well, nonexercising something, that's -- we want the comfort that we're not breaching any fiduciary responsibility. Can you advise --

MR. SUGARMAN: Fiduciary responsibility does not require you to be involved in collective bargaining.

All we are now is in this collective bargaining process, when we have been presented with the final agreement and the implementing ordinance to decide what is the nature of the agreement, what is the nature of the consent decree, what is the value for purposes of our actuarial valuation of that flow with the promised flow of surtax, how are we going to value it for purposes, which may be the same or may be different.

Those are the fiduciary responsibilities you have. You also have two more. And that's the concern -- that other things you need to be concerned with, those were identified by the executive director.

What is the asset risk? That is, what is the value, if we are giving something up in the 2015 reform agreement and getting something instead, what are the risks of those two assets?

And the second thing is, what is the liquidity risk, as Mr. Winkler suggested in his analysis, which, I'm not a numbers guy, I don't know if it's right or wrong.

We have to have enough money every year to pay our bills. And are we going to have sufficient liquidity? That's not a legal issue, but it becomes one if the answer is that we are -- that this puts us at liquidity.

And but asking the question, I'm not suggesting the answer. I don't know what the answer is.

But that's something that the administration of this pension plan and the actuary are going to have to work together with to see if -- again, this is all in the bill we give to the city each year. Is that bill going to give us enough money to operate?

That's the work that's in front of us now.

MR. PATSY: Bob, educate me on this. I'm trying to think this through to its logical conclusion.

We don't need an opinion at this juncture. We go to the public hearing period, to the legislation. We offer our opinion.

If we determine at that point in time, based on our actuarial analysis, that this agreement is severely detrimental to the plan, we offer that opinion -- and I don't think this is going to happen, but just suppose the City Council says, sorry, you guys are wrong, we're going to go with the city's actuary's opinion on this.

It gets enacted. It turns into law. We get to the end of the year. We do an actuarial study. We determine exactly or what we believed is the correct amount that the city needs to contribute to the plan. We submit the bill to the city.

At that juncture, if we don't submit what actuarially is the correct bill, then we've violated our fiduciary liability, but not until, in this process?

MR. SUGARMAN: I'm just trying to remember all the steps.

MR. PATSY: Right.

MR. SUGARMAN: We don't have an obligation to advise the City Council. Hopefully they will ask for our advice, but we don't have an obligation to do that.

We do have an obligation, as I discussed earlier, and this is when, to use the phrase before, the issue is going to hit the fan, when we produce the actuarial impact statement as to what these things are going to cost.

That's going to show -- and, Pete, correct me if I'm wrong -- how we value these different assets of the plan. Am I correct in that?

MR. STRONG: Yes, sir.

MR. SUGARMAN: Then -- so the city -- the city is our partner. They have to know what's coming. We can't say that we're -- the state law says we have to value the surtax income. It doesn't say how. So we have to -- we have to say, this is how we're going to value it based upon the advice of our actuary.

And the actuary is going to put, as Pete will tell you, a disclosure saying that this is not according to usual actuarial practice, which is required by ordinance.

And he's going to tell you that the basis of the projection of the amount per year, he is not going to vouch for.

What's the exact term that you would use?

MR. STRONG: Well, we have to assert to the reasonability of every assumption that's in place. And if we don't believe an assumption is reasonable but it's dictated to be used, we -- under the actuarial standards of practice, we have to say that and show what the results would be if we used a reasonable assumption.

CHAIRMAN TUTEN: So are you -- you're doing a side-by-side, correct, like what we have now and then what we would have, what the city's proposed with the growth rate and all that?

MR. STRONG: Yes. And with a couple of different assumptions.

CHAIRMAN TUTEN: Okay. Perfect.

MR. SUGARMAN: So the value of the surtax income is not going -- is going to be calculated by the actuary using certain assumptions as to the discount rate and things like that. But the projected growth of that is beyond your expertise, right?

MR. STRONG: Right.

MR. SUGARMAN: So you may seek independent advice as to whether or not the projected growth of 3.75 to 4.25, as projected by the city, is the one that you should use or if you should use something else. That's not legal advice. That's from a financial expert.

That's when this issue is going to come to a head. We can't tell -- in the actuarial impact statement, we have to tell to the city, if you do this, meaning adopt this ordinance, this is what it's going to cost you and how we're going to credit this new income source you're giving us. Look at the actuarial impact statement.

Assuming that nothing changes after that's adopted, then we're bound by that. That's why we have to give them a correct statement.

Then we go down to project further. Then there should not be an issue as to when we -- when we issue our bill to the city, our actuarial valuation, because they will then pay it.

And they will know how we're going to value these other -- these other things, these contracts and the consent decree, which may well be assets of the pension plan.

CHAIRMAN TUTEN: Me, personally, I'm not necessarily worried about -- I mean, for the record, I think the mayor's plan is terrible. I think you're putting off present cost for future money that, A, you don't know how much you're going to get; B, you're paying triple what you could have paid it off 30 years ago. C, B, E, F. It's a terrible plan, okay?

I understand why he wants to do it. He wants to save money now. He wants to spend money on the port or more circus tents by the stadium, whatever they call it.

It makes him look good now, but this is putting off, very dangerously putting off, a problem now for a problem 20, 30 -- he won't be here, Mr. Gabriel. Good luck. You're not going to be here either. These people won't be here, but yet this Board, this city will be here.

But getting back on hand, let's cut it short, Bob. If you come back with a legal opinion that differs from the general counsel, you say, look, we have a couple things.

No, we should have been included. No, we need to decide this, that or the other. Hypothetically speaking, of course, the general counsel has basically indicated that the mayor and the city is going to go ahead with their proposal no matter what we decide.

I think that's obvious by now, correct? Can we all agree on that?

MR. SCHEU: I agree.

CHAIRMAN TUTEN: Okay. What would be our resource then? In other words, as a Board, in other words, are we going to have to possibly sue the city to stop their action? Because I don't -- I don't see this mayor, who has never come down here one time, or Mr. Mousa, who has never come down here one time, or Mr. Weinstein, I don't think he's come down here one time, I don't see them deviating from the plan, which is full steam ahead, regardless of who says what.

Are we going to have to sue them to stop? Because simply in our opinion, this is terrible. This is not legally correct.

MR. SUGARMAN: I don't know the answer to that.

What I do know is that we are all in court already on the Wyse case, the consent decree, where we're already there and have a federal court order and federal court compliance that needs to be shown. And we will be studying whether or not this proposal is in compliance with that.

And if it doesn't, then you have remedies in a case that's already in the courts.

CHAIRMAN TUTEN: How long is that supposed to take place? Do you know?

MR. SUGARMAN: How long?

CHAIRMAN TUTEN: I mean, how long do we expect an answer? You say you're in the courts with it --

MR. SUGARMAN: Oh, you mean from us?
CHAIRMAN TUTEN: Well, from the court to us.
MR. SUGARMAN: Oh, no, you're now going way down to the future. You're saying that --
CHAIRMAN TUTEN: Okay. I got you. Okay. I'm sorry. I misunderstood.
MR. SCHEU: In a way that's a good thing, because under the charter, we can't sue any other agency of the city and presumably the city itself without the consent of the City Council.
We can seek an attorney general's opinion also, but the attorney general, as the chairman has said, has tended not to want to get involved. But there's so many legal issues here it's just amazing.
What I'd like to know is, if we aren't required to act in any way today, could we nevertheless make some recommendations that the City Council consider as it evaluates the proposal? Can we do that?
MR. GABRIEL: And if I may, to Mr. Scheu.
And you're welcome to provide commentary to the City Council on a host of things that are germane to the scope of your purpose here.
And I am -- and if today is the right day

for that, so be it. You know, just to reiterate, there will be an opportunity -- and I don't know how it works with the timing of your Board meetings. I don't know if there will be a need for you to have a special Board meeting, but there will be an opportunity for this Board to review and comment on the implementing ordinance when that's -- when that's filed. And that's by ordinance code and charter.

MR. SCHEU: What I wanted to suggest that is we -- that it's our advice and recommendation to the council, hearing from Bob, this was great, that they seek independent advice on the valuation of the sales tax growth rate and on the discounting of that as they go through that. Has the city --

MR. SUGARMAN: Well, they may. But our advice to you is this. We need our own independent advice. They may adopt the one, but we need our own.

MR. SCHEU: Yeah. But we could invite them, as they consider it, that they might consider getting an independent financial expert to help them evaluate whether the projections and assumptions made by the mayor's office are correct. Now, maybe City Council auditor -- maybe that's different.

MR. SUGARMAN: Bill, those will still be city projections.

MR. SCHEU: Okay.

MR. SUGARMAN: Remember, in this -- in this situation, the city is our debtor and we are the creditor. So we need our own advice.

MR. SCHEU: I'm not saying that --

MR. SUGARMAN: Right.

MR. SCHEU: I'm just encouraging them to get some independent advice.

MR. BROWN: And the question I have is, how soon do we need to go ahead and get that ball rolling so that we can get external advice on whether or not this is a realistic figure? I mean, is that something that we could do now?

MR. SUGARMAN: The answer to that is, when they want from us an actuarial impact statement as opposed to the study for approval.

MR. SCHEU: So that will come out in the wash that they're working on it.

MR. SUGARMAN: And they want that in two weeks, which we're already said we can't do. But they probably don't want to wait six months because they've got some budgeting to do.

MR. BROWN: Doesn't the Board need to probably take action to go ahead and get that -- you know, seeking out independent advice?

You know, let's move on that so that -- because they have the numbers to work with either based on historical --

MR. SCHEU: Could we -- could we go back and ask them as they determine whether that's necessary, that we authorize the executive director to employ financial consultants, if necessary, to do that so we're then down the road on that?

MR. SUGARMAN: That sounds like a good way to do it.

MR. SCHEU: And I'll make that motion.

MR. BROWN: Okay. And I'll second it.

MR. PATSY: Wait a minute. What's the motion?

MR. SCHEU: That we authorize Tim to employ a financial consultant, as Mr. Sugarman has suggested, to be able to valuate some of these assumptions, such as the growth of the sales tax.

MR. BROWN: All of the assumptions.

MR. SCHEU: All of the assumptions.

MR. SUGARMAN: The assumptions dealt with -- state law says we have a new asset, and we need to know how much that's worth. The city has an idea. They may be right. We just need to confirm it. And Pete says he can't do that for us.

MR. SCHEU: So we authorize the director to employ such thing.

MR. STRONG: I'm not an expert.

MR. SUGARMAN: It's not within his expertise.

CHAIRMAN TUTEN: That's fine.

MR. BROWN: Because we need to have a realistic number, if this isn't realistic. I'm not saying it is or isn't, but we need to have somebody, you know, that's truly neutral weighing in and saying, these are the numbers you need to use for modeling purposes as opposed to just a number coming from the city.

So we submit the motion.

MR. PAYNE: You made the motion, right?

MR. SCHEU: Yes.

MR. BROWN: And I seconded it.

CHAIRMAN TUTEN: Okay. Any questions?

(No responses.)

CHAIRMAN TUTEN: All in favor?

(Responses of "aye.")

CHAIRMAN TUTEN: I don't have any -- I think we're spinning our wheels here, fellas. I think it's all wishful thinking. The mayor and the city is going to do what they want to do. It's going to be up to Ms. Anna and them to scrutinize this, and we're going to decide what we can do.

MR. SCHEU: The other thing that I would like to suggest is that we -- and Ms. Brosche already has a copy of it, but we have proposed some questions that had we were going to consider it, I would ask that we recommend that the City Council use their own questions but also the questions that we would have raised as they evaluate the financial -- they compare the plans.

And you've already got it, but I just think we ought to say something publicly that --

MR. BROWN: The questions that Mr. Johnson assembled and then sent to the General Counsel's Office?

MR. SCHEU: No. The ones that I prepared that's in the Board book now.

MR. BROWN: Oh, okay.

DIRECTOR JOHNSON: Through the Chair, there were two sets, Chris. You're right. So in the Board book there were questions that we pose, legal questions to Jason.

There were also a set of questions that the Board wanted to analyze the comparison between how it would impact the plan based on House Bill 1297, gross surtax. That's what those questions are.

CHAIRMAN TUTEN: Well, really, the only decision -- you know, the thing we're asking for Pete to do is to line up, for lack of a better term, what does the plan look like with real money in it and what does the plan look like with long-term fake money in it?

Because that money on paper sounds good, but the real -- this is what we have to pay our bills. This is what really counts.

And until we start getting that money down the road, it's a paper asset. I mean, I understand it counts and I understand accounting. I took it at least three times.

(Laughter)

CHAIRMAN TUTEN: But we have to separate the real versus the fictional, I guess I should say, or future whatever you want to call it, because that's -- we're going to have to make it the next 13 years, and if something happens -- we need money, and it just doesn't appear out of thin air.

MR. SCHEU: In following up on that, would it be appropriate for us to encourage the mayor and the City Council to consider continuing all or a portion of the supplemental payments as part of their legislation?

I mean, we heard a presentation earlier today from Mr. Winkler and from the community that there's a tremendous expense to withholding those payments, the costs.

And so I would at least encourage the City Council to continue, as they evaluate the implementation, that they consider continuing all or a portion of those supplemental payments.

MR. BROWN: Yeah. Don't let the credit card bill stay stagnant for 13 years before you start to pay it down.

MR. SCHEU: Yeah.

MR. BROWN: We obviously know the value of compounding interest, and that's working against us in the opposite direction.

So I think the City Council would, in the interest of the financial future of this city, at least want to consider some portion of a supplemental payment. So that in many ways -- it's kind of the hybrid situation.

MR. SCHEU: Right.

MR. PATSY: Absolutely. Because ultimately if the world doesn't materialize the way we assume it's going to, the unfunded liability is going to continue to grow, and at some juncture it starts to turn exponentially.

MR. BROWN: Absolutely. And if we pay down even a portion of that, that reduces the damage that would happen if things don't go the way that we're expecting them to.

MR. SCHEU: Right. Just one more question.

There's a reference -- there's continued reference to a 2015 agreement.

For both Jason and Bob, is there such an agreement that was executed, or what we're really talking about is the ordinance that the City Council passed which we didn't act on? I'm unsure whether there actually is a true agreement.

MR. GABRIEL: Through the Chair to Board Member Scheu, I keep wanting to say Council

Member Scheu.

MR. SCHEU: Never. Never.

MR. GABRIEL: Yes, there was an agreement that was signed.

MR. SCHEU: Okay.

MR. GABRIEL: It was ordinance code changes, because by virtue of history, tradition or whatever, we've always had pension benefits actually codified in our code. You know, whether that's a good or bad practice, that's the way it's been.

And so there was a combination of both an ordinance with all those ordinance code changes along with an attached agreement which was very parallel. Agreement might be a little more general. More detail in the ordinance code, but there was an agreement --

MR. SCHEU: There was an agreement. Okay.

MR. GABRIEL: But that agreement did have, I would say, provisions, and we'll discuss this offline further with the lawyers so that Bob can understand my conclusion.

There were these -- these provisions of constitutional import that said such things as the Board is no longer in the collective bargaining business, that collective bargaining items are for the unions and the city, et cetera, the very provisions within which, I believe, all of this fits.

MR. SUGARMAN: There is a 37-page agreement signed by former Mayor Brown, former Director Keane and by Steve Durden.

MR. DURDEN: As to form.

MR. SCHEU: I just want to really understand whether there was a real, quote, agreement.

MR. GABRIEL: It was. It was a brilliant agreement because it allows for the very thing we're doing today.

CHAIRMAN TUTEN: I'll give you a little inside tip, Bill. If the mayor were to just say as part of this union contract that he's going to continue to pay the extra money and just carved that little -- and, I mean, the Investment Advisory Committee -- we wouldn't be having this discussion.

But I don't agree with the whole plan. But, yeah, like you said, you want to call it a hybrid, you want to call it hedging your bet, you want to call it whatever you want to call it, just put in the extra money that we agreed to.

That way if your dream scenario implodes, at least you've got a back-stop, you know.

But the mayor's plan is simply -- it's literally, all in, baby.

MR. PATSY: Here's the thing, Rich. Every year we do an actuarial report.

CHAIRMAN TUTEN: Right.

MR. PATSY: Every year we're going to evaluate this on two different standards, one for the state and one for the city.

CHAIRMAN TUTEN: I understand.

MR. PATSY: We're going to look at the numbers. We're going to -- at the end of the year we're going to submit the bill.

MR. BROWN: And as Sam Mousa likes to say, pick up the phone and call the city, and that's what we'll have to do.

CHAIRMAN TUTEN: But here's the problem, though, Rick. Which bill are we sending? Are we sending Book Number 1 or Book Number 2? Because they're going to be off by about a hundred million bucks each.

MR. PATSY: Right. They're going to be different. I get that. But the bill we sent is the one that the city requires. That's the law.

So --

CHAIRMAN TUTEN: If the city gets to the point where it endangers the pension fund, how do we remedy that?

MR. PATSY: Then we sit down with the City Council and the mayor's office. I mean, Joey's at almost all of our meetings. We have a City Council representative at all of our meetings, you know.

CHAIRMAN TUTEN: I don't think any of us will be at --

MR. PATSY: In theory --

CHAIRMAN TUTEN: -- this table, Rick, when that happens. I'll be honest with you.

MR. PATSY: Well, maybe not.

CHAIRMAN TUTEN: Let's hope not.

MR. PATSY: But our, you know, successors, that may be the problem they've got to deal with.

CHAIRMAN TUTEN: Well, it's just a much bigger problem than just the pension, because if it gets to that level, then you're talking about property taxes will go astronomical and all sorts of fallout from it.

MR. PATSY: Or they put in a sales tax or they just issue a bond or --

CHAIRMAN TUTEN: Well, the bond would be preferable. You could borrow cheap. You could borrow for a long time. We tried that with Mayor Peyton. He wouldn't do it.

MR. PATSY: When it happens, you have no idea what interest rates are going to be. If it happens five year, ten years, fifteen years down the road. Today interest rates are great.

CHAIRMAN TUTEN: Well, we tried it with Mayor Peyton to say, look, let the bond, you'll pay it off at 3 percent. We'll be done with this thing, and he didn't want to hear the word, pension obligation bond.

MR. PATSY: Look --

CHAIRMAN TUTEN: I understand.

MR. PATSY: -- politics is an interesting game, okay?

CHAIRMAN TUTEN: Oh, I know.

MR. PATSY: The government is in an entirely different game, and at some juncture when the gun gets put to their head where they have to do something, this is a legal obligation. We have a legal obligation --

MR. BROWN: That's right. I mean, I think it's probably the most important thing said, honestly. We have a legal obligation on this.

CHAIRMAN TUTEN: And that's my point, though, Rick. That's the agreement that I thought we made with the city two years ago.

And I've heard the comment by Mr. Gabriel today that, you know, future City Councils can't be bound by past City Councils. That's one of those other arguments that I've had to deal with the city for years.

Well, then how do you make contracts with Waste Management or the clean-up services at Alltel? Of course, current council members can bind future council members.

MR. PATSY: Sure.

CHAIRMAN TUTEN: So it's -- it's one of those arguments they make whenever it suits their argument, and it just gets old listening to it.

MR. PATSY: But we also heard our legal counsel, Bob, say he's right.

CHAIRMAN TUTEN: To an extent. But, see, the city cherry-picks what they want to use what for. They don't carry it across the board because it doesn't suit their purposes.

Anyway, we're getting off topic.

MR. SUGARMAN: Rich, in fact, we have other alternatives. If we present a bill to the city and the city doesn't pay it, is that what you're asking?

CHAIRMAN TUTEN: Well, I'm asking -- in other words, we have A and B, though.

The problem is the city is going to want to go with B, which has all the future revenues and stuff on it, and if that's not our real number, which one are we allowed to send them the bill for?

MR. SUGARMAN: Right. That's what we need to look at. But let's say the city -- let's say the city doesn't pay the bill. And I'm not by asking that question at all suggesting that they wouldn't. And if we can't sue them, what are our remedies?

If the city does not pay its annual required contribution, there's a remedy under 175 and 185, and that is that money stops.

There's a remedy under 112.7, I believe. That is the state -- the other monies they receive from the state could be put in jeopardy.

CHAIRMAN TUTEN: Well, see, the problem with that, though, Bob, is the fact that what's worked into the contract is that money now goes to the members anyway, so the city is not counting on that money per se to help with the pension offset costs or anything like that.

So like I say, I've had enough fun for one day.

MR. SUGARMAN: You know, that's a doomsday scenario, whereas we've been working together with our partner in the city on this trying to make -- come to agreements and make this work.

As much as you may not like it, Mr. Chairman, this is what we've been given to work with for now. We're going to see if we can make it work.

My -- your concern and the director's concern is paying these benefits and having the money and having solid assets.

CHAIRMAN TUTEN: Exactly.

MR. SUGARMAN: Our concern is protecting you, and that's what we're looking at towards your fiduciary liability by studying what all of these things are and deciding whether or not they're assets of the plan, and if they are assets of the plan, whether they need to be counted as assets, enforced or modified.

CHAIRMAN TUTEN: All right.

So, Director, do we have anything else? Any comments by anybody?

Bill, you got to go?

DIRECTOR JOHNSON: We have the remaining discussion from Bill. Bill had two issues on the table.

One was with regard to sharing the Board's questions with City Council, whether we do that now or whether we wait till the public comment period after the proposed bill is sent to council.

And the other is requesting that counsel not eliminate the supplemental payments that currently exist in the future.

MR. SCHEU: Do we want to move that or do we want to --

DIRECTOR JOHNSON: Do you want to move that?

MR. BROWN: Is it appropriate for today?

CHAIRMAN TUTEN: Yeah, that's up to you.

Do you think maybe we ought to wait for the -- I mean, we can do it today. I have no problem with it. I'd love for them to do it.

DIRECTOR JOHNSON: I just want to be clear on what your will is. So I defer to the Chair.

MR. BROWN: Will anything change between now

and the next time we meet? I think those two
things are pretty solid recommendations.
MR. SCHEU: I think I'll go ahead and move
them because then they've got it.
MR. BROWN: So you're making a motion for
both of those recommendations?
MR. SCHEU: Right. On the independent
financial analysis and that they consider using
the questions that we produced.
CHAIRMAN TUTEN: Well, they consider making
the supplemental extra payments as part of that?
MR. SCHEU: Right, right. I'm sorry.
CHAIRMAN TUTEN: Okay. Right. Got it.
MR. BROWN: Does that take the form of a
letter?
CHAIRMAN TUTEN: Well, let's take a vote.
We're here, dude.
MR. BROWN: Okay.
CHAIRMAN TUTEN: Did you get that, Tim, his
request, what we're going to do?
DIRECTOR JOHNSON: Yes, I did.
MR. PATSY: Do you need to vote? I make a
motion.
MR. BROWN: Second.
CHAIRMAN TUTEN: Okay. We have a motion, a

second. Any questions, comments?

(No responses.)

CHAIRMAN TUTEN: All in favor?

(Responses of "aye.")

MR. PATSY: Jason's opinion on this as far as requirement for us or the lack of the requirement for us --

CHAIRMAN TUTEN: Right.

MR. PATSY: -- can we ask Tim to put that in writing?

CHAIRMAN TUTEN: I agree.

MR. BROWN: Yeah.

MR. SCHEU: He said that he would do that.

DIRECTOR JOHNSON: What's that?

MR. SCHEU: You'd issue a formal opinion to it.

MR. GABRIEL: Sure, if you want that.

CHAIRMAN TUTEN: Yeah, yeah.

MR. GABRIEL: In furtherance of the email I sent, I can do that.

CHAIRMAN TUTEN: Willard, I'm telling you again, man, calm down. Stop talking so much.

(Laughter)

MR. PAYNE: I'm going to make this public comment.

I've served on many, many boards. And the discussions that we have here, I have never, ever been exposed to this kind of discussion, you know. I don't have the financial or fiduciary background that you have. I don't have the legal background that Bill has.

And as I've said, and I said to Weinstein and to Mousa, I love this city, and whatever we need to do, we need to work together to get it done.

MR. SCHEU: Right.

MR. PAYNE: Case closed.

CHAIRMAN TUTEN: Thank you, Willard.

MR. BROWN: Amen.

CHAIRMAN TUTEN: That was impressive. I'm expecting more next time, pal. How would you like to sit here?

MR. PAYNE: No, no, no. Never.

(Laughter)

MR. PAYNE: It's just like being on the City Council, like you said.

MR. SCHEU: Never.

CHAIRMAN TUTEN: Exactly. All righty.

Anything else, Mr. Director?

DIRECTOR JOHNSON: No, sir.

CHAIRMAN TUTEN: We're adjourned.

(The Board meeting concluded at 11:55 a.m.)

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CERTIFICATE OF REPORTER

I, Denice C. Taylor, Florida Professional Reporter, Notary Public, State of Florida at Large, the undersigned authority, do hereby certify that I was authorized to and did stenographically report the foregoing proceedings, pages 3 through 146, and that the transcript is a true and correct computer-aided transcription of my stenographic notes taken at the time and place indicated herein.

DATED this 6th day of April, 2017.

____
Denice C. Taylor, FPR
Notary Public in and for the
State of Florida at Large

My Commission No. FF 184340
Expires: December 23, 2018