JACKSONVILLE POLICE AND FIRE PENSION FUND
BOARD OF TRUSTEES
SPECIAL MEETING SUMMARY – APRIL 17, 2017 – 1:30PM
RICHARD “DICK” COHEE BOARD ROOM

PRESENT

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

STAFF

Timothy H. Johnson, Executive Director – Plan Administrator
Bob Sugarman, Fund Attorney – via Webex
Jeffrey Amrose, GRS, Fund Actuary – via Webex
Devin Carter, Chief Financial Officer
Steve Lundy, Pension Benefit Specialist
Denice Taylor, AAA Reporters

EXCUSED

Jason Gabriel, Office of General Counsel

CITY REPRESENTATIVES INVITED

Anna Brosche, City Council Liaison
Joey Greive, Fund Treasurer
Steve Durden, Office of General Counsel
Lawsikia Hodges, Office of General Counsel

GUESTS

Bill Gassett
Brian Parks, Council Auditor’s Office
Randy Wyse, President, Jacksonville Association of Fire Fighters

I. CALL TO ORDER
Chairman Richard Tuten called the meeting to order at 1:35PM.

II. PUBLIC SPEAKING PERIOD

Public speaking from Bill Gassett. No further requests. Public Speaking Period closed.

III. NEW BUSINESS

Board action requested

1. Board comments to Ordinance 2017-257

Tim Johnson stated that the purpose of today’s meeting was to comment on the Ordinances 2017-257 and 2017-259.

Tim Johnson said that he has worked with Pete Strong and Bob Sugarman on working up preliminary comments over the past week, and that he hopes the Board has had time to review these preliminary comments.

Bob Sugarman began to summarize and highlight each paragraph in his preliminary draft comments, recommending changes with the Board.

Bill Scheu said that Bob Sugarman’s comments are excellent, and that he had done a thorough job, maintaining a good tone throughout the document.

Bill Scheu asked who will manage the 401(k)s that will be given to new hires.

Chris Brown added that the Police and Fire Pension Fund will have nothing to do with the 401(k)s.

Richard Tuten said that it will be up to the unions.

Randy Wyse added that they are 401(a)s for the record.

Bob Sugarman asked how this new plan compares to the 2015 reform.

Bill Scheu said that there are significant additional costs. He said that he bets Joey Greive knows, but won’t tell.

Bill Scheu proposed adding a line in the comments noting increased costs.
Bob Sugarman noted that Council should be aware of increased costs due to the unfunded actuarial accrued liability (UAAL).

Jeffrey Amrose agreed.

Bob Sugarman continued outlining his comments, and discussing and recommending changes with the Board. He picked up at the bottom of page 2, discussing the Pension Surtax. On page 3, he highlighted the fact that the proposed ordinance permits, but does not require, such annual review of the projection.

Bill Scheu noted that at the last Board of Trustees Meeting, Director of Finance Mike Weinstein said that he would review the projection annually and suggested, ‘why not put some teeth into our comments?’

Chris Brown added that Weinstein said that the Council Auditor would review the Surtax Growth Rate every year.

Steve Durden clarified that the current City Council cannot force a future City Council to do this.

Chris Brown asked if this is something that would come up in the Council Auditors’ annual duties.

Steve Durden said that he was not familiar enough with their current routine practices. His guess is that this Board of Trustees could issue a resolution to Council, should the need arise. He added that the Council Auditors second guess issues all the time.

Richard Patsy said that the thing that will make this plan work is annual actuarial review. He added that discipline by the current and future City Council to maintain adherence to this plan is critical to the soundness of the Fund.

Bill Scheu said that this annual responsibility should be given to the Council Auditor’s Office.

Brian Parks said that to state that the Council Auditor’s Office has to do this annually may jeopardize its independence.

Bill Scheu asked if it was appropriate to suggest that City Council Finance Committee review this annually.

Anna Brosche said that City Council should be fine with just the Board’s comment. She added that the comments that the Board has in front of them are sufficient.
Tim Johnson noted a concern of his – if that in any given year, City Council needs an extra few million dollars, they can just manipulate the Surtax Growth Rate assumption to generate revenue without touching taxes. Tim said that there needs to be a well-defined process to change the Surtax Growth Rate assumption.

Richard Tuten added that there is nothing to stop Council from changing the assumed rate to an outlandish number like 7%.

Steve Durden said that there is a range of reasonableness; however that he cannot define what a reasonable range is. He noted a study must be done.

Richard Patsy said that a fixed number of years for the average should be used.

Tim Johnson noted that Bob Sugarman recommends a 10-year average as well.

Richard Tuten voiced his concern that the City has a 13-year window before Surtax begins generating revenue, and warned everyone who is counting on the City to honor this plan to not hold their breath.

Richard Tuten added that he is worried most about liquidity. He asked what happens accounting-wise when the Surtax kicks in and is generating less revenue than expected.

Jeffrey Amrose said that the difference between expected and actual revenues would reflect on the total assets.

A quick break was held at 2:38PM, and the meeting resumed at 2:45PM.

Chris Brown added that some headings in the document need to be bolded and consistently formatted.

2. Board comments to Ordinance 2017-259

Bob Sugarman began to discuss page 4 of the document with the Board, starting the discussion of comments to Ordinance 2017-259.

Bob Sugarman stated that with the closing of the plan, no new members will be a stress to the plan’s effort to maintain liquidity, as employee contributions will decrease. He asked what the Board suggested to use as the recommended liquidity ratio.
Tim Johnson said that he is not exactly sure how the money will be paid to the fund if the fund falls below the liquidity ratio, and that this makes him nervous.

Joey Greive referred Tim’s question to Steve Durden.

Steve Durden said that Section 121.113(b) refers to this. This will be part of the Actuarially Determined Employer Contribution (ADEC) payment, and part of the City budget.

Tim Johnson asked Steve Durden when this payment will be made.

Steve Durden said it will be paid with the ADEC.

Bob Sugarman asked Jeffrey Amrose if he can include the liquidity ratio in his annual actuarial valuation reports if the fund falls below the liquidity ratio.

Jeffrey Amrose said that it will be in the reports. He would show what the ADEC would be, and below it, what payment is needed to bring the plan back to the minimum liquidity ratio.

Tim Johnson noted that this payment appears discretionary to City Council.

Steve Durden reiterated his point that future Councils cannot be bound. This payment would be subject to appropriation, however the ADEC is not – it is governed by State Law.

Tim Johnson recommended a liquidity ratio of 7:1, which is close to the current ratio of the Fund, which is ‘woefully low’. Tim said that he thinks it would be easier to maintain a higher liquidity ratio rather than to fix a lower one when times got rough.

Richard Tuten asked if the liquidity ratio is determined from the ‘real books’ or the ‘Surtax books’.

Timothy Johnson said that it is determined from actual market value.

Joey Greive asked if the calculation is net or gross of DROP accounts.

Tim Johnson confirmed that it is net.

Joey Greive said that he would like to see the 30-year projection of the 4.25% Surtax Growth Rate and the 1.25% Payroll Growth Rate.

Jeffrey Amrose said that he will have the projection ready Tuesday or at worst, Wednesday.
Bob Sugarman continued on to discuss the Minimum Payment section of his document. He recommended taking out the term ‘subject to annual appropriation’ wherever it appears.

Timothy Johnson asked if the $110 million payment is part of the ADEC or on top of it.

Steve Durden clarified that if the ADEC was $100 million, then the City would contribute $110 million.

Joey Greive added that this is a ‘protection on the good side’.

Tim Johnson asked why not to suggest a minimum payment of $125 million since that is the lowest on the 30-year projection.

Joey Greive said ‘you are free to make your comment to City Council’.

Tim Johnson said that over the next 30 years, many changes will be made to this plan. He added that he is not confident that in 10 years the Fund will be as secure as it is expected to be today. He said he would be more pleased if Council would annually review this to ensure that it is on the right track as predicted and intended.

Richard Tuten voiced his lack of confidence in this plan. He said Council has 13 years to change this before the Surtax revenue starts.

Chris Brown agreed that a $125 million minimum payment should be used.

Bob Sugarman continued discussing his document and recommended edits with the Board, moving on to the Determination of Use of State Premium Tax Rebate Income for Additional Benefits.

Bill Scheu asked what document the Fund will follow in order to comply with changes in benefits.

Steve Durden said that Collective Bargaining Agreements and unions will determine changes in benefits.

Richard Tuten, referring to the 2015 agreement between the City and the Police and Fire Pension Fund, reminded everyone of his confusion regarding how a contract between two parties can be changed with one of the parties absent in a new contract. He asked what portions of the 2015 agreement are changed by the new ordinances.
Steve Durden said that the changes relate to funding and benefits only. No governance changes.

Bob Sugarman said that his intention is to always be in compliance with the consent decree to the Federal Court.

A motion was made by Chris Brown to adopt Bob Sugarman’s document with the amendments made by the Board of Trustees throughout this meeting. Rick Patsy seconded the motion, which was passed unanimously.

Bill Scheu recommended that City Council give close consideration to these ordinances, as the Board of Trustees has spent many hours in special meetings before reaching a conclusion.

IV. ADJOURNMENT

Richard Tuten adjourned the meeting at 4:00PM.

NOTES:

Any person requiring a special accommodation to participate in the meeting because of disability shall contact Steve Lundy, Pension Benefits Specialist at (904) 255-7373, at least five business days in advance of the meeting to make appropriate arrangements.

If any person decides to appeal any decision made with respect to any matter considered at this public meeting such person will need a record of proceedings, and for such purpose such person may need to ensure that a verbatim record of the proceedings is made at their own expense and that such record includes the testimony and evidence on which the appeal is based. The public meeting may be continued to a date, time, and place to be specified on the record at the meeting.

Additional items may be added / changed prior to meeting.

Richard Patsy, Board Secretary

To be approved at the Board of Trustees Meeting on April 21, 2017