

JACKSONVILLE POLICE AND FIRE PENSION FUND  
BOARD OF TRUSTEES SPECIAL MEETING

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DATE: June 3, 2015  
TIME: 3:00 p.m. to 3:56 p.m.  
PLACE: Jacksonville Police and Fire Pension Fund  
One West Adams Street  
Suite 100  
Jacksonville, Florida 32202

BOARD MEMBERS PRESENT:

Walter Bussells, Board Chair  
Nathaniel Glover, Jr., Board Secretary  
Richard Tuten, III, Fire Trustee  
Adam Herbert, Trustee (via phone)  
Larry Schmitt, Police Trustee (via phone)

ALSO PRESENT:

John Keane, Executive  
Director-Administrator  
Debbie Manning, Executive Assistant  
Stuart Kaufman, Board Counsel (via Phone)  
C. Ronald Belton, Chief Financial Officer  
Joey Greive, Fund Treasurer  
Mayor Alvin Brown, City of Jacksonville  
William Gulliford, City Council Member

These agenda matters of the special meeting of the JPFPF Board of Trustees came on to be heard at the time and place aforesaid, when and where the following proceedings were reported by:

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P R O C E E D I N G S

June 3, 2015

3:00 p.m.

- - -

CHAIRMAN BUSSELLS: Call the meeting to order.

MR. KEANE: Every one please rise.

Join us as we 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.

Thank you very much. Please be seated.

CHAIRMAN BUSSELLS: Thank you all for joining us at this special meeting of the Police and Fire Pension Board of Trustees.

Given recent events in legislative process, we wanted to be sure that everyone is up to speed as things progress. And should there be legislative action, that would then involve us, that everyone is fully prepared and understands all of the relevant facts and issues and so forth.

And so the meeting today will be one in which we'll focus on to make sure that we understand what is going on legislatively in the City Council and City Hall currently.

We are honored and pleased to have Mayor Brown with us today to speak with us on the subject. I

1 understand that Councilman Gulliford may be on the  
2 way to speak with us as well since he's taken a  
3 leadership role in the legislative process City  
4 Council. And then we'll also deal with two other  
5 matters that are timely that are just more recurrent  
6 business here. But front and center is  
7 legislatively for the pension system here in  
8 Jacksonville.

9 There's Councilman Gulliford. Bill, we just  
10 got started.

11 MR. GULLIFORD: Well, y'all are a good excuse  
12 for me to leave ethics training, so if I get in any  
13 trouble in the future, it's all your fault.

14 CHAIRMAN BUSSELLS: And so with that, Mr.  
15 Mayor?

16 MAYOR BROWN: First of all, I'm happy to be  
17 here. I want to thank the board for its hard work  
18 and thank Councilman Gulliford for his leadership.

19 I think as I always said, we have a tremendous  
20 opportunity to solve a problem that's been plaguing  
21 the city for many years and we have an opportunity  
22 to move forward and get this done once and for all.

23 I support the plan that the council approved  
24 both in the rules and finance committee. We have an  
25 opportunity now to continue to move forward with the

1 leadership of the board and all of us working  
2 together. So I'm happy to be here and looking  
3 forward to the conversation.

4 CHAIRMAN BUSSELLS: Thank you.

5 Councilman?

6 MR. GULLIFORD: Well, y'all are not in the  
7 vacuum. You know what's happened thus far. We  
8 passed this through two committees; however, it's  
9 worthwhile to note that the three opponents to the  
10 legislation have typically been my staunchest  
11 allies. So it's a unique experience for me.

12 But I think that -- I think maybe at least one  
13 or maybe two of them will come around because I  
14 think it's critical. I've expressed that before and  
15 no need to belabor it, that while we've been seeking  
16 resolution through the courts we've not been  
17 particularly successful on either side on that.

18 I mean, I've heard terms during the debate and  
19 discussion about we're now in the offensive, yeah,  
20 until the next appeal goes a different way than  
21 where you are. And so I think for us to continue in  
22 that direction -- and I understand there is now a  
23 new request for an injunction that's come forth -- I  
24 think until we get serious about this, and stop  
25 trying to get the courts to resolve this thing and

1 get it done, then it's to everybody's detriment.

2 Realistically, the definition of a compromise  
3 is that there's something for everybody to hate in  
4 there. And if we get to that point, sure, there are  
5 things in there that you know that I don't like one  
6 doggone bit. And I know there are probably things  
7 that y'all don't like.

8 But let's get it resolved so we can move  
9 forward. And that's what I've been trying to do  
10 throughout this whole process.

11 CHAIRMAN BUSSELLS: Appreciate it.

12 John, do you want to kind of guide the  
13 conversation? Much of the earlier legislation which  
14 did not move forward to the Mayor's desk in a tie  
15 vote is being left unchanged in what's passed  
16 through rules and finance this week. The things  
17 that have been amended so far in the legislative  
18 process are few in number, significant in substance.

19 And so, John, if you could lead us in a  
20 discussion to be sure all the Trustees understand  
21 the current posture, and until the full council  
22 acts, we understand the process from here. So this  
23 is a process, not a decision point for our board.

24 But if you could guide a conversation to be  
25 sure we're all on the same place. If we have any

1 speaker cards today -- do we have any speakers  
2 today?

3 MS. MANNING: I don't believe so. I did not  
4 check.

5 CHAIRMAN BUSSELLS: I'm sorry for not having to  
6 do that. We probably should have that first before  
7 we --

8 MS. MANNING: No, sir, I don't see any.

9 MR. KEANE: Open and close the public speaking  
10 period. Do you want to do that?

11 CHAIRMAN BUSSELLS: I'll open the public  
12 speaking period. Debbie, are there any speakers  
13 today?

14 MS. MANNING: No.

15 CHAIRMAN BUSSELLS: No speakers. We'll close  
16 the public speaking period.

17 MR. KEANE: Mr. Chairman and Trustees, as you  
18 know, the council enacted a bill in December that  
19 was submitted to the board and the board found some  
20 discomfort with some of the provisions and that  
21 legislation has expired.

22 Subsequent to that, a new piece of legislation,  
23 2015-54 was introduced by Mayor Brown and that went  
24 through the council process. It had the provisions  
25 that the board found objectionable in the previous

1       legislation removed. That legislation failed to  
2       become enacted on a 9 to 9 tie vote, at which time  
3       then former Council President Gulliford took the  
4       package and made several technical and substantive  
5       amendments to it.

6               Number one, removed from the proposed scope of  
7       legislation that's currently before the council is  
8       any reference to the senior management retirement  
9       program.

10              Number two, there is a different methodology on  
11       the payment of funds to pay down the unfunded  
12       accrued actuarial liability, which was a keystone of  
13       the Schou commission, citizens commission pension  
14       reform task force.

15              Those are the two central changes. The  
16       language that has currently been adopted by --  
17       through the introduction of the bill with amendatory  
18       process and the rules committee and the finance  
19       committee which is now preparing to go on the City  
20       Council agenda meets the previous goals of the board  
21       toward comprehensive pension reform.

22              It removes the two things that -- and amended  
23       the length down from 10 years to 7. And other than  
24       that, the language I believe is essentially the same  
25       bill that the board had expressed approval for in



1 December.

2 CHAIRMAN BUSSELLS: I'll say, I know in our  
3 work --

4 MR. GULLIFORD: I can expand on that just a  
5 little bit. The senior staff retirement plan, I  
6 have met with general counsel. I'm trying to seek  
7 some outside resolution to that, and I will continue  
8 to pursue that until there's a resolution. I've  
9 made that commitment.

10 The other major thing that is tied to this is  
11 the fact that, as was mentioned, that we have  
12 provided a commitment as to an income stream or  
13 contribution stream that would have a match that's  
14 comprised of the \$40 million of the 45, roughly  
15 \$45 million that was in the stabilization account,  
16 but thought there was at least \$5 million in the  
17 stabilization account to anticipate maybe future  
18 swings with that.

19 And then, of course, the money that the fund  
20 was volunteering to put forward, about 33,  
21 \$34 million, something like that. The combination  
22 of the those two sources of money would create a  
23 matching revenue or contribution for the first three  
24 years of 5, 10 and \$15 million followed by the city  
25 making contributions of \$32 million a year and the

1 fund \$8 million, which obviously there's going to be  
2 a return. That estimates 7 percent return on  
3 investment, that accumulated money, which would  
4 cover the entire term of what's projected in the  
5 amendment.

6 At the same time, we've also attempted -- we  
7 understand the concern that the board would have  
8 about us living up to our obligations in light of  
9 what's transpired in the past. And in prior  
10 legislation there was the issue of nothing goes in  
11 to effect until y'all find a permanent funding  
12 source.

13 The problem or the difficulty with that is that  
14 we continue to bleed until we get the legislation  
15 passed. And it really is detrimental to the city as  
16 a whole and even to the rank and file because it  
17 continues to erode usable dollars that we might have  
18 to do a number of things, including pay raises, not  
19 just considering -- I mean, we haven't given pay  
20 raises across the board to city employees for a  
21 number of years now. So there's that consideration.

22 At some point people are going to be knocking  
23 on our door wanting that. But at the same time  
24 recognizing that the board and the task force  
25 thought that there should be some kind of leverage

1 placed on the city to make sure that we made some  
2 level of contribution.

3 We've attempted to at least put some punitive  
4 measure in there that says that if we don't meet our  
5 obligation in any one year that you-all withhold  
6 your side of the contribution for that year.

7 And anybody that would not recognize that  
8 that's detrimental in our financial position to city  
9 council and to the city government has to be living  
10 in a vacuum. So that's an issue.

11 At the same time, Councilwoman Boyer is  
12 pursuing another idea with the general counsel and  
13 may be even more restrictive. You know, understand,  
14 of course, our difficulty is that we can't commit a  
15 future council to an expenditure, and so you can't  
16 carry over an obligation with respect to future  
17 funding even though we might -- the consensus on the  
18 council right now is we want to force that, we want  
19 to lock that in.

20 And there's still council members that will be  
21 carried over, like myself, that still have that  
22 strong feeling of whether that was there or not is  
23 the responsible and right thing to do, and for the  
24 fiscal health of the city and the future it's the  
25 right thing to do. We can't ignore the problem.

1           And then coupled with the fact that we have  
2           other problems that are equally, almost equally as  
3           bad that we have to address.

4           So I wanted to make that clear to everybody  
5           that we tried our very best to come -- and still may  
6           have an answer that would make it even more  
7           restrictive of not making those contributions. It  
8           was our intent and desire to be as forceful as we  
9           could in establishing something to bring attention  
10          to that obligation and make some kind of additional  
11          commitment to do that.

12           CHAIRMAN BUSSELLS:   John?

13           MR. KEANE:   And to ensure the continued cross  
14          participation in it, the funds that are currently in  
15          the enhanced benefit account will be merged with all  
16          of the funds and the city budget stabilization  
17          account less 5 million that will be left behind for  
18          future needs. That \$72 million is going to go into  
19          a newly created fund called unfunded actuarial  
20          payment fund.

21           As Council Member Gulliford pointed out, the  
22          first year, 5 million from the city general fund, 5  
23          million from this new reserve fund.

24           Second year, 10 million from both sides.

25           Third year, 15 million from both side.

1           And then continuing on, the ratio would be 1 to  
2           4; \$8 million from the fund, and \$32 million. And  
3           as councilman pointed out, if the city doesn't  
4           budget their 32 million, the 8 does not get paid.

5           CHAIRMAN BUSSELLS: And, John, this preserves  
6           the establishment of a defined, a new defined  
7           contribution plan called a share plan --

8           MR. KEANE: Correct.

9           CHAIRMAN BUSSELLS: -- for -- to be hired in  
10          the future members of the fund.

11          MR. KEANE: For currently active and future.

12          CHAIRMAN BUSSELLS: And the establishment.

13          MR. KEANE: Yes, sir.

14          CHAIRMAN BUSSELLS: Define contribution for the  
15          first time, but funded out of available funds and so  
16          forth. That's still in the legislation.

17          MR. KEANE: Yes, sir.

18          CHAIRMAN BUSSELLS: As past.

19          MR. GULLIFORD: But some of my new founded  
20          opponents, especially Ms. Boyer, took exception to  
21          that being -- and still voiced her heartburn with  
22          the fact that you-all could immediately exercise  
23          that right or that option, and so that is still out  
24          there. You know, I understand the point of it --  
25          not the opposition -- but the point of having that

1 available.

2 The other issue that came up Councilman  
3 Crescimbeni raised was, well, what if that -- we  
4 went back and looked at what the revenue stream was  
5 over a period of years, and I don't remember what  
6 year, 2007, something like that, it was what,  
7 \$7 million and it's gone up to 10, well, what  
8 happens if it continues to grow? What happens if  
9 it's at 12 or 14 million? Shouldn't you-all  
10 contribute some share of that to, or some portion of  
11 that because you're going over baseline to --  
12 towards the unfunded additional revenues, to the  
13 unfunded liability if the city would match that?

14 I don't -- I know it's going to come up Tuesday  
15 night. It's going to be another issue as to  
16 contention, but I'm just pointing out two things  
17 that came to mind as far as, say, potential officers  
18 other than the 7 years which is obvious. You read  
19 all of that.

20 So those are the only three things I can think  
21 of. Mr. Crescimbeni still has a burr in his bonnet  
22 about the definition of expenses, but I think that  
23 the council auditors have come up with a reasonable  
24 compromise to that and should be acceptable to all  
25 parties.

1           CHAIRMAN BUSSELLS: And if those funds are  
2 rising dramatically in the future, it's because the  
3 economy is booming in Duval County, and that would  
4 be a very good thing for all of these issues. And  
5 the economy is progressing dramatically in all  
6 these, but that will be a great indicator of  
7 abundance, by definition.

8           MR. KEANE: And the solution for increased  
9 funds is the split, but that's 50/50. It continues.  
10 So if it goes from 10 million to 12 million instead  
11 of 5, they're going to get 6. And we might be able  
12 to do a little something on part of the growth just  
13 as a sweetener if necessary.

14           But right now, if this legislation was adopted,  
15 police and fire members would be -- once the raises  
16 are restored and their contribution goes up, they're  
17 going to be paying equivalent 14 plus percent of pay  
18 and benefits into the pension fund, which is the  
19 highest end in the state.

20           But there's always room -- I took all this  
21 stack home last night, worked on it trying to scrape  
22 a few more nickels and dimes together, and we're  
23 still working on it.

24           CHAIRMAN BUSSELLS: And as the Mayor certainly  
25 knows and the councilmen knows, that share plan,

1 while essential to be competitive to attract and  
2 retain great public servants and public safety, is  
3 define "contribution" which means no contingent  
4 liability, no risk for the taxpayer.

5 MR. KEANE: Exactly.

6 CHAIRMAN BUSSELLS: And that's a remarkable  
7 change that continues to be controversial among all  
8 the interested parties. But that is a program that  
9 all the benefit accrues to the employee, but there's  
10 no contingent liability, no risk on the taxpayer for  
11 future investment returns or any of that sort of  
12 thing. And that's a significant change in the total  
13 package of compensation for our public safety  
14 employees.

15 And I'm talking way too much. Let me let my  
16 colleagues --

17 MR. TUTEN: Well, so far -- and I appreciate  
18 Mr. Gulliford showing up and I do appreciate the  
19 work, and I know we're not going to be here all day  
20 so I'll make it quick.

21 So far the problem that I still have is the  
22 fact that while I do like the schedule, it does  
23 lighten the load on the city as far as per year, the  
24 amount of money to kick in. Once again, we're  
25 getting into the same problem we sort of had with



1 the Peyton administration when Mr. Brown came in.  
2 You know, they had legislation prepared and they  
3 promised to work with you guys as long as we sign  
4 the new deal and, unfortunately, different  
5 administrations have different priorities and so on  
6 and so forth.

7 We signed this agreement, we agreed to it, we  
8 bind the members to this agreement. Now, I'm not  
9 going to get into good, bad or indifferent right  
10 now, but there's nothing in here that guarantees  
11 that the new administration ever does anything to  
12 live up to what we've already passed.

13 And like John mentioned, as far as the amount  
14 of percentage that we -- we're asking the members to  
15 put in out of their paycheck, to pay for what I  
16 already approved which is, as far as comparing to  
17 the State, is an average pension. It really is.  
18 There's just no other way to slice it.

19 It worries me. It worries me. And I don't  
20 want to cast aspersions on the next Mayor and the  
21 next council, but it worries me that we're going to  
22 just assume that our members are going to take the  
23 hit, their share of sacrifice, and at the same time  
24 with people that we don't know, you know, are going  
25 to come in and they're going to have priorities and

1       they're going to have constituents and districts,  
2       and that's the part that concerns me right now.  
3       That's what's always concerned me about any deal is  
4       the money, you know. I think I may have been quoted  
5       in the paper one time by somebody about that, but  
6       I'm not sure who it was.

7               But in seriousness, that's what worries me, you  
8       know. We need to solve this problem. This is half  
9       of the problem. The other half is putting the money  
10      towards the unfunded and let's be done with it.  
11      That's all.

12             CHAIRMAN BUSSELLS: John?

13             MR. KEANE: We believe, and I expressed this to  
14      the rules committee on Monday, that our city fathers  
15      and mothers that are elected off in the future and  
16      are going to take office in July, will not accept  
17      the wrath of the citizens, the political  
18      infrastructure, the business community and the  
19      chamber of commerce to ignore the findings of the  
20      Schou Commission and make them stand up there.

21             Now, while it's not written in stone, sign your  
22      name in blood thing, it's about as strong a  
23      commitment that you can get from somebody who's  
24      going to be facing the electorate --

25             MR. GULLIFORD: The reason that I structured

1 the payment stream the way that I did with the 5, 10  
2 and 15 was to give us time to find that permanent  
3 funding source that you're talking about. Reality,  
4 you may well be aware, that I do have pending  
5 legislation that now is waiting on a ruling from the  
6 Attorney General on implementation. There's some  
7 issues about how we could or would implement that.

8 Mr. Jones advanced the idea, which was defeated  
9 at rules, and he's going to bring it back up before  
10 the council about just bonding it out. The -- I get  
11 the point.

12 The one thing my parents endowed me with that's  
13 hard sometimes is a hell of a conscience. And I  
14 understand, if I make a commitment I will die to  
15 fulfill that commitment. And there are other people  
16 on the council right now that are carried over that  
17 feel the same way. We get the point you're making.

18 And I have talked to the Mayor Elect about this  
19 whole deal and he understands it and he has been  
20 supportive of it, of what we're attempting to do.

21 I can't tell you any other way that we can  
22 guarantee, because as you well know, there're not a  
23 lot of guarantees in life, other than we can  
24 guarantee to take care of your concern, other than a  
25 very strong commitment. That's going to be my

1 number one priority because I know if we pass this  
2 and if you ratify this, our work is not finished.  
3 We're just taking the first step. Now we got to  
4 find that permanent funding source.

5 And once we do, I think then that your concern,  
6 whatever that funding source ends up being, I think  
7 that will take care of your concerns about the  
8 long-term viability of some kind of contribution  
9 amount from the city. I really do.

10 And if I have my way, we're going to accelerate  
11 that. We're not just going to be happy with 32  
12 million or whatever that is, because the quicker we  
13 can reduce it, the more burden it lifts off the city  
14 finances and the better off we are.

15 I can't imagine anybody that's sitting on that  
16 council, that has any shred of financial or fiscal  
17 understanding, can't get where we are.

18 What's the consequences of us not doing that,  
19 not meeting that obligation? I think the severity  
20 of it down the road is just inconceivable. So I  
21 fully understand. That's, again, why we attempted,  
22 why I put that caveat in there that you-all could  
23 withhold because I wanted some -- the best stick --  
24 that was the best stick I could find.

25 And as I said earlier, Ms. Boyer is working on

1 something that could set it in stone and actually  
2 make it mandatory if we can pull it off. I don't  
3 know whether we can pull it off, but we're trying to  
4 do that.

5 CHAIRMAN BUSSELLS: Sheriff?

6 MR. GLOVER: Yeah, I believe the people who we  
7 elected will do the right thing. I mean, there's no  
8 indication that that will be any different, I mean,  
9 historically. So I'm optimistic there.

10 You might have your renegade that's trying to  
11 send a message, but I don't think you'll have a  
12 theme such that will be an impedence. So I can get  
13 comfortable with that.

14 I do have a couple questions, John. The  
15 enhancement benefit account.

16 MR. KEANE: Yes, sir.

17 MR. GLOVER: What comes out of that account is  
18 bonuses and the cost of living comes out of that?

19 MR. KEANE: The post retirement enhancement,  
20 the paid thing at Christmastime is the only thing  
21 that comes out of it on our side. When the money  
22 comes in, Sheriff, first it's divided; 50 percent is  
23 going to go to the city, and the 50 percent that's  
24 left is what is used now for the Peyton plan.

25 The residual funds is what's accumulated into

1 the enhanced benefit account now that's built into  
2 that dollar.

3 MR. GLOVER: So we should be okay there.

4 MR. KEANE: Yes.

5 MR. GLOVER: I mean, you get another hit.

6 MR. KEANE: Yes, sir.

7 MR. GLOVER: So you'll be fine.

8 Now, how about -- I won't discuss the 10 versus  
9 the 7, because I do think we compromised significant  
10 on that already. And we painfully came to the 10  
11 and now we down to 7. And so I'm still struggling  
12 with that, but in the spirit of compromise, I might  
13 be able to get there.

14 Senior management plan, what's the implication  
15 now on that with the elimination of that? Any  
16 implications that would be obvious to current  
17 members?

18 MR. KEANE: I struggled with that and I  
19 believe, as well as these other assertions that have  
20 been made, that it's going to be all right. I'm  
21 satisfied. We're satisfied with the legal and  
22 statutory authority that the board stands on, an  
23 enactment of the plan, and when it's finally  
24 resolved, it's finally going to be resolved.

25 So I was willing, and I am the person who would

1 be most impacted by it, I was willing to, you know,  
2 sacrifice that to reach a resolution to this.

3 As you know, Sheriff, we've been working on  
4 comprehensive pension reform since the second year  
5 of former Mayor Peyton's second term. We've been at  
6 this for a very long time. It's occupied far too  
7 much of our time and talent and treasure.

8 And going from 15 years left to 10 was a  
9 difficult decision that the board embraced, shaving  
10 off three more years in the spirit of compromise and  
11 recognition that the city is going to be putting up  
12 substantial additional sums of money, I think is a  
13 prudent step that I strongly recommend the board to  
14 do.

15 CHAIRMAN BUSSELLS: Trustees Schmitt and  
16 Herbert are joining us by phone today, which we  
17 appreciate. And I would invite perhaps Trustee  
18 Herbert as the more senior of the two to first speak  
19 and then Trustee Schmitt can speak.

20 DR. HERBERT: First I just must say that -- and  
21 acknowledge my strong feelings that first Mayor  
22 Brown, you know, you've been involved in this  
23 process for over two years now. You devote an awful  
24 lot of time to trying to get this resolved. I was  
25 surprised that you are willing to attend all those

1 meetings that you did. You did listen to us, and  
2 I'm just convinced that without the leadership that  
3 you provided over that extensive period and the  
4 resulting documents that came out of it, we would  
5 not be at this point. So I just think that we owe  
6 you a great deal of gratitude. Your leadership has  
7 been extraordinary in this regard, and I really  
8 appreciate it.

9 And second to Councilman Gulliford, you also,  
10 especially over the past few months, two or three  
11 months have been extraordinary. As I told you at  
12 the last meeting that you attended, I'm especially  
13 proud of what you've done with regard to this issue  
14 as one of your constituents, the spirit of  
15 compromise that you have demonstrated as well as  
16 your leadership, your tenacity of getting all of  
17 this through both of the committees is very  
18 impressive.

19 And I think what all of this reveals is the  
20 fact that both you clearly understand, as do we on  
21 our board, that it is in the best interest, not only  
22 of the city, but also our members to resolve all  
23 these issues, to resolve them now before we have new  
24 leadership and additional time it would take if we  
25 can't get this done now, as folks have to learn all



1 the facts and deal with all of the nuances of these  
2 things.

3 So to both of you, I just want to, again,  
4 express my sincere appreciation.

5 I feel very good about what I've heard and read  
6 about the compromise that Councilman Gulliford has  
7 put forward. I just want for the record to indicate  
8 that I am very comfortable with the 7-year  
9 compromise. I think that that is reasonable. It  
10 shows that both of us have gone as far as we could  
11 in terms of doing again what is in the best interest  
12 of the citizens of the community and also our  
13 members.

14 I think that the matching revenue commitment is  
15 reasonable and I must say that the one thing that  
16 was especially -- is especially important to me is  
17 the share plan for currently and future employed  
18 members.

19 The -- and chairman has talked about this on a  
20 number of occasions. I have as well. And we are  
21 putting our current members in a position that it  
22 will be very difficult for them to even come close  
23 to generating the kind of fair retirement income  
24 that they should receive.

25 And so what this does is -- I'm not sure who

1       said it a little while ago, but the reality is that  
2       having this will help us to become a little bit more  
3       competitive in the context of trying to retain and  
4       certainly attract new policemen. If the new Mayor  
5       is serious about hiring over a hundred new police  
6       officers, you know, it's clear that we're going to  
7       have to have a plan that is competitive.

8               And so what I do worry about is are we going to  
9       be able to do that. And to the extent that we have  
10      the possibility of creating a share plan and  
11      potentially other kind of benefits I think is very  
12      important.

13             So I just want, for the record, to say that if  
14      city council does approve what you have proffered,  
15      Councilman, I would hope that we could get that as  
16      soon as possible and act on it. And I think the  
17      thing I would love to see most is to have you and  
18      Mayor Brown joining us in a signing ceremony to  
19      demonstrate that we're all working together. We  
20      have worked together and we're going to continue to  
21      do so. It may be the last comment.

22             I'm sensitive to what Trustee Tuten said, but  
23      like Trustee Glover, I personally have a lot of  
24      faith in the system. I believe that with Councilman  
25      Gulliford there over the next couple of years that

1 he can play a leadership role in making sure that  
2 the city follows through on what is -- what is  
3 included in this plan. And I think that this has  
4 generated so much concern around the city with  
5 editorial board comments and citizens writing  
6 letters to the newspaper talking about the concerns  
7 that they have, that it will be very difficult for  
8 future council to say, well, we don't really care  
9 about this, when you look at the consequences  
10 financially for the city, if it doesn't.

11 So, again, I'm much more optimistic about the  
12 future in my belief and the obligations that the  
13 future elected officials will understand.

14 Thank you, Mr. Chairman.

15 CHAIRMAN BUSSELLS: Thank you, Trustee.

16 MR. GULLIFORD: If I could respond, Dr.  
17 Herbert. I appreciate your comments. I too want to  
18 point out the fact that the foundation for this came  
19 from the Mayor's efforts as well as the task force,  
20 and your suggestion about the signing ceremony had  
21 already crossed my mind. I think I had even  
22 mentioned that in a brief encounter at an elevator  
23 stop, and include the task force as well as whatever  
24 council members want to attend, et cetera. And  
25 everybody was involved because this will be the

1 results of a collective effort.

2 And that's what -- we've got to stop this  
3 mentality that it's us against them. And the  
4 situation that we're in, we've got to resolve this  
5 thing collectively and then move forward.

6 Right now the bad thing is that there's so much  
7 uncertainty with it. And that uncertainty impacts  
8 all of us; the rank and file, everybody is impacted  
9 by this uncertainty. And how do you ever get  
10 anything done when you've got that cloud of  
11 uncertainty hanging over the whole process. It's  
12 hurting us on the council. I mean, how do we plan  
13 out the future financials.

14 So thank you for your comments and thanks for  
15 never calling me about a constituent issue.

16 CHAIRMAN BUSSELLS: Chief Schmitt?

17 DR. HERBERT: At least not yet.

18 CHAIRMAN BUSSELLS: Larry? Chief Schmitt?

19 MR SCHMITT: All right. I will be a little  
20 shorter hopefully. Some very good points by the  
21 other trustees, and I'd like to add a couple if I  
22 could. One is the employee contribution for the  
23 police. The police officers took a three percent  
24 pay cut, it's supposed to be temporary. In this  
25 bill it's restoring only two percent of that three

1 percent pay cut, and yet increasing their  
2 contribution by a full three percent, in effect  
3 making it a one percent pay cut for the police.

4 That certainly doesn't seem equitable for old  
5 memberships, and I'd like to see that changed to  
6 restore all three percent of that. That's my first  
7 concern.

8 Second concern is more of a question. What  
9 happens to the reserve fund for money in the account  
10 after 15 years if the city does not make their  
11 additional payment over the next 15 years?

12 MR. GULLIFORD: What happens to the what?

13 MR. KEANE: The reserve account.

14 MR. GULLIFORD: The reserve account, pretty  
15 much as near as we can tell, based on seven percent  
16 return, is over the term of -- that's in the  
17 amendment is pretty well depleted at that point.

18 CHAIRMAN BUSSELLS: I think the question was --

19 MR. KEANE: If the city doesn't pay.

20 CHAIRMAN BUSSELLS: Were the city over that  
21 15 years unable or unwilling to put in all of the  
22 prescribed amounts, so the magic did not go in and  
23 some was still left in the fund.

24 MR. GULLIFORD: Oh, that's at the discretion of  
25 the board. I'm sorry, I misunderstood the question.

1 That's the discretion of the board.

2 CHAIRMAN BUSSELLS: That's exactly correct.

3 MR. GULLIFORD: And that's the lever. As to  
4 your other point, I understand that --

5 CHAIRMAN BUSSELLS: Excuse me a second.  
6 Counsel?

7 MR. DURDEN: Just to make it clear, assume that  
8 no money was used, no matching funds were used, the  
9 75 million or so would be in the account, gain seven  
10 percent for 14 years, and then it would be up to the  
11 discretion of the board. And I'm guessing, given  
12 the standard rate of return, seven percent times  
13 seven for 14 years is, what --

14 CHAIRMAN BUSSELLS: 150 percent more.

15 MR. DURDEN: Something like that. So it's all  
16 your discretion, plus you would have been -- already  
17 been getting the -- half of the chapter funds for  
18 the 14 years as well, so you would have all of that  
19 money for paying unfunded liability or to the share  
20 account as it sits now, so it would be in your  
21 discretion. So to help understand, that's part of  
22 this so-called, if you want to call it, hammer or  
23 incentive to pay because the money is sitting there  
24 for your benefit unless the city uses it to pay the  
25 unfunded liability.

1           CHAIRMAN BUSSELLS: Thank you. So Chief  
2           Schmitt, Councilor Durden amplified and expanded the  
3           answer that John and Bill just gave. Were that to  
4           happen, then the funds stay under the discretion of  
5           this board.

6           MR. GULLIFORD: Exactly.

7           CHAIRMAN BUSSELLS: For the benefit of the  
8           beneficiaries.

9           MR. GULLIFORD: The other point, I suspect you  
10          may see a floor amendment on that other issue the  
11          night of the vote. I can't guarantee anything  
12          because I'm one of 19, and you know how it works  
13          down there. But I understand the reasonableness of  
14          that. And possibly we can express that to the  
15          affirmative and attempt to resolve that.

16          MR SCHMITT: And my last point was some of the  
17          language that was in section 121.504, basically for  
18          the investment committee, some of the language in  
19          there makes it seem like they have authority over  
20          the board -- rather than an advisory board, they  
21          actually have authority over the board. A couple of  
22          key words in there I'd like to see corrected to  
23          clarify that.

24          MR. KEANE: In response to that, Chief, we  
25          have, in final stages of making that amendment which

1 we're going to submit over to the leadership to  
2 potentially be included in the floor amendment  
3 that's going to be offered on Tuesday night. That's  
4 the language you and I discussed previously,  
5 correct?

6 MR SCHMITT: Yes, sir, that is correct.

7 MR. KEANE: Yes, sir, we have it.

8 CHAIRMAN BUSSELLS: That was clearly not the  
9 intent of the citizens commission or the council.

10 MR. GULLIFORD: Exactly. That was not our  
11 intent is that we recognized that the final  
12 authority, the full authority rests with the board  
13 that they were supposed to only be advisory. So if  
14 there's a problem with that language and it isn't  
15 clear enough, I think we can change that to make it  
16 mirror the intent.

17 CHAIRMAN BUSSELLS: And while we've had great  
18 success voluntarily implementing the advisory  
19 committee and all the other recommendations of the  
20 commission as legislation moves along, I think if  
21 they did have authority they would then be under the  
22 same fiduciary standards these trustees are and we  
23 might not be able to recruit anybody as fiduciaries  
24 in that role, as a practical matter in the  
25 investment profession for all the reasons we're very



1 familiar with.

2 MR. KEANE: And as a follow-up on that,  
3 Mr. Chairman, we've had our second potential member  
4 already withdraw.

5 CHAIRMAN BUSSELLS: Because of the legal  
6 process.

7 MR. KEANE: Right. But I told him that we're  
8 trying to get this clarified. They didn't want --  
9 they were willing to come help, but they didn't want  
10 to --

11 CHAIRMAN BUSSELLS: Their lawyers won't let  
12 them do it.

13 MR. KEANE: Exactly.

14 MR. GULLIFORD: We need to get that worked out.  
15 Yeah, I understand that. And I think, again, that's  
16 the intent.

17 MR SCHMITT: That's all I have.

18 CHAIRMAN BUSSELLS: Thank you, Chief.

19 Anything else, John or Mayor or councilmen that  
20 would be appropriate concerning the legislative  
21 process that's under way now or that we should be  
22 aware of so that as it moves forward, should it be  
23 enacted soon, we will gather quickly and be ready to  
24 make an informed decision and act based on the will  
25 of the majority of the trustees? Anything else we

1           should be briefing on or be alert to now that should  
2           be a consideration?

3           MR. GLOVER: I think we need to pay attention  
4           to the appeal of the package for new members. We  
5           here, Jacksonville's Sheriff's Office, require a  
6           college degree for incoming law enforcement  
7           officers, and if we don't have an appealing package,  
8           we're asking better education and better training  
9           personnel to come in on the conditions that might  
10          not be as appealing as the market around the state.

11          So we need to just make certain we keep that on  
12          the radar screen, because when you look at what's  
13          happening around the country now, I think we are  
14          receiving some benefits from other officers being a  
15          little more qualified and educated and that kind of  
16          thing. So we want to make certain that we don't  
17          lose that. So just want to put that on the table,  
18          and that's one of the things that I think we need to  
19          pay attention to.

20          MR. KEANE: Yes, sir.

21          MR. GULLIFORD: I think you're absolutely  
22          right. And you expressed that last time I was here,  
23          and I understand that. I mean, we've got to be  
24          competitive. But how do we get to issues like that  
25          when we have this huge uncertainty hanging over our

1 head? How did we as a council make commitments over  
2 the future if we have an unknown entity like a huge  
3 unfunded liability facing us? You can't do it, and  
4 that's why the resolution of this thing is so  
5 critical.

6 And I think, as I said before, this is just the  
7 first step of the process. I'm quite, quite aware  
8 of the fact that after we get resolutions of this,  
9 we've got to find a permanent funding source, and  
10 the more we can -- the faster we can accelerate  
11 that, the better off I think we are as a city.

12 CHAIRMAN BUSSELLS: And as we all know, the  
13 mathematics of the actuarial contribution process,  
14 were the city not to continue that, the arc is more  
15 than it would have been but for it and creating the  
16 physical pain. So it is in some sense a  
17 self-regulating process.

18 It's the cruel mathematics of the actuarial  
19 studies if those voluntary contributions are not  
20 made jointly, that required pension is higher than  
21 it would have been keeping the budget pressure. So  
22 it's self-regulation in a sense, once someone  
23 understands the way all that works, which takes a  
24 few years.

25 MR. GULLIFORD: Well, what hit me right in the

1 face, and Dr. Herbert will appreciate this, was the  
2 annexation process for that part of Atlantic Beach  
3 when the -- obviously the city and the City of  
4 Atlantic Beach struck a deal some time ago to  
5 provide fire services, and Councilwoman Boyer  
6 brought up the issue, well, maybe we're not getting  
7 our real value in this situation because of what  
8 we're providing and what we're getting from the City  
9 of Atlantic Beach as a payment versus what our cost  
10 was. And when we started looking at the cost of the  
11 fire protection, it hit you right in the face that  
12 the salaries were now exceeded by the pension  
13 contribution.

14 CHAIRMAN BUSSELLS: Correct.

15 MR. GULLIFORD: And if people don't get a  
16 message from that...and as you said the trend isn't  
17 in the right direction if it goes unintended. And  
18 to that point, anybody that's responsible, again, on  
19 the council or in the administration has got to  
20 recognize that you cannot let that -- you can't  
21 sustain it. You can't let it go on.

22 I think the difference between now and the  
23 Peyton administration, considering it was that  
24 council, wasn't nearly as severe. It wasn't nearly  
25 as obviously severe as it is currently, and the

1 projections make it even more severe.

2 So I get your message and I'm on board with  
3 that. And I get your message, too, Sheriff, or  
4 should I call you president.

5 MR. GLOVER: Either will work.

6 CHAIRMAN BUSSELLS: Is there anything else on  
7 this subject? We just have two other administrative  
8 matters to consider since we're together.

9 Mr. Mayor, again, thank you for your leadership  
10 for coming here today. Counsel, thanks for coming.

11 MR. GULLIFORD: I guess I'll go back to my  
12 ethics training.

13 MAYOR BROWN: I think we have a tremendous  
14 opportunity to get this done and everything that's  
15 been said, and I think we've all worked hard on  
16 this. We know what's at stake. We know it's not  
17 sustainable. If we want to have a good quality of  
18 life, we got to get it done. And I think that's --  
19 and it's urgent to -- it's, you know, it's --  
20 really, we want to get this done sooner rather than  
21 later.

22 CHAIRMAN BUSSELLS: Well said.

23 MAYOR BROWN: So I want to thank you all for  
24 your leadership and commitment to see it through.

25 MR. KEANE: Thank you, Mayor.

1           The next item, Mr. Chairman and Trustees, is  
2           the discussion on the DROP review procedures.

3           CHAIRMAN BUSSELLS: Yes. Chief Schmitt, if you  
4           can hear me okay, just what I'd like to do here is  
5           we have everything cued up for the independent  
6           accountant to perform agreed-upon procedures  
7           concerning our administration of the DROP law and  
8           regulations over the last 15 years. And what I'd  
9           like to do is just quickly discuss the initial  
10          agreed-upon procedures for an initial sample review  
11          by the independent accountant of DROP applications  
12          and files.

13          And I would like to suggest that we have the  
14          independent accountant pick three years at random  
15          out of the last 15, to pick 10 percent at random of  
16          DROP applications processed in those three years and  
17          compare and contrast, if appropriate, the actual  
18          administration of those applications versus the  
19          provisions in the DROP law.

20          And, John, if I misspeak on the technicalities,  
21          you correct me.

22          And then bring those results to thee trustees  
23          or directly with the board as good governments  
24          dictates. And then based on what that initial more  
25          limited set of sampling with those limited

1       agreed-upon procedures shows us in the matter of  
2       fact, then we can determine the extent to which  
3       additional and agreed-upon procedures would be  
4       valuable, useful or important. But something along  
5       those lines is what feels like something that would  
6       be not too onerous in terms of time and cost but  
7       still provide the board independent, credible facts  
8       concerning this subject.

9               And we can then take an informed decision what  
10       to do next to go ahead and bring this matter to  
11       closure in a very open, transparent, independent  
12       matter.

13              MR SCHMITT: There were at least two and  
14       possibly three that were specifically questioned or  
15       that I had concerns about. I would like them to do  
16       those 2 or 3 for sure in addition to their sampling.

17              CHAIRMAN BUSSELLS: Good idea. I think that  
18       makes good sense, Larry. Chief Schmitt, I think  
19       that makes good sense. Okay.

20              MR. KEANE: All right.

21              CHAIRMAN BUSSELLS: But, now, others, questions  
22       or comments on the agreed-upon procedures by the  
23       auditors? John, make sense?

24              MR. KEANE: No. Fine.

25              CHAIRMAN BUSSELLS: Okay.

1 MR. KEANE: What we'll do is we'll send them a  
2 list for each calendar year of everybody.

3 CHAIRMAN BUSSELLS: And they can just --

4 MR. KEANE: The entire field and using these  
5 parameters you say pick 10 percent.

6 CHAIRMAN BUSSELLS: Plus --

7 MR. KEANE: You pick them.

8 CHAIRMAN BUSSELLS: Plus the three that were  
9 specifically singled out.

10 MR. KEANE: In addition to the three. You pick  
11 10 percent, tell us their names, we'll Xerox the  
12 files and ship them to you.

13 CHAIRMAN BUSSELLS: Yeah. And any three years  
14 out of the 15, plus the three individuals that have  
15 been unfairly singled out.

16 MR. KEANE: Right.

17 CHAIRMAN BUSSELLS: Okay.

18 MR. KEANE: And the next item is the policy on  
19 pension forfeitures. The board has a policy, and  
20 I've provided it to you. And attached to that  
21 policy, behind it you'll find four letters. These  
22 are letters we send to people depending on where  
23 they fall in their career when they are removed from  
24 the payroll for the filing of criminal charges by  
25 the appointing authority.



1           The -- we have a sample when someone is  
2 eligible for time service; we have a sample when  
3 someone is eligible to vest, and we have a sample  
4 for someone who does not have enough time to vest.  
5 We notify them that they are not gaining any pension  
6 credit. If you resign, you're entitled by statute  
7 to a refund of your contributions without interest.  
8 If you are eligible to retire and do retire, we will  
9 only pay your pension benefit pending the resolution  
10 of criminal charges up to the amount of your  
11 contribution.

12           CHAIRMAN BUSSELLS: Of the employee's  
13 contribution?

14           MR. KEANE: Of the employee's contribution.  
15 And that is the very first letter in the file of  
16 individual vested, is getting ready to start  
17 drawing, he had 19 years and we told him very  
18 clearly, we'll start your pension. You cannot  
19 exceed the amount of your contribution. And so we  
20 -- this is how we do all of them.

21           When the operating departments notify us that  
22 someone's been removed from the payroll for criminal  
23 charges, they get one of these three letters that  
24 you see.

25           CHAIRMAN BUSSELLS: So I just wanted to

1       introduce the subject. At a future regular meeting  
2       we can discuss whether there's a need or any benefit  
3       to consider revising the existing procedure in this  
4       regard since there's been some ongoing publicity  
5       concerning one or two individuals being charged with  
6       the offenses.

7               And so I just want to get us thinking about it  
8       because it's been 13, 12 years since the policy was  
9       adopted. It's worked very effectively, very  
10      appropriately, very well, but as time passes and  
11      things change, is there anything that you might want  
12      to consider revising given the current  
13      circumstances? I'm not aware of any, but it's  
14      important that it attracts the attention of  
15      constituents.

16             MR. KAUFMAN: Stu Kaufman, how are you?

17             CHAIRMAN BUSSELLS: Hey, Stu.

18             MR. KAUFMAN: I don't think there's really been  
19      any material changes to the forfeiture statute  
20      itself, 112.3173 in the last 12 years, and the  
21      procedure I think, as is, works fine.

22             I can give you just an update on where we are  
23      on the pending forfeiture matter which you decided  
24      that we could refer out to counsel for an  
25      independent look. Once we get that -- once we get a

1 memo back from him as to whether or not he feels he  
2 should proceed with forfeiture proceedings, we would  
3 either -- we would bring it before you and you would  
4 enter a notice of proposed agency action and put  
5 them on notice that we're going to proceed with  
6 forfeiture proceedings, if that's the case. If not,  
7 then we'll just choose not to proceed in that  
8 matter.

9 CHAIRMAN BUSSELLS: Okay. Thank you, Stu.

10 John, is there anything else commanding the  
11 attention of the board today?

12 MR. KEANE: No, sir.

13 CHAIRMAN BUSSELLS: Any other comments or  
14 questions from any trustees? Hearing none, we are  
15 adjourned.

16 MR. KAUFMAN: I just have one further item for  
17 you.

18 CHAIRMAN BUSSELLS: Okay. Go ahead.

19 MR. KAUFMAN: Just to give you an update as to  
20 where we stand on the appeal of the "Lee" matter, we  
21 filed a notice of appeal last Thursday. It was  
22 timely filed. I think Chairman Gulliford mentioned  
23 this morning, when he first opened with his remarks,  
24 that a motion was filed by the concerned taxpayers  
25 and Mr. Lee for an injunction prohibiting the

1 council from proceeding with a vote on the most  
2 recent ordinance.

3 I think we have been tasked by you to deal with  
4 any impediment to comprehensive pension reform in  
5 the matter in which we see fit, and we are going to  
6 be required to appear in court to defend against  
7 this motion that has been filed and other things  
8 that we feel are necessary.

9 We just got it. It was just served last night,  
10 but I just wanted to give you an update that there  
11 will be further litigation probably in the next  
12 couple of days with regard to the motion for  
13 injunction.

14 MR. TUTEN: Stu, this is Rich Tuten. Is there  
15 any way that this inhibits or stops the current  
16 proposal with the council?

17 MR. KAUFMAN: Well, that's what they are  
18 seeking. They are seeking an injunction stopping  
19 the council from proceeding forward with a vote and  
20 basically they're asking for injunctive relief  
21 prohibiting the council from taking any action with  
22 regard to the ordinance.

23 So the motion was directed to the city, so I do  
24 expect them to respond directly to the motion, but I  
25 do believe that it will be some pleadings filed by

1           our firm as well.

2           MR. TUTEN:   Okay.  I guess I should have  
3           rephrased it a little more legal.  Let me ask you  
4           this:  Have you seen anything like this before and  
5           do judges usually grant it to the plaintiff?

6           MR. KAUFMAN:  Not usually.  It is a very high  
7           standard to meet in order for there to be an  
8           injunction awarded.  So we do not believe that their  
9           argument has any merit.  In fact, their argument is  
10          contrary to arguments they have made in the past  
11          with regard to collective bargaining which need to  
12          be addressed.

13          And, you know, I think the court would actually  
14          be disturbed with regard to the motion that they  
15          have brought seeking the injunction.

16          MR. TUTEN:   Okay.

17          DR. HERBERT:  What is the rationale, the legal  
18          rationale or policy rationale for the request for  
19          the injunction?

20          MR. KAUFMAN:  They are saying that there is  
21          no -- that with regard to collective bargaining, the  
22          pension fund is an uncertified bargaining agent who  
23          cannot negotiate pension benefits with the city and  
24          that the committee meetings that have gone on in the  
25          past week or so constitute collective bargaining and

1 we cannot collectively bargain on behalf of the  
2 unions.

3 CHAIRMAN BUSSELLS: Remarkable.

4 MR. KAUFMAN: Which is directly contrary to the  
5 position they've taken in the past. Thank you.

6 CHAIRMAN BUSSELLS: Okay. Thank you, Stu.  
7 Pardon me for not recognizing you earlier.

8 So, again, any further matters commanding our  
9 attention?

10 MR. KEANE: No.

11 CHAIRMAN BUSSELLS: We are adjourned.

12 MR. KEANE: Thank you, everybody.

13 MR. TUTEN: You're welcome.

14 (The meeting adjourned at 3:56 p.m.)

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CERTIFICATE OF REPORTER

I, Marjie M. Kline, Registered Professional Reporter and Notary Public, State of Florida at Large, do hereby certify that I was authorized to and did stenographically report the foregoing proceedings and that the transcript, is a true and complete record of my stenographic notes.

DATED this 10th day of June, 2015.

Marjie M. Kline, RPR  
Notary Public in and for the  
State of Florida at Large

My Commission No. EE 839384  
Expires: October 21, 2016