April 17, 2017

Chairman Tuten's Response to Mayor Curry's claims of "Previous Pension Fund Administrations and Trustees being part of the problem".

I wish to respond as the Chairman, and as a Trustee who has been on the board for over a decade, to the Mayor's false accusations and portrayals of past pension fund administrators and trustees. The current board did not consult with me. This is my sole opinion based on my personal experience.

Previous boards have worked with a lot of people over the years to solve this problem. We have offered the city a number of measures (included), to both reduce the unfunded liability as well as help annual budgets. Each proposal was shot down over political, personal, or selfish reasons.

Every benefit in place before the 2015 pension reform agreement was enacted before I became a Trustee. These benefits are the lowest in the state with comparable size departments.

We came to an agreement in 2015. This agreement would secure our pension by 2035, providing the legally required benefits to retirees, as well as lowering the annual cost to the city budget.

This reform agreement will only cost the city 10% of payroll, much less than the 25% contribution for the proposed 401k plan. The members deserve their raises, but at what long term cost?

The 2015 reform agreement will not burden future city leaders or taxpayers with billions in extra unfunded liability payments. (The Mayor cannot even say when his plan will be 100% funded).

I voted against the 2015 deal for one simple reason. I did not trust city leaders to keep their word.

The Mayor's current reform plan is going to severely stress the pension fund and the city's finances in the future. The proposed 5x liquidity ratio is dangerously low, and the first market downturn or economic recession will cause future government leaders to pay more than they should have.

It is oversimplification for the Mayor and his staff to say that future budget makers will happily put in what is needed if there is a shortfall. When confronted with any questions, he has resorted to calling the board (mainly me) names and making false accusations. Yet he never answers the question about the worst case scenario. What happens if you are wrong Mayor Curry? Is there a plan in place? No.

The Mayor is comfortable with pushing billions more onto future city leaders and residents. Of course, he won't be here to deal with it. But today's taxpayers, as well as their grandchildren, will be.

This is the first plan I have seen from any city leader that would seriously jeopardize the pension fund and future governments' ability to pay for basic services. Stock market corrections, economic recessions, or unexpected events will put this pension at or near bankruptcy. These are Enron level accounting tactics being employed by the Mayor. Fake money does not equal real benefits.

City finances will be in shambles, all because today's city leaders once again refused to pay their bills. Mayor Curry, as well as those that support these hypothetical numbers, will be responsible for it.

Former City Council President created a Pension Sustainability Committee under the leadership of former Council President Mike Corrigan. The Committee meet for nearly a year holding public hearings, taking testimony from many pension experts. The Pension Board made 19 recommendations to the Pension Sustainability Committee, including a millage rate increase dedicated to retiring the unfunded pension obligations of all City pension plans. Only 1 recommendation was adopted: **payment from the City of the bulk of the annual required pension contribution in December when the City was cash heavy from the payments of property taxes from Companies and individuals seeking the greatest discount (4%).**

Another subject discussed at length during the Pension Sustainability Committee was the issuance of a Pension Obligation Bond to fund a portion of the Unfunded Actuarial Accrued Liability. IF the City had sold such a bond in 2009, the growth in the investment market could have fully paid the bond.

Little attention is paid to the provisions contained in the 30 year Agreement that granted the City substantial power over changes in the Actuarial Assumed Rate of Investment Return. Despite numerous discussions over the 12 year period between 2000 – 2012, City officials uniformly rejected any serious discussion on reducing the rate of investment return. Only when the State oversight office required a reduction in the Assumed Rate of Return and adjustments to various assumptions relating to payroll growth and salary increases did the City officials approved reductions.

JCCI conduct 3 in-depth studies over a 30 year period on the funding status of the City of Jacksonville Pension System. All 3 studies cited the failure by the City to properly fund the CITY obligations to the pension system.

Pension Fund Staff worked over a year with the Staff of former Mayor John Peyton to develop a new pension plan. Numerous ideas and plans were discussed, reviewed, analyzed, discarded until one proposal was approved. The bill was introduced in the last month of the term of Mayor Peyton. The City Council left the bill idle on their Committee calendar for many months, finally withdrawing the legislation.

Former Mayor Alvin Brown presented a formal pension reform proposal to the City Council after much additional study and review. As in the case of the "Peyton Plan", various ideas and suggestions for a revised Pension Plan were discussed, reviewed with City and Plan Actuaries, analyzed by other financial professionals until one proposal emerged. Political considerations caused the plan to be rejected for "lack of a funding source".

Another Pension Reform Plan presented by former Mayor Alvin Brown died when agreement could not be reached with the Pension Board on related issues.

Former Mayor Alvin Brown presented another revised pension reform proposal to the City after month of public hearing by a 18 Member Blue Ribbon Pension Reform Committee headed by Trustee Bill Scheu. This legislation was adopted in June 2015 and is the current law. The 2015 Reform Agreement calls for a series of additional payments to by the City and the Board be used solely to reduce the Unfunded Liability. The City is now trying to "kick the can down the road, maybe as far as 2060", to avoid paying current obligations authorized by the City Council to "resolve the pension crisis".

During the past 10 years, thousands and thousands of dollars have been paid to Advisors, Consultants, Attorneys and Actuaries to study "Pension Reform" both by the City and the Pension Fund. When City and Fund staff costs are included, the price rises to the multi – million dollar level.

The Staff of the Police and Fire Pension Fund reviewed over 50 different "Pension Reform" options during the past 10 years with officials from 3 Administrations.