JACKSONVILLE POLICE AND FIRE PENSION FUND BOARD OF TRUSTEES SPECIAL MEETING

DATE: January 5, 2014

TIME: 8:30 a.m. to 12:00 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
Adam Herbert, Trustee
Larry Schmitt, Police Trustee
Richard Tuten, III, Fire Trustee

ALSO PRESENT:

John Keane, Executive Director-Administrator
Debbie Manning, Executive Assistant
Robert D. Klausner, Board Counsel

Kevin Stork, Controller
Joey Greive, Fund Treasurer
C. Ronald Belton, Chief Financial Officer

This cause came on to be heard at the time and place aforesaid, when and where the following proceedings were reported by:

Denice C. Taylor, FPR
AAA Reporters
233 East Bay Street, Suite 912
Jacksonville, Florida 32202
904.354.4789

- - -

January 5, 2015 8:30 a.m.

CHAIRMAN BUSSELLS: I believe it's 8:30. I call the meeting to order.

MR. KEANE: Will everyone please rise and join with us as we observe a moment of silence for our following deceased members:

S.P. Acosta, retired fire captain; Ed Defoor, retired police officer; Gary F. Keys, retired fire chief and former member of the Pension Advisory Committee; and Edward P. Lowstuter, retired fire division chief.

(Pause)

MR. KEANE: Amen.

Please remain standing and join me 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: We'll open the public speaking of the meeting. I have one request to address the Board from Bill Gassett.

Mr. Gassett.

MR. GASSETT: My name is Bill Gassett, and

I'm on record here to speak as a private citizen taxpayer.

I want to begin by saying that this concept of shared sacrifice, which is essentially the efforts of what you've done, is entirely false. You folks have done nothing wrong. From my perspective, all I've seen is the give-back comes from the Police and Firemens' Fund Pension Fund.

The second point is you have made your ROI (interrupting cough) able to do, so it further indicates it. The failure has been on the part of somebody else.

Number 1: As you know, I've been a strong proponent to repeal or get rid of that 20 percent requirement bond rule.

I will tell you that you must insert in there, as I've said before, that it must be dealt within the year's time, because if you don't put a timetable on it, I can absolutely, positively guarantee it will never get done.

I took the liberty here of quoting, I think, the Florida Times-Union January 2, the article by Mr. Bauerlein, who did a fine job here. And it shows the economic impact of the 20 percent rule.

If you go to the next page behind the

newspaper article, you will see the impact of the numbers. And I believe that according to his report, you folks would be at roughly 46 percent. Had that $108 million that's been denied the pension fund because of this silly rule for the last ten years, was added back into it as it should be, or could be, you'll have raised the bar to 50 percent. That's a lot closer to the goal line than 46 percent. It actually would be higher had we gone back further in time.

My next point is that on any obligation the city has signed on to make good strides in this effort, please include in your discussions with them -- you could do this because it's open bargaining agreement, that any late payment has a 7 and 1/2 percent accrual rate. So if they miss one year of that $40 million, they make up the 7 and 1/2 percent going forward.

My third point is, is that the -- actually put in a fixed amount number on the required minimum-maximum deposit each year. Based on the number of new hires, you can calculate quite accurately how much each person should have dropped to his or her account. So that in the 20-, 25- and 30-year period, they will have the amount necessary so you won't have to meet this way every seven or eight years to figure out what went wrong.

The current approach analysis on how big the bubble is, is entirely inaccurate. It's entirely wrong, and that's what has gotten you guys here in the first place. And also make that a requirement, that if they do not make the annual required deposit to the account, that the agreements that you signed are null and void at that point.

It's extremely important here that you do that because you will be faced with hard rigors in two or three years.

Somebody mentioned the concept of biting the bullet at the last meeting. You're not really biting the bullet. What you're doing if you adopt some of these thoughts is actually taking on the leadership role that has somehow been only slightly observed in the last 12 to 18, 24 months. This is a group that can do it.

As a closing point, please forget the JEA proposal. It's a triple at-risk issue and extremely complicated. I would say just give it a nice, casual reading, but let it pass.

Thanks very much and Happy New Year.

CHAIRMAN BUSSELLS: Thank you, Bill.

Close the public speaking session of this special meeting. And now we'll get to the matters at hand.

Let me suggest a way to process the many elements of the 64-page ordinance that council enacted three weeks or so ago now and see if this makes sense to everyone in terms of efficiency to get through this.

My thought would be that we start sort of where we left off at our last special meeting back on the 22nd, which are the financials, the formula for the calculation of the pension benefits. Things like the prospective new hires and their plans, the COLA, the DROP, the base and so forth. Process those, take a vote, see where we stand and figure out whether a majority of the Board can support it or not.

Then go to governance, what I'll call governance.

Am I speaking loud enough? Help me. So I need to talk loud.

Then go to governance, which are things like, you know, the process we use to set the salary for executive directors, the recruitment for executive directors, things that are already done and we're doing. And, really, the ordinance is, in some sense, duplicative and redundant; but, nonetheless, we're already doing it, but I'm talking about governance.

And then finally the third of the three would be the legal issues; that is to say the issues that our counsel, Bob Klausner, has evaluated and written a summary memorandum for us.

The general counsel has weighed in with additional analysis and commentary and explanation about the legal status or standing of the relationship as between the fund and the city going forward, depending on what's done here.

So my thought would be to deal first with the financial benefits for members, then governance, then legal status or the condition of the final documents to memorialize whatever changes are made, if that makes sense to everybody.

Okay. So let's start with what are referred to in the ordinance as, John, I believe, Group 2 members.

MR. KEANE: Right.

CHAIRMAN BUSSELLS: That is not current employees, but those that would be hired after the effective date of whatever changes are ultimately approved by the parties. I think we were kind of wrapping up there and had a good -- a good, full discussion of that issue at our special meeting two weeks ago.

And so I would suggest because of its importance and complexity, we start there.

Sheriff, I think you had some thoughts you wanted to share with us to kind of open up the dialogue on that one.

And then I would intend, on each issue as we go through it, to call for a motion and a second, take a vote on what was enacted by the city council. If there is majority support for what was enacted, we move on to the next one.

If there is not majority support for what was enacted, then what I would like to do is -- the executive director, at our request, in his memorandum to the Board, consider what alternatives could attract a majority support of the Board, to suggest going forward from here. If that would be in the process.

And, John and Bob, I'm looking at you-all particularly to make sure I'm not missing something or some additional part about the most efficient way to ensure we address everything, address it completely, but also address it in the proper form, given the legal relationship of all the parties here. Does that make sense?

MR. KLAUSNER: Yes. I'm fine with your suggestion.

MR. GLOVER: If I remember correctly, we were looking at those things that we had already kind of given agreement on, a mediated agreement. And I wanted to look at the new hires and what we were offering the new hires.

And the reason I was so interested in the new employee pension design, because probably I need a little bit more knowledge of what to look for, and I just wanted to make certain that we understood as a Board that here in Jacksonville we require police officers to have a college degree.

And in that sense we really do have to make certain that we're competitive in our offerings. If we don't, I mean, it's just -- it would be low-hanging fruit for a person who would have those kind of credentials to have a choice, and we just have to be competitive.

That being said, I know we had already voted on the mediated agreement, and I indicated at the time I did not say I would not support it, I just wanted to look at it.

And just for the record, I'm a little concerned about the offerings. I'm very concerned, but I do know that from my fiduciary responsibility, I just have to make certain that there is -- there is enough officers coming in in order to support the pension ongoing.

So we're talking about in kind of a general way a trustee responsibility to ensure that we've got people coming in the door. And although I am concerned about the design, I still -- I still think that we -- we had indicated that we would support it and I will support it.

MR. TUTEN: Gentlemen, do you have a section -- don't you have a section in your little write-up of everything addressing that?

MR. KEANE: Yes. It's on page 12.

MR. TUTEN: Okay. The reason I brought that up, it's something we can look at and I've obviously got a few comments to piggyback with the sheriff.

Looking at the paper sent over by Mr. Hand, comparing the current proposals for the new guys versus the FRS, there's a few things in there obviously that are just a little bit different.

The biggest -- the biggest thing, what this doesn't show is the fact that for -- well, for comparing the 10 percent that the new guys are going to put in and what they're getting versus what the 10 percent for the guys in the FRS are getting, it's not competitive simply because the FRS guys get to keep Social Security, 100 percent on top of. Now, I don't know exactly how much that is a month, but I'm sure it's a pretty good chunk.

And not only that, it's okay to compare to FRS, but all the other medium and larger departments as far as years they can retire, my biggest problem personally with the new deal is the penalty aspect of the pension. I know we need guys to work longer. I know that's the goal here, but it seems that it's more of instead of the carrot versus the stick, it's more of a stick versus a carrot.

In other words, if you want firemen to work longer, it's simple. Just give them a little more money and they will work longer. But the penalty aspect of it, if you don't do 30 -- you offer an early retirement at 25 years, but truly you don't because you penalize everybody for going to 25, if you don't do 30. You say we have a DROP at 30, but truly you don't because if you go to a backdrop to 25, they penalize you those five.

In other words, that's my biggest concern, to piggyback with the sheriff. If we're really and truly going to be honest about this and think that this is going to be attracting people to stay long-term, I have no doubt that people will come here to work. That's not the issue. People are always going to want a job, but once they get that job and that experience and they stay here three or four years and the city has paid for all their qualification upgrades, they're going to bolt because they're going to do just what we're doing right now.

Wait a minute, Orlando, Jacksonville. Wait, hold on, no, I'm out of here. I realize as the pension board we don't set benefit levels. I know we can't control the city. I understand that. I want to go on the record, I understand that, you know. That's not what we're doing here and there's collective bargaining and all that good stuff down the road. That's going to be part of it.

But I just want to be sure that we get on -- whether it's 5 years, 10 years, 15 or 20 from now, they're going to go back in time and they're going to be warned that, this is the reason why you can't find qualified applicants. Or they're leaving. And I believe what Sheriff Rutherford said one time. It costs them how much money per employee that left early? Was it three-quarters of a million dollars by the time you train them, hire them?

You know, I know this administration is not going to have to deal with that. The next one is not going to. But I just want to be sure that people know that this is not competitive compared to FRS or other departments of like or even similar size. It's just not. And it goes about it the wrong way, in my opinion. That's all.

CHAIRMAN BUSSELLS: I would observe, in addition, we would include here what was enacted by the city council, the share plan for the chapter funds.

I'm not suggesting that will be comparable over time with Social Security. I do not believe it will, but it's something that is not present now that could be over time, for a 30-year person, not insignificant based on, you know, what the state revenue sharing is. That partially ameliorates the point, but I think that.

John, before I ask for a motion on the Group 2 member provisions in the ordinance, would you summarize -- I believe you recommend approval, as we had done back in June, by resolution. It was not appropriate to actually vote on it then because the council did not act on it, so that would have been inappropriate.

Your recommendation on the Group 2 members -- and if you could include the subject to be sure we all understand it the same way.

For Group 2 members, those not currently employed but to be hired after an effective date in the future, changes to their benefit structure for retirement purposes, how that would be handled were there to be changes, were the city to discover, some future administration, they said we cannot get efficient qualified people to our high standards here in Jacksonville for both fire and police.

MR. KEANE: Yes, sir. Essentially the new employees would receive a maximum retirement benefit of 75 percent after 30 years. It's a basic 2.5 percent benefit straight up the line.

We should note that in the ordinance, the mathematics in the chart are incorrect. That's just a scrivener's error or somehow, but we need to put that in there so they can fix it when they go back.

The benefit for new employees, as the sheriff has pointed out, which Rich Tuten has pointed out, as Chief Schmitt has talked about and others, are substantially lower than many other jurisdictions.

The benefit of working for the City of Jacksonville, it's a large organization and there's a lot of upward motion. We recommend it because we realize people are living longer, and most people that are retiring now are retiring due to the panic situation, the rah-rahing of, we're going to change this, we're going to change that, driving people to leave. We are losing otherwise good people who would stay.

We saw when the -- on the normal -- the regular board agenda in December 40-some-odd people that applied for the DROP. When they found that it wasn't going to go into effect right away, we had half a dozen or more withdraw.

Solving this turbulent situation will bring calm, hopefully, amongst the membership that are very, very nervous and upset about their future benefits and how they may be handled.

Future changes for Group 2 people would be handled through the collective bargaining process years out from now.

CHAIRMAN BUSSELLS: But that would start within three years for Group 2 members; that is to say, were this to become effective in 2015, those hired after the effective date, their benefits could be changed through the collective bargaining process not involving the fund immediately, so to speak, or, you know, the three-year cycle.

MR. KEANE: Under the city council proposal they could, not under the proposal that we agreed with the administration.

CHAIRMAN BUSSELLS: Yes.

MR. KEANE: It was going to be set in place for ten years --

CHAIRMAN BUSSELLS: Yes.

MR. KEANE: -- to compensate for this additional hundred-million-plus dollars in chapter funds and other reserve accounts.

CHAIRMAN BUSSELLS: Yes. And we're talking just about the Group 2 members now and the changes coming to their benefit design going forward.

MR. KEANE: Right.

CHAIRMAN BUSSELLS: And where would you come down on what's actually in the city council ordinance to changes, if any, to the Group 2 members' benefit in the future?

MR. KEANE: As I pointed out, Mr. Chairman and Trustees, the mathematics in the chart need to be adjusted.

CHAIRMAN BUSSELLS: It's just a numeric number change?

MR. GREIVE: Which chart, Mr. Keane? Mr. Chairman, if I may?

MR. KEANE: The chart that's on page 37.

CHAIRMAN BUSSELLS: In the ordinance.

MR. KEANE: And also in that handout that you have there.

MR. TUTEN: So page 13 of the handout?

MR. KEANE: It's on page 14 of the handout.

These numbers don't work. These are leftover numbers from Gainesville. And we pointed out they didn't work in Gainesville. And they were adopted into here. At any rate, that's something that the city council can look at sometime off in the future.

Benefits for current employees will be preserved under our proposal, under the agreement we had with the administration. The council ordinance changes that somewhat where that, after three years, they would be able to potentially declare an impasse and then change something.

CHAIRMAN BUSSELLS: So, therefore, if right out of the gate in years one, two or three, the concerns that have been articulated well by the sheriff and Lieutenant Tuten materialize, and the city wanted to change the benefit structure to be able to attract, they could do it under the way the ordinance was enacted.

MR. KEANE: Right.

CHAIRMAN BUSSELLS: Immediately and in the regular collective bargaining process prescribed by law.

MR. KEANE: Right.

MR. HERBERT: Mr. Chairman, I move for approval of the ordinance provisions related to Group 2 membership with an understanding that Mr. Keane and/or counsel will point out to the council the errors in the table that we have before us.

CHAIRMAN BUSSELLS: The Medicare tables?

MR. HERBERT: The arithmetic errors, right.

CHAIRMAN BUSSELLS: Is there a second?

MR. GLOVER: Second.

CHAIRMAN BUSSELLS: Any further discussion?

MR. TUTEN: Yeah. On that note, John, and for the rest of the Board members, we give it back to the council to straighten up the numbers. Okay. Do we need to bring it back here again to approve it, I mean, to make sure it's right? I don't want to vote on something and have it turn out not to be fixed.

MR. KEANE: Under the normal procedure, it would come back. But we could defer that to them to resolve.

CHAIRMAN BUSSELLS: If I could ask, not unlike the ordinance was enacted, I believe, could we -- can the Trustees delegate to our counsel and executive director the authority to agree to correction of scrivener's errors that are nonmaterial, nonsubstantive errors, like the one we're talking about here, without having to bring it back for formal vote and approval?

MR. KEANE: We could do that.

MR. HERBERT: That was the intent of the motion, Mr. Chairman.

CHAIRMAN BUSSELLS: Yeah. That's what I thought. I just wanted to be sure. Because that's sort of what the ordinance said at the end, I think, was respective counsels can get together and work out things that were not substantive material but appeared simply to be drafting errors, scrivener's errors, arithmetic errors.

And, Joe, I'm going to come back to the table because I see a puzzled look on your face which gives me some concern about the arithmetic, but we'll do that after.

So I have a motion and a second. Any there any further questions or comments?

MR. SCHMITT: Unfortunately, I think this is beyond our authority for the new hires, but I do think it's a mistake. I think it's penny wise and pound foolish. Again, we're going to be paying for this again in five years and in ten years with the results of this implementation of these substandard benefits.

But, again, I think it's beyond this Board's control.

CHAIRMAN BUSSELLS: Any further questions or comments on the motion?

All in favor, say "aye."

(Responses of "aye.")

CHAIRMAN BUSSELLS: All opposed, same sign.

(No responses.)

CHAIRMAN BUSSELLS: Carries unanimously.

MR. TUTEN: Quick interjection, John, and for the Chairman.

The city council is still pushing to have the current agreement thrown out and be able to collectively bargain in three years. Is that the current status?

MR. KLAUSNER: The way in which the council proposal is written, that the ability of the council to take unilateral action, which is how the collective bargaining process can end if the parties are unable to reach agreement, it would begin again within the next bargaining cycle.

You know, if you're in the middle of an agreement, it would be whenever the next agreement comes around, so which would be a maximum of three years.

The collective bargaining law limits collective bargaining agreement lengths to three years. Not because they don't think long-end agreements are okay. The purpose, if you read the statute, is to allow the employees to change unions or have no union every three years. They're given that choice. That's why that's in there.

But the short answer to your question is the way the council draft is written, that applies to both current employees as well as the Group 2 employees.

MR. TUTEN: Is there -- should we not structure this agreement to explicitly state that this -- I mean, I know we have -- we're going for the ten years and all that good stuff, but there seems to be either some willful negligence on the part of the council as far as ignoring that part, which the mayor's office has put in there and we've agreed to -- in other words, I'm trying to head that off at the pass before we go through all this, agree to all this, and I, you know, get quoted again, and then have them in three years from now say, well, we're going to negotiate with the union.

What can we do to stop that, is what I'm trying to do.

MR. KLAUSNER: What you would do is whatever document you choose to send back -- remember this is in essence the council's proposal to you. The only way that they make proposals is to introduce a bill through their legislative process.

As I recall reading, it said the council president was open to a counter, for lack of a better term, if he thought -- if you-all thought you had a better idea about how to resolve these issues.

So if that is your desire that Group 1 employees have a longer period of no changes, then you should state that in what you send back.

MR. TUTEN: Well, I mean, should I make a formal motion to state that that language -- because here's what I'd like --

MR. KLAUSNER: I don't want to tell you how to run your meeting. It's an issue you need to resolve before you're done --

MR. TUTEN: Okay.

MR. KLAUSNER: -- with this process. Where you put it in terms of the order, just make sure you address it.

MR. TUTEN: And I'm just -- what I'm trying to do is we're going to -- this thing, it's a long haul, and the city council -- and this is really where most of my frustration comes into it, while I've got the mayor and his staff here, you know.

We had an agreement with the mayor, you know. While I'm personally not excited about it as a current employee, you know, we can work with it.

The council comes back and gives us something that's really a lot different and expects us to carte blanche it. We're going to do it, no, we're not going to do it.

But the problem I have on top of that is the fact that, sign this, but truly we're just trying to get rid of it in three years anyway. In other words, the good-faith effort we're putting forth here to sort of -- okay, ten years we're going to calm everybody down, current employees will not have to worry about leaving tomorrow; future employees know what they're getting into, I can go along with all that.

But at the same time, I'm still under this cloud of the city council is actively pursuing a way to get out of this. And I'm just -- you know, that's what got me the most frustrated.

MR. SCHMITT: And I think -- I was going to bring this up later, but I think this is probably a good point.

One of the things that I want to propose is to address that issue, specifically. We have a duty to our members to protect their share of -- or their chapter money. A hundred-million dollars of their money we're putting into this.

MR. KLAUSNER: Actually, it's more than that. It's more like 122- with the current proposal.

MR. SCHMITT: So for it to turn around on them again, for the city council to come back and say, well, we're changing it anyhow, thanks for the hundred-million dollars; we're changing it -- I propose that as part of us giving that -- those chapter funds, a hundred-plus million dollars, we put in there the stipulation that any unilateral changes made by the city council within ten years, that hundred-plus million dollars, including investment earnings, goes into the share accounts of the members.

So basically it all comes back, goes to the share accounts, their money to begin with.

MR. TUTEN: I agree with that. And there's got to be -- there's other financial parts of this that we get into before I go off on one of my patented tangents here.

Yeah, I agree, because there's got to be safeguards to prevent future councils from, you know, violating what we're trying to do here. That's the biggest frustration. It's -- you know, I just don't understand how people operate that way.

MR. SCHMITT: This doesn't change any of the payments. It doesn't change any obligations. It just gives incentives for the city to comply with the agreement.

CHAIRMAN BUSSELLS: I wonder -- and a core issue that we have recommendations on, addressing all the issues that we just raised, I wonder if we might deal with that in the legal section. Because there's -- that's part of a larger issue about the authority, responsibility as between the fund and the city elected officials going forward.

Core issues we will take votes on specifically one at a time. But if we could do that, after we get through the other stuff, because it will tie in, I think, with the larger legal issues, Bob, that -- we have several. If that would be okay, but it is a core issue that we will explicitly isolate and talk through and take a vote on, just as we did for the Group 2 members, when and how their benefits structure could be changed in the future, which we just did and disposed of.

Much more complex and important for the current members, the current employees, if that would be okay.

Could we just quickly explain the arithmetic glitch in the table so we're all on the same page on that, John? Would you mind doing that?

In other words -- in other words, what should the words that describe the calculation of the benefits' intents translate into in those numbers in that table?

MR. KEANE: It starts out on the top of page

14, Mr. Chairman and Trustees. Group 2 members with at least 25 but less than 30 years of service shall be eligible for early retirement.

Well, from year 30 to 29, it drops 5 percent, and then there's another 5 percent, then there's a 5 percent. And then there's a 2 and 1/2 percent. They are only going up 2 and 1/2 percent, and the numbers, it got wrong in Gainesville and we were never able to get it straight. But we can work on that under the scrivener's description.

MR. GREIVE: Mr. Chairman, if I may just respond to that.

I remember that issue coming up in Gainesville. I also remember that issue coming up in the public sessions, you know, with the Scheu Commission, the Retirement Reform Task Force.

The way it works -- and we had charts, you know, up on display so that there was no lack of clarity with early retirement, because it can be a confusing issue, you know, as Mr. Keane points out.

But to think about it simply, you get credit for the years you work. So if you've worked 29 years, you're retiring short of the normal retirement age of 30.

So you multiply the 29 years times the accrual rate of 2.5 percent, but because you're leaving one year short of what would have been a normal retirement, there's a 2.5 percent penalty.

So, you know, as Mr. Keane points out, it's a 5 percent stair-step down. Really what it is, is you're getting credit for the years you've worked, but then you're taking a 2.5 percent penalty per year short of your 30.

So that's the way the math works out. We debated this at great length. I remember, you know, the conversations. I worked with the council's office on these numbers, and I think they went back and forth between the two parties.

I think they look right. If we need to talk about it after the meeting, you know, if errors do exist, if we need to correct them, then that would fall within the purview of the latitude you'd be giving to staff. But at this time I don't see any errors.

MR. SCHMITT: If I understand it correctly, it's basically a penalty built in for not working 30 years?

MR. KLAUSNER: Right.

MR. TUTEN: Then why don't we describe 25 years as an early retirement? Why not just say it's a premature retirement with a penalty? Because it's not an early retirement. I mean, why -- the penalties to me -- I'll keep this brief -- carrot versus stick, Gentlemen.

You're -- basically you're trying to threaten people to work 30 years, when easily you could just simply entice them to work 30 if you just showed them the benefits of working 30 and not the penalty, because, frankly, like I said, this right here, as being a former flunky, minimum-standards guy who needed a job way back in the day, the minute I read this is the minute I go, I'll go to Jacksonville if they hire me, just like I did. I went to DeLand and they hired me at 17,000 a year. But I assure you, the minute I stepped foot on the campus, I was looking to get out and I did. And that's what's going to happen here. It's as simple as that.

CHAIRMAN BUSSELLS: Bob.

MR. KLAUSNER: I think to answer your original question, and I think it was encompassed in the motion, could you leave it to Mr. Keane and I to work with the city administrative folks to get --

MR. TUTEN: Okay.

MR. KLAUSNER: -- the math resolved, the short answer is yes.

CHAIRMAN BUSSELLS: Okay.

MR. KLAUSNER: And, you know, you've taken it -- well, understandingly that's subject to a total agreement, but I think you've all correctly recognized where your fiduciary responsibility lies, and I'll deal with that in greater detail when we get to the legal part.

But in the end, what happens in the future will wind up having to be corrected in the future, because I think you've correctly observed that it will have to change in order for the city to be competitive. But that's a personal decision to be made by the city and not here.

The sheriff focused correctly on the issue of we have to ensure that we have a continuous flow of members for the economic welfare of the system. What that flow looks like is ultimately a managerial decision or a governmental decision to be made by the people who would be doing the hiring.

CHAIRMAN BUSSELLS: I agree. The duly elected officials beginning in that three-year cycle for Group 2 members to be hired in the future at the effective date becomes operative immediately for all intents and purposes.

And so where it is not working, they may then correct it. But it's the elected officials' authority to do that under what we just proposed, I think, for Group 2.

John or Bob, is there anything else for Group 2 members in the ordinance that we should discuss? I believe that was it for Group 2 members for this purpose?

MR. KEANE: The establishment of the share plan.

CHAIRMAN BUSSELLS: Oh, yes.

MR. KEANE: And then vote on the share plan.

CHAIRMAN BUSSELLS: That's -- okay. Great point. Let's turn now to the share plan.

John, again, would you briefly summarize what was negotiated with the mayor and his staff and submitted to the council, and then any changes made by the council a few weeks ago, and then your recommendation to the trustees of, in your opinion, what you think we should do with the share plan provision.

MR. KEANE: The share plan, we discussed, begins on page 6 of the handout, correct?

MR. GREIVE: Yes.

MR. KEANE: Page 6, Supplemental Share Plan.

Funds that will be available to go in there, minus the funds for the postretirement enhancement, current employment, as well as Group 2 employees, would divide the residual share plan money after all of the payments that are required to be made over to the city are made. All future revenue would then flow into the share plan.

And when current members retire as well as Group 2 members retire, in lieu of the postretirement enhancement that is currently granted in -- optionally granted in December, they would receive the proceeds of their share plan.

The share plan words are the same words that are in effect in many other jurisdictions. Police money is divided among the police. Fire money among the fire. To get one share, take the amount of money, divide by the people, that's what goes in each year.

When you leave, you get a check for that money, plus the gains. It could go down if there was an adverse market, but at the end when you go to retire, you get the check for your share plan money.

CHAIRMAN BUSSELLS: And the longer you work, the bigger the check.

MR. KEANE: Yes, sir.

CHAIRMAN BUSSELLS: So this is one incentive to do a full term.

So, John, you're recommending that the Trustees approve, with the one exception I next describe, the share plan provision as enacted by the city council a few weeks ago; is that correct?

MR. KEANE: Yes, sir.

CHAIRMAN BUSSELLS: And now I'll describe the one, if you don't mind, just real quick. Do you want to --

MR. KEANE: Yes. We proposed an "F" be added in there, that the Board make the rules and regulations for the operation of the share plan to file them with the city council.

CHAIRMAN BUSSELLS: And just to be clear, that the Board would administer the share plan as enacted by city hall --

MR. KEANE: Correct.

CHAIRMAN BUSSELLS: -- just as we administer the pension benefits as agreed to by the parties (interrupting cough).

MR. KEANE: Correct.

CHAIRMAN BUSSELLS: We're not suggesting we have authority to change the share plan unilaterally; we just administer it as we administer pension for beneficiaries and members of the current benefits; is that correct?

MR. KEANE: Exactly.

MR. TUTEN: I agree with you, Walt. I think -- to back up for a second, though, John, would it be better served to discuss -- when we get into the city funding issue, the share plan is part of that.

Would it be better to, once we get there to sort of -- because as opposed to accepting something now as it's written, you know, there's a lot of little trap doors involved as far as the city, if they pay, if they don't pay, we start the share plan early, how do we do it, yada-yada.

I mean, shouldn't we wait until we get to that point, that way then we can -- you know, because like I said, if the city doesn't pay, then we're going to start this a whole lot earlier than seven years from now.

CHAIRMAN BUSSELLS: Let me suggest this.

Let's go ahead and vote on this element and the next thing we'll do will be the obligation of the city, the 40, 10, all of that, our money -- our members' money going into it, and should there be a failure by a future council or mayor to adhere to the requirements, what would then happen.

Can we do that next after we do -- just keep it in bite-sized pieces as we work through this thing?

MR. TUTEN: That's fine.

MR. KEANE: The adoption of the share plan, the enactment and creation of the share plan, is something we've long sought for our members, and we think that it's very good.

MR. HERBERT: Mr. Chairman, I move approval of the proposal to establish a share plan as outlined by counsel with an understanding that there are a few related issues that we have to clarify.

CHAIRMAN BUSSELLS: One issue, and that is -- I'm sorry. Can I get a second?

MR. SCHMITT: Second.

CHAIRMAN BUSSELLS: Okay. For discussion. And just to be clear, if I may, the one remaining issue is to add a Section F that says, as the Board does with retirement benefits, the Board is responsible to establish the administrative rules and procedures to administer the share plan as enacted by the appropriate action from city hall.

MR. HERBERT: I accept that as a clarification of the motion.

CHAIRMAN BUSSELLS: Other questions or comments on the share plan provision in the ordinance?

MR. HERBERT: Mr. Chairman, I just have one question. As members of the Board know, I continue to feel very strongly against those holiday bonuses because of the disparities of what current employees are receiving and what retirees are receiving.

My question is, is it possible to use those monies that are outlined in the council plan for holiday bonuses -- could we apply those funds to the share plan going forward?

MR. KEANE: The Board could because the holiday postretirement enhancement as enacted is subject to approval of the Board every year.

But you have to bear in mind, Dr. Herbert, that the retirees, their chapter money was never given to them. There's why we created that mechanism; whereas the current people are going to have their money deposited for them and they're going to get a check when they leave.

MR. HERBERT: But it is our option.

MR. KEANE: It's an option, yes, sir.

MR. HERBERT: I'm just going back to some of the things that Trustee Tuten has talked about in terms of keeping current employees and trying to deal with some of the disparities there that have grown over time. That's just part of what really concerns me. And I think as long as that option is there for conversation.

CHAIRMAN BUSSELLS: I have a motion and a second. Are there any further questions or comments on the share plan, creation of the share plan provision in the ordinance?

All in favor, say "aye."

(Responses of "aye.")

CHAIRMAN BUSSELLS: Opposed, like sign.

(No responses.)

CHAIRMAN BUSSELLS: Carries unanimously.

Let's now turn to the issue that Lieutenant Tuten has just addressed. It's a logical place to do it. And that is the provisions in the ordinances passed by the city council a few weeks ago concerning the city's obligation to fund $40 million a year for ten years.

And I'm going to simplify it a bit to focus on the issue and not get into every little detail in the formula.

I believe the concern that's been expressed consistently here going back to the spring and the first part of 2014 at the negotiating table with the mayor and his senior staff was, I believe it's not legally permissible for an ordinance to bind future councils or future mayors.

In ten years there will be, because of term limits, new people on the city council and sitting in the mayor's office.

Go ahead, Bob.

MR. KLAUSNER: Before you got past that point, Mr. Chairman, since the adoption of the Municipal Powers Act in the '70s, which is Chapter 166, the Florida courts have said that councils can bind future councils now.

And so I think if this council votes to do something for 10 years or 20 years or however long they choose to do it, they can do it.

CHAIRMAN BUSSELLS: Does the general counsel for the city agree absolutely with your position?

MR. KLAUSNER: I have no idea.

CHAIRMAN BUSSELLS: I am reluctant to get off into these legal issues at this point.

MR. KLAUSNER: I just wanted to -- I work for you.

CHAIRMAN BUSSELLS: Okay.

MR. KLAUSNER: Collectively. So I just wanted to give you our view of the law. That's why everybody gets their own lawyer.

CHAIRMAN BUSSELLS: Okay.

So we have a motion and a second -- no, no, we don't have a motion and a second.

The issue was, well, what if a future council and/or mayor decide not to appropriate it or effect some smoke and mirrors mechanism, God knows what it might be. So the 40 million in a given year does not go in the fund, and the 400 million commitment over ten years or the present value equivalent in a lesser period is not all deposited, but all of the reserve funds have been taken on day one, which is now up to almost 120- from the 100- it was back in 1/1/13.

What is the remedy and what is the responsibility for this Board to assure that both parties do all things agreed to at this point in time? And so I think that's the --

MR. TUTEN: Well, that's part -- if you read the ordinance code as written by the council and then the summation, if you're going to get into another brass task, that's my problem.

Okay. The problem is the DROP rate, the COLA, all that good stuff, yes, irritating but I can live with some of it.

The problem is, once again, I think my quote was, show me the money. You're right, Walt, that's what -- there's already provisions in here that say, well, if we get 80 percent funded first, then we don't have to pay any more.

Well, we've paid our share, but the city doesn't have to pay theirs? Wait a minute. Hold up. I thought we were trying to solve a problem here. And it doesn't specify that they must contribute $40 million every year.

They give it an out and say, well, if we don't contribute, then you can take off what you owe us as far as -- and that's when my head starts to hurt. It's simple.

You give us your money. We give you ours. We run the calculations on them. We'll show you exactly, you know, how much we've got, and then we're done with it. But it's going to be a matter of like Bob just stated, we have to hold the council and the mayor, but mostly the council, because they're the ones that have to vote on this. To give the mayor credit, he has come up with planes. He has offered solutions. Whether you agree with them or not doesn't matter. At least he's trying.

The council, on the other hand, points fingers at everybody, but yet they're not doing anything about it. And I think they have shown, whether it's trying to get out of this contract in three years to collectively bargain, that I'm not confident that they're going to stick to this ten-year plan.

So I would rather see the money right now and let's see what happens.

And the question for Joey I have is, through all these charts, I can't seem to find -- if we're put in -- if the city puts in their 300 million, we put in our 127- or whatever it is, let's just say 400- to make it even, tomorrow, what percent funded will we be as a pension fund? Not over 30 years incorporating costs per year as far as -- in other words, what would we be tomorrow? Would we be 60 percent funded, 70 percent? What would we be?

MR. GREIVE: I believe the answer is 54 percent, but I'll have to look at the charts that Robert Dezube put together. I think you jump up about 10 or 12 percent. I'll have to look at the charts to verify.

MR. TUTEN: Okay.

CHAIRMAN BUSSELLS: Well, we're at -- we're, like, 46 or 48 --

MR. GREIVE: Then we're working off the 1/1/13. So now that you've improved by, you know, 4 percent, add 4 percent to that number. So upper 50s, let's say.

CHAIRMAN BUSSELLS: John.

MR. KEANE: We have the answer.

CHAIRMAN BUSSELLS: Your thought about how to address the issue for the Board to then consider. And let me just say briefly -- this is just personal comment.

I appreciate what the speaker said on so many points. I personally think the JEA plan has merit to it, however, for what it's worth. There's something there to be worked with, in my view. That's a pretty good idea to keep things going, but that's off the subject.

So, John, your thought.

MR. GLOVER: Before John, is there any past ruling from the general counsel's office that has indicated that their ruling would be in favor that present councils can bind future councils?

MR. KLAUSNER: I have not seen -- directed to us, I have not seen it, but it raises an important question.

If the city's lawyer takes the position that the city can't make an agreement that binds future councils, meaning, whatever contract they make to give you, 400 million doesn't -- if you can't enforce this, then I'd tell you don't give up your 122 million. It would be irresponsible from a fiduciary standpoint.

I believe they have the ability to bind the council. You have long-term agreements for the stadium. There's long-term agreements for wherever the garbage goes over there at the landfill. You have long-term contracts with other governmental agencies. So there's nothing that I'm aware of within the city charter that otherwise prohibits it from making a long-term agreement.

CHAIRMAN BUSSELLS: I'm going to resist. I'm going to continue to resist it. I'll point out that I believe those agreements you gave as examples have terminations-for-convenience clauses like every single contract for every -- I'm exaggerating a little bit.

So I -- so I just don't think it's fruitful is my sense to say on that. I hear you. But on the other hand, I think those other things have exit ramps. I know a little bit about this.

John.

MR. KEANE: Yes, sir. We believe that the transfer of the money from the enhanced benefit account and the city budget stabilization account to fulfill the Trustees' part of the requirement is reasonable provided there are proper safeguards for it just as we have previously discussed on a number of other occasions.

This is not a collective bargaining agreement. Our relationship with the city --

it's not a collective bargaining agreement.

MR. KLAUSNER: Correct.

MR. KEANE: It's a contract. It has a city contract number, completely different than collective bargaining.

We propose that if the Board transfers our contribution to the city and in year three or four, for whatever reason, the city decides not to, that the agreement be amended that they will then authorize a direct payment back to the fund from revenue sources coming from the state, state revenue shared money, their gas tax, whatever nonencumbered money comes into the state, from the state, or from the federal government, then that year's payment would come from that money.

If the Board gives up the money in good faith, we have every duty and responsibility to make sure that the other side lives up to their bargain.

The way to do it is to authorize -- for the city to agree, if we don't pay you in year three, we're going to -- not going to pay you out of ad valorem, not going to pay you out of city funds, you can get it out of X, and with that amendment, that gives you a safeguard.

Without that amendment, the belief that we could pay 100-plus million dollars and the city could vacate the agreement two or three years from now would be a serious error.

MR. TUTEN: Well, I would like to make a note on that as far as holding the city accountable.

There needs -- in my opinion there needs to be no provision to where, well, once you reach 80 percent funded, we don't have to give you any more money. In other words, we've gotten to this point today simply by the fact that the city has not saved for a rainy day.

Me, personally, I think it would be great if we were 182 percent funded after ten years. Then we can, either, A, give the new guys a little bit of a bump; B, save the city a whole lot of money, give them a whole lot back. But in the meantime we know that, look, we've got a problem and we're going to solve it and we're committed to it. It's no more headlines, no more press conferences, no more, you know, back and forth.

You give us your money, we'll give you ours. You agree to these changes, we'll agree to accept them, and then at the end of ten years, you've got it and we're done.

And there's no, you know, well, if you do this or you don't do this. All that does to me as a taxpayer and as a city employee for 17, almost 18 years, all that tells me is, once again, possibly the city is looking to find a way out after they get my money. And I just don't think it's productive.

MR. KEANE: Now, Mayor Brown and his proposal to the city council had these type of safeguards that we're talking about in there. If the council does not enact the appropriation, then we get --

CHAIRMAN BUSSELLS: A clawback.

MR. KEANE: -- a clawback. A clawback.

That it has to be reworded to fix that now since we're going to make the payment in advance rather than on an annual basis, because if we've made all of our payments and the city stops making theirs, we have to have a clawback provision.

CHAIRMAN BUSSELLS: Larry, before I call you, I think you said -- I just heard something. I want to be clear we're talking about the same thing.

Assume the city elects the 40-million-a-year-for-ten-years thing. They do it for the first six years. It's now year seven. On year seven, however, whatever, who knows, they don't provide the 40 million to the fund. That's what we're talking about.

MR. KEANE: Yes, sir.

CHAIRMAN BUSSELLS: Right.

MR. KEANE: Yes, sir.

CHAIRMAN BUSSELLS: And then what you're recommending is, as I use the business term, clawback provision, that the fund would then be entitled to be made whole in that very unlikely event in year seven of this ten years, for other revenue sharing funds to be required to go to satisfy the provision for the 40-million-a-year-for-ten-years.

MR. KEANE: Revenue sharing, take it out of the city cash carryover, wherever they want to take it from, but they have to pay us.

CHAIRMAN BUSSELLS: I just wanted to be sure what I heard.

MR. KEANE: Yes.

CHAIRMAN BUSSELLS: Okay.

Larry.

MR. SCHMITT: But then we're still stuck in the, can-we-bind-future-city-councils argument. I want to remove all ambiguity related to that and flat out say, if you don't make payments over the next ten years, or the present value, which is another issue I want to address, then the 100-plus million dollars of the chapter funds that we're about to agree to put in goes directly to the share plan, directly into the employees' accounts. There's no question about it. There's no process.

If you don't meet these obligations, there's where the money goes. All the investments into their share accounts. That's it. That protects them for the next ten years.

CHAIRMAN BUSSELLS: I'll just say the remedy exceeds the disease on that. If the city has put in, you know, 280 million seven years and then fails to one year --

MR. SCHMITT: I think the members would disagree that the remedy exceeds.

CHAIRMAN BUSSELLS: Okay. Well, I'm just giving you my point of view.

MR. KEANE: It's going to need some wordsmithing, but you can authorize us to do that, working with the mayor's staff. The proposal's going to have to go back to the city council anyway. But, you know, we could wordsmith this.

CHAIRMAN BUSSELLS: Before we consider what I think is going to be a motion on the remedy where seven years from now a future mayor and city council, after term limits, you know, release the current folks, would somebody make a motion on the -- sort of John's recommendation to approve what the council enacted with the addition of a remedy were the future mayor and council fail to perform on the 40-million a year?

Could I get a motion on that?

MR. HERBERT: I'll move that for discussion purposes.

MR. GLOVER: Second, for discussion purposes.

MR. TUTEN: I would just personally like to include in the language to remove any -- let's say any possibility of the city not fulfilling their obligation, how about this? If the city refuses or does not live up to that obligation, I want the harshest penalties we can find, whether they're taking the money from elsewhere and immediately putting the 127 million -- now, me personally, seven years' interest on 127 million would be what I would charge them, but it's up to you guys.

Put that immediately into a share plan. In other words, if we're not going to hold them to 100 percent, no-way-out type of legislation here, we need to make darn sure that if they do not fulfill their obligation, that they pay a very harsh penalty for that.

Because, once again, based on my experience, this mayor won't be here, this council won't be here. Politicians at the time may say, hey, you know what, that was their deal; we're not going to pay. Well, that's great. Well, they need to understand if they do that, that there's going to be a severe price to pay.

MR. KEANE: Mr. Chairman, five years from now none of our current elected officials will still be in office. If somebody gets reelected that's running, they will all be gone anyway.

And so we can fix this. $127 million, to use your quote, the medicine is worse than the disease.

Years ago, for the benefit of the people that don't know, when the JEA was a component of the city, was a department with the city, they called it their golden goose. And whenever the city commissioners wanted some money, they would call Commissioner Kennedy, who was in charge of the electric department, and they'd tell them, you know, we need this, and they did it, and it went on for years.

And it got to be such a habit, they found out that, A, the goose was getting old and they didn't have any eggs being fertilized to have some new geese.

So that's when they had to change that way of thinking and went to this more current agreement that the city has with the JEA, which is another agreement, a long-term agreement, the city has. They've got lots of them. They're all over the place.

But we can fix it and structure it dealing with some folks over there that can have some good reasoning to be protective of our assets.

CHAIRMAN BUSSELLS: I agree with the sentiment, but on actually executing something, I'm in a different place than two of my colleagues. I think the remedy should fit the offense, that we shouldn't give somebody the death penalty for a parking violation. I'm exaggerating enormously. I think the remedy should fit the offense.

MR. GLOVER: Right.

CHAIRMAN BUSSELLS: And what I hear from two of my colleagues is a penalty intended to deter the offense in the first place. And that's not where I am given the context of all this stuff and the relationships and everything else.

Having a remedy that fits the offense, as unlikely as it is, and makes our members whole over the period of time contemplated, is what it seems like we should be doing as fiduciaries. And punishing somebody or getting even with somebody that is our partner and part of the city government feels like a technical mistake to me.

So I think we need to have clarity in directing to you the remedy, because I'm hearing two streams of thought of in the unlikely event of year six or seven or eight, or whenever it is, the 40 million doesn't show up, what is our remedy to have assured the 120- -- and, actually, you know, part of the 120- is the city's money actually, not chapter money -- well, a lot of it is chapter money -- was well-invested in this overall settlement in 2015.

MR. GLOVER: But the remedy should discourage the violation of the agreement.

MR. KEANE: And the best way for the remedy is we just wordsmith this in, any payment that the city misses automatically goes into the following year's actuarial calculation for paying the ARC. Because under state law they have to pay the ARC.

CHAIRMAN BUSSELLS: That feels elegant and efficient to me.

MR. KLAUSNER: That's just what I was going to say.

MR. GLOVER: Right. There would be no gain for them to violate it at that point.

MR. KEANE: Only if you were in your last year in office and not going to be here and have to do the budget next year.

MR. KLAUSNER: Particularly, by putting it in the ARC, it then carries the interest payment associated -- the discount rate of 7 percent to it.

CHAIRMAN BUSSELLS: So that way it's now 120- instead of 200- with the passage of a year.

That's great, by the way. It reduces the unfunded.

So the 120- goes in immediately. The other can be paid over time or not. And so this assures that the city's commitment is funded via an ARC mechanism in the highly unlikely event some future mayor or city council doesn't do the whole 44- for whatever reason.

MR. KEANE: We believe that's the easiest way of doing it.

MR. TUTEN: Okay. John, should we -- well, the first comment I make to Walt. What some people view as a penalty, I view as a commitment.

But, anyway, would it be better to have you wordsmith it, bring it back to us to inspect the final language? I mean, we can agree in principle to the outline of it, but until we see his final copy, then we're going to have to discuss that.

MR. KLAUSNER: I would prefer that you let us send language back to the city. And if I could suggest the form of a motion, that it's to approve the financial arrangement subject to the inclusion of a penalty provision which would state that in any year in which the city failed to make a payment, the payment missed would become part of the actuarial required contribution for the following year, together with the interest on that payment, and that the city would agree to the dedication of an appropriate source of revenue necessary to make that payment.

Because I don't really care where they get the money and I don't think you do either.

CHAIRMAN BUSSELLS: Yeah. But in terms of the process, the city council, when they enacted this 64-page ordinance a few weeks ago, they put a January 15th Sunshine date. We will do our duty responsibly (interrupting cough) to the best of our ability, which is why we're doing all these special meetings and working hard on this.

I would -- I would think it would reflect well on us discharging our duties to send a comprehensive response to the city council by the 15th.

And so what I hear you saying in part, Bob, is a process to do that by the 15th, if that makes sense.

MR. KEANE: Absolutely. Yes, it does. For everything.

CHAIRMAN BUSSELLS: Exactly.

MR. KLAUSNER: John and I working together can certainly fashion language which reflects the vote of the Board.

MR. HERBERT: If the Board doesn't object, I would like to utilize the language that was given by Mr. Klausner as a substitute to the motion that I made previously.

MR. KLAUSNER: That's why we have the court reporter for these proceedings so that what I said now I won't have to worry about remembering.

CHAIRMAN BUSSELLS: Is there a second to the revised motion? Further discussion or questions?

MR. SCHMITT: I'm still a little confused as to how that would prevent or dissuade the city council in three years saying, we're not paying any more.

CHAIRMAN BUSSELLS: My understanding -- I'm an accountant, what do I know? But I think legally, under state law, we send the ARC invoice to the city, by state law they must pay it.

MR. KLAUSNER: Correct. And 112 -- I think it's 63 says, if you don't pay your ARC, the state holds on to all of your revenue sharing money until you do.

CHAIRMAN BUSSELLS: Now, that is punitive right there.

MR. GLOVER: Well, it's still --

MR. TUTEN: Close enough.

MR. GLOVER: -- it's still a modem of operating in good faith.

CHAIRMAN BUSSELLS: That's all I want.

MR. GLOVER: Yeah. And I don't think we can get around that, really, because, you know, you can litigate anything.

CHAIRMAN BUSSELLS: Right.

MR. GLOVER: So, I mean, so we're not going to be able to get around that. But I think these safeguards will get us where we need to go with some level of security, because neither one of us will get everything we want. So it's just a negotiated agreement here.

CHAIRMAN BUSSELLS: I think it's an elegant solution. It strikes me at least as some assurance to use. It uses existing mechanism, existing structure, for this specific purpose.

MR. TUTEN: And for the record, I still think we need to eliminate the 80 percent funded ratio provision. In order to make my members feel safer that the city is committed toward this goal, this is how much the city is going to put in, this is how much we're going to put in. How we get there, how long it takes, we know it's going to happen. This whole ratio -- not that I think we're going to be 80 percent ratio in ten years. I hope. But chances are, probably not, but you never know. But if we're 80 percent funded in four years from now, I don't want, hey, wait a minute, what happened to our money?

MR. KEANE: Can I respond to that?

I think that the current thinking is, say you want it prefunded, we're going to have the money.

CHAIRMAN BUSSELLS: They're going to find a way to get that present value --

MR. KEANE: They're going to get the present value of that future commitment, get it down from 400 million down to 300- or 270- or whatever the number is, pay us that money. And we've got their money.

CHAIRMAN BUSSELLS: Yeah. The approach that former council President Carlucci and Charlie Appleby came forward with. A lot of excellent people are working hard trying to figure something out that can work. That one, in my view, is a very good idea. I know others are working on it. Something is there that they can work on.

MR. KEANE: There are many people in the city that are calling us and they have these ideas and bouncing things. There's a lot of folks working on it.

MR. KLAUSNER: Just to answer Trustee Tuten's question, the money that we're talking about, the city's 400 million and your putting up 122 million, that's to enhance -- that's to immediately inject capital into the system to enhance the funded ratio, and obviously it gives you more capital for investment.

Whether that results in a 60 percent or an 80 percent or whatever funding it results in, the city is still obligated by state law to pay the normal costs each year, which is the value of benefits earned by firefighters and police officers working that year, plus to the extent any unfunded accrued liability remains, the city is still obligated under state law to retire that unfunded liability in a -- through equal payments over a period not to exceed 30 years.

So once we get to 80, that just ended the supplemental funding arrangement. It does not relieve anybody of the responsibility to fully fund all benefits so that they're paid as and when they become due.

MR. TUTEN: Yeah, I understand that, Bob.

I'm just looking at this agreement while we're doing all this and to solve all these problems, because getting back to the current people -- and it all ties in, you know, with the ten-year arrangement. You know, the money is part of that arrangement. That ten-year guarantee is going to go a long way in stopping people from coming down here at 20 years, I can assure you.

Because right now guys are going, well, what's going to happen? Is it 3 at 10? But it's all tied in together. And like I said, I just would prefer not to have -- I would prefer to have one less way for the city to say, hey, we've met our goal; we don't need to pay you this. No. Give me your money, I'll give you mine, and we're done with it. That's all.

MR. KLAUSNER: Even after we're done with the supplemental funding, if they don't pay their

ARC in any given year, the state hangs on to their revenue-sharing money, doesn't give them any of it.

The only thing that we've added to it is that it's part of the agreement, they're going to consent to direct payment to the fund from the State of Florida as opposed to passing through. That's not a new idea. That's one that New Orleans worked out with all of its pension funds after the storm when they had to address some pension-funding issues.

CHAIRMAN BUSSELLS: Any further questions or comments on the motion?

Hearing none, all in favor, say "aye."

(Responses of "aye.")

CHAIRMAN BUSSELLS: Opposed, like sign.

(No responses.)

CHAIRMAN BUSSELLS: It carries unanimously.

MR. KEANE: That's the amended, the amended motion.

CHAIRMAN BUSSELLS: Yes.

John, I wonder if we -- let's see if we can knock out some that I think are very straightforward and then come back to the few remaining that have real complexity for the members and the fund, if that would make sense.

So let's start with the service purchase provision in the ordinance as passed by the city council a few weeks ago that those that join our city's employment that served in other governments in Duval County would have the right to buy back time as part of our fund.

MR. KEANE: All right, sir.

CHAIRMAN BUSSELLS: John, I believe your recommendation is to approve that since we've been seeking that for a long time.

MR. KEANE: Yes, sir, it is. This would permit --

CHAIRMAN BUSSELLS: Yeah, it's okay. Does everybody understand what we're doing? Can I get a motion?

MR. GLOVER: So moved.

MR. HERBERT: Second.

CHAIRMAN BUSSELLS: Further questions or comments? All in favor, say "aye."

(Responses of "aye.")

CHAIRMAN BUSSELLS: Opposed, like sign.

(No responses.)

CHAIRMAN BUSSELLS: Carries unanimously.

MR. KEANE: Surviving spouse.

CHAIRMAN BUSSELLS: Yes. We have sought, and very properly in those situations where a spouse is living in an assisted living home or other places (interrupting cough).

So the ordinance enacted by the city council includes a change that we wanted. And, John, I think it's written exactly as you've requested or that we've requested given the reality of the current world we live in.

MR. KEANE: Yes, sir.

CHAIRMAN BUSSELLS: Can I get a motion on that?

MR. GLOVER: So move.

MR. HERBERT: Second.

CHAIRMAN BUSSELLS: Any questions or comments?

All in favor, say "aye."

(Responses of "aye.")

CHAIRMAN BUSSELLS: Opposed, like sign.

(No responses.)

CHAIRMAN BUSSELLS: Carries unanimously.

And I'm focused on financial, not governance section, John.

MR. TUTEN: What page are you on, Walt?

CHAIRMAN BUSSELLS: And we'll come to DROP and COLA before we wrap up this section.

Other than governance, legal, COLA and DROP, John, were there other matters for Group 1 members? Do we have the base question?

MR. KEANE: No, sir. But on page 47 there is a scrivener's error of January 1st, but we're going to cover those in the other scrivener's errors.

CHAIRMAN BUSSELLS: Yeah, yeah, my thought exactly.

Before we turn to COLA and DROP, are there any financial sections affecting current members, current employees, we could dispose of before turning to those two?

MR. TUTEN: I don't think so.

CHAIRMAN BUSSELLS: I think that's it.

MR. TUTEN: Those are two pretty big ones, Walt.

CHAIRMAN BUSSELLS: Yes, sir, those are big ones. So let's turn -- let's do DROP first.

Council very properly raises an important federal tax law issue concerning what's allowed under the tax law for tax-exempt pension plans.

Bob, if you could just summarize that again briefly for the Board and then we'll talk about that.

MR. KLAUSNER: Yes.

Very briefly, you have what is called a Qualified Plan, which provides for favorable tax treatment. And one of the rules to be deemed a Qualified Plan is you have to have what's called a definitely determinable benefit, which is why when we had the discussions on this issue entirely, the interest payment on a DROP account could never be less than zero because if you could go negative, then you really wouldn't know what your benefit is, and the IRS has already said they would disapprove such a plan.

Now, if you're going to have a 2 percent contribution, but you could go to below -- you know, you could go to zero, you could have in essence a negative 2 percent. So my view is if you're going to continue to require the 2 percent, the range for DROP interest would have to be 2 to 10, to use this example, or eliminate the contribution and use 0 to 10.

How you deal with the merits of the program is up to you. I'm just saying you've got to choose one of those two options if you're going to use that example of 0 to some other number.

Eliminate the contribution or make the DROP interest equal to whatever the contribution rate at the bottom end.

MR. KEANE: In our discussions with Mayor Brown and his staff, the recommendation was to change the interest rate on the DROP from the current 8.4 to a range of 5 to 10. The city council changed it from 0 to 10, which is not our agreement. It was not what you-all had previously approved in June.

So that might be the first thing you want to address, which one of those you want to go on.

CHAIRMAN BUSSELLS: Great point. Great point. Thank you very much for that.

Well, let's start there. So could I get a motion on what the city council enacted, changing the 5 to 10 to 0 to 10, realizing we will come back and address the subject of what the federal tax law allows in sequence after we take a vote on what the city council enacted?

So could I get a motion on the 0 to 10 percent in lieu of what was negotiated with the mayor and his staff of 5 to 10 percent?

MR. TUTEN: You want us to accept what the city council proposed, the 0 to 10 --

CHAIRMAN BUSSELLS: I want a motion to either approve or disapprove it. I think we should get on the record for everything in the council ordinance --

MR. TUTEN: I agree.

CHAIRMAN BUSSELLS: -- and where we agree, we agree, where we don't, suggest some alternatives.

MR. TUTEN: Okay. I make a motion we disapprove city council's 0 to 10 percent.

MR. SCHMITT: Second.

CHAIRMAN BUSSELLS: I have a motion and a second. Further questions or comments?

All in favor, say "aye."

(Responses of "aye.")

CHAIRMAN BUSSELLS: Opposed, like sign.

I'll say no.

So the motion carries four to one?

MR. KEANE: Right, four to one. And that is to reject the 0 to 10.

CHAIRMAN BUSSELLS: Yes.

MR. HERBERT: And just for the record, I voted in light of the IRS observations.

CHAIRMAN BUSSELLS: Well, actually, so -- well, actually, I voted assuming that we will fix the IRS problem, it will be 2 to 10.

MR. KLAUSNER: Or eliminate the contribution, one or the other.

CHAIRMAN BUSSELLS: Right, one way or the other, because we are not going to do something knowingly that violates the federal tax code. That would be devastating to the taxpayers. We're not going to get close to violating the federal tax law. Okay.

MR. KEANE: We need a new motion.

CHAIRMAN BUSSELLS: So -- yes, a new motion. We're going to make a new motion.

MR. KEANE: Is that to go with the 5 to 10 or to eliminate the 2 percent contribution and make it 3 to 10? I'm just trying to throw something out here for you.

CHAIRMAN BUSSELLS: So it feels like three options. What was originally negotiated, no employer contribution, 0 to 10, less than 5.

MR. TUTEN: I personally think that the mayor's first 5 to 10 is fair because I do think that even though it would be nice not to have a contribution for up to five years, that's kind of like I said, once again, while we're here, at least we're getting the people that are on the

DROP to put in something for five years, up to. And 2 percent admittedly is not, you know, a gargantuan amount, but it is 2 percent of their paycheck.

But at the end of the day when they leave, then the range goes from 5 to 10, which is, you know, 8.4. You're going down 3, you're going up 1.6, you know, I can live with that.

MR. GLOVER: This is one we voted on anyway, right, with the mayor?

CHAIRMAN BUSSELLS: Oh, yeah, the resolution that we passed back in June, I think it was, that included the 5 to 10. That's exactly right.

So do you want to put that in the form of a motion?

MR. GLOVER: Yeah.

MR. TUTEN: Yeah. Make a motion to make the original plan 5 to 10 and keep the contribution.

CHAIRMAN BUSSELLS: Is there a second?

MR. SCHMITT: Second.

CHAIRMAN BUSSELLS: Further questions or comments?

All in favor, say "aye."

(Responses of "aye.")

CHAIRMAN BUSSELLS: Opposed, like sign.

Aye.

So it carries four to one.

MR. KEANE: Who voted no? Oh, you did.

CHAIRMAN BUSSELLS: So the 2 percent thing becomes moot?

MR. KLAUSNER: Yes.

CHAIRMAN BUSSELLS: It's irrelevant?

MR. KLAUSNER: Yeah.

CHAIRMAN BUSSELLS: Let's turn now to COLA.

John, if you would, just to be sure we're all in the same place, if you could revisit what was agreed to at the table with the mayor and his staff back in the spring, compare and contrast it to what the city council enacted a few weeks ago in the ordinance, and then we'll go from there.

MR. KEANE: Yes, sir.

The paper that you received yesterday from Chief Hand actually shows it best, and that is this document that we sent you last night that starts --

MR. TUTEN: The amendment that's on page 4?

MR. KEANE: And the COLA is on the last page.

Our original agreement with the administration as proposed by Mayor Brown through the city council, no change in the current 3 percent. It's on the last page.

CHAIRMAN BUSSELLS: Go it.

MR. KEANE: Council made four amendments. The first one was no change with employees of 20 years of service or more. That's a cosmetic amendment. They can't change anything with anybody that's got 20 years, anybody that's retired, but it looked good.

The next one was 3 percent would only apply to benefits already earned. It would be split the benefit. So if you worked 15 years, after you retired 15 years, COLA would be calculated one way. The remaining would be calculated another. The new COLA would apply only to benefits earned after. And the new COLA is the Social Security COLA with the cap of 4 percent.

CHAIRMAN BUSSELLS: With the proviso it cannot be negative?

MR. KLAUSNER: Or can never be zero.

CHAIRMAN BUSSELLS: Social Security can be --

MR. KEANE: Zero.

MR. KLAUSNER: Zero. Social Security doesn't go down.

(Simultaneous speaking)

MR. KEANE: Same thing.

CHAIRMAN BUSSELLS: Okay.

MR. KEANE: So that's where they are.

Now, upping the cap from 3 to 4 could be helpful. Joey prepared a chart that they sent out that talks about the Social Security for the past 30 or 40 years.

And which chart are you going to give them?

MR. GREIVE: It's in the e-mail from Chris Hand, January 3, 11:52 a.m. --

MR. KEANE: That's this page right here, right?

MR. GREIVE: Yeah. COLA. Looks like this. We handed this out at the last meeting as well, but you've got it in this packet today.

MR. KEANE: And what it shows is that -- you know, that COLA goes up and down for many years. There was always the COLA, always got a Social Security COLA. They've had a couple years here lately where they did not give it.

MR. KLAUSNER: 2010 and '11.

MR. KEANE: Recently they had one that was as high as 5 percent, 5.6 or something --

MR. KLAUSNER: 5.8 in 2009.

MR. KEANE: Yeah.

MR. SCHMITT: Now, this is without the cap of 4 percent, correct?

MR. KEANE: The chart you're looking at?

MR. SCHMITT: Right.

MR. KEANE: Is the actual what happened.

CHAIRMAN BUSSELLS: Well, actually, the green line is the cap, I think, Larry.

MR. SCHMITT: So the way I'm looking at this, if you include a cap of 4 percent over the last five years, that would change the COLA to an average of 1.7 percent. And over the last ten years, if you had a cap of 4 percent, it would have been 2.21 percent, significantly under our current 3 percent COLA.

And if we go back 15 years, it's 2.29 if you have that cap of 4 percent over the last 15 years.

CHAIRMAN BUSSELLS: If you go back 30, it's (indiscernible).

MR. SCHMITT: 40 years, it's 2.93 with a cap of 4 percent.

MR. GREIVE: If you implement the cap, I think what Trustee Schmitt is saying, it's going to eliminate the amount (interrupting cough) so it has a downward effect on the average.

MR. TUTEN: Yeah. With no cap it makes the COLA appear a lot more beneficial to change than it would with the 4 percent cap --

MR. GREIVE: Correct.

MR. TUTEN: -- is what my compadre here is explaining.

The problem I'm going to have, the hard problem that I have is with guys that are currently on the job that are saying, look, wait a minute, you know, I got a contract and you guys promised me 3 percent; and I know times are tough, but now you're going to change it on me and this really -- this chart, like, I understood, you know, why they put this in here.

But there's no scenario in here that basically makes a guy that's on the job now go, please change my COLA from the guaranteed 3 percent. It doesn't work. It's factual. It's right there in the numbers.

So we have to ask ourselves, why are we doing it? Are we really saving that much money? Because, like, with a person like me, I'll have 18 years on March 10th. So for 18 years we're going to do me at 3 percent, and then if I leave in two years, at 20, which I'm hoping not to do, just for the record, what is my COLA going to be?

You know, but we've got a whole department full of guys with 12, 15, 14, 13. I mean, is the savings in the pension worth disrupting all these people's lives? Because once again we're going to go back to the point of, it's not just future employees. It's guys on the job that have one year, just like a guy that worked with me the other day at the fire station.

And we got into a long, in-depth conversation about pensions and futures and jobs and families, and I broke it down to him and told him exactly what's happening, why, and what he should be aware of.

And I'm afraid this is something that really does play into the psyche a lot more than the pocketbook, because the difference between 3 and 2.7 and 4.0, look, nobody is going to get rich off of it.

But as far as stability and when people look at this job, they go, you know, I can count on that 3 percent. And I just wonder if it's worth getting into all of this money-wise as opposed to how it disrupts these people's lives.

And, then, Joey, maybe you can tell me. I just don't know how much money it would even save.

MR. GREIVE: Well, I think through the Chair, if I may, just a couple of points on that to address your immediate concern.

You know, there's not -- it's not really easy to isolate out certain factors when you're doing actuarial modeling. We found that out, you know, a lot over the last two years.

But we all know, you know, that COLA is one of the biggest needle movers when we look at benefits as far as long-term savings to the pension fund.

MR. TUTEN: And it's addressed with the new guys. And I'm not -- I'm sorry, Joey, but the mayor's agreement had no change. This is really more aimed at the council. And to me, personally, the council did all of this, to me. As an employee, it appears, as nothing more than to get something out of them. In other words, they were mad because the mayor didn't change the COLA, so they can say, you know, we're going to change this and get something out of the current employees.

Well, you're already getting something. It's called 127 million bucks of my money if this thing goes through. That's quite a bit in my book.

Go ahead. I'm sorry.

MR. GREIVE: Well, no. So I think just the other relevant points that the Board would want to keep in mind when discussing changes to COLA for current employees, you make a great point, and I think the point has been made a few times too, where, you know -- because current employees, for the 18 years you do have, you're locked in at the current 3 percent, and then only the new two years that you, hopefully, longer, will work going forward would be subject to the new range.

A couple of things to think about with the new range. Because it's variable, it's more tied to reality. So in years like the hyper-inflationary '70s and '80s, you know, we've just been through a period of 10, 15 years, as Trustee Schmitt pointed out, where we've been through abnormally low inflation.

These things move in cycles, so at some point you're going to have abnormally high inflation over the long-term. And when you're doing pension math, you have to look at 30, 40, 50 years. So there will be years where there are higher than 3 percent crediting rates.

Now, I know if you look at the average you apply to cap, you know, that has to have a downward adjustment, and maybe the 3 percent guarantee would appeal to more people.

But if you look at the financial benefit to the city in being able to fund its obligation to the pension fund and you match that up, you know, with taking into account economic reality of, you know, what does bread cost? If bread goes up 4 percent, you know, as a participant, I would want my COLA to go up 4 percent.

Now, that's within the content -- it's a very complicated issue. You know, it's tough for you guys given the seats that you're in. I get that. But I just wanted to argue with a chart that shows over time what COLA has been because there are some scenarios under which the new plan would result in a higher payment to participants, and that would be in the years when gas, you know, and food and milk are going up.

MR. TUTEN: Well, it seems to me, Joey, with the new guys, with the highest they can get with a cost-of-living increase is 1.5 percent. That's going to be single handedly the reason why they don't come here, by the way.

But that's what this is attempting to do for current employees. If we're going to be realistic about it, I'm all for that. Let's give them -- July of 1981 would have been nice. That's 11.2 percent.

In other words, once again, as with the DROP rate, we're limiting the upside but we're lowering the downside quite a bit expecting the employee to take all the risks. And, as an employee, that's not fair.

Now, if you want to make it as realistic as it can get, then tie it into the exact, no cap at 4 percent, tie it into whatever it is that's fair. That's just me. But I'm an employee. I'm not. . .

MR. GREIVE: Mr. Chairman, if I may --

MR. KEANE: We had lengthy discussions about this with the mayor and his staff, hours.

CHAIRMAN BUSSELLS: Right.

MR. KEANE: Came to the 3 percent. Leave it alone, and that was fine. Just for some of these issues, Rich, that (interrupting cough).

MR. GREIVE: Just one more comment on that. I fully understand where Trustee Tuten is going on that. The fact of having a cap on the upside does limit it and it adjusts the averages, as Trustee Schmitt pointed out.

We have to keep in mind too that there's an implicit cap on the downside too. So there can be scenarios where inflation can run below zero. There can be disinflation. Deflationary periods in the economy. We can go through contractions, recessions, depressions. They have happened in the past, over 50 years. They will happen again.

So we have a floor built in too at 0 percent because Social Security has a 0 percent floor. So there will be some evening out over time. I fully understand where you're going. I just wanted to make sure I pointed that out.

MR. TUTEN: Well, I'm not discussing real versus action. I'm not getting into all that sort of inflation. And my point for all this, Joey, don't take it personally, trust me --

MR. GREIVE: No.

MR. TUTEN: -- is getting back to the original agreement with the mayor, we left it at

3 percent. There's a reason for it. You know, as an employee, I'd love to go up to 4 or 5 percent. Let's roll the dice. I think inflation is coming, personally.

But it simplifies things when current employees can say, I know I've got 3 percent. Future employees say, I know I can get a maximum of 1.5 percent, and we don't have to get into all these Byzantine calculations of every guy on the job, based on how long they've been here and what the inflation rate was when I really don't believe it's going to save the city that much money.

I think it was nothing more than an attempt by certain council people to say, we want something out of current employees.

CHAIRMAN BUSSELLS: Okay. So first let's get a motion on what the city council enacted first and then we'll go from there.

MR. HERBERT: Mr. Chairman, I move that we approve -- or accept the amendment from the city council with regard to COLA.

CHAIRMAN BUSSELLS: Can I get a second?

I'll second it for discussion.

Any further questions or comments?

All in favor of the motion, say "aye."

(Responses of "aye.")

CHAIRMAN BUSSELLS: Opposed, like sign.

(Responses of "aye.")

CHAIRMAN BUSSELLS: Fails three to two.

What would be perhaps an alternative, if any, to what was negotiated in the spring with the mayor and his staff that could attract the majority of the trustees on the question?

For example, would 0 to 6 instead of 0 to 4? I'm just throwing something out to see if there's something that the majority of the trustees could find acceptable or amenable as an alternative suggestion back to the city council.

MR. SCHMITT: If we're going to index, which I don't agree we should, but if we're going to index, it should be what the index is, the CPI.

CHAIRMAN BUSSELLS: Like with Social Security.

MR. SCHMITT: Right.

CHAIRMAN BUSSELLS: So the floor, I'm asking, a 0, like Social Security?

MR. SCHMITT: Exactly like Social Security if we're going to do that. I would prefer we just stick with what we -- what was negotiated with the mayor, 3 percent. There was a lot of discussion, a lot of things that went -- a lot of factors that were discussed that went into that decision and it remained at 3 percent.

CHAIRMAN BUSSELLS: Other thoughts or ideas on the subject?

MR. GLOVER: Why don't we put on the floor the agreement with the mayor? I move that we go with the mediator's agreement we had with the mayor.

MR. SCHMITT: Second.

CHAIRMAN BUSSELLS: Further questions or comments?

All in favor, say "aye."

(Responses of "aye.")

CHAIRMAN BUSSELLS: Opposed, like sign.

(Responses of "aye.")

CHAIRMAN BUSSELLS: Carries three to two.

John, does that conclude basically the financial provisions on current employees?

MR. KEANE: I believe it does, Mr. Chairman.

CHAIRMAN BUSSELLS: So shall we move on to governance? Let's take a ten-minute break. We will resume at 10:20. Honest to goodness, at 10:20 I'm gaveling back the meeting. No offense.

(A break was taken; thereafter, the Special Meeting of the Board continued as follows:)

CHAIRMAN BUSSELLS: All right. So the meeting is back to order.

We're going to turn to what I call the governance matters. John, I'm going to generalize and say that most of these are things that this Board has already elected to do voluntarily, unanimously. And the city council added in their process to what was submitted by the mayor back in June a number of these issues and put it in the ordinance. And I believe you recommend basically approval of each of them. But let's tick through each one to make sure we consider each one separately as we go through.

MR. KEANE: On the section 121.502, the creation of the Financial Investment and Advisement Committee.

MR. TUTEN: John, are you on your little summary sheets here --

MR. KEANE: Yes.

MR. TUTEN: -- or are you reading from the ordinance code?

MR. KEANE: I'm on the summary sheet.

MR. TUTEN: What page are you on?

MR. KEANE: It's page 18.

CHAIRMAN BUSSELLS: And this is the one that provides this Board the same investment authority as the general employees.

MR. KEANE: That's in their ordinance code. This here creates the Financial Investment and Advisory Committee and their general duties and responsibilities.

In section 121.502, we recommend a slight amendment to striking the words "advisory oversight" and "actuarial practices and assumptions" and renumbering the rest of them. And the reason for that is there was some discussion here at our previous meeting about this advisory oversight.

The statute that creates the Board clearly says the Board is solely responsible for the administration of the fund. So taking those words out, there's no violence to the concept of creating the Financial Investment Advisory Committee, and that's our recommendation.

MR. HERBERT: Mr. Chairman, I move approval of council's proposed section 121.502, with an amendment striking the words "advisory oversight" and, two, "actuarial practices and assumptions."

CHAIRMAN BUSSELLS: Can I get a second?

MR. GLOVER: Second.

CHAIRMAN BUSSELLS: Questions or comments?

Joey, you looked troubled.

MR. GREIVE: Well, Mr. Chair, I just, you know, would like to hear more discussion surrounding why we would take out "actuarial practices and assumptions." I think that's, you know, a very important point for administering a pension fund. You've got the investment side and the actuarial side.

If the advisory committee, you know, will meet on various financial matters, actuarial matters fall into that bucket and can make recommendations and suggestions to the Board.

You know, and to John's point, the Board retains ultimate responsibility. But I don't see why the committee could not discuss and meet and recommend on actuarial practices and assumptions.

CHAIRMAN BUSSELLS: Bob.

MR. KLAUSNER: I think the reason is this. The agreement sets a discount rate for its term, and the governance portions last for 15 more years. So why would you need to discuss -- the primary actuarial practice related to investment is determining the assumed rate of return. So absent an amendment to the agreement, the assumed rate of return is going to be 7 going forward.

So the idea is to focus the Investment Advisory Committee on the primary economic driver in this plan, which is investment return.

MR. KEANE: And, secondly, actuarial recommendations, unlike accounting, have a range. You can be just as right over here as you are over here. And to have people start nit-picking it, we think, is wrong.

CHAIRMAN BUSSELLS: So the issue is authority; is that correct? Hey, you-all pay attention to me, please.

The issue is authority, right?

MR. KLAUSNER: Correct.

CHAIRMAN BUSSELLS: In other words, the advisory committee may not tell this Board what to do. May not second-guess this Board of Trustees. The fiduciary responsibility at that point stops here.

MR. KEANE: Right.

CHAIRMAN BUSSELLS: This language appears to get over that line to us.

MR. KEANE: We do.

CHAIRMAN BUSSELLS: Can there be some modification to the language that retains the -- I believe the intent of the council, which was, citizens with the experience and expertise willing to do public service and provide advice and analysis for free, should be encouraged. And it's a good thing. I agree with that.

We've already approved the creation of the committee, as you well know. We're actually creating it already, which is terrific. And if they want to weigh in and provide their insights or analysis or information on the subject, as long as it in no way, shape or form appears or substantively binds what the trustees may do in their fiduciary responsibility, is that okay?

MR. KLAUSNER: I think Chief Belton was fine with the suggested change --

MR. BELTON: Yes.

MR. KLAUSNER: -- in light of the fact that we have decided as a substantive matter to set the assumed rate of return for the duration of the agreement. I mean, the committee can probably weigh in on whatever it wants as long as it's generally related to investment.

MR. GREIVE: Well, Mr. Chair, the only

reason I bring that up is that this language was what we debated thoroughly and agreed to at the June session. So this would be, in my opinion, a change to what was already previously agreed upon by the Police and Fire Pension Fund and the mayor's office.

CHAIRMAN BUSSELLS: I misspoke. I thought that was a city council amendment, not in the mayor's submittal.

MR. KEANE: No. Once it all came out -- I'm sorry. This was in the original thing. But as it turns out, while we're sitting there talking about one thing and we agree to it, and once it gets down on paper and becomes a cold, hard fact when you look at it, you can see, should not have agreed to that, and that's what I'm recommending to these changes.

I made the original recommendation to do it. I'm now making the revised recommendation that we need to make these changes. We need to strike that word "oversight." It flew in there in a hurry as some things sometimes do. And while there are many people in our business community that are willing to come help us on the investment side, actuaries are few and far between.

MR. TUTEN: So is the actuarial practices and assumptions, is that basically part of the description for the advisory committee member? Is that what you're saying?

MR. KEANE: No. That's just one of the things they're going to recommend back to the Board.

MR. TUTEN: Okay. Let me ask you, Joey, why would -- so in other words, if you take it out, it's not going to stop you from being able to find somebody. They're more than free to make any recommendation they want to. It's just, why is this so important to have that in there as far as going forward?

CHAIRMAN BUSSELLS: A great point that I misspoke on earlier.

For the overall progress to pension reform, I think the possibility of this being misconstrued somehow is far less impactable than the appearance of us retreading the deal we agreed to back in June, is how -- is what I think. What I'm saying is I don't -- I was somewhat persuaded by the earlier one.

If this is what we agreed to with the mayor's staff, me as one trustee, I'm going to have a hard time changing it based on the possibility of language being misconstrued and things that, to me, are not troublesome.

But I think it's pretty clear the advisory committee, starting with its name, is that they have no authority over what we do, and they should not because of the fiduciary responsibilities we have.

MR. SCHMITT: And I agree with you that it should be something that is -- we consider immaterial. But, again, looking five years down the road, somebody reading this when possibly we are all gone, we have to make it clear that the authority of this advisory committee is, in fact, advisory only. And I think it clouds that issue when we put "oversight" in there. And we talk about specifics related to actuarial practices and assumptions. We already, as part of the plan, have two actuaries, one for the city and one for the plan.

MR. KEANE: And the state.

MR. SCHMITT: And the state. That's a third. And the city and the plan's actuaries have to agree before they can go forward. So that's already built into the plan.

So I think this language in here adds some cloudiness to the role of the advisory committee.

MR. GLOVER: I don't see this language as threatening as you're indicating. I just think that the Board has ultimate decision-making on this. And, you know, we modified it, we agreed to it. I just think that going back and redoing it on this wording is not something that I would be in favor of doing either. I mean, we've already agreed to it. This wording is not that threatening to me.

MR. HERBERT: Mr. Chairman, I would like to withdraw my motion and make another one.

Mr. Chairman, I move that we accept the council recommendations with regard to section 121.502.

CHAIRMAN BUSSELLS: Any questions or comments?

MR. KEANE: We don't even need that because it's already been agreed to.

CHAIRMAN BUSSELLS: No, no. We're going to vote on every section of what the council enacted, up or down. And if its down, we're going to try to find something that will get it resolved so everybody can agree.

MR. TUTEN: So are we voting on section Number 2 here, the actual language?

MR. HERBERT: That's the wording, right?

CHAIRMAN BUSSELLS: To leave it as it is, as the council enacted it. That's the motion.

Is there a second?

MR. GLOVER: Second.

CHAIRMAN BUSSELLS: Any further questions or comments?

MR. TUTEN: I agree with Trustee Schmitt. I think reading the ordinance here and comparing and looking at it, I do think it adds a whole nother level of complication to the thing.

But go ahead.

CHAIRMAN BUSSELLS: All in favor, say "aye."

(Responses of "aye.")

CHAIRMAN BUSSELLS: Opposed, like sign.

(Responses of "aye.")

CHAIRMAN BUSSELLS: It carries three to two.

Okay. This next one, John, is, I believe -- would it be the salary survey or are you in a different place than I am on governance changes?

MR. KEANE: The next one that we have on page 18, Mr. Chairman, was the -- who selects the three and two.

Board selects the people, sends them to the city council for approval. This is now proposing that the city council decides who has a three-year term initially and who was a two-year term. And our recommendation would be the Board make that decision, but it wouldn't be a deal-breaker either way.

CHAIRMAN BUSSELLS: Yeah. With the substantive issues on the table before us we're trying to resolve, who picks the three-year term and two-year term . . .

MR. HERBERT: Mr. Chairman, I move that we accept the council's ordinance provision relating to this.

MR. GLOVER: Second.

CHAIRMAN BUSSELLS: Any further discussion or questions?

MR. TUTEN: And you say, John, our position here is just basically to make it easier to deal with the people --

MR. KEANE: Yes.

MR. TUTEN: -- as far as the Board is concerned? It doesn't have any adverse effect on us?

MR. KEANE: No.

MR. TUTEN: Okay.

CHAIRMAN BUSSELLS: All in favor, say "aye."

(Responses of "aye.")

CHAIRMAN BUSSELLS: Opposed, like sign.

(No responses.)

MR. KEANE: The next recommendation in the event -- we have a recommended amendment here on page 19.

"Notwithstanding any provision to the contrary, nothing shall prevent the immediate removal of a manager when, in the opinion of the Board, in consultation with the investment consultant, immediate action is necessary to safeguard the fund assets from loss."

The general provisions for this committee is the Board cannot neither hire nor fire anybody without referring to them, but the SEC could take some type of regulatory action this morning that the Board is going to follow up tomorrow. So we think that there should be a provision in here to have an emergency action by the Board, and we will send a copy of that action to them just so they will be aware. But we can't have the Board's hands bound, wouldn't you think?

MR. KLAUSNER: And the language also provides for a preselected index fund of the same class to hold the cash so that you can then go through the regular process of selecting a replacement manager.

CHAIRMAN BUSSELLS: And so this recommended amendment would just expand and make more clear the roles and responsibilities of the advisory committee and the Board.

MR. KEANE: Right.

CHAIRMAN BUSSELLS: For this highly unlikely but also possible situation. It does happen in the real world --

MR. TUTEN: Yes, it does happen.

CHAIRMAN BUSSELLS: -- and to do otherwise could do harm to the taxpayers as well as the members because of the adverse consequences on investment returns; is that correct?

MR. KLAUSNER: Correct.

MR. HERBERT: Mr. Chairman, I move for approval of this proposed amended.

CHAIRMAN BUSSELLS: Can I get a second?

MR. SCHMITT: Second.

CHAIRMAN BUSSELLS: Other questions or comments?

All in favor, say "aye."

(Responses of "aye.")

CHAIRMAN BUSSELLS: Opposed, like sign.

(No responses.)

CHAIRMAN BUSSELLS: Carries unanimously.

Next governance matter.

MR. HERBERT: Mr. Chairman, on page 18, the last recommendation, did we pass over that? Page 52, line 5.

MR. KEANE: That's what you just did.

MR. HERBERT: I thought we were dealing with the next one.

MR. KEANE: No, sir. That follows over.

MR. GLOVER: No, no.

MR. BELTON: This one stays as it is.

CHAIRMAN BUSSELLS: Yeah, it's the way the recommendations are laid in.

MR. HERBERT: So the motion was approved, page 52, line 5, and then with the additional amendments. Okay.

CHAIRMAN BUSSELLS: Right.

John, the next governance matter. Is it the one concerning conflict disclosure statements and such?

MR. KEANE: Yes, sir.

CHAIRMAN BUSSELLS: You're recommending approval on what the city council enacted on this point?

MR. KEANE: Yes, sir.

CHAIRMAN BUSSELLS: Can I get a motion?

MR. HERBERT: I move it.

CHAIRMAN BUSSELLS: Any further questions or comments?

All in favor, say "aye."

(Responses of "aye.")

CHAIRMAN BUSSELLS: Opposed, like sign.

(No responses.)

CHAIRMAN BUSSELLS: Carries unanimously.

John, the next one -- go ahead.

MR. KEANE: Is on page 20 in the ordinance, it's page 53, line 6. And this is a waiver for conflict of interests. If somebody has a conflict of interest, they have a conflict of interest. This talks about how you give them a waiver.

CHAIRMAN BUSSELLS: So our recommendation -- your recommendation, John, is someone could not be on our advisory committee if they have a conflict of interest; is that correct?

MR. KLAUSNER: They could have one and then just refrain from voting on the matter, but I don't want the Board to be in the position of having to decide Committee Member A gets a waiver and Committee Member B doesn't, because there will be no good answer that comes from that.

It's just, if you have a conflict, you follow the statute on conflict of interest. You shouldn't be in the business of making those waivers.

CHAIRMAN BUSSELLS: So this actually takes us to an even higher standard of --

MR. KLAUSNER: It does.

CHAIRMAN BUSSELLS: -- accountability and transparency.

MR. KEANE: Certainly does, especially when somebody looks back and says, why did you give somebody a waiver?

CHAIRMAN BUSSELLS: So here we're recommending an expansion of what the city council enacted to be more explicit for the protection of the taxpayer and a member in terms of eliminating the allowance for conflicts of an advisory committee member; is that correct?

MR. KLAUSNER: Correct. We're enacting a higher ethical standard.

CHAIRMAN BUSSELLS: Okay. Can I get a motion on that?

MR. HERBERT: I move it.

CHAIRMAN BUSSELLS: Second?

MR. TUTEN: Second.

CHAIRMAN BUSSELLS: Further questions or comments?

All in favor, say "aye."

(Responses of "aye.")

CHAIRMAN BUSSELLS: Opposed, like sign.

(No responses.)

CHAIRMAN BUSSELLS: Carries unanimously.

MR. KEANE: The next one is on the bottom of page 20, Mr. Chairman, and Trustees. It's actuarial assumptions. That's just a stylistic change which we can do under the previous authorization that you have granted.

And then we turn over to page 21, which is on page 56, line 4, of the ordinance.

One of the things the Scheu Commission recommended was alternative funding scenarios based on variable investment performances. And there's just some question of how many alternatives that you would want to have. You know, is three enough? Is five better? Is one enough?

CHAIRMAN BUSSELLS: So, John, your recommendation is --

MR. KEANE: Our recommendation is to delete the word "alternative funding scenarios based on variable investment performances in addition to the base case that extend to future years and incorporates volatility."

We recommend that be removed.

MR. TUTEN: I'll make a motion.

MR. SCHMITT: Second.

CHAIRMAN BUSSELLS: Further questions or comments? We'll come back and discuss alternatives depending on where the votes goes.

All in favor of the motion, say "aye."

(Responses of "aye.")

CHAIRMAN BUSSELLS: Opposed, like sign.

(Responses of "aye.")

CHAIRMAN BUSSELLS: So it's carries three to two.

Were we to amend it to limit the number of alternative scenarios to address the worst-case scenario concern that the Board can be accused of not running 10 or 20 or 30, spending all that taxpayer and member money with actuaries and consultants to no really good purpose other than theoretical academic exercises and probabilities, might there be something in the spirit of full cooperation to resolve this thing for everyone's benefit with leaders at city hall that we could amend what was enacted to perhaps limit or put a reasonable range of scenarios that would be acceptable to the majority of the Board?

I think this is theoretically possible and therefore worthy of discussion. Unlikely that somebody would say, you should have run 10 scenarios or 20 scenarios and spend more, you know, money on consultants and actuaries.

MR. KLAUSNER: I actually have an idea.

Why don't you limit the number of scenarios to those recommended by the actuary? The actuary will come to you and say, you know, there's two ways you ought to look at it, or three ways you ought to look at it, and I'm not worried that they're trying to feather their nest with an extra set of calculations.

MR. TUTEN: And I have a question too. If you read the whole ordinance --

CHAIRMAN BUSSELLS: Well, I'm not accusing them of that, but that's the practical result if we're not careful.

MR. TUTEN: Walt, my question is why the actuary needs to be looking at alternative funding scenarios. In other words, we give the actuary a set of numbers, run them based on these certain parameters, that's it.

In other words, the alternative funding scenarios is kind of our job or the consultant or whoever we decide that, you know, needs -- funding and actuarial analysis, they don't really -- if they have anything to do with each other because it's all money, but they really don't, not the way this -- in this context, the way I see it.

MR. KLAUSNER: That was the point that I was trying to make, that you say to the -- say to the actuary, the scenarios which you have given us, are you satisfied within the confines of the actuarial standards of practice, which is a national industry standard, are you satisfied within the ASOP numbers 4 and 27 that you've provided sufficient funding scenarios for the Board to make a decision?

If they said, no, I would really like to run one more, that's what you ought to do. That's why I suggested instead of a number -- because who knows what the number is -- that you would -- you would look at alternatives upon the recommendation of the Board's actuary.

Let the actuaries decide that. It's a professional question, not one for you.

MR. SCHMITT: Right now we're not limited as to how many scenarios we can have the actuary run.

CHAIRMAN BUSSELLS: That's correct.

MR. SCHMITT: In addition, the city again has their own actuary and they can run however many they want. To me it's not even needed.

MR. KEANE: And, Mr. Chairman and Trustees, they're talking about funding scenarios. We know that the funding is 7 percent. You know, if they tell you how much more the city cost is going to be if they go gown to 4 or went up to 8, it doesn't make a bit of difference to you. You-all set 7.

CHAIRMAN BUSSELLS: I agree with everything you've said. And to me, the issue is I know that everybody at this table wants comprehensive pension reform and to put this behind us for everybody, the members, and everybody else's benefit.

And so the issue to me is the appearance of doing everything possible to work cooperatively, constructively, creatively with our colleagues at city hall and not appear to not be nit-picking or pushing back (indiscernible).

So to me it's the spirit that's important because I know everything here has that spirit and wants to work this out.

MR. KEANE: Why don't we ask Robert what he thinks a good number would be? He's an actuary.

CHAIRMAN BUSSELLS: Where are you?

MR. KEANE: And he's on the payroll so he can answer a question.

CHAIRMAN BUSSELLS: He's biased. He has a contract.

MR. KEANE: But he knows what his professional opinion is.

CHAIRMAN BUSSELLS: Kidding aside, go ahead. What do you say?

MR. DEZUBE: I would look at it two ways. One is -- (indiscernible).

THE REPORTER: Can you stand up, please?

CHAIRMAN BUSSELLS: Come to the podium. Sorry about that.

MR. KEANE: Yeah. We've got to get these words down.

MR. DEZUBE: Robert Dezube.

First, there are two ways I would think of it. One is Bob referred to ASOP 27, which is the actuarial standards of practice that govern setting a discount rate.

Usually you run it in the future looking ahead. Your investment consultants will usually look ahead 10, 15 years. Actuaries look ahead 30 years. It gives you a range of results. Usually the actuary picks the midpoint, which would be in this case 7 percent, and where you think half a year returns are going to be above 7 percent and half would be less than.

I know the Scheu Commission looked at what we call the 25 to 75 percent range where one-fourth of the time you're going to be too low, one-fourth of the time you're going to be too high. And I think that's what they're referring to, that you do it at the 25 percent and maybe the 75 percent, which in their case was, like, I believe, 5.4 percent.

It's more of a budgeting tool so you can see what happens if the rate of return does not meet your 7 percent. What if you're really at -- you average 5.4 percent for the next 10 or 15 years, what it's going to do to the required contributions and the budget?

What if you have -- and expectedly but have a bunch of good years where you average 9 percent, what it's going to do to your ARC and to your required contribution?

CHAIRMAN BUSSELLS: So what would you say on the question? I forget what the question is at this point.

MR. KLAUSNER: The question is, how many?

MR. KEANE: How many alternative solutions would you run?

MR. DEZUBE: I would either say the 25 and 75 percent rate of return, which is two. Or I would do a model at stochastic modeling, which is one model. And you just --

MR. KLAUSNER: Reduce the probabilities.

MR. DEZUBE: Right. Either way. They are -- they are going to come up -- they're working on possibly new standards. Whether they get passed, when they will be effective, I don't even want to hazard a guess at this point. And I'm sure your actuary will come back -- if the new standards make him do additional work or he will either -- you will either have to authorize him to do the work or he'll have to qualify his opinion in doing the report.

CHAIRMAN BUSSELLS: Thank you.

MR. KEANE: Amend it to "(2) alternative funding scenarios based on variable investment performance in additional to the base case."

CHAIRMAN BUSSELLS: How about at least two to not be restrictive on a single number?

MR. KLAUSNER: That's fine.

MR. BELTON: At least two makes sense.

MR. KLAUSNER: I just need to know what to write and what we send back to the city.

CHAIRMAN BUSSELLS: Can I get a motion on that as an alternative to our colleagues in city hall?

MR. GLOVER: I'll move it.

MR. HERBERT: Second.

CHAIRMAN BUSSELLS: Further questions or comments?

MR. TUTEN: So what are we changing?

MR. KLAUSNER: Instead of knocking out that phrase of alternatives, we're going to amend that phrase to say not less than two alternatives.

MR. TUTEN: Okay.

CHAIRMAN BUSSELLS: All in favor, say "aye."

(Responses of "aye.")

CHAIRMAN BUSSELLS: Opposed, like sign.

(No responses.)

CHAIRMAN BUSSELLS: Carries unanimously.

The next governance matter is?

MR. KEANE: The separate bases of amortization. The Board has consolidated all the bases into one, which we're currently using, and it's been approved by the state.

The Scheu Commission was on the old formula, amortize each base individually. But the state has already approved the Board's current policy of -- it's been all consolidated.

MR. TUTEN: What page are you on, John?

MR. KEANE: Page 21.

CHAIRMAN BUSSELLS: This is a pretty arcane technical point. Could somebody that's knowledgeable educate me again on this point?

MR. GREIVE: Mr. Chairman, if I may, it may be an arcane technical point --

CHAIRMAN BUSSELLS: It's important.

MR. GREIVE: -- however, it carries with it very important, very big ramifications. And I think that if you go back to the very deliberative, you know, discussions during the Retirement Reform Task Force where this language was hammered out and agreed upon by both the city and the Board and then further endorsed by the Board at your subsequent Board meeting, we talked about this at great length.

It has a big impact on the numbers. The state, while having agreed to the current methodology, agrees to changes in methodology all the time. And it is a very important component of the current actuarial modeling.

And I think the city would -- duly speaking for the administration, would highly object to making any changes to this. And I think if you saw the modeling without that element, it would be not good.

CHAIRMAN BUSSELLS: So the way it's in the ordinance enacted by the council a few weeks ago is what came out of our negotiations with the mayor and his staff back in the spring. Would that be accurate?

MR. KEANE: It was in the Scheu Commission, which was adopted during those discussions. However, I told Chairman Scheu and their committee at the time, I said, this conflicts with what the Board's established policy is and what the state has approved. And they said, well, we like it this way anyway. So this is their recommendation.

MR. TUTEN: How does this go against what we do -- what's the difference between what we do right now and this right here?

MR. GREIVE: So, you know, we can have Robert Dezube come up, you know, who is a certified actuary.

But my understanding of this, the way the math works, is right now you've taken all of your prior mortgages of all the previous, you know, shortfalls and investment performance and actuarial factors. You've combined them all into one big mortgage as opposed to having separate mortgages established each year.

Both are acceptable practices. As Mr. Keane pointed out, the state has accepted your combined approach. They also have accepted separate approaches like with the General Employees Pension Fund.

From a budgeting perspective, you know, what you've done is you've combined one big mortgage that's to be amortized over time instead of having more smooth budgeting over time.

And when you think about municipal finance in general, and Ronnie can talk to this, you know, better than I can too; but, you know, the point of municipal budgeting is to make sure that because our revenues are all relatively, you know, fixed over time, they're tied in to the same buckets of revenue, we can't have big spikes in any one given year.

And what the combined approach has done is created that up-the-cliff, down-the-cliff chart that we've all seen in the past, the one that takes the funding requirements of the city, the employer, up to $469 million in 2040-ish.

That's not sustainable, and the separate mortgage -- the separate approach, which is like having separate mortgages established each year based on your performance that year, creates a more smooth methodology that you can actually, you know, afford over time and not have a big peak, a big spike.

MR. TUTEN: But that sounds like it benefits the city as far as their calculations. But as far as the pension fund and the members and the people that we have to do a job for, John, why -- why would we change it if the state already approved it anyway and we do what the state says? I mean, is there an advantage to changing it or is it just . . .

MR. KEANE: Well, I'm recommending -- I'm telling you, your current policy is doing it the way we're doing it. The Scheu Commission recommended a system that's more advantageous to the city.

MR. TUTEN: Right.

MR. SCHMITT: And how long have we been on this current system that we're on?

MR. KEANE: About three years. Right after we had the big workshop with Jarmon Welch in 2012.

MR. TUTEN: Right. Is that when we went down to 7?

MR. KEANE: Consolidated the bases then.

MR. HERBERT: What was the rationale for doing that?

MR. KEANE: Stability. Just take one number, add them all together, divide by 23 and go forward.

CHAIRMAN BUSSELLS: So the rationale in my view from those workshops in 2013, that went on extensively, no stone left unturned, the actuarial studies and the ARC calculations proved to be grossly inadequate to the actual costs.

A substantial reason we're in the mess we're in is because of inadequate flawed actuarial studies and ARCs. This is my opinion and I think the evidence also supports it for the 10 or 12 years of the agreement. That's the past. We can change it. All that matters is what we do next.

So, as you know, comprehensive reform, having done all that, to reduce -- that could happen again to the members and the taxpayers at the same time because of the compounding effect of higher returns pension funds earned versus the rest of the government's budgets.

MR. SCHMITT: So changing this to this proposed -- this proposed change would allow the city to make smaller payments, basically?

CHAIRMAN BUSSELLS: Potentially at times, but not in total, I think, is what I heard.

MR. GREIVE: Yes. So, Mr. Chairman, if I may, there's just two more points.

CHAIRMAN BUSSELLS: The total mortgage in your metaphor is the same?

MR. BELTON: The same.

MR. GREIVE: It's the same. It's just split up over different periods.

You know, when I talk about municipal finance, one of the key points is generational equity. You have a taxpayer in 2045 paying 468 million and you have a taxpayer in 2046 paying 80 million.

There's a huge up-the-cliff, down-the-cliff that's not sound practice. And it does not impact, you know, from an actuary math standpoint, it's just different mortgages. To your point, it's the same mortgage over time. It still has to be paid. Instead of splitting it all up, instead of paying it all in one base. You know, like a mouse moving through the snake. You've got to -- just like, you know, with our demographics and the economy right now. You've got the Baby Boomers moving through and then it falls out. That's, in my opinion, the way to do this.

And the second point is, you know, we agreed to this previously, and this was in the language that came out of the public discussions back in May and June.

CHAIRMAN BUSSELLS: Right. I think that's the more important point.

MR. SCHMITT: It is important, but I want a good understanding of the impact it's going to have on the investments. If we're going to allow the city to make smaller contributions, then we need to understand that that's what's going to happen. And if that's acceptable, that's acceptable. But I just want to have a clear picture of what impact this change would have on the fund.

MR. TUTEN: And there's a reason why we changed it in 2013 to the way we have it now, was a lot to do with that. And now all of a sudden we're going to -- it's going to be the same but it's just going to be different.

Look, I'm not a conspiracy theorist by heart, but it just sounds to me like it's a way for the city to divide up different things, and then, look, just pay the money. We've got a system in place. We just changed it two years ago. I don't see a reason to change it now.

But if we can get Jarmon in here or if he could write up a nice, long report, and we could sit down and we could discuss exactly what the differences would be as far as the pension fund goes, I do care about the city and their reporting methods, but I'm most concerned with the pension fund.

MR. SCHMITT: And one of my questions. If we had been on our current system for 15 years, would we have gotten into the position we were five years ago?

CHAIRMAN BUSSELLS: I would say no; however, the primary -- and this is 20/20 hindsight. I'm not being critical of past Boards. Don't misunderstand this.

The primary material flaws from the first, when this thing was based on 15 years, go through those years, how long people live, how long they work, what kind of raises they're going to get, those were the drivers that so understated the actual costs over the first 15 years of the 30 years that put us in the hole. And, of course, we're digging out rapidly now with the city's, you know, support and help, no doubt about it.

I don't recall this subject being separately analyzed in terms of, but for this in the first 12 or 13 years, would we be in the hole we're in, you know, with the benefit of hindsight looking back.

I don't recall in those workshops back in 2013 -- they went on forever -- this particular point. But it's important to the city.

I'm going to suggest for discussion, subject to our actuary that is not with us today, confirming that the total liability is still going to get paid and it might vary year to year over time, but to get us to the same successful conclusion that we all want for our members.

MR. BELTON: That is correct.

CHAIRMAN BUSSELLS: That we stick with what was negotiated back in the spring and submit it to the city council, that the city council apparently enacted as submitted. Is that what I'm hearing?

MR. KEANE: Correct.

CHAIRMAN BUSSELLS: John, does that do violence to what was earlier done in 2013, reforming and redoing how we do --

MR. KEANE: No, sir. I think we can get this done. But the Board's decision, as you recall, was -- to make up for this shortfall was to get as much money in as fast as we could, and that was one of the reasons that it happened.

But, nevertheless, you know --

CHAIRMAN BUSSELLS: So I don't want to get off track from the business at hand. I don't recall that being a principle back in '13.

MR. KEANE: Okay.

CHAIRMAN BUSSELLS: The principle was to change the actuarial study so they're much more effective and accurate.

MR. GLOVER: Correct.

CHAIRMAN BUSSELLS: Not to somehow pummel the city in the near term versus the long term.

MR. GLOVER: Yes.

CHAIRMAN BUSSELLS: And I know you didn't mean to say that, or you'd admit how it might have come out.

MR. KEANE: Yeah.

CHAIRMAN BUSSELLS: Okay. So can I get a motion with the caveat we talk to our actuary in Atlanta later today and Tuesday and Wednesday, and not getting some materially different opinion that was just expressed by an expert actuary, that we stick with what's in the ordinance?

MR. GLOVER: Is that consistent with what we voted on?

CHAIRMAN BUSSELLS: Back in June, yes.

MR. GLOVER: I make the motion.

MR. HERBERT: Second.

CHAIRMAN BUSSELLS: Further questions or comments?

MR. TUTEN: Yeah. Gosh, I want to put part of this equation with Jarmon to see what Joey is proposing, what we would have now, and how it may materially affect our calculations going forward, based on what we have, hypothetical, whatever you want to use, it doesn't matter.

In other words, I want to make sure that, although it may save the city a little money every year, once again, the big goal here is to make sure everybody puts in their money.

MR. SCHMITT: That's right.

MR. TUTEN: And I don't want to give them an opportunity to save 10-, 20-, 30 million dollars in a year when they would have to contribute that under what we have now.

So that's what I'm concerned about.

CHAIRMAN BUSSELLS: And, of course, I believe my colleague said that in the context of the city putting in a dollar and 15 cents for every dollar of payroll currently.

MR. SCHMITT: And some years it was zero.

CHAIRMAN BUSSELLS: Absolutely. Because of flawed actuarial studies and flawed ARCs from this Board of Trustees in the past.

MR. SCHMITT: Exactly.

CHAIRMAN BUSSELLS: But let's not relive that any further.

So I have a motion and a second. Is there any further discussion or question on the point?

MR. SCHMITT: I want to make one more point. I think this is another situation where we're going to -- five years down the road, ten years down the road, we're going to look back at this decision right now and recognize what a big mistake it is. It's going to put us right back in the same position we are right now.

CHAIRMAN BUSSELLS: Others?

I have a motion and second. All in favor, say "aye."

(Responses of "aye.")

CHAIRMAN BUSSELLS: Opposed, like sign.

(Responses of "aye.")

CHAIRMAN BUSSELLS: Carries three to two.

Next, John.

MR. KEANE: Page 22. It's page 57, line 15 in the ordinance. It talks about unaccepted updates. This is more words from the Scheu Commission, which we warned them were not a good idea.

Unaccepted updates are also available that suggest different things. Unaccepted updates for the actuary are unacceptable on these. We have a set of parameters to --

CHAIRMAN BUSSELLS: John, just real quick. I think first let's knock out the one about the other governance things that we're already doing or the state already requires it.

But the ones about the, you know, distributing studies on the website --

MR. KEANE: I didn't go there since we already do all that.

CHAIRMAN BUSSELLS: But I want to vote on it.

MR. KEANE: Oh, okay.

CHAIRMAN BUSSELLS: Every single thing.

MR. KEANE: Okay.

CHAIRMAN BUSSELLS: So your recommendation was to approve the city ordinance as enacted on these points we've already done voluntarily and already do --

MR. KEANE: Right. And I was just making a comment that it was duplicative of current policy.

CHAIRMAN BUSSELLS: But it's fine if it stays in.

MR. KEANE: Sure.

CHAIRMAN BUSSELLS: It doesn't change what we're doing.

MR. KEANE: Right, yes, sir.

CHAIRMAN BUSSELLS: So on those points in the summary, could I get a motion to approve the recommendation?

MR. HERBERT: Move it.

MR. GLOVER: Second.

CHAIRMAN BUSSELLS: Any other questions or comments?

MR. TUTEN: Which page are we on again?

MR. KLAUSNER: On page 21 and 22. It's about reporting that you're already doing. And the observation was you're already doing it but it's fine if it's in the ordinance.

CHAIRMAN BUSSELLS: It says we'll send Ronnie Belton and Kirk Sherman the quarterly investment returns. Well, we do it. We'll continue to do it.

MR. KLAUSNER: Because the chief says he

doesn't have enough to read.

MR. BELTON: It's okay. We can handle it. Got you.

CHAIRMAN BUSSELLS: Got a motion and a second. Any further questions or comments?

All in favor, say "aye."

(Responses of "aye.")

CHAIRMAN BUSSELLS: Opposed, like sign.

(No responses.)

CHAIRMAN BUSSELLS: Carries unanimously.

And, John, I interrupted you.

MR. KEANE: That same motion then would carry over to the top of page 22, which talks about the annual audit.

CHAIRMAN BUSSELLS: We do that. Sure. We'll keep doing it.

Unaccepted updates.

MR. KEANE: Unaccepted updates. Unaccepted updates are unacceptable, I would think. So we would recommend that they not be approved.

MR. TUTEN: I make a motion, because if you read the whole ordinance code right here, you can see it really doesn't make a whole lot of sense.

CHAIRMAN BUSSELLS: The language -- I'm not an expert. The language is confusing to me, frankly.

MR. TUTEN: Yeah.

MR. KLAUSNER: Me too.

CHAIRMAN BUSSELLS: And so I wonder if this is one where perhaps the parties, our colleagues in the city and our folks, could get language that reflects what I believe to be the excellent intent of the administration and city council on this point.

MR. KLAUSNER: The plan is to turn all these changes around and to have them back to the general counsel's office by the close of business on Wednesday. So that would be one of the questions that would go back.

CHAIRMAN BUSSELLS: Because it's the phrase "unaccepted updates" in the context of actuarial studies, actuarial standards and all those things, GASB for gap.

That is of concern. You know, in ten years, how the heck is somebody going to interpret that? And create problems that are of no consequence whatsoever but just consume taxpayers' money with accountants and consultants and lawyers.

MR. TUTEN: It doesn't make any sense. Anybody could -- my four-year-old son could put in an update and say, let's take his and put it in there. It's unaccepted.

MR. KLAUSNER: That's why the recommendation is to not approve it subject to clarification.

CHAIRMAN BUSSELLS: I see nodding heads too from others at the table.

Can I get a motion on that?

MR. TUTEN: I'm make a motion.

MR. SCHMITT: Second.

CHAIRMAN BUSSELLS: Further questions or comments?

All in fair, say "aye."

(Responses of "aye.")

CHAIRMAN BUSSELLS: Carries unanimously.

MR. KEANE: And that's not to approve it subject to getting it clarified and fixed, talking about wordsmith.

CHAIRMAN BUSSELLS: And suggest an alternative that accomplishes what we believe to be the intent, but in language that can be accurately interpreted by future people as the decades roll by.

MR. KEANE: Okay. The next item at the bottom of page 22, the Scheu Commission recommended that in addition to the actuarial study that we do at 7 percent, the one we do at 5 percent is required by state statute. They want a third one at 5.4 percent, which seems to be . . .

MR. TUTEN: Yeah. I make a motion we accept this recommendation and get rid of the 5.4 percent.

MR. SCHMITT: Second that.

CHAIRMAN BUSSELLS: So discussion or comments?

MR. TUTEN: Why would they want us to have the third one?

CHAIRMAN BUSSELLS: Just the one way the numbers worked out. I wonder if we could suggest to our colleagues in the city that the difference between 5.4 and 5 is not worth expenditure of taxpayers' and members' funds for an actuarial study for such -- the way things worked out with the current range, and suggest for that reason to be economical with the public's funds it be either removed or modified into a formulary approach where, were the delta to be so modest in the future, be less modest in the future, a third one could be done, if that makes sense.

Does that sound right?

MR. KLAUSNER: Yes.

MR. KEANE: So we're going to request the city council reconsider due to fiscal requirements of the 5 to 5.4.

CHAIRMAN BUSSELLS: It's just because of the 5.4. Why spend public money on a study for such a small difference? But it would be a suggestion.

MR. GLOVER: And no one at this table knows why the 5.4 was recommended?

MR. GREIVE: Well, Mr. Chairman --

CHAIRMAN BUSSELLS: I think that's just the way it worked out --

MR. GREIVE: -- the 5.4 was part of what Mr. Dezube was talking about earlier where they have the confidence ranges. And I think to your point, just the way the math worked out. When you say 200 basis points, basis points below the rate of return.

The current assumed rate is 7. So 200 basis points less than that is 5, and that does create a pretty close little -- you know, a tight little range. But I think they contemplated, well, what if in the future assumed rate of return is, say, 8 and you do a 6?

CHAIRMAN BUSSELLS: That's why if it was a formula instead of an absolute number of the 5.4, it might work.

MR. KEANE: We will send that back as a recommendation for their consideration.

CHAIRMAN BUSSELLS: Okay. So we have a motion and a second.

Further questions or comments? All in favor, say "aye."

(Responses of "aye.")

CHAIRMAN BUSSELLS: Opposed, like sign.

(No responses.)

CHAIRMAN BUSSELLS: Carries unanimously.

MR. KEANE: The public information on the next page, on page 23, we're already doing.

CHAIRMAN BUSSELLS: Can I get a motion on that?

MR. GLOVER: So move.

MR. TUTEN: Second.

CHAIRMAN BUSSELLS: Questions or comments?

All in favor say "aye."

(Responses of "aye.")

CHAIRMAN BUSSELLS: Opposed, like sign.

(No responses.)

CHAIRMAN BUSSELLS: Carries unanimously.

MR. KEANE: The next item is page 61, line 14, where the city council has chosen to put in a new requirement that no city appointee can receive a city pension.

CHAIRMAN BUSSELLS: Right. So we've earlier approved this?

MR. KLAUSNER: Actually, that's new.

MR. KEANE: No, sir. This was a city council amendment.

CHAIRMAN BUSSELLS: In our -- the last special meeting -- what did we call that?

MR. KEANE: The workshop.

CHAIRMAN BUSSELLS: The workshop. We indicated our positions in a vote, nonbinding vote there and we approved it.

MR. HERBERT: So move.

CHAIRMAN BUSSELLS: I have a motion. Can I get a second on this?

MR. GLOVER: What's the motion?

MR. HERBERT: That we approve the council's recommending language in the ordinance.

MR. GLOVER: Okay. I'll second it for discussion.

CHAIRMAN BUSSELLS: Discussion, questions?

MR. TUTEN: So we're going to approve the recommendation to get rid of the duplicative language? Is that what we're doing, or we're approving it as it is?

CHAIRMAN BUSSELLS: Yes, to approve it as it is.

MR. KLAUSNER: But council gets to decide whatever conditions they want on there too. The only thing state law requires is that the two that the council picks live in the city. Another NBA team. So other than that, they get to set whatever terms they want.

MR. TUTEN: So once again we're limiting the number of people we can possibly --

MR. KLAUSNER: It is not a wise move, but that's --

MR. TUTEN: Right.

MR. KLAUSNER: Since it's a matter which the legislature has said is exclusively theirs to decide, our recommendation was, let them decide.

CHAIRMAN BUSSELLS: We should not even appear to be meddling in their area of discretion, and we don't intend to do that.

MR. KEANE: Right.

CHAIRMAN BUSSELLS: I have a motion and a second. Any further questions or comments?

All in favor, say "aye."

(Responses of "aye.")

CHAIRMAN BUSSELLS: Opposed, like sign.

(No responses.)

CHAIRMAN BUSSELLS: Carries unanimously.

We are now down to the legal issue. Are there any other governance matters?

MR. KEANE: No, sir.

MR. KLAUSNER: No.

CHAIRMAN BUSSELLS: Bob, I'm going to ask you, if you could, to frame up the core legal issue after the accountant at the end of the table gives his version of it.

MR. KLAUSNER: Okay.

CHAIRMAN BUSSELLS: And ask you to clarify, revise and correct as appropriate.

My understanding of the extensive analysis and correspondence among the parties, particularly our outside counsel and our city's general counsel, is this 64-page ordinance enacted by the city council a few weeks ago, the now amended agreement, amended from the original agreement, approved by a former mayor and former city council 15 years ago, or is that agreement from 15 years ago, does it end and is now superseded by this ordinance?

And perhaps most important, what does that mean for our members? Our members that have less than 20 years of service on the effective date of whatever is done. Our members that have 20-plus years of service on the effective date cannot be changed in any way, shape, or form their benefits for the rest of the years they choose to work; is that correct?

MR. KLAUSNER: Right.

CHAIRMAN BUSSELLS: Everybody agrees with that. The only -- I say only. It's extremely important if you're like Lieutenant Tuten and you're one of 20 years or less service on the effective date, what their benefits are for the remaining term as it now exists of the 30-year agreement enacted 15 years ago.

And that's more words than I intended to say, but I think that goes to the core of the first issue for the Board of Trustees to consider now. And I'll be quiet now and let you address it.

MR. KLAUSNER: There's two issues presented here. Number one is, whether you call it an amendment or you call it a new agreement which incorporates all prior provisions can be debated philosophically.

There is language on page 62, line 26, which says there's not intended to be any lapse, in effect, between this plan and such superseded plans. It should also say agreements as well because I want it clear. The city has taken the position that it's not repealing the prior agreement, although there are some words that say that in the whereas clauses, that it's intended to be a substitute which incorporates all provisions not otherwise repealed.

I think that's something that the lawyers can probably hash out between them as to what is the best solution. The current language discomforts me to the extent I just explained. It only refers to the ordinance, really, not to the agreement itself.

The second issue has to do with the duration as it relates to your current members. The agreement that was worked out with the mayor was that the city could not make any unilateral changes in the benefits of the active participants, meaning current people employed on the day the agreement comes into effect for ten years. Thereafter, collective bargaining would decide whatever any other future benefit changes there may be in the plan.

And in the exercise of your fiduciary responsibility, to say it would be okay to invest $120 million into this, but then the benefits could be radically altered in three years, and, in essence, the full cost of paying for the unfunded liability could come from prospective benefits reductions to actives, it gets to your issue here.

So issue number one is, I think there's some languages that needs to clarify the continuous nature of it. I'm less troubled by calling it the fourth amendment to the 30-year agreement or calling it a new agreement as long as the content therein involves no repeal or repudiation of anything that's gone before. That's the primary legal issues that you first pose.

CHAIRMAN BUSSELLS: I'm going to ask -- the city's general counsel has been so gracious and so supportive to be with us here today to give his view to be sure our Board is fully informed about the respective legal perspectives and then make a decision as to what to do.

MR. KLAUSNER: I'm fine with that.

MR. GABRIEL: Good morning. Jason Gabriel, Office of General Counsel, General Counsel.

I think Mr. Klausner has kind of touched on it. I think on the issue it's really more form over substance because whether you say amended or restated versus superseded and replaced, it's the same thing. It's a new agreement. And the intent was for this to be seamless as we're going along.

So even the threshold date of when benefits change, that's just for purposes of the new agreement going forward.

So I think that the language as previously proposed was perfectly fine. I think the language as changed by city council is perfectly fine. In fact, it may be -- articulates it a little more clearly. And I think we're on the same page, but if the intention here is to maybe modify that language a bit more to give comfort to everything, I'm certain we could work with that.

Again, my position is that the language in there doesn't change anything in terms of what you're trying to accomplish, but, you know, for purposes of what you're trying to, you know, take back to council, we can probably come up with some language that's appropriate for both parties.

CHAIRMAN BUSSELLS: That does not appear -- what we believe is the intent of our colleagues at city hall matches what our intent was back in June on this point, is what I'm hearing.

But this is so important for thousands of people and families. It involved over a billion dollars. We should be sure the language is clear for the people that come after us, is kind of the issue, I think. Am I getting that right?

MR. KLAUSNER: You certainly got it right in terms of what we call it and the seamlessness of the agreements. But I don't think -- and maybe to the general counsel directly, I'm not sure we addressed the issue of the difference between the council saying it would have the ability to make changes in three years or whenever currently collective bargaining agreements expire versus the ten years that was in the Board's earlier tentative agreement with the mayor.

I think issue number one, I'll be back with the general counsel by the close of business on

Wednesday with the -- it's a good word, the comfort language. And then but you have the policy decision to make here about what changes can be made to people working here now, other than the ones you've already discussed.

CHAIRMAN BUSSELLS: And we will come to that.

MR. KLAUSNER: Okay. I just wanted to make sure those weren't --

MR. GABRIEL: Very good.

MR. KLAUSNER: Okay.

MR. GABRIEL: Yeah. Because I think you're touching on -- that's yet another issue regarding a unilateral position. That's separate.

I think here, again, superseding, replacing, to me, is the same thing or amending and restating. It's a new agreement regardless of how you articulate it with the seamless date going forward of when things change.

And so we're on the same page on that issue, and we can certainly, you know, to the extent we can, our office, work with Mr. Klausner to massage that a bit more. We can do that.

The other issue is obviously a policy issue that you're going to want to talk about.

CHAIRMAN BUSSELLS: So can I get a motion on the first point?

MR. HERBERT: So move.

MR. TUTEN: What's the motion?

CHAIRMAN BUSSELLS: So what I heard was the respective general counsel for the fund and the city go to work immediately on refining the ordinance language to be clearer based on what everyone believes is the same intent of the ordinance. I'm saying that very awkward. Say it better than I just said it.

MR. KLAUSNER: If I may, I think what the Chair is asking for is a motion to direct your lawyer to work with the city's lawyers to title both the document and ensure it's seamless with all other agreements that have preceded it, and to effectuate what we believe is the mutual intent of the counsel and the Board.

MR. TUTEN: Ten-four.

MR. KLAUSNER: I thought that's what you said.

(Indiscernible)

MR. HERBERT: That was my motion.

MR. GLOVER: I'll second.

CHAIRMAN BUSSELLS: Further questions and comments?

All in favor, say "aye."

(Responses of "aye.")

CHAIRMAN BUSSELLS: Let's now move to the question of members with less than 20 years of service on the effective date of changes to the agreement. How long is it before the city council could, through the prescribed process, consider changing their benefits prospectively?

What was submitted, what was approved in the context we described earlier in June, growing out of the negotiations with our executive director, the mayor and his staff was ten years?

MR. KLAUSNER: Ten.

CHAIRMAN BUSSELLS: Which is a significant concession from the existing 15 was our belief.

MR. KLAUSNER: Yes.

CHAIRMAN BUSSELLS: I'm not going to repeat those phrases that were passed around then, but a significant concession.

The ordinance enacted by the city council a few weeks ago effectively, it appears, reduces that to 3.

MR. KLAUSNER: Correct.

CHAIRMAN BUSSELLS: Is that correct?

MR. KLAUSNER: Yes, sir.

CHAIRMAN BUSSELLS: And so what the council enacted a few weeks ago is materially different on this point for members who will have less than 20 years of service on the effective date of any changes, no one else; but that's a significant group of people, including two of our colleagues.

What should be our response to that change in what was negotiated at the table with the mayor? So I'll open it up to the conversation.

MR. TUTEN: I think everybody knows what I'm going to say, but I'll say it anyway.

We had an agreement with the mayor. I personally said I don't like the fact that we're going from 15 to 10. I've already voiced my concern to my members about going to court. They think they have a contract. They think it's good for 15 years. They don't really care about anything else.

I'm trying to balance out the fact that we do have a funding problem. I can go to ten years, but, once again, the mayor has done their part, shown good faith. We've done our part, you know. We don't see eye-to-eye. Who does?

But yet the council, once again, has

started, you know, these proceedings to where now they're going to take all this work we've done and say, you know what, guys? Three years from now we're going to do it all over again except we're going to be able to negotiate. Instead of having to come to the Board, we're going to go to the unions. If they thought this was complicated.

Here's the problem, though. It gets back to, number one, consistency and reliability and being able to depend on what the future is going to bring, Walt.

I had two conversations over the last three days. Someone had 17 years on the job, someone had 15. They point-blank asked me, is this going to go to negotiations? I said, no, the agreement we had with the mayor was for ten years. It will give some stability to the whole process.

It's you go to three years. It's not just guys like me that will get over the finish line and drop at 20, or guys with 19 years that will say, you know what, I'll just wait a year.

There are guys with 12, 13, 14, 15, 16, 17 years who will say, you know what? I can retire at 16 years, get almost half my check. I'll get a guaranteed 3 percent COLA for the rest of my life, I'll just have to wait for a couple of years.

Well, that sounds -- well, who wants to wait three years? Well, here's the problem. There are hundreds of those guys and women on the job, police and fire. And you're saying, well, that wouldn't be very smart. Oh, it wouldn't be? Would you rather stay for a 1.5 percent COLA? Would you rather stay for another contract?

Let's get real for a second. That's the city council's intention here is to simply open this thing up once again three years from now and take even more from our members. And they're not stupid. They see it.

So it's our job while we have a chance, we've made concessions. I'll give you ten years, but for ten years, for a decade, I think it's fair trade-off to come up with some sort of peaceful stabilization of not just the pension, but our members, because if we do not, they are going to leave in droves, I assure you. And these are guys with 13, 15, 16. They're not going to stick around and find out what happens at the next negotiations. They're just not going to do it.

MR. KEANE: Mr. Chairman and -- go ahead.

MR. SCHMITT: The changing of the original agreement, dropping it down to ten years, is difficult enough for the members. Changing it to three years is absolutely unacceptable. They have given a lot and they've sacrificed a lot. And we've been through the myriad of items that includes. So the three years is absolutely unacceptable, and given the history of how we got here.

CHAIRMAN BUSSELLS: Other thoughts?

MR. GLOVER: Well, I think I'll agree with the prior comments. I thought the compromise of ten was one that I didn't think was going to fly in the first place. But I think that it's people who swallowed that lump and I think it's one that we don't need to revisit particularly with the three.

I do understand that we're really trying to work with the council and trying to give the recommendations a fair hearing, but I think the ten is acceptable. We've agreed to that. I don't think it would be something that we need to revisit. I think we need to stick with the ten.

CHAIRMAN BUSSELLS: Let me express my -- everything that has been said makes good sense. And let me express my concern, and I'm going to talk about the entire, all 64-page ordinance and all these dozens of changes, the majority of them we've approved here today.

For whatever reason, the symbolism, the substance as well as symbolism of DROP, COLA and term seem to attract the most energy and passion with our colleagues in city hall and with us here.

I think this could unfortunately look like on those three elements that have those attributes we're saying no to any changes by the council to what was submitted. And I think that we do have a probability, guessing what the political process will yield, which is, you know, tough to do, of reform this year or the foreseeable future, and increases the probability some judge will decide this three or four or five or six years, which I think is a risk for our members that we ought not to take.

And so if this is where a majority of us are on the term, and a 33 percent reduction in the term is a big concussion, there is -- that's a big concussion the mayor and his team extracted from our guy at the negotiating table and we'll back it up. But if it were possible to have some movement.

I know we've already considered the DROP and the COLA. If ten is where we're going to wind up, I think that increases the odds of something getting done, which I think in our short term and long term is very much in the member's interest, even though who knows what the future holds, what the next 10 or 15 years look like.

But when I assessed the probability and the reality of what's been going on or where we are, letting a judge decide this -- because I think that's where it's headed now realistically -- is a risk we ought not to take as fiduciaries. That's what this is all about.

And so I would just suggest a reconsideration, if there's support for the DROP and COLA while we're considering the terms is fine with me, just to leave no stone unturned of getting something done here that has, I think, a chance of getting a good return for all the reasons we're talking about, the larger issues.

MR. GLOVER: The way I look at it is, we are talking about concessions. And I think from 15 to 10 was a concession. And then you have the negotiated process, and you've got the mayor and his staff saying, look, in order to reach agreement here, we've got to have the people's advocacy involved in this.

And, of course, the mayor and his staff represent the people. And I'm arguing passionately for the officers and firefighters because I think the agreement that they -- where they conceded, and I think not everyone is comfortable with that, incidentally, but I think it has to at some degree become palatable, and I think that is significant.

And in addition to the fact that we've tentatively agreed to it. I mean, that's where I'm positioned, and I feel like that's fair.

CHAIRMAN BUSSELLS: So just for conversation. So possibly a COLA formula of 0 to 6 rather than 0 to 4? Or for, you know, 2 to 12, or some alternative proposal back that in substance and appearance respects the spirit and intent of the parties in this, find favor with us, if, in fact, we're going to be 10 years that's -- and 10 years from 15 is a huge concession. There's no doubt about it. There's no way that's anything other than a huge concession already agreed to at the negotiating table subject to final actions.

But is an alternative approach on one or the other of the other two something that could find support here today?

MR. TUTEN: Well, I think we have to find out the core reason behind the difference between the council and what the mayor's agreement was. That's what I would like to know, because financially I don't really see a whole lot of difference long term savings-wise to the city from what the council proposed to what the mayor had. I just don't.

I just want to find out why, and why if they're in the spirit of concession over at the council, why you would promote having a deal that says in three years we get to negotiate again? We've been dealing with this for how long now?

MR. KEANE: 2008.

MR. TUTEN: A lot of people put in a lot of hard work, and yet it could all be thrown out the window in three years from now because -- let's just face the facts. A couple council people don't like the police environment. Do I need to say them out loud? I mean, it's gotten to the point where it's ludicrous and I've gotten to the point where I've grown weary of having to explain not only myself as a trustee, but as a fireman because certain people don't like me.

This was never personal, in my book, Walt. This always should have been professional. It's only money. It's important and we need to talk about it, but certain council people have made it their existence to demonize not only firemen, policemen, John, this Board, our lawyer, you, and all of our members. And I've flatly grown tired of it.

It is a zero sum gain in my opinion. If it's not at least ten years, I'm not voting for any of it, period. It's out on the table. That's me.

MR. SCHMITT: And the ten years, if you didn't have the history, the sacrifices up to this point would seem no big deal, reasonable. A change in the COLA, a change in the DROP rate, if you do not take into consideration the sacrifices that have been made up to this point would seem reasonable.

But for our members, they live those sacrifices day in and day out, starting salaries, benefits, the whole package, up to this point. It's unfair to now say, well, we're going to ignore everything you gave up up to this point. It's not reasonable.

CHAIRMAN BUSSELLS: Well said. And like I say, I don't sense any possibility of the term being different than what was submitted by the mayor. But I would like to suggest a reconsideration of the DROP and COLA to see if there's any way to find some alternative that might find support with the majority of us as part of the overall package, because I do have the real sense that these three have substance, probably symbolic significance as far as the mathematical reality.

COLA and DROP are less, far less, than 1 percent of the total actuarial liability. It's a number, but it's relatively small.

To not just say no to the changes made by the council to what the mayor submitted, but, no, however, what about this, I think, increases the odds that this is resolved voluntarily rather than -- because I think the next step is litigation, court.

You know, all the stuff we're so familiar with, all these issues of what's legal, the agreement and the rest of it, and that's a risk I think we ought not to take within reason on the concessions and the restructuring as you-all have both expressed.

MR. TUTEN: What was the original offer from the council, 3 to 4?

CHAIRMAN BUSSELLS: Yes.

MR. TUTEN: Well, you know, if we're going to go down 3 percent, we should go up 3 percent. If they want to do 0 to 6, tied to CPI, whatever it is that year, that's fine with me. But it's fair to the members who have a guaranteed 3 percent right now.

Why would I give up a fixed rate, even though it may be too low, going forward? But then, again, I'm not going to get any less than that either. So at 0 to 6, I get the up and I have to take the down, that's fair. But 0 to 3 or 4 is not fair.

MR. SCHMITT: I don't think there should be a cap at all if we're going to index, and I disagree with the index because of what they've given up to this point.

MR. TUTEN: Right.

MR. SCHMITT: So if there is going to be an index, it cannot have a cap.

MR. HERBERT: For discussion purposes, I move that we reconsider our previous stance with regard to COLA, and that we go back to council with the proposal for the 0 to 6 percent, as opposed to 4.

CHAIRMAN BUSSELLS: I have a motion. Can I get a second?

MR. GLOVER: Second.

CHAIRMAN BUSSELLS: I have a second.

Further discussion or questions on the motion concerning COLA? And, again, no impact on 20-year plus. We've been through that already. What's already been earned is earned and in the bank.

MR. SCHMITT: And, once again, you said it. The total financial impact of that change on the fund is minimal. The impact on each individual member is huge. And the fact that they have gone this far making sacrifices with the knowledge that they would get 3 percent COLA when they retire is something we should not and cannot ignore.

MR. GLOVER: And I'm sensitive to that too, but then there is an upside to it if it's up to 6. And so it's kind of a compromise. I hear what the Chair is saying. In order -- I guess I'm looking at the bigger deal, the overall package and dealing in good faith. I prefer the 3 percent, to be honest with you. But we're going to compromise the position and I could support the 0 to 6.

MR. SCHMITT: We can't do the 0 because of the tax laws.

CHAIRMAN BUSSELLS: No, that's DROP.

MR. KLAUSNER: That's DROP. We can't go below 0.

CHAIRMAN BUSSELLS: Good point, though. We're talking about the DROP.

I've got a motion and second. All in favor, say "aye."

(Responses of "aye.")

CHAIRMAN BUSSELLS: Opposed, like sign.

MR. TUTEN: No.

So do you want to open up again the discussion of the COLA as far as what we all think we should do with it?

CHAIRMAN BUSSELLS: Yeah. That's the motion, to go from 0 to 6.

MR. TUTEN: All right. Yeah. So we've got three answers here.

Do you-all want to chip in? What do you think it should be, and why, please?

CHAIRMAN BUSSELLS: I think the 33 percent increase in the max in exchange for as long as disinflation continues, keeping up with inflation, and if deflation returns, being protective against inflation is probabilistically -- this is one person speaking on what I think about the world and the future, what we're living through -- probabilistically is a better deal. That's what I think.

And I think this is the beginning of another one of those deflationary booms that's happened so many times in American history. And if you look at 250 years -- pardon me for doing this -- 250 years of U.S. economic history, there's been one period -- count it, one -- the '70s and '80s where we've had high inflation.

The norm has been through the 19th century, most of the 20th, other than that one period in 250, has been low or no inflation or deflationary booms because of technology. And I think this is the beginning of the next inflationary boom. I really do.

And so if I'm sitting there and it never goes down, if deflation continues, comes back, I keep pace with whatever it is and I've got a 33 upside if inflation comes back, me, I think that's a better deal. That's one person. And I get your members see it dramatically different.

But I look at U.S. economic history and what's going on around the world and the U.S. the last ten years, I'd hit that bid all day long. I'd take that deal every chance I get. For me it's an easy choice, but I'm not coming to work every day like you two guys are.

MR. TUTEN: So what do you say, Walt, 0 to what, you said?

CHAIRMAN BUSSELLS: Oh, I think 0 to 4 is a great deal, a better deal, probabilistically. There was not support for that, so we went to 0 to 6 to have the upside match the downside, so to speak -- so to speak -- as an alternative that might attract the majority of the trustees.

And that's the motion that's before us. So all in favor, again, say "aye."

(Responses of "aye.")

CHAIRMAN BUSSELLS: Opposed?

MR. TUTEN: No.

CHAIRMAN BUSSELLS: Carries 4 to 1.

And if we could reconsider now the DROP? Is there an alternative to the DROP which the city council enacted a few weeks ago that as compared to what was negotiated at the table with the mayor and his staff back in the spring and submitted in June that could find majority support here for the reason I said earlier in terms of an overall comprehensive package having a better chance to be enacted?

We -- majority of the trustees found the change from 5 to 10 to something different unacceptable. So we voted that down.

Is there something other than 2 to 10 because of the tax requirement, or 0 to 10 with no member contribution of 2 percent, is there some alternative to that, perhaps something above 10 to appear to counterbalance symbolically as well as substantively the 2 to 5 difference that the council enacted that could find majority support here?

MR. TUTEN: Tie it to the index -- to the return of the fund. I mean, here's what's happening. The employees are basically, Walt, we're getting squeezed out of what we've already got on the hope that maybe, just maybe, one or two years it will be above and beyond what the city wants.

The truth of the matter is, we haven't gotten raises. I've already proved that point beyond a doubt. We're not going to get raises, chances are, because they have to pay all this pension stuff. And now, look, if you want to be fair about it, if the fund earns 5 percent for the year, that's what you earn on the DROP.

If they earn 16 percent, that's what you earn on the DROP. In other words, no matter what it is, you know, you're still putting in 2 percent every year, so you have up to negative 2 percent, and we can easily find out how many years this fund has earned negative 2 percent. I guarantee you, it ain't many. So chances are you're going to be in between 0 and something. If you want to be 100 percent fair, say, you know what, fellows? It's Vegas. You're going to let it ride. Zero to whatever, that's what you get. If you get zero, I'm sorry, fellows.

MR. KLAUSNER: The most common model is the net -- return net of fees but not less than zero.

MR. TUTEN: Right.

MR. KLAUSNER: Of 400 plus DROP plans in the country, that's the more common model.

CHAIRMAN BUSSELLS: And because the tax -- federal tax law prohibits us --

MR. KLAUSNER: They're all at less -- they're all capped at floor to zero.

CHAIRMAN BUSSELLS: Floor to zero. So because we insure and protect our members in the DROP program from less than zero, because we have to to continue to be tax exempt to qualify the plan, it's seems like some cap way on the upside -- I don't mean some, you know, big number -- would be reasonable.

MR. KLAUSNER: Yes. It's actually -- this is fairly rare that people contribute while they're on the DROP. Most places do not.

CHAIRMAN BUSSELLS: So instead of 10, maybe 12, say. Well, we're already at 10, but maybe 12.

MR. SCHMITT: As long as it doesn't have -- but still the 2 percent contribution?

CHAIRMAN BUSSELLS: My thoughts on that,

yes, but the floor would be 2 percent, not 0. Because it can't be 0 with the 2 percent because that will violate federal tax law.

MR. KLAUSNER: In my opinion, it would.

CHAIRMAN BUSSELLS: My thought is just leave everything else the way it is, which is the current 2 percent goes in. That's what we already do, but put the floor at 2 so we don't violate the tax law. So instead of 0 to 10, 2 to 12. So that there's more upside to the members but they still have that floor protection. We're still legal with the federal tax law, but it looks like a fair-given gift based on what the future holds. Who knows what the future holds? That would at least move significantly towards what we believe the city council intended in their final legislation a few weeks ago.

MR. SCHMITT: If we're going to go in that direction, I think the ceiling needs to be higher than 12.

CHAIRMAN BUSSELLS: Say a number.

MR. SCHMITT: 14.

MR. HERBERT: Why 14?

MR. SCHMITT: Two years ago we had returns of 14, and the difference between where we started and the guaranteed 8.4, if we went down to 2, that's 6.4 percent. Go up at least 6 percent to get to the 14.

CHAIRMAN BUSSELLS: So there's as much upside as downside around the fixed 8.4, has been the rule for those 15 years.

MR. SCHMITT: Right.

CHAIRMAN BUSSELLS: That's been problematic because we've had deflation, low return (indiscernible).

Thoughts or comments on that?

MR. HERBERT: I would like to ask Mr. Klausner again, what did you say most of the funds do?

MR. KLAUSNER: Most funds do the actual rate of return --

CHAIRMAN BUSSELLS: Less fees.

MR. KLAUSNER: -- net of fees, but don't have a contribution.

MR. TUTEN: Well, our fees usually run about what for the year?

CHAIRMAN BUSSELLS: Half of 1 point.

MR. KLAUSNER: Probably 40 to 50 basis points.

CHAIRMAN BUSSELLS: So that way the member gets whatever the fund earns, and if the fund under earns what the member was guaranteed, as has happened -- that was the deal and that's fine the way it worked out. And so in effect the taxpayers have to make up the difference. That's the practical result. That was the deal. Everybody agreed to it. I'm not saying anything different.

Here the taxpayer risk on the DROP earnings is removed for all intents and purposes. Whatever it is, it is. And the members might get less, they might get more, but the swaying of what's actually earned is proportioned, upside, downside, versus the fixed (interrupting cough) that you suggested. And the exact number wouldn't kill me either, whatever it is, the 14 point whatever.

So there's balance both ways, but the results of actual earnings are all on the members in DROP, none on the taxpayer, is how I would characterize it.

MR. HERBERT: Yes.

CHAIRMAN BUSSELLS: And that seems like at least what the council was driving at as a policy matter, even though in truth the number is less than 1 percent of the total 3 million, you know, liability.

MR. HERBERT: I think it seems to me that's the more acceptable vote politically and is fair, that whatever we earn, net fees --

MR. TUTEN: I agree.

CHAIRMAN BUSSELLS: And it's off the taxpayer. The members earn less, but it's what the markets are, or they earn more if that's what the markets are.

MR. TUTEN: So are we talking about doing away with the 2 percent and basically you earn whatever you get on the DROP down to zero?

CHAIRMAN BUSSELLS: No. I was thinking 2 to 14.4, which is the same delta between 8.4, but keeps us legal, keeps us kosher with the tax law.

MR. KLAUSNER: Kosher is a good word. That's what it means literally, is good.

MR. GLOVER: I can live with that.

CHAIRMAN BUSSELLS: Can I get a motion on the reconsideration of DROP?

MR. SCHMITT: I'm make the motion.

MR. TUTEN: I'll second.

CHAIRMAN BUSSELLS: Further questions or comments?

All in favor, say "aye."

(Responses of "aye.")

CHAIRMAN BUSSELLS: Opposed, like sign.

(No responses.)

Carries unanimously.

MR. KEANE: The range is --

MR. KLAUSNER: 2 to 14.4.

CHAIRMAN BUSSELLS: But the members get whatever it is, less fees. And in effect the taxpayers are not contingently liable for underperformance.

MR. HERBERT: Mr. Chairman, my assumption is that we do not have support for a change in the ten-year issue.

CHAIRMAN BUSSELLS: I've heard that strongly, but we need to take a vote.

MR. TUTEN: Say that again.

CHAIRMAN BUSSELLS: I'm sorry. I failed to call the question.

Could I get a motion on the term for members? We discussed it. People expressed their thoughts and views effectively and completely, but we ought -- as we've done everything else, we ought to vote on what the council enacted, and then see if there's an alternative.

So if we could call the question on what the council enacted, which was three years for members with less than 20 years versus the 10 that was a concession from 15, the current agreement, could I get a motion on approving or disapproving what the city council enacted on the term for members?

MR. HERBERT: I move that we accept the recommendation from city council or ordinance wording from the city council with regard to the three years.

CHAIRMAN BUSSELLS: I'll second it for discussions. Any further questions or comments?

MR. TUTEN: The motion is to what, accept the three-year term from city council?

(Indiscernible)

MR. HERBERT: So we're dealing with whatever they recommended.

CHAIRMAN BUSSELLS: All in favor, say aye.

(Responses of "aye.")

CHAIRMAN BUSSELLS: Opposed, like sign.

(Responses of "aye.")

CHAIRMAN BUSSELLS: Failed three to two.

My sense, and I want to be sure, is there's not majority support for an alternative proposal on the term. I don't think -- we've already moved from 15 to 10. The mayor extracted that from you. I was shocked when you did it, but --

MR. KEANE: Myself.

CHAIRMAN BUSSELLS: Well, but in the context of resolving this once and for all, for all other long-term benefits, it makes sense to me. But I don't sense any chance for alternative approach, unlike COLA and DROP.

(Indiscernible)

CHAIRMAN BUSSELLS: I mean, that's just a number. There's no upside or downside. It's all downside, so to speak, for the members. Potentially.

MR. HERBERT: And I think in terms of the three of you who are supporting it, the five would not be acceptable, right?

MR. SCHMITT: Not at all.

MR. GLOVER: I move that we accept the negotiated agreement with the mayor.

MR. SCHMITT: Second.

CHAIRMAN BUSSELLS: Further discussions or questions?

All in favor, say "aye."

(Responses of "aye.")

MR. KLAUSNER: You have one issue left in the agreement, which I don't have an answer to that I raised in my memorandum, and the city didn't give a response. We have a dispute currently, I think, over -- with the city over the staff pension. You have one active person who is eligible to retire. You have one retiree and one surviving spouse.

There was a council resolution which is still out there, I think it got referred back to committee, about the city suing the fund over the staff pension. It's been in the budget that's been approved every year by the council since 2000.

So what everyone's philosophical view of that is, it's an issue that needs to be resolved. And I think we need to say to the city one way or the other, that goes with the whole deal. If it doesn't go -- you need to do something.

MR. KEANE: We've got the general counsel here.

CHAIRMAN BUSSELLS: Thoughts on that, Jason?

MR. GABRIEL: Jason Gabriel, general counsel.

As everyone knows, that was put in the original initially proposed reform agreement. It was taken out by amendment by council. It kind of leaves it open.

As Mr. Klausner stated, there is a resolution right now pending before council regarding that issue. So it's really just an open issue. The way that it's sitting right now in the reform -- well, it's not in the reform agreement. So it's still open for further discussion, for status quo, or any of the above. So it's an open question for council. That's really where it stands at the moment.

CHAIRMAN BUSSELLS: And so -- thank you for reminding me of that.

So what this Board has done unanimously was close the plan totally to anybody else, forever more.

MR. KLAUSNER: Correct.

CHAIRMAN BUSSELLS: When this plan was first created 20 years ago -- I've lost -- I don't know when --

MR. KLAUSNER: 24.

CHAIRMAN BUSSELLS: So this plan was created 24 years ago. It's been around in the budgets every year for 24 years. We have closed it totally where no one else can ever be in it. And the successor executive directors and staff will be in either a DC (phonetic) plan or the general employees plan, which is in the ordinance.

The question is, should we, as part of our proposal to the city council on comprehensive pension reform, include an item that recognizes the current status and does not challenge it any further in the future, including recognizing that it's closed forevermore? Nothing else like that may be done by a future Board without the consent of city hall. Does that sound right?

MR. KLAUSNER: Yes.

MR. TUTEN: Doesn't it already -- isn't that already pretty much what's worded in the current deal with the council, Walt? I mean --

MR. KEANE: Took it out.

CHAIRMAN BUSSELLS: There's nothing about that in there. There was, but they took it out.

MR. KLAUSNER: It was the agreement with the mayor and council removed it.

The suggestion is if you're going to settle everything, settle everything. And I think what the Chairman is saying is, he's looking for the motion to do something, meaning just to say the plan will stay closed, but benefits earned will be paid. I think that's the short way to say it.

MR. SCHMITT: We need a motion to put that back in?

MR. KLAUSNER: Yes. We need a motion to include that in the proposal back to the council.

MR. SCHMITT: I make that motion.

CHAIRMAN BUSSELLS: Do we have a second?

MR. HERBERT: Second.

CHAIRMAN BUSSELLS: Further questions or comments?

All in favor, say "aye."

(Responses of "aye.")

CHAIRMAN BUSSELLS: Opposed, like sign.

(No responses.)

CHAIRMAN BUSSELLS: Carries unanimously.

MR. KLAUSNER: I think that's all your open issues.

CHAIRMAN BUSSELLS: Is there anything else commanding our attention here today?

Larry.

MR. SCHMITT: There was one item. I'm not sure if we thought we addressed it in part of these other sections. It's listed as page 29, line 25. It's for Group 1 members with ten or more years of service. On mine it's on page 9, but it may be on something other.

MR. TUTEN: You talking about disability?

MR. SCHMITT: No. The heading is page 29, line 25. Group 1 members with ten or more years of service as of the prospective effective date of (interrupting cough).

I'd like to have some discussion on this one. And possibly --

MR. KLAUSNER: You're talking about -- is that the final average compensation?

MR. SCHMITT: Yes.

MR. KLAUSNER: To go from two years to four years.

MR. SCHMITT: Right.

MR. KLAUSNER: You had previously given them tentative approval when you did that with the mayor, and I took that as just continuing.

MR. KEANE: Right.

MR. SCHMITT: And in the spirit of revisiting items, I would like to revisit this one.

For those members who have five years and have vested, they've committed, and in their perspective, we've committed to them that they have earned those benefits. To arbitrarily say, well, you have five years and you're vested, but now we're going to pull the rug out from under you and say it's ten years, to me, it's just not fair and it's not right.

To show a commitment to those members that have reached that milestone of five years, I think we need to change this to match the five-year vesting period for those current employees.

For future employees it has changed to five years, which is fine. I don't necessarily agree with that either, but, again, that's for future employees to accept or not accept.

Our current members have already committed to their five years. They've done their five years and have vested. I don't think it's right to now go back and say we're going to change it to ten years after you've already reached that milestone.

I would like to discuss that real quickly.

CHAIRMAN BUSSELLS: John, would you mind, just to be sure we're all understanding this exactly the correct way, give us just a couple of concrete examples who this would affect as enacted by the council, which members could this affect, under what circumstances?

MR. KEANE: It would affect members who have over five years but less than ten.

CHAIRMAN BUSSELLS: All right.

MR. KEANE: Their final average compensation will be based on their last four years rather than two.

CHAIRMAN BUSSELLS: If they terminate employment?

MR. KLAUSNER: No, no. When they're done --

MR. KEANE: When they go to retire.

MR. TUTEN: When they retire.

CHAIRMAN BUSSELLS: Okay.

MR. KEANE: As the chief has suggested, that since they already vested, that they should be able to do it on two years rather than four years, I believe is what you're suggesting.

MR. SCHMITT: Again, I don't think it's a big financial impact on the fund. But psychologically and trustwise for the members, it's huge. We've told them, look, when you vest in five years, your calculation is going to be based on your last two years of service. And we've just arbitrarily changed it to ten years. To me, that builds distrust in their eyes on us as trustees, and I think they're right.

MR. HERBERT: John, what was the rationale for this change; do you know?

MR. KEANE: Trying to save a few dollars.

MR. KLAUSNER: It was strictly financial. And I don't remember why ten was chosen, do you?

MR. KEANE: No.

MR. SCHMITT: We probably have a significant number of officers who have just under ten years.

MR. KEANE: Right.

MR. SCHMITT: And firefighters.

MR. KEANE: Because at the time you had a new recruit class on both sides, and then there was that long dry spell where there was no one.

CHAIRMAN BUSSELLS: Chris, have you got something?

MR. HAND: Sure. I just want to make sure I'm clear on the issue.

Thank you, Mr. Chairman. Chris Hand, Office of the Mayor.

The vesting period for current employees in this agreement has not changed at all. As Trustee Schmitt pointed out, it does change for new employees. But current employees still have a five-year vesting period. That didn't change in the negotiations we had with Mr. Keane, didn't change throughout the council process. So I just wanted to be clear about that.

MR. SCHMITT: Right. But what this calculation change is, if a member has more than five years when this goes into effect but less than ten years, their pension calculation would be based on their last four years instead of the last two years.

MR. HAND: Correct. So it would be the final 48 months. However, and this is an important provision here, and this was at the legal advice of Jim Linn in the Office of General Counsel, they could not receive less than the amount they would have gotten at the two-year period. And I believe that's in this as well.

So there is a safeguard built in to protect that two-year amount for those less-than-ten-years employees who would be affected by the new four-year plan as opposed to the two-year plan.

So there is that maxed-up language that's in both the ordinance and in the agreement.

CHAIRMAN BUSSELLS: That's right. I do remember.

So, therefore, who this could affect would be a member more than five, less than ten, affected, gets promoted, and then within a year or so of getting promoted leaves, not retires, but leaves because the year -- they would not get the leverage 12 or 24 months of promotion leaving before ten years. But they would -- thank you for that. I had forgotten that.

John put the base in, but it can be less than what it could have been for two careers.

MR. SCHMITT: Without the promotion.

CHAIRMAN BUSSELLS: Without the promotion. So that, I think, is the member who theoretically could be affected.

Further comments or suggestions on that?

MR. TUTEN: No. I understand what Larry is saying. I do know what Chris is saying about the safeguard in there (indiscernible).

Basically, in other words, why we put that stipulation in there when there's a safeguard that says you can't get any lower than the final two years. In other words, it seems to be sort of going against the --

CHAIRMAN BUSSELLS: I guess so it's not someone sort of, quote, unquote, gains the formulas a little bit? I don't know.

If somebody gets promoted, they're probably going to stay.

MR. TUTEN: Yes, probably will.

CHAIRMAN BUSSELLS: Or get the 15 percent and then start the new step range, you know. They're probably going to stick around, I would think.

MR. SCHMITT: Again, I think that the damage it does trustwise by members far outweighs the cost.

CHAIRMAN BUSSELLS: Other thoughts or suggestions or maybe some alternative that values the spirit of constructive collaboration with our friends in city hall or perhaps reduces a negative perception? I don't know.

MR. TUTEN: John, how long until we have a summarization of what we've done here today?

MR. KLAUSNER: You'll have a new ordinance with a cover memo by Thursday morning.

MR. TUTEN: Okay.

MR. KLAUSNER: John and I are bound to get this finished by Wednesday. I'm going to be done with my work on Wednesday, but somebody has to proofread the darn thing. If you want it Wednesday night -- you've gotten e-mails from me at three in the morning, so . . .

CHAIRMAN BUSSELLS: You know me, I'll read it.

MR. TUTEN: Now, Larry, do you want to address this now?

MR. SCHMITT: I would like to change it. Well, I'd like to strike it totally. To me it shouldn't impact somebody who has already vested. Vesting is five years. That's been -- you know, from the initiation of this agreement, vesting is five years. To arbitrarily change it to ten years just feels --

MR. TUTEN: Can we change the language to just those who have not vested yet? Is that what you want to do to it, basically? In other words, if you've vested, it doesn't affect you. You still go back to two years, but if you're four, three, five, three and a half years, whatever, you go back to four years, the way it's written now.

MR. SCHMITT: Change the ten to five.

CHAIRMAN BUSSELLS: Thoughts on that?

I think it's de minimus financially --

MR. SCHMITT: Absolutely.

CHAIRMAN BUSSELLS: -- to the taxpayers or anyone else. It seems to have -- on the other side of what we said about DROP and COLA that you-all reconsidered and we found a thing we could all support, seems like it has symbolic significance but not substantive. It's just a very, very few people.

MR. GLOVER: If it has no significance to anyone else but the trust factor, let's close the door on the trust factor. That's what I would say.

CHAIRMAN BUSSELLS: Do you want to put that in the form of a motion?

MR. SCHMITT: I would like to make a motion to change it for Group 1 members with five or more years of service, prospective date -- the ordinance, to terminate employment on or after the prospective effective date of the ordinance with five or more years. Just change it to five years.

CHAIRMAN BUSSELLS: So I have a motion. Can I get a second for discussion?

MR. TUTEN: Second.

CHAIRMAN BUSSELLS: Discussion, Chris?

MR. HAND: Mr. Chairman, just for clarification, I know this is important to some of your members, this provision was in the agreement negotiated in May and June by the city and the PFPF has not changed during the council process. It's the same exact language.

CHAIRMAN BUSSELLS: We understand that. We understand that.

MR. TUTEN: Well, Larry wasn't here then.

MR. SCHMITT: Yeah.

CHAIRMAN BUSSELLS: Which is accurate.

So I have a motion and a second. Anything further, conversation or questions?

All in favor, say "aye."

(Responses of "aye.")

CHAIRMAN BUSSELLS: Opposed, like sign.

(No responses.)

CHAIRMAN BUSSELLS: Carries.

MR. KLAUSNER: Now we're done.

MR. KEANE: We're done.

CHAIRMAN BUSSELLS: Any further matters commanding our attention? Hearing none, we are adjourned.

(The meeting adjourned at 12:00 p.m.)

- - -

CERTIFICATE OF REPORTER

I, Denice C. Taylor, Florida Professional Reporter, 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, pages 2 through 181, 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 January, 2015.

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

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