

1
2 PUBLIC MEETING BETWEEN

3 CITY OF JACKSONVILLE

4 AND

5 JACKSONVILLE POLICE AND FIRE PENSION FUND
6
7

8
9 MODERATOR,
10 RODNEY WARREN SMITH, Esquire
11 Avera & Smith, LLP
12 2814 Southwest 13th Street
13 Gainesville, Florida 32608

14 DATE TAKEN: May 12, 2014
15 TIME: 9:03 a.m. - 10:51 a.m.
16 PLACE: City Hall
17 St. James Building
18 Lynwood Roberts Room
19 117 West Duval Street
20 Jacksonville, Florida 32202

21 reported by:
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A P P E A R A N C E S

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40 Executive Director-Administrator

41 Police and Fire Pension Fund

42 One West Adams Street, Suite 100

43 Jacksonville, Florida 32202

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3

4 THE MODERATOR: All right. Good morning,

5 everyone. Let's pick up where we -- I hope

6 everybody had a great Mother's Day. And let's get

7 back to our work this morning.

8

9 The first thing I have in front of us from

10 the City -- I had asked -- and if you can put that

11 up, please. I think we now have -- and I just

12 want to make sure that we have in front of us the

13 early retirement calculation number. Everybody

14 should have a copy. That was just given to me.

15

16 John, you've got a copy of this?

17

18 Okay. That's the one that we had looked at

19 last week. That's the one that I think was a --

20 it's a little bit of a change from what was agreed

21 on last fall.

22

23 If you remember, we took, John, and used the

24 two and a half percent rate, the accrual rate, and

25 applied the accrual rate, and that became also the

discount rate, if you will, so that we kind of

evened that out so there wasn't -- but we -- but

we started counting from the -- I think your term

was we started counting from the bottom.

26

27 We have a floor that I think is slightly

28 lower than the floor was before, but the -- but

Page 4

1 the accrual in the last two years ultimately was

2 about, I think, in the last year, 70 percent and

3 65 percent or one-half of -- one-half of --

4 one-half of 1 percent difference, is what I think

5 it is.

6

7 MR. HAND: Uh-huh.

8

9 THE MODERATOR: So, Joey, thank you for

10 putting this together in the format that we had

11 looked at it before.

12

13 With that, I think that -- I understand --

14 and I'll repeat this, as I do at every meeting for

15 everybody's comfort zone -- but realizing that

16 everything is temporarily agreed to, based on

17 where we ultimately end up. Everybody in

18 agreement that this is what we had agreed to and

19 that these are the numbers we will use if we're

20 able to reach an agreement in this?

21

22 MR. KEANE: Correct.

23

24 MR. HAND: Yes.

25

26 THE MODERATOR: Chris?

27

28 All right. Thank you.

29

30 Secondly, what I had done today is I had put

31 together -- but I -- before I kind of get to it --

32 before I kind of get to it, I want to go to the --

33 remind everybody where we were because, if you're

Page 5

1 like me, a weekend is a year.

2

3 Where we were before is that we had kind of

4 put out here a proposal between us. And I'll kind

5 of reiterate that No. 1 would be the Financial and

6 Investment Advisory Committee. No. 2 was the

7 ethnics, certifications, disclosure requirements

8 for investment managers and advisers. No. 3 was

9 not yet agreed upon, but it had to do with the use

10 of the general counsel. And we're still working

11 with that language.

12

13 And, John, I understand you have some

14 language this morning that we will be looking at

15 again.

16

17 No. 4 would be -- no longer would be

18 included, and No. 10 would no longer be included.

19 No. 4 being -- if you recall, No. 4 was -- would

20 have been the -- what I'll call the fifth member

21 issue. No. 5 would be as it was written except

22 that, in light of No. -- if No. 4 was omitted, the

23 mayor language would be omitted. Six has -- would

24 be accepted. Seven would be accepted, except

25 that -- no, seven would be accepted. Eight, I

think the only issue in eight, then, would have

been regarding how we use the language of the

2014. And then I think eleven and twelve would

Page 6

1 then be agreed upon. Ten would be omitted. And
 2 twelve would be the last thing. Of course,
 3 thirteen was no longer required by either side.
 4 Now, I know that nobody had signed off on
 5 that because, essentially -- and you guys correct
 6 me if I'm wrong -- I had sent that over to both of
 7 you to take -- to look at, and I know we were
 8 talking about language, but I think at the heart
 9 of the agreement is whether or not the City is
 10 prepared to now -- the potential agreement would
 11 be whether the City has reached some comfort
 12 level, with the omission of Item 4 -- omission of
 13 Item 4 and whether or not we can reach some
 14 language that we can all live with as to Item 3.
 15 Remember, I had a proposal that was the
 16 moderator's proposal as to Item 3, but I know that
 17 you have some language on your way over, John,
 18 No. 3, and we'll take a look at that.
 19 So let's talk about Item 4. Where are we
 20 from the City's --
 21 MR. HAND: Senator --
 22 THE MODERATOR: -- perspective on that?
 23 MR. HAND: -- just to clarify real quick --
 24 and -- because I think there are now four of the
 25 governance provisions that are off the table.

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1 Thirteen, because the PFPF indicated that was not
 2 a priority or an interest of --
 3 THE MODERATOR: Correct.
 4 MR. HAND: -- theirs, so that sort of
 5 disappeared --
 6 THE MODERATOR: Correct.
 7 MR. HAND: -- removed from any consideration.
 8 And I believe we already have agreement on three
 9 of the task force recommendations. That's No. 1,
 10 which is Financial and Investment --
 11 THE MODERATOR: Correct.
 12 MR. HAND: -- Advisory Committee; No. 2,
 13 which is ethics, certification, and disclosure
 14 requirements --
 15 THE MODERATOR: That's correct.
 16 MR. HAND: -- and No. 6, which is --
 17 THE MODERATOR: Correct.
 18 MR. HAND: -- actuarial standards,
 19 transparency, and disclosure. So --
 20 THE MODERATOR: That's right.
 21 MR. HAND: -- those four, by one means or
 22 another, are now either off the table or agreed
 23 to --
 24 THE MODERATOR: That comports with my
 25 recollection of it, yes.

Page 8

1 MR. HAND: I will tell you the City is likely
 2 to have a counterproposal to what the moderator
 3 first advanced and the PFPF also advanced. We do
 4 not have one first thing this morning because
 5 we're still going over some language. So we are
 6 going to bring that back to the table. We do not
 7 have it ready this morning.
 8 THE MODERATOR: I understand that. Now --
 9 and I understand that as to Item 3, which is the
 10 general counsel issue, that you have some language
 11 that's either on its way or being put together
 12 right now?
 13 MR. KEANE: On its way over.
 14 THE MODERATOR: Okay. Thanks.
 15 MR. KEANE: Fast as they can get here.
 16 THE MODERATOR: I know. And I take some
 17 blame on that because I know I had that language
 18 that I was -- that I had looked at Friday, and
 19 then somehow I have managed to lose it in
 20 cyberspace, which has been my rule since last
 21 Friday with my phone, which has twice been looked
 22 at. I don't know what the problem is.
 23 With that, I'd like to move, then -- because
 24 it seems like we're very close on these issues,
 25 but we'll let this kind of percolate for a minute.

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1 And I want to go to the next kind of general
 2 category of subjects. And that is what I think --
 3 MAYOR BROWN: It just came.
 4 THE MODERATOR: Is that the three? If I
 5 could look at that first.
 6 Yes. Okay. Pass that out.
 7 MR. KEANE: There's one for you and one for
 8 the court reporter.
 9 I meant to try to get this paper toss over
 10 the weekend, and I know I can get that one, good
 11 chance of that one.
 12 Derrel, let's see if you can get airmail
 13 there.
 14 MR. CHATMON: I got that.
 15 THE MODERATOR: If you would date this, guys,
 16 so that we kind of keep these -- because this is,
 17 like, the fourth proposal. So let's make this
 18 the --
 19 MR. KEANE: 5/12.
 20 THE MODERATOR: -- 5/12 of '14. If you
 21 would, pencil at the top of that 5/12/14 so that
 22 we can keep this -- because I think this is our
 23 third or fourth proposal on this. I realize for
 24 the City this is slightly different language, but
 25 not dramatically different, but I would ask that

Page 10

1 the City take a look at this.

2 Cindy, particularly, I know you'd want to

3 focus on it. And I know you haven't had a chance

4 to see it.

5 The charter and the State law empower the

6 Board to retain its own counsel, to use the Office

7 of the General Counsel, or both. The parties

8 agree that the OGC is a proper source to handle

9 daily legal business for the fund, for example,

10 open records, open meetings, issues not requiring

11 specialized pension or investment law experience.

12 The fund's counsel and the OGC shall consult on a

13 regular basis to ensure the Board is provided

14 legal services in an efficient and cost-effective

15 manner. The management of legal services for the

16 Board shall be consistent with the provisions of

17 Sections 175.061, 185.06 of Florida Statutes. The

18 parties agree that the current legal counsel

19 structure and fees are fair and appropriate.

20 That is a -- kind of putting this in order,

21 you'll remember that we have the original offer

22 that you-all had made, a response, then a use of

23 the Office of General Counsel provision the

24 moderator had included, and then discussions last

25 week and then -- now, this would be the proposal

Page 11

1 back from the -- from the fund -- for the Board,

2 excuse me. And I'd like to talk about that a

3 little later this morning.

4 Do we have questions about that now, or would

5 you like a few minutes, or, Cindy, you --

6 MS. LAQUIDARA: Yeah. You know, overall, I

7 think the subtext of us using -- the Police and

8 Fire Pension Fund using the General Counsel's

9 Office in the manner that every other agency does,

10 which is for our expertise and to save expenses,

11 is fine.

12 I don't know why in a mediation provision

13 there's a position taken that is contrary to what

14 my reading is because it -- we're either

15 compromising or we're not.

16 THE MODERATOR: Where is that one?

17 MS. LAQUIDARA: Well --

18 THE MODERATOR: Which one?

19 MS. LAQUIDARA: -- in accordance with

20 Chapters 175.061 and 185.06, we do not agree with

21 that interpretation. And so there's no need to

22 write it down; okay? They can maintain their

23 position it applies; I can maintain my position it

24 doesn't. But if we're going to mediate this, then

25 let's not each grab parts of it that we think are

Page 12

1 to our advantage because the real issue is

2 resolved in the text of this.

3 THE MODERATOR: Is that sentence the only

4 thing objectionable to you in there?

5 MR. HAND: Well, I have, actually --

6 MS. LAQUIDARA: Well, but first --

7 MR. HAND: -- a question before we even get

8 to that. This question is for Mr. Keane.

9 Mr. Keane, you had essentially advanced a

10 proposal on governance that sort of took the

11 moderator's sort of proposed compromise and made

12 some tweaks to it and forwarded that. I believe

13 it was on Thursday when we last got together. Are

14 you now modifying that proposal? And in that

15 proposal you had indicated that you would accept

16 the moderator's language on Recommendation No. 3.

17 I believe that's correct.

18 And, again, not saying this pejoratively, I

19 just want to make sure I'm clear. This now

20 essentially modifies that proposal so that, as to

21 Issue No. 3, which is the use of the general

22 counsel, this is the language the Board is now

23 forwarding --

24 MR. KEANE: Yes. That is correct.

25 MR. HAND: Okay.

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1 THE MODERATOR: Yeah. Let me -- let me kind

2 of correct -- I say correct. I don't know if it's

3 the right term. The use of the general counsel

4 language that I had --

5 MR. HAND: Right.

6 THE MODERATOR: -- was -- reproduced was this

7 one.

8 MR. HAND: Correct.

9 THE MODERATOR: Actually, they came back

10 after that with a very short use --

11 MR. HAND: Got you.

12 THE MODERATOR: -- of the general counsel --

13 MR. HAND: Okay. This is the latest proposal

14 they have, but there hasn't yet been a rejection

15 of -- and I -- and we may still end up working off

16 of language that is contained in No. 3 of the

17 moderator's proposal. But all of these, I think,

18 highlight -- and I think Cindy's response is,

19 "Look, I think we ought to make this workable. To

20 make this workable, let's put down the language

21 that will work for both sides."

22 Either one -- neither is going to concede

23 their legal position, but that there's a workable

24 middle ground here without their conceding their

25 legal position, but the most objectionable part of

<p style="text-align: right;">Page 14</p> <p>1 that, as I heard you say, was the sentence about 2 175 and 185 of the most recent proposal.</p> <p>3 MS. LAQUIDARA: Yes. So the first -- if one 4 deleted the first sentence and then the 5 sentence -- the penultimate sentence, then -- and 6 essentially retained the exact body of what 7 Mr. Keane's saying, we're fine because it just 8 states what we're going to do. And there's no 9 reason to state why we're going to do it. I think 10 that would preserve both parties, their position, 11 and let us get on with it.</p> <p>12 THE MODERATOR: Let me go back, then, just 13 for a moment and take a look at No. 3 as the Board 14 had.</p> <p>15 MS. LAQUIDARA: I like Mr. Keane's. I think 16 he's come -- really puts -- really captured where 17 we are in this amendment, and so -- in the one 18 he's handed out today. And I think just those two 19 changes really lets us leave it alone and gets his 20 exact language without asking him to concede 21 anything. We're not asking -- I think that 22 preserves all rights for Mr. Keane to argue those 23 points later.</p> <p>24 THE MODERATOR: And, of course, we do have -- 25 we will have a record of these proceedings, that,</p>	<p style="text-align: right;">Page 16</p> <p>1 but one of the components that I think was 2 different than what we've been calling the MSA, 3 the mediated settlement agreement, was the 4 treatment of current employees. And the mediated 5 settlement agreement had some treatment of current 6 employees of -- not dramatic, but there were some 7 changes in the treatment of current employees.</p> <p>8 This would be more. For a starting point, if 9 I could go back to the City, I want you to just 10 kind of explain again what differences your 11 proposal has for current employees than that which 12 was contained in the mediated settlement 13 agreement.</p> <p>14 MR. HAND: Right. So the changes would be -- 15 Carol, do you have that on the PowerPoint still, 16 the presentation we made --</p> <p>17 THE MODERATOR: That would be May 6.</p> <p>18 MR. HAND: Page 22, May 6.</p> <p>19 THE MODERATOR: Yes. City Proposal No. 2. 20 Page 39 of the task force report is also part 21 of this.</p> <p>22 MR. HAND: Put that on the board for 23 everybody.</p> <p>24 THE MODERATOR: I'd like you to put up the 25 proposal because I want to start that this</p>
<p style="text-align: right;">Page 15</p> <p>1 if we were to reach that language, it would be 2 that both parties were maintaining their legal 3 position, but for purposes of agreement, would be 4 finding language that they think would be 5 workable, hopefully, to avoid this issue in the 6 future.</p> <p>7 MS. LAQUIDARA: Uh-huh.</p> <p>8 THE MODERATOR: Now, I think where I was 9 going next, folks -- because I know the City 10 hasn't come back with the critical issue of No. 4. 11 And when I say the critical issue, I mean, I 12 think -- I think the Board has made very apparent 13 at this table how important that issue, No. 4, is 14 to them. I think that an awful lot hinges on 15 that. Where we are now is I'd like to move to 16 have a discussion this morning about -- and I want 17 to hear whether or not there is or will be a 18 counter on the issue of current employees.</p> <p>19 John, the Board made, in their initial 20 presentation --</p> <p>21 MR. HAND: You mean the City?</p> <p>22 THE MODERATOR: The Board. I'm sorry. The 23 Board received, in the initial presentation from 24 the City -- made, I guess, a week ago -- made the 25 proposal, and the proposal had many components,</p>	<p style="text-align: right;">Page 17</p> <p>1 morning. We've got to get kind of refocused on 2 this issue for a moment while we --</p> <p>3 MR. HAND: It's Page 21.</p> <p>4 THE MODERATOR: Before I leave this -- and I 5 know that you have all the time you want on this, 6 within the constraints of what we've outlined as 7 our schedule. Do you expect the City today to 8 have a response to Issue No. 4 in the governance?</p> <p>9 MR. HAND: I would say at the latest we 10 expect to have one at the very beginning of 11 tomorrow morning.</p> <p>12 THE MODERATOR: Okay.</p> <p>13 MR. HAND: I can't promise there will be one 14 today.</p> <p>15 THE MODERATOR: I understand.</p> <p>16 MAYOR BROWN: Yeah. We, you know --</p> <p>17 THE MODERATOR: I got it.</p> <p>18 MAYOR BROWN: It may be at the end of the 19 day. It may be, but definitely by tomorrow.</p> <p>20 THE MODERATOR: Okay.</p> <p>21 MAYOR BROWN: I just --</p> <p>22 THE MODERATOR: Just -- we're on a tight 23 schedule, and I think that is a linchpin of 24 whether or not we get that governance put to bed.</p> <p>25 MR. KEANE: Today's a short day too.</p>

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1 THE MODERATOR: And today's a short day.
 2 Everybody knows that.
 3 MAYOR BROWN: No. I get that.
 4 THE MODERATOR: All right. Go ahead.
 5 MR. HAND: All right. So as to current
 6 employees, obviously, we talked about that no
 7 benefits earned as of the date of plan
 8 implementation would be impacted. Because the
 9 plan would be implemented as of October 1st, 2014,
 10 we moved the recommendations from the Retirement
 11 Reform Task Force and indicated the proposed term
 12 of those benefit changes would be from October 1,
 13 2014, through September 30th, 2017 -- also talked
 14 about making future pension benefit determinations
 15 through the collective bargaining process.
 16 So just to kind of -- as a refresher on what
 17 the proposed benefit changes would be -- and,
 18 again, these are the Retirement Reform Task Force
 19 recommendations for current employees. For
 20 current employees who have greater than ten years
 21 of service right now, on a going -- right now
 22 there is a guaranteed 3 percent COLA starting as
 23 early as three months after retirement. The
 24 proposal would be to cap the COLA at 1.5 percent,
 25 make the COLA the lesser of that, and CPI, as

Page 19

1 measured by the Social Security COLA, starting
 2 that the third January after retirement.
 3 For those employees with less than ten years
 4 of service, again, moving from the guaranteed 3
 5 percent COLA to 1 that is capped at 1.5 percent,
 6 starts the third January after retirement, but
 7 starts no earlier than Age 55. So there would be
 8 an age floor, an activation floor, at Age 55 for
 9 current employees.
 10 For the DROP, Deferred Retirement Option
 11 Program, the current system has a guaranteed 8.4
 12 percent rate of return. Under the task force
 13 proposal, which we moved as our current employee
 14 proposal, this would change that to the actual
 15 rate of return with a rate floor of zero and a
 16 rate cap of 10 percent.
 17 The employee contribution right now is 7
 18 percent. I know Mr. Keane's had some commentary
 19 on other sources of contributions, but the amount
 20 coming out of an employee's paycheck right now is
 21 7 percent. Our proposal, which mirrors the task
 22 force proposal, would be to raise that from 7
 23 percent to 10 percent, 8 percent immediately upon
 24 plan implementation, from 7 to 8, and then from 8
 25 to 10 when the previous pay cuts taken by police

Page 20

1 and fire employees are restored. So, again, that
 2 would go from 7 percent to 10 percent in an
 3 effectively two-stage process.
 4 And then, finally, the issue of final average
 5 compensation period, this would apply to employees
 6 with less than ten years of service. Currently
 7 it's based on the last 24 months of employment.
 8 This would now move it to a period of time that's
 9 based on the last 60 months of employment, with
 10 the caveat that that amount could not be less than
 11 the 24-month amount that would be in place as of
 12 the date of plan implementation, so October 1st,
 13 2014. So for whatever the -- whatever the
 14 two-year number it would be as of October 1, 2014,
 15 that would essentially serve as a floor.
 16 THE MODERATOR: Go back and remind me, guys.
 17 When we did the MSA, as to the issue of the
 18 employee contribution, if I recall the MSA
 19 correctly, there was a 1 percent -- had it been
 20 implemented, there would have been a 1 percent
 21 contribution that was being made by the Board on
 22 an interim basis.
 23 MR. KEANE: We're doing it now, 4 percent.
 24 THE MODERATOR: There would have been one
 25 additional percent?

Page 21

1 MR. KEANE: Something like that.
 2 THE MODERATOR: Yeah. If I remember right,
 3 it would have been one additional percent --
 4 MR. HAND: It was for a one-year period or
 5 for a two-year period into base benefits, but
 6 really was not -- at least from my memory of the
 7 MSA, was not tied to the employee contribution.
 8 What we agreed on that -- what we agreed on that
 9 last year was an increase from 7 percent to 9
 10 percent of pay that was -- that would be activated
 11 following the restoration of the pay cuts; in
 12 other words --
 13 THE MODERATOR: Okay.
 14 MR. HAND: -- once the pay cuts were
 15 restored, portions of any future pay increases
 16 after that would go to increase the employee
 17 contribution from 7 percent to 9 percent, so it
 18 would not be as immediate as what's being proposed
 19 here.
 20 THE MODERATOR: What you're proposing here
 21 would be that there would be an immediate
 22 additional 1 percent out of the employee --
 23 MR. HAND: Correct.
 24 THE MODERATOR: -- pay that would go to 10
 25 percent, but that would only go to 10 percent when

Page 22

1 the pay cuts, which were 2 percent --

2 MR. HAND: 2 percent.

3 THE MODERATOR: -- are reinstated?

4 MR. HAND: Correct.

5 THE MODERATOR: Though you are currently

6 negotiating with, I think, FOP and then the -- I

7 mean, is it FOP or --

8 MAYOR BROWN: Local 122.

9 THE MODERATOR: -- PP -- FOP.

10 MR. HAND: Yeah.

11 THE MODERATOR: And then the firefighters is

12 one year behind.

13 MR. HAND: It is. Now, just to be clear, we

14 have come back to the table with the firefighters.

15 They effectuated a waiver as it related to

16 collective bargaining of pension benefits.

17 There's always the possibility of coming back to

18 the table a year earlier with fire. Right now the

19 only one that's on schedule is the FOP. Their

20 current contract expires on September 30th.

21 THE MODERATOR: And how again does the -- did

22 the MSA address -- did it retain the last 24

23 months for calculation purposes?

24 MR. HAND: It did not. It did -- the MSA, on

25 these other matters, did not affect current

Page 23

1 employees.

2 THE MODERATOR: At all?

3 MR. HAND: Correct. Yeah. The only change

4 for current employees on this list was --

5 THE MODERATOR: No. 4.

6 MR. HAND: -- the treatment of the employee

7 contribution --

8 THE MODERATOR: Right.

9 MR. HAND: -- the way we've just described.

10 THE MODERATOR: All right. With that kind of

11 reopening this conversation, John, I'd like your

12 reaction to it. First of all, is the Board going

13 to make a proposal in this area? And if not -- I

14 mean, you're not compelled to. Does the Board

15 have a reaction to this? And I want to -- I want

16 to hear the Board's reaction to where we are on

17 this. And I want to try to search for ways to see

18 if we can move in this area at all.

19 MR. KEANE: Well, first we want to make it

20 clear that the City proposal does not follow in

21 toto the mediated settlement agreement. We hear a

22 lot of times, the proposals we advance, they keep

23 referring to, "Well, that's not what you

24 agreed" -- "in the mediated settlement agreement."

25 Well, the mediated settlement agreement has

Page 24

1 been rejected. It was a good start, a good effort

2 on everybody's part, but it's rejected. It's --

3 THE MODERATOR: Rejected by counsel?

4 MR. KEANE: -- rejected.

5 THE MODERATOR: Right. I understand.

6 MR. KEANE: Right. So we oppose any

7 significant changes for current employees. They

8 were hired with a benefit structure. They have

9 paid into -- to contributions to support the

10 benefit structure.

11 Four percent of the chapter funds that would

12 otherwise be allocated to the individual employees

13 have been paid into the fund to support this

14 benefit level, and to take that away from them, we

15 don't think is proper, probably not lawful, and

16 certainly contrary to a sense of fairness and

17 justice. So, you know, we want the current

18 employees to remain where they're at for that.

19 THE MODERATOR: Let me ask a question, back

20 to the City. How was the ten-year line arrived

21 at?

22 MR. HAND: And I don't want to speak verbatim

23 for the task force, but as best I can recall, the

24 task force wanted to recognize that there was a

25 distinction between -- in other words, that all

Page 25

1 current employees should participate in some

2 meaningful way in retirement reform, but that

3 there was a distinction between employees who were

4 closer to retirement versus those who were sort of

5 earlier in their careers and had more time to plan

6 for retirement.

7 So that ten-year, I think, the fact that

8 there were some enhanced changes for employees who

9 are less than ten years of service was a

10 recognition of the fact that they're earlier in

11 their careers, have more time to plan for

12 retirement, and there's also more impact the

13 changes to those employees has on the overall kind

14 of financial state of the -- of retirement issues

15 for the City.

16 THE MODERATOR: Conversations -- and I know

17 that I'm kind of plowing what -- but not everybody

18 here was part of that. One of the conversations

19 that we had during the mediated settlement, that I

20 recall, was kind of a persistent discussion of the

21 idea of people make a job decision, a career

22 decision, and they say, "I'm going with the City

23 of Jacksonville, and I'm going to the City of

24 Jacksonville for these reasons," a package. And

25 they make that evaluation, just as they -- "That's

1 why I prefer Jacksonville over Orlando," or "I
2 prefer Jacksonville over Tampa, is because I've
3 looked at the entire package."

4 And they've made this decision. And they've
5 been here for -- this situation, they will have
6 worked -- if they came at 22, which is the age
7 we've been -- the task force used and I'm
8 comfortable with, and Joey tells me is within the
9 realm of reason, if it's -- if they came at 22,
10 under what the task force recommended -- and I've
11 read the recommendations and don't disagree or
12 agree. It doesn't matter.

13 What I -- what would be happening now is that
14 a 31- or 32-year-old guy -- or when I say guy,
15 male or female, obviously -- is now faced with a
16 changed set of circumstances. They've put in ten
17 years, almost. Let's say they're nine years,
18 plus. They've put almost ten years -- the
19 package -- which in retirement is a significant
20 decision when you're going somewhere in police and
21 fire because that's typically a career line that
22 lasts a long time, I guess, as your chiefs and
23 assistant chiefs here started at some point in
24 time on a ladder truck.

25 What do you say to the guy that says, "Okay.

1 You're 31 years old" or "32 years old, and you
2 made a decision to come to" -- "and now the rules
3 of the game are changing. And the guy who came in
4 in the class ahead of you, they're not changing
5 for him or her"? Kind of a response to that --

6 MR. HAND: Sure.

7 THE MODERATOR: -- because -- and I'm not
8 throwing this out as my argument. These are --

9 MR. HAND: Sure.

10 THE MODERATOR: -- the discussions we had,
11 and I want to get these discussions back in front
12 of us because I think they're at the heart of the
13 decisions that we have to make on this subject.

14 MR. HAND: Sure. I would say several things.
15 Number one, first, we've all got a stake in making
16 sure we've got a stable retirement system.
17 Everyone needs to play a role in that; two, that
18 retirement benefits are part of the overall
19 compensation package, not the entire compensation
20 package; three, I think it's important to kind of
21 take into account that -- and I think it's sort of
22 what the overall landscape is on pensions, and
23 that's what sort of this next chart shows, as
24 well. These types of changes that we're
25 recommending for current employees are, frankly,

1 very consistent with changes that are happening in
2 other jurisdictions and, frankly, some of those
3 same jurisdictions that compete with the City of
4 Jacksonville.

5 So, for example, as you know, the FRS ended
6 its COLA for all service for special risk
7 employees after July 1st, 2011. As you can see,
8 for example, in the category of employee
9 contribution, there are other cities who are
10 significantly higher than what we're recommending.

11 At present, the City of Tampa charges 13.26
12 percent contribution for its police and fire
13 members. Now, interestingly, they've tied theirs
14 to the performance of the plan. So as the plan's
15 performing not as well, the employee contribution
16 goes up, and vice versa. The City of Miami is 10
17 percent for their fire employees, 13 percent for
18 their police employees.

19 But I think the other key issue -- and Derrel
20 might want to speak to this a little bit -- the
21 argument's been advanced that, "Well, we don't
22 want to have two people on the same equipment who
23 have two different benefit packages."

24 That happens already. I mean, that's already
25 the case right now, that you have multiple

1 employees on the same equipment or on the same
2 shift who have different levels of contribution,
3 whether it's because of step raises or because of
4 some of the other factors that go into the overall
5 compensation package, so that the idea that we're
6 going to somehow impact morale because there's a
7 little bit different level of benefit between two
8 employees -- as I understand it, Derrel, that's --

9 MR. CHATMON: Right.

10 MR. HAND: -- the case as it is right now.

11 MR. CHATMON: Without question. The point
12 that Chris is addressing is something that
13 Jacksonville has experienced for years. We have
14 different leave plans. We have different
15 compensation levels that separates us.

16 The idea that you have two people on the same
17 apparatus which may have different benefits
18 because it's part of the package has been going on
19 since Jacksonville has existed. It's just a
20 matter of when the implementation takes place and
21 the changes that occur.

22 Now, understanding Mr. Keane's point is that
23 he's looking at retirement as a totality, but as
24 Chris's point points out, this is compensation
25 overall for the entire package, both the dollars

<p style="text-align: right;">Page 30</p> <p>1 that go into their pockets from wages, as well as 2 retirement.</p> <p>3 MS. LAQUIDARA: And if I could briefly -- 4 because the other matter that we brought up at the 5 mediation, which I think is key to why these are 6 so difficult here -- look at -- Chris has and 7 Derrel has the nature of those. This is the 8 issue. It's to the trust's benefit to increase 9 the financial solvency of the trust. And so 10 negotiating for something that does not bring more 11 money into the trust is against the interests of 12 the existing retirees.</p> <p>13 And so that's the difficulty that this 14 30-year position put Mr. Keane in. He's 15 negotiating to say, "Well, we should pay a 16 guaranteed 8 percent, even if the fund returns 17 four." And that is attacking the very corpus that 18 the trustees are supposed to be increasing.</p> <p>19 So I think the recognition of that principle 20 was one that led us to, you know, really looking 21 at the minor issues on the -- on new employees but 22 by hitting those that were consistent with other 23 jurisdictions.</p> <p>24 THE MODERATOR: John, kind of -- 25 MR. KEANE: Sure. Sure.</p>	<p style="text-align: right;">Page 32</p> <p>1 different leave plans. The leave plan was changed 2 for people that are going to be coming. No one 3 that was here had the leave plan changed, yanked 4 out from underneath them. It was established for 5 future employees; is that correct?</p> <p>6 MR. CHATMON: That would be correct, but the 7 two people would still be on the same apparatus.</p> <p>8 MR. KEANE: It doesn't matter whether they're 9 walking or riding. The leave plan was changed for 10 new people. Nobody that was here had their leave 11 plan changed; correct?</p> <p>12 THE MODERATOR: Which this plan has done -- 13 would already do.</p> <p>14 MR. KEANE: We proposed to do --</p> <p>15 THE MODERATOR: We agree that new employees 16 are going to be on a different --</p> <p>17 MR. KEANE: Exactly.</p> <p>18 THE MODERATOR: Different --</p> <p>19 MR. KEANE: This is --</p> <p>20 THE MODERATOR: -- plan --</p> <p>21 MR. KEANE: This is --</p> <p>22 THE MODERATOR: -- already.</p> <p>23 MR. KEANE: This is changing current people, 24 which is not the case in the illustration 25 Mr. Chatmon made. And to Chief Hand, that's an</p>
<p style="text-align: right;">Page 31</p> <p>1 THE MODERATOR: I'm kind of turning it around 2 back to you and -- kind of make the same argument. 3 When I read the task force -- what I see the task 4 force addressing is they say, "Look, this is for 5 overall fund health."</p> <p>6 MR. KEANE: Uh-huh.</p> <p>7 THE MODERATOR: "We think the overall fund is 8 healthier if we do" -- "make these changes and 9 will be healthier over the long term by making 10 these changes."</p> <p>11 And, admittedly, ten years is not a magical 12 time period, but it was one that was essentially 13 the first one-third of employment, meaning that 14 two-thirds -- presumably, those who are past 15 one-third of their employment won't be affected at 16 all by this. The people who are in the first, 17 roughly, one-third of their employment in a 25 18 to -- I mean, what is a 30-year plan -- again, 19 react to this and tell me the Board's reaction and 20 also what role you think the Board -- where the 21 Board fits into this issue of contribution by the 22 employee, especially linking that to wage 23 reinstatement.</p> <p>24 MR. KEANE: Okay. Well, let's start with the 25 last point that Mr. Chatmon made, that there are</p>	<p style="text-align: right;">Page 33</p> <p>1 interesting note up there that -- he talks about 2 the FRS. Well, the FRS contribution is 3 percent 3 from the employee. Now, you know, do we want to 4 put the new people in FRS? Is that -- are we not 5 even going to talk about that? I don't want to do 6 it, but we keep bringing FRS in here.</p> <p>7 So -- and the Tampa people and the Miami 8 people, the 4 percent that we currently put in -- 9 because people keep saying the people only pay 10 7 -- and Tampa and Miami, 4 percent goes into 11 their individual share accounts. Now, you can't 12 have it both ways. You can't say in Tampa they 13 pay 13.26 and they get a share plan, which they 14 don't say, or you say in Jacksonville they pay 7. 15 They don't have a share plan, but 4 percent is 16 used.</p> <p>17 Now, if we're going to put the numbers up, we 18 ought to put the numbers up which are reflective. 19 The pension fund receives, for our current 20 employees, 7 percent from their salary and 4 21 percent of the chapter money. Seven and four is 22 eleven. And it's more than Miami.</p> <p>23 THE MODERATOR: Now, in the MSA we did 24 address that issue. Am I incorrect that there was 25 some interim additional funding that the Board --</p>

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1 remind me and tell me how that fits into what's
 2 being proposed here.

3 MR. KEANE: We agreed to make some additional
 4 contributions, but in the MSA we also --

5 THE MODERATOR: But, now, that would apply to
 6 everybody from --

7 MR. KEANE: Correct.

8 THE MODERATOR: All current employees?

9 MR. KEANE: Correct. Because the funds --
 10 source of funds we were going to use is
 11 accumulated chapter funds that were accumulated
 12 for the current employees. The 4 percent from the
 13 chapter fund that is paid into the base benefit
 14 fund on behalf of the current employees is to
 15 provide for some of these benefits that at the
 16 time were enhanced benefits. The City has since
 17 provided those same level of benefits to the
 18 general employees and correctional officers.
 19 They're no longer enhanced benefits.

20 THE MODERATOR: Once again, I wasn't over
 21 here -- I only know what I read in the newspaper,
 22 and due respect to our audience, that may or may
 23 not be accurate. I said may or may not, which is
 24 better than what I would say privately.

25 My view on this was that one of the

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1 concerns -- and the task force addresses this in
 2 the report, not explicitly but I think implicitly
 3 in the report -- is that the Council -- that we're
 4 here because the Council did not pass -- did not
 5 accept what we had as the MSA. Now, I can't tell
 6 you what any one person who wasn't reporting that
 7 way -- and I'm -- and I haven't gone back -- and
 8 I'm not going to go back and read transcripts, and
 9 I don't know what they would tell me, anyway.

10 But what I'm getting at is, let's talk about
 11 kind of the practical aspect here. What's your
 12 view of what role current employee contribution or
 13 current employee participation in the changes play
 14 in likelihood of the success of any agreement we
 15 reach?

16 In other words, if we sit down and we reach
 17 something on governance and we reach something on
 18 addressing the unfunded liability, which we'll
 19 talk to some today, but we -- and we've done what
 20 we've done, which I think is we've moved new
 21 employees and -- that's out of the equation.
 22 Current employees seem to have been, from the task
 23 force rendition -- and I want to ask both sides to
 24 comment on this. How important were additional
 25 changes in current employees in your mind to --

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1 because if this is going to work at all, as you
 2 say, it's got to be, not only agreed here, it's
 3 got to be agreed to around the hallway here. Tell
 4 me what you think, if any, current employee
 5 contributions play in the likelihood -- if there's
 6 not something else done on current employees, can
 7 we get the Council to agree to this, in the
 8 Board's view, or does that matter to you?

9 MR. KEANE: Well, there's two things -- sure,
 10 it matters. The charter says that all pension
 11 benefits have to be enacted by the City Council.
 12 Because of press reports that inaccurately reflect
 13 the situation, some of our citizens believe that
 14 the Pension Board created the pension benefit
 15 structure we have.

16 Nothing could be further from the truth, as
 17 everybody at this table knows. City Council
 18 created every, single pension benefit that we
 19 have, and we're thankful for that. We have
 20 agreed, in our earlier discussions, to make a
 21 significant additional contribution from the
 22 enhanced benefit account reserves.

23 THE MODERATOR: Was --

24 MR. KEANE: New employees --

25 THE MODERATOR: Was that the --

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1 MR. KEANE: New employees --

2 THE MODERATOR: Just remind me. When you say
 3 that, was that the 20 million?

4 MR. KEANE: It was at the time the 20
 5 million.

6 New employees who are getting a significant
 7 lower benefit level, we're not going to pay 4
 8 percent for them. It's just unrealistic. You
 9 can't do it, you know?

10 THE MODERATOR: And the reason being because
 11 you don't think that's -- because they're not
 12 receiving the same enhanced benefit?

13 MR. KEANE: They're not receiving the
 14 enhanced benefit. And they're going to get a
 15 chance to vote on the benefit structure. And, you
 16 know, the statute is clear. The chapter funds are
 17 for enhanced benefits.

18 And if you've lowered somebody's benefit, no
 19 amount of lowering can -- take lower benefits and
 20 convince anybody that they're getting more. It
 21 just don't work that way. And we wouldn't even
 22 try that. So, while we're strongly committed to
 23 comprehensive pension reform, it has to be
 24 comprehensive pension reform.

25 THE MODERATOR: Well, tell me -- and by the

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1 way, I say this to both sides. Whenever I -- and
 2 I've been doing this right at 40 years now, sadly.
 3 Whenever people tell me the statute is clear, if
 4 the statute is clear, we'd never have disputes.
 5 We have lots of them, and sometimes not only are
 6 they not clear, the rulings aren't clear.
 7 But -- so tell me, as to current employees,
 8 what does the Board -- does the Board have any
 9 recommendation? And if not, how does that impact
 10 the likelihood of getting Council approval, given
 11 what the task force has recommended, which I think
 12 this reflects? And you -- I know you follow this
 13 very closely in terms of your job. What's the
 14 likelihood of getting an agreement if we don't
 15 have some current employee change approved by
 16 Council?
 17 MR. KEANE: Well, the first thing you have to
 18 do is, on the sheet music that you're going to
 19 present to the Council, you ought to have the true
 20 facts. Quit talking about 7 and talk about 11.
 21 And make it clear that on behalf of the current
 22 employees 11 percent of the rate of pay is going
 23 into the pension fund. And quit this devious
 24 deception. You know, the actuarial report -- wait
 25 a minute. If that was too strong, let me withdraw

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1 that.
 2 MR. HAND: It's not only too strong; it's
 3 entirely inaccurate, but, you know --
 4 MR. KEANE: This is inaccurate up here.
 5 Chief, this is inaccurate.
 6 MR. HAND: Yeah. Yeah.
 7 MAYOR BROWN: So let me -- can I -- can I
 8 just --
 9 THE MODERATOR: Go ahead.
 10 MAYOR BROWN: So -- just so we can get back
 11 in focus here, John, what is it that you -- that
 12 you think from the Board perspective would
 13 contribute to the current employees helping to
 14 make sure that the Board's fiduciary
 15 responsibility would be to make sure that the
 16 retirement reform is comprehensive and secure?
 17 MR. KEANE: Uh-huh.
 18 MAYOR BROWN: Are there any variables that
 19 you can just tell us --
 20 MR. KEANE: Right.
 21 MAYOR BROWN: -- that would be things that
 22 the Board would consider, maybe not -- just
 23 consider. Can you just talk about that for a
 24 few --
 25 MR. KEANE: An additional contribution --

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1 MAYOR BROWN: Okay.
 2 MR. KEANE: -- on the current members' behalf
 3 to supplement their current contribution as
 4 already supplemented. We could transfer some
 5 additional 175 and 185 funds to preserve these
 6 benefits.
 7 MAYOR BROWN: Anything else that you think
 8 the Board would consider?
 9 MR. KEANE: I think they would consider that,
 10 yes, sir.
 11 MAYOR BROWN: In addition to what you just
 12 said, the 175, 185, anything else that they would
 13 consider?
 14 MR. KEANE: No. There's not much else to
 15 consider. As the lawyer from Tallahassee who came
 16 over here, Mr. Linn, told the task force, we have
 17 an agreement between the Pension Board and the
 18 City, and that's what governs our conduct and
 19 relationship. And so we want to make the
 20 necessary amendments to have a productive pension
 21 plan going forward, but that does not include
 22 dismantling what our members gave up along the
 23 way.
 24 In 1996, the members took a -- the new
 25 members took a 25 percent reduction in their

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1 starting salary to help stabilize the pension
 2 fund. And the City contribution at the time, when
 3 they needed this stabilization, was 3.9 percent.
 4 But they reduced the salary for future police
 5 officers and firefighters by 25 percent, but they
 6 had an ARC where after seven years they would
 7 begin to catch back up. So there's lots of ways
 8 to do it. We could make a supplemental
 9 contribution over a period of years that, with the
 10 enhanced City contribution and strong market
 11 returns, we would then see the benefit of the
 12 reduction in City contributions.
 13 Now, in the previous charts that were put up
 14 there that show how the City contribution
 15 increased since you have become mayor, there were
 16 two main driving forces for that, of course, that
 17 we know that our friends behind us may not know.
 18 And one was the directive from the Division of
 19 Retirement to lower the actuarial assumed rate of
 20 return from 8.5 to 7.75. That increased the City
 21 contribution by about \$40 million, that one thing
 22 alone.
 23 And then the recommendation -- Middleman --
 24 to lower the assumed rate of return to -- they
 25 recommended 6.9. The Board went with 7. That

<p style="text-align: right;">Page 42</p> <p>1 cost another almost \$40 million.</p> <p>2 Those two things -- because market</p> <p>3 performance, since you've been in office, has been</p> <p>4 very good, not only for us, but for institutional</p> <p>5 investors nationwide. So we're making some strong</p> <p>6 returns and making up for lost ground, but,</p> <p>7 nevertheless, we've got a lot of catching up to</p> <p>8 do.</p> <p>9 THE MODERATOR: What does the -- because I'm</p> <p>10 trying to catch this, and I know I want to be</p> <p>11 clear. What do you believe as to current</p> <p>12 employees -- as the Board, what do you believe</p> <p>13 ought to be done, and if done, would result in an</p> <p>14 acceptable -- a plan that would be acceptable to</p> <p>15 the Council? What are you saying that the Board</p> <p>16 thinks ought to be done?</p> <p>17 MR. KEANE: Well, it's going to wind up being</p> <p>18 a package, so we've got to get all the pieces</p> <p>19 here.</p> <p>20 THE MODERATOR: Okay.</p> <p>21 MR. KEANE: You know, we've got the pie</p> <p>22 shell. We need to decide what the filling's going</p> <p>23 to be before we can serve it. So we need to know</p> <p>24 all the pieces.</p> <p>25 THE MODERATOR: Everybody knows that this is</p>	<p style="text-align: right;">Page 44</p> <p>1 MR. KEANE: Right. If that has an actuarial</p> <p>2 reduction of X percent, you apply that same factor</p> <p>3 and then it's a wash.</p> <p>4 THE MODERATOR: Questions on this side?</p> <p>5 Whoever.</p> <p>6 MAYOR BROWN: I just want to say --</p> <p>7 THE MODERATOR: Go ahead, Mr. Mayor.</p> <p>8 MAYOR BROWN: One point, let me make a point</p> <p>9 here --</p> <p>10 THE MODERATOR: Yeah.</p> <p>11 MAYOR BROWN: -- that -- one of the things</p> <p>12 you said earlier about Council rejecting the</p> <p>13 original plan, which you agreed to, even though</p> <p>14 they rejected it --</p> <p>15 MR. KEANE: Uh-huh.</p> <p>16 MAYOR BROWN: -- but then the issue of</p> <p>17 fairness and justice. So I want to be clear. I</p> <p>18 want to be fair to the City employees, police and</p> <p>19 fire, and I believe in justice. I believe it's</p> <p>20 just and noble and I think it's morally right for</p> <p>21 a City to provide a retirement plan for its men</p> <p>22 and women who serve and protect us every day. I</p> <p>23 think that's very important.</p> <p>24 MR. KEANE: We absolutely agree with you,</p> <p>25 Mayor.</p>
<p style="text-align: right;">Page 43</p> <p>1 all part of -- but I'm talking about now what is</p> <p>2 the Board's suggestion. The City has said, "This</p> <p>3 is what the task force said. These are the</p> <p>4 changes we want to make." They've used the</p> <p>5 ten-year differentiation.</p> <p>6 Respond to that. What do you think about the</p> <p>7 idea of a plan that has different -- that</p> <p>8 recognizes a differentiation at the earlier third</p> <p>9 of your career, as opposed to the later parts of</p> <p>10 your career?</p> <p>11 MR. KEANE: For our current employees, it's</p> <p>12 imminently unfair because they have been paying on</p> <p>13 the higher schedule for their ten, nine, eight,</p> <p>14 seven, six, five, four, three, two, one tenure,</p> <p>15 wherever they're at. So that's an issue. And to</p> <p>16 overcome that issue, we would recommend to the</p> <p>17 Board the increased use of chapter funds.</p> <p>18 THE MODERATOR: All right.</p> <p>19 MR. KEANE: We don't want to pull the rug out</p> <p>20 from under our employees.</p> <p>21 THE MODERATOR: So --</p> <p>22 MR. KEANE: Not going to.</p> <p>23 THE MODERATOR: So in lieu of that proposal,</p> <p>24 you're suggesting that there be greater</p> <p>25 contribution made to the plan by the Board?</p>	<p style="text-align: right;">Page 45</p> <p>1 MAYOR BROWN: I'm going to be fair and I</p> <p>2 believe in justice. And so I just, you know --</p> <p>3 but we have a -- I mean, we have a plan up here</p> <p>4 that I think the task force did a great job in</p> <p>5 putting together, an opportunity for us to solve</p> <p>6 this problem. And I think -- and, yes, we'll have</p> <p>7 a package, but you have variables within those</p> <p>8 packages to make a whole package. And I'm trying</p> <p>9 to get -- to figure out what else other than what</p> <p>10 you just named that we can talk about.</p> <p>11 So Mr. --</p> <p>12 MR. HAND: Okay. May I ask a question or --</p> <p>13 THE MODERATOR: Go back to Chris.</p> <p>14 MR. HAND: -- two? Sure. Just to sort of be</p> <p>15 specific on some of the aspects we brought up, as</p> <p>16 to, for example, the DROP proposal, is it the</p> <p>17 Board's position that it would not consider any</p> <p>18 change in what is right now a guaranteed 8.4</p> <p>19 percent rate of return? In other words, setting</p> <p>20 aside for a moment the issue of COLA and going to</p> <p>21 DROP, the Board's position is that DROP should</p> <p>22 continue with the guaranteed 8.4 percent rate of</p> <p>23 return and not change that to the actual rate of</p> <p>24 return for current employees?</p> <p>25 MR. KEANE: I haven't addressed that yet,</p>

<p style="text-align: right;">Page 46</p> <p>1 Chief. We --</p> <p>2 MR. HAND: Okay.</p> <p>3 THE MODERATOR: Well, let's --</p> <p>4 MR. KEANE: We talked about --</p> <p>5 THE MODERATOR: Okay. I understand.</p> <p>6 MR. KEANE: -- two other things.</p> <p>7 THE MODERATOR: Okay. Well, let's talk about</p> <p>8 that for a moment, just see where we -- let's talk</p> <p>9 about the proposed DROP. And I remember these</p> <p>10 discussions in the MSA. So let's talk about the</p> <p>11 proposed rate. What right now is -- that there is</p> <p>12 a -- there is a maintained rate. We all agree on</p> <p>13 that.</p> <p>14 And this proposal says that we would replace</p> <p>15 the maintained rate, but we would have a range</p> <p>16 within -- it would perform -- you wouldn't -- you</p> <p>17 couldn't drop below the floor, and you couldn't</p> <p>18 rise above the cap, but that we would take actual</p> <p>19 performance in that. Tell me what you think about</p> <p>20 that idea.</p> <p>21 MR. KEANE: It's certainly worthy of</p> <p>22 additional review and discussion. The --</p> <p>23 THE MODERATOR: So your answer on that is</p> <p>24 just not --</p> <p>25 MR. KEANE: Well, we haven't resolved that</p>	<p style="text-align: right;">Page 48</p> <p>1 MR. KEANE: Correct.</p> <p>2 THE MODERATOR: You've --</p> <p>3 MR. HAND: We've gotten some perspective on</p> <p>4 the employee contribution. What about on the</p> <p>5 issue of COLA, which is sort of the -- you know,</p> <p>6 of the four tranches of benefits, here is another</p> <p>7 one that we've moved some significant proposals</p> <p>8 on.</p> <p>9 And I will tell you, just to answer Senator</p> <p>10 Smith's earlier question as to current employees,</p> <p>11 I think City Council's made it pretty clear,</p> <p>12 especially those who did not vote in favor of last</p> <p>13 year's agreement, that that's very important to</p> <p>14 them, that there be -- to use their term, there be</p> <p>15 some additional shared sacrifice by current</p> <p>16 employees in the overall retirement benefit.</p> <p>17 So, again, that's no mystery. That's been</p> <p>18 reported in the newspaper and in other outlets.</p> <p>19 They've been very clear. And, of course, the task</p> <p>20 force was equally clear on that as a part of the</p> <p>21 overall retirement package.</p> <p>22 THE MODERATOR: Back to you on COLA.</p> <p>23 MR. KEANE: On COLA, a reduction -- I believe</p> <p>24 the task force had a different cutoff date for</p> <p>25 affecting the new people -- the current people on</p>
<p style="text-align: right;">Page 47</p> <p>1 yet.</p> <p>2 THE MODERATOR: I understand.</p> <p>3 MR. KEANE: But on the guaranteed 8.4 percent</p> <p>4 rate of return, a lot of misinformation circulates</p> <p>5 on that too.</p> <p>6 THE MODERATOR: Sure.</p> <p>7 MR. KEANE: The DROP money, for accounting</p> <p>8 purposes, is held in a separate account. And so</p> <p>9 when you apply the fund earnings to that segment,</p> <p>10 now you have some money over here that we use to</p> <p>11 pay 8.4. Like last year, we made significantly</p> <p>12 more than 8.4. And so it's sitting over there to</p> <p>13 help pay in when we made less than 8.4, but, you</p> <p>14 know, it's not ever been presented that way to the</p> <p>15 people, but folks here at the table know that.</p> <p>16 THE MODERATOR: Right. We talked about that.</p> <p>17 And one piece of good news is that this year</p> <p>18 numbers are better than last year's numbers --</p> <p>19 MR. KEANE: On track to be much better,</p> <p>20 thankfully.</p> <p>21 THE MODERATOR: Yeah. Right.</p> <p>22 Chris, other questions you had about this?</p> <p>23 So we -- so the DROP conversation is an open</p> <p>24 conversation?</p> <p>25 MR. HAND: Right.</p>	<p style="text-align: right;">Page 49</p> <p>1 that change.</p> <p>2 MR. HAND: This is exactly --</p> <p>3 MR. KEANE: You-all have a 14-year --</p> <p>4 16-year, something like that, for people on the</p> <p>5 COLA --</p> <p>6 MR. HAND: This is exactly what the -- was in</p> <p>7 the task force report, so --</p> <p>8 MR. KEANE: Okay.</p> <p>9 THE MODERATOR: All right. Tell me what your</p> <p>10 reaction is to the -- to the COLA proposed change.</p> <p>11 MR. KEANE: It could well be acceptable as</p> <p>12 part of an overall --</p> <p>13 THE MODERATOR: I understand.</p> <p>14 MR. KEANE: -- package.</p> <p>15 THE MODERATOR: So the COLA -- now, so that I</p> <p>16 make sure that I'm clear on this so we later don't</p> <p>17 have any argument, for purposes of the COLA, would</p> <p>18 you -- is the ten-year differentiation</p> <p>19 appropriate?</p> <p>20 MR. KEANE: Oh, yes.</p> <p>21 THE MODERATOR: Okay.</p> <p>22 MR. KEANE: That people have already paid,</p> <p>23 our current people, is a big hangup, but there can</p> <p>24 be ways to work some of these proposed changes</p> <p>25 into a new pension benefit structure.</p>

<p style="text-align: right;">Page 50</p> <p>1 THE MODERATOR: So as to the COLA and as to 2 the DROP proposals that are there -- 3 MR. KEANE: Uh-huh. 4 THE MODERATOR: -- those are within the realm 5 of -- 6 MR. KEANE: Subject to meaningful change. 7 THE MODERATOR: Okay. Without going to the 8 exact number, if there is an increase in employee 9 contribution, you agree that the sense of it was 10 that fairness dictated that that employee 11 contribution increase, at least in part, be linked 12 to the reinstatement of the -- what I'll call the 13 rollback in salary that happened, I think, 2 -- it 14 was a 2 percent rollback. It was two years before 15 the MSA, I think, so -- 16 MR. HAND: 2010 for fire -- 17 THE MODERATOR: Right. 18 MR. HAND: -- and 2012 for police. 19 THE MODERATOR: Right. Right. I mean, that 20 was kind of the conversation, is that that would 21 happen in the context of -- 22 MR. KEANE: First. 23 THE MODERATOR: -- a rollback wouldn't go 24 into effect until a reinstatement of the lost 25 benefits went --</p>	<p style="text-align: right;">Page 52</p> <p>1 whatever the number turns out to be. You guys 2 know what your -- when the -- when the 3 reinstatement's going to take place. My sense of 4 it is that that may be in next round of 5 negotiations, from what I'm reading and hearing. 6 MR. KEANE: We would have a definite time 7 period. It's not going to be forever and ever. 8 THE MODERATOR: But you'd have -- you would 9 be willing to put in some funds for an interim 10 contribution -- 11 MR. KEANE: Yes, sir. 12 THE MODERATOR: -- until such time as the 13 employee -- and to offset the immediate impact on 14 the employees? 15 MR. KEANE: That's correct. 16 THE MODERATOR: All right. Now, let's go to 17 the fourth thing up there, which is the final 18 average compensation. 19 MR. HAND: And can I just -- 20 THE MODERATOR: I'm sorry. Go ahead. 21 MR. HAND: I just -- it'd just be helpful to 22 clarify that, John. So the Board would be willing 23 to put in, I guess, part of what is currently 24 going to enhanced benefits, roughly the half of 25 the chapter funds that are currently going into</p>
<p style="text-align: right;">Page 51</p> <p>1 MR. KEANE: Right. 2 THE MODERATOR: -- into effect. 3 City remembers it that way also? 4 MR. HAND: Correct. Yeah. 5 THE MODERATOR: All right. 6 MR. HAND: There was a -- there would be the 7 restoration and then -- 8 THE MODERATOR: Then the additional kick-in 9 of the contribution -- 10 MR. HAND: -- after that -- 11 MR. KEANE: Going forward with future 12 increases. 13 THE MODERATOR: All right. 14 MR. KEANE: We're prepared to make additional 15 contribution to help get over this temporary rough 16 spot in the road. 17 THE MODERATOR: And that's what I was getting 18 at. As I understand what the Board's suggesting, 19 is that you would put in an additional pool of 20 money -- if I use the word incorrectly -- you 21 would -- you would offset the immediacy of that 22 contribution by putting in chapter funds until 23 such time as that employee contribution kicks in, 24 meaning that if it happened next year, you guys 25 would bridge the gap in the year between or --</p>	<p style="text-align: right;">Page 53</p> <p>1 that, to help sort of bridge the gap until such 2 time as employee pay was restored to match 3 whatever increased contribution was required; is 4 that -- am I interpreting that correctly? 5 MR. KEANE: You're interpreting that 6 correctly, with the limitation that -- 7 MR. HAND: Sure. 8 MR. KEANE: -- we're not going to sit here 9 and say, "We're going to wait six years before" -- 10 MR. HAND: Of course. 11 MR. KEANE: -- "we give them a raise." 12 MR. HAND: Of course. Yeah. But that -- 13 but, in fact, that would -- those would be 14 inextricably linked, so to the extent employees 15 were to receive at some point a restoration of 16 that previous pay cut, that additional Board 17 contribution would end at that time; is that -- 18 MR. KEANE: Right. 19 MR. HAND: Is that right? 20 MR. KEANE: I believe it's when, not if, 21 though; right? 22 MR. HAND: Well, I don't want to prejudge 23 Mr. Chatmon and the work he does. 24 MR. KEANE: Right. 25 MR. HAND: I'm not here to cut his legs --</p>

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1 MR. CHATMON: One --

2 MR. HAND: -- out from under him --

3 MR. CHATMON: One side of the table.

4 MR. HAND: -- but I just want to be clear on,

5 in your mind, mechanically --

6 MR. KEANE: Yes.

7 MR. HAND: -- how that would work.

8 MR. KEANE: That's how --

9 THE MODERATOR: But to make that fair, even

10 back when we were having the MSA, the discussion

11 was there would be a point in time in the

12 foreseeable future when the economy and the other

13 kinds of things, the savings that have taken

14 place, that the -- it was never contemplated that

15 the employee rollback would be forever, that

16 everybody realized that was an -- not an

17 emergency, but it was something that was

18 necessary. Both the employees and the City knew

19 that there were things that had to be done a

20 couple of years ago that were critically

21 important, given where the budget was.

22 MR. CHATMON: Senator, I will just interject

23 one point. Since neither the police and fire --

24 since only the police and fire is here and neither

25 are the FOP or Local 122, it's kind of hard to

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1 make that --

2 THE MODERATOR: I agree with you. I

3 understand that. I'm just saying that the

4 conversation was -- I think what John's saying is

5 "We're not going to do this" --

6 MR. CHATMON: Forever.

7 THE MODERATOR: -- "forever, and we're not

8 going to do this for a time that is unreasonably

9 lengthy."

10 Once again, everybody here realizes you have

11 to collectively bargain with them and they have to

12 collectively bargain with you for those issues,

13 but what I think he's saying is the clock won't

14 run forever. I think -- but I -- but as I say,

15 when we were having the MSA, the conversation was

16 that way. It wasn't anticipated it would run --

17 MS. LAQUIDARA: Well, it was --

18 THE MODERATOR: -- forever.

19 Yes?

20 MS. LAQUIDARA: It was two years in the MSA.

21 THE MODERATOR: Yeah. I'm -- we had a --

22 MS. LAQUIDARA: So we did negotiate a

23 number --

24 THE MODERATOR: Right.

25 MS. LAQUIDARA: -- certain.

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1 THE MODERATOR: All right. Now, let's go

2 to --

3 MR. HAND: Of course, the --

4 THE MODERATOR: -- where I was --

5 MR. HAND: And, of course, the City's

6 financial position is going to depend a lot on how

7 much progress we're able to make in these

8 discussions --

9 THE MODERATOR: Sure.

10 MR. HAND: -- so --

11 THE MODERATOR: Sure. And by that, to make

12 it kind of clear, the better you do on some of

13 these things equates to the better position,

14 financial position, in terms of contribution that

15 you have to make. Therefore, employees have an

16 interest in seeing the contributions by the City

17 not be such that they are in lieu of other kinds

18 of money that would be available; am I right?

19 Everybody got that?

20 MR. HAND: Any dollar saved through pension

21 reform --

22 THE MODERATOR: Got it.

23 MR. HAND: -- is a dollar --

24 THE MODERATOR: All right.

25 MR. HAND: -- that can be invested somewhere

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1 else, but --

2 THE MODERATOR: Now, my question was, final

3 FAC, final average compensation. Right now

4 it's -- last 24 months, the proposal is five -- or

5 60 months -- I'm sorry -- with the caveat that

6 there is a seal -- excuse me -- the law would

7 require that you couldn't go below what somebody

8 had already earned, but what did we do about this

9 in the MSA, folks?

10 MR. KEANE: Agreed to it.

11 THE MODERATOR: To the 60 months?

12 MR. KEANE: (Nods head).

13 THE MODERATOR: That's what I remember.

14 MR. HAND: For new employees, right.

15 THE MODERATOR: For new employees.

16 MR. HAND: Uh-huh.

17 THE MODERATOR: Now, what did we do as to

18 current employees? We didn't do it?

19 MR. KEANE: (Shakes head).

20 MR. HAND: Right.

21 THE MODERATOR: All right. Talk about

22 current employees at any level. This says ten

23 years of service. The recomputation, is there a

24 point at which it is reasonable to say that's

25 early enough in a career that they can more than

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1 make it up because they've got 25 years left or 20
 2 years left in this case, or maybe not at all?
 3 What are your thoughts?
 4 MR. KEANE: Well, you know, we had 94 hours
 5 of meetings down there last year and --
 6 THE MODERATOR: Yes, sir.
 7 MR. KEANE: -- we agreed to leave current
 8 employees out of the mix. I've asked the actuary
 9 to give us a cost factor of the reduction in cost
 10 on these changes, and we hope to have that ready
 11 this afternoon. That's what -- things I'm going
 12 to be doing this afternoon --
 13 THE MODERATOR: Okay.
 14 MR. KEANE: -- is having conference with our
 15 actuary. And then we'll have a cost factor on all
 16 of the other proposals, not only from this page,
 17 but from Page -- I believe it was -- where is the
 18 other page?
 19 THE MODERATOR: We're looking now at their
 20 proposal or --
 21 MR. KEANE: Yeah.
 22 THE MODERATOR: -- the actual task --
 23 MR. KEANE: Yeah.
 24 THE MODERATOR: -- force --
 25 MR. KEANE: Yeah.

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1 THE MODERATOR: -- report?
 2 MR. KEANE: Yeah.
 3 MAYOR BROWN: Proposal.
 4 MR. KEANE: Yeah. City proposal too.
 5 THE MODERATOR: What page?
 6 MR. KEANE: We've got to get a -- it's here.
 7 City Proposal 2 is --
 8 THE MODERATOR: Okay.
 9 MR. KEANE: Yeah. So we're going to have the
 10 actuary report, hopefully, this afternoon so that
 11 we can have a better indication of what -- if you
 12 make a concession and the City costs go down 10
 13 percent, you know, that's significant.
 14 THE MODERATOR: Right.
 15 MR. KEANE: That's shared sacrifice, as the
 16 term is applied.
 17 THE MODERATOR: Right.
 18 MR. CHATMON: Senator?
 19 MR. KEANE: That's what we're trying to do.
 20 THE MODERATOR: Go ahead.
 21 MR. CHATMON: The shared sacrifice, I think,
 22 is an important discussion, which is why we're
 23 really all at the table, but with that having been
 24 said, there was one concern I had, just making
 25 sure we all understand what the elements are.

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1 And, Mr. Keane, to be clear, let me make sure
 2 that I understand and I'm stating this correctly.
 3 Employees contribute currently 7 percent to the
 4 pension fund as far as from their salaries?
 5 MR. KEANE: From their salary.
 6 MR. CHATMON: Okay. The supplement, however,
 7 that you mentioned before, that's where the 4
 8 percent comes from, and that's from the fund
 9 itself?
 10 MR. KEANE: That's from the chapter funds,
 11 yes.
 12 MR. CHATMON: Okay. So, in essence, when
 13 we're talking about shared sacrifice, are we not
 14 speaking -- when you are addressing
 15 supplementation, you're really speaking --
 16 coming -- bringing funds from the fund itself, the
 17 chapter funds and investments?
 18 MR. KEANE: No. We're talking about from the
 19 chapter funds.
 20 MR. CHATMON: Okay. Just the chapter funds.
 21 THE MODERATOR: Right. And I think what -- a
 22 percentage of that being that that -- in essence,
 23 that enhanced -- that they were willing to treat
 24 that as an enhanced benefit and, therefore, use
 25 those monies because, actually, the employee's not

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1 having to make up what they would to make this
 2 work, what the employee would have otherwise had
 3 to make up out of individual contribution. Am
 4 I -- have I missed -- is --
 5 MR. HAND: I took it as the fund saying they
 6 want to try and hold employees harmless in terms
 7 of the impact on their paycheck --
 8 MR. KEANE: Exactly.
 9 MR. HAND: -- is that accurate?
 10 THE MODERATOR: Correct. All right. Now, so
 11 as to the COLA, you guys are open to this, the
 12 Board?
 13 MR. KEANE: Open.
 14 THE MODERATOR: And as to the DROP, you're
 15 open to the proposal of having a range based on
 16 performance, within limits, down and upward?
 17 MR. KEANE: It's open for discussion, both of
 18 them.
 19 THE MODERATOR: And the contribution rate,
 20 you're open to increasing employee contribution
 21 linked to reinstatement of benefits -- wages?
 22 MR. KEANE: No. No. No.
 23 MR. HAND: Linked to holding the employees
 24 harmless, I think --
 25 MR. KEANE: Yeah.

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1 MR. HAND: -- would maybe --
 2 MR. KEANE: Yeah.
 3 MR. HAND: -- be the way --
 4 MR. KEANE: Yeah.
 5 MR. HAND: -- to put it.
 6 THE MODERATOR: All right. I got it.
 7 MR. HAND: Uh-huh.
 8 THE MODERATOR: But the mechanics would be
 9 the one --
 10 MR. HAND: Right.
 11 THE MODERATOR: -- that I was --
 12 MR. KEANE: Right.
 13 THE MODERATOR: Okay. I got it.
 14 MR. HAND: I just don't want to confuse this
 15 with --
 16 THE MODERATOR: And the final compensation,
 17 you're going to look at actuarial impact?
 18 MR. KEANE: Exactly.
 19 THE MODERATOR: But, again, would you --
 20 would you do that on the ten-year basis, as
 21 opposed to -- so it would be --
 22 MR. KEANE: Right.
 23 THE MODERATOR: So there would be -- for
 24 those who are within the first ten years, it is
 25 possible that the Board would be willing to do --

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1 make some of these changes?
 2 MR. KEANE: Correct.
 3 THE MODERATOR: As part of an overall
 4 package?
 5 MR. KEANE: Correct.
 6 THE MODERATOR: All right. And those would
 7 all be things that we have done that you would do
 8 here that were beyond what we did in the mediated
 9 settlement?
 10 MR. KEANE: Beyond.
 11 THE MODERATOR: Okay. With --
 12 MR. KEANE: Or in concert with.
 13 THE MODERATOR: Right.
 14 MR. KEANE: And some of each and a pinch of
 15 that, yes.
 16 THE MODERATOR: Okay. With that, back to
 17 you, Chris. Those changes, if those changes were
 18 to be made, would those -- could those meet what
 19 the City's goal has been, to show increased -- and
 20 I use the term "shared sacrifice" because that's
 21 the term I was using, whatever the right term
 22 is -- increase employee contribution by people
 23 currently working in the first third of their
 24 career?
 25 MR. HAND: Well, what I would say is the task

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1 force sort of framed up what it viewed to be the
 2 significant issues for current employee
 3 involvement, shared sacrifice. We have moved
 4 those. To the extent that those are the issues
 5 we're now discussing, I think we're heading in the
 6 right direction.
 7 Obviously, everything's a question of
 8 specifics, but the task force framed up what the
 9 key issues are for current employee involvement.
 10 We're still talking about those issues, so we're,
 11 I think, headed in the right direction.
 12 THE MODERATOR: John, will you, tomorrow
 13 morning, have a comprehensive proposal after you
 14 talk to your actuaries, back to the current
 15 employee pension design?
 16 MR. KEANE: Yes, sir.
 17 THE MODERATOR: And you anticipate it being
 18 along the lines we've just discussed?
 19 MR. KEANE: Anticipate, yes, sir. It's a
 20 good word.
 21 THE MODERATOR: I understand. Nobody is
 22 locked into anything.
 23 Okay. And you anticipate that part of the
 24 way we would offset the immediacy of the
 25 contribution will be that the Board will maintain

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1 or increase or enhance, whatever term you guys
 2 want to use and arrive at yourselves, for some set
 3 period of time?
 4 MR. KEANE: Yes, sir.
 5 THE MODERATOR: Realizing that that set
 6 period of time does not necessarily link itself to
 7 a -- but everybody's going to know what that set
 8 period of time is as they go into their -- okay.
 9 MR. KEANE: Those that know will know.
 10 THE MODERATOR: Okay. I got it. All right.
 11 Back to the City, though, for a moment.
 12 We're on No. 3. We know we've still got some --
 13 and we know on No. 4 for the governance. Now
 14 we've got this.
 15 What I'd like to do is -- because it seems to
 16 me, guys, that there's a generalized acceptance of
 17 the idea of some availability of some additional
 18 things being done for current employees beyond
 19 what was in the MSA. Those things which have been
 20 stated would be additional.
 21 Now, with that, I'd like to see us have a
 22 quick discussion this morning, realizing today is
 23 a short day, of where we are on the unfunded
 24 liability issue. This is the design issue. Let's
 25 go to the unfunded liability issue, and I'd like

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1 to hear -- I'm sorry?

2 MR. HAND: I suggest we break for about five

3 minutes and then do the --

4 THE MODERATOR: We'll take a five-minute

5 break.

6 John, any problem with that?

7 MR. KEANE: Oh, no.

8 THE MODERATOR: Five-minute break.

9 (Recess from 10:10 a.m. to 10:20 a.m.)

10 THE MODERATOR: Madam Court Reporter, show

11 we're back on. Thank you.

12 Chris, we're prepared to go. I know the

13 mayor had some other stuff, apparently, to go to.

14 MR. HAND: Sure.

15 THE MODERATOR: So I'm ready to go forward.

16 What I wanted to do now -- because I think we

17 have -- everybody kind of knows we've got several

18 things now that are getting much closer to a

19 potential resolution. One of the things obviously

20 talked about, both -- last time when we all

21 talked -- clearly addressed in the -- both in the

22 summary and in the actual body of the

23 deliberations and recommendations -- excuse me --

24 recommendations of the task force, also talked

25 about in the deliberations of the City Council, is

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1 the issue of kind of what I call kind of Silo

2 No. 4, which is the unfunded liability issue.

3 And I'd like -- I think what I would like you

4 to do is reiterate -- because it's been a week --

5 MR. HAND: Sure.

6 THE MODERATOR: -- since we touched on it,

7 I'd like the City to open that conversation,

8 Chris.

9 And then I'd like -- John, I want your --

10 kind of where the Board is on this. And I know

11 that the Board itself has some ideas addressing

12 issues of decreasing the liability exposure. And

13 so I want to hear where we are on that

14 conversation, please.

15 MR. HAND: Sure. Just to reiterate what the

16 City sort of proposed in unfunded liability last

17 week -- there we go. We obviously talked about

18 the growth in the unfunded liability over time.

19 It's increased by more than \$1.2 billion since

20 approximately October 2003.

21 The task force made several recommendations

22 as it relates to unfunded liability. One,

23 obviously, the City continue to pay its ARC, its

24 actuarially required contribution, each year, also

25 recommended that the City make a supplemental

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1 payment each year of the difference between the

2 ARC and 200 million, which is about -- between 40

3 and 60 million annually, until the fund reaches an

4 80 percent funded status, and that the dedication

5 of half -- the half of the chapter funds that

6 currently go to enhanced benefits go to unfunded

7 liability until the fund reaches an 80 percent

8 funded status.

9 So we moved this proposal on unfunded

10 liability, basically saying the City will make an

11 additional payment -- unfunded liability payments,

12 subject to appropriation, until the plan is at

13 least 80 percent funded, if the parties agree on

14 Proposals 1, 2, and 3, in other words, if we've

15 got agreement on new employees, current employees,

16 and governance, and if the PFPF agrees to dedicate

17 its half of State chapter funds. And that's the

18 amount which is approximately \$4.5 million right

19 now that currently goes to enhanced benefits, if

20 they would agree to dedicate that half of State

21 chapter funds to an additional unfunded liability

22 payment, again, until the plan is 80 percent

23 funded.

24 So if the City is roughly putting in \$40

25 million extra a year, the fund would agree to put

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1 in its additional four and a half million dollars

2 each year, with those two combined streams of

3 funding continuing until the plan reaches an 80

4 percent funded status, which under the current

5 projections is projected to be in about Fiscal

6 Year 2028, 14 years from now, given an assumed

7 return of rate of 7.0 percent.

8 THE MODERATOR: Let me interrupt you because

9 I know it came up the other day and we passed over

10 it because it really wasn't as critical then as it

11 is right now in my mind. It's all in the

12 language, I know, but you have a provision here

13 that says: Payment subject to appropriation.

14 I know you discussed, well, you can't -- and

15 I'm paraphrasing -- and, Cindy, correct me if I'm

16 paraphrasing incorrectly -- but you can't lock

17 future commission appropriations into -- lock them

18 into appropriation decisions or some such idea.

19 On the other hand, you have: Subject to

20 appropriation. What happens -- I just want to

21 hear what everybody's --

22 MS. LAQUIDARA: Sure.

23 THE MODERATOR: -- idea would be. What

24 happens if the appropriation isn't made for one or

25 more years? What happens to the fund, and what

<p style="text-align: right;">Page 70</p> <p>1 happens to obligations of both employees and the 2 Board?</p> <p>3 MS. LAQUIDARA: Okay.</p> <p>4 THE MODERATOR: So --</p> <p>5 MS. LAQUIDARA: Could I --</p> <p>6 MR. HAND: Yeah.</p> <p>7 MS. LAQUIDARA: Because on --</p> <p>8 MR. HAND: Sure, on the --</p> <p>9 MS. LAQUIDARA: -- the particular --</p> <p>10 MR. HAND: On the legal issues.</p> <p>11 MS. LAQUIDARA: -- issues of legal, I'm --</p> <p>12 THE MODERATOR: And, actually, somebody sent 13 me an opinion on this --</p> <p>14 MS. LAQUIDARA: Okay.</p> <p>15 THE MODERATOR: -- to look at.</p> <p>16 MS. LAQUIDARA: Okay. And first let me 17 reiterate that, of course, the City and the fund 18 would be following the law by just meeting the 19 ARC; okay? So I don't want any issue that neither 20 the City nor the fund, post ARC, would be 21 violating the law.</p> <p>22 Second is it's not just that, but the issue 23 of binding future councils. It's a fact that we 24 have outstanding bond obligations. We have no 25 dedicated source of revenue. If we did, we</p>	<p style="text-align: right;">Page 72</p> <p>1 MR. HAND: -- address that. And what I think 2 is -- John raised an entirely reasonable point 3 last -- or when we first --</p> <p>4 MS. LAQUIDARA: Uh-huh.</p> <p>5 MR. HAND: -- did this, is, well, what 6 happens if the City doesn't put in the extra money 7 in a particular year because we're in an economic 8 downturn or trough and otherwise there's pressure 9 on the finances?</p> <p>10 Let me just be clear. Where we say here the 11 parties agree on Proposals 1, 2, and 3, those sort 12 of amount to prerequisites for the City to agree 13 to put in any extra money each year in terms of --</p> <p>14 THE MODERATOR: "Extra" meaning above the 15 ARC?</p> <p>16 MR. HAND: Above the ARC, in terms of paying 17 down unfunded liability. Where I think there is 18 some accountability for both sides is -- let's 19 just assume for the sake of argument we're able to 20 reach agreement on the City putting in extra money 21 each year and the fund putting in those enhanced 22 benefits each year. I think, as with any 23 contract, for any given year that the City is not 24 able to put in its extra money toward the ARC, the 25 fund would therefore be relieved of its obligation</p>
<p style="text-align: right;">Page 71</p> <p>1 wouldn't be here; right? I mean, we were broke; 2 that's why we're here.</p> <p>3 And so you can't jump the other bond issues, 4 which are covenants to pledge legally available 5 revenues with a firm commitment that can't be 6 broken because you can see where, if you're a bond 7 holder and you're looking to pay and you have a 8 rating based on that -- so it's that combination 9 of binding and the fact that you have existing 10 debt that makes you have to look each year and see 11 what you have.</p> <p>12 And then Chris has the substance of, "Okay. 13 Let's say it is a tough year" --</p> <p>14 THE MODERATOR: Okay.</p> <p>15 MR. HAND: Sure, but let me --</p> <p>16 THE MODERATOR: Then let's -- I think that's 17 a reasonable question --</p> <p>18 MR. HAND: Sure.</p> <p>19 THE MODERATOR: -- that's been raised to me 20 by --</p> <p>21 MR. HAND: Sure.</p> <p>22 THE MODERATOR: -- any number of people. 23 What happens if "subject to appropriations" --</p> <p>24 MR. HAND: Let me --</p> <p>25 THE MODERATOR: -- doesn't happen --</p>	<p style="text-align: right;">Page 73</p> <p>1 to put in those extra monies toward the -- paying 2 down the unfunded liability, as well.</p> <p>3 So to the extent that John raised the issue 4 of, you know, well, what happens to us if you 5 can't appropriate those extra monies in one 6 particular year, again, there's a dual obligation 7 here. And the obligation on both parties to put 8 in the extra funding would disappear if the City 9 were not able to appropriate the extra money 10 toward unfunded liability in a given year. So the 11 answer to that question is -- how do we kind of 12 have accountability on both sides? I think it's 13 in that extra unfunded liability payment, if that 14 answers your question.</p> <p>15 THE MODERATOR: Okay. John, give me your -- 16 this is a -- the proposal that was presented last 17 week -- and I know you've had a little -- a little 18 time, but we haven't really focused much on it. 19 I'd like your kind of -- I'd like to hear from the 20 Board as to their -- lack of an artful term -- gut 21 reaction. And then also do you have ideas 22 separate and above this for addressing issues of 23 unfunded liability? I know you had -- you had 24 talked during the MSA about some ideas that you -- 25 that the Board wanted to look at.</p>

<p style="text-align: right;">Page 74</p> <p>1 MR. KEANE: The answer is yes to all three of 2 those questions, Senator. 3 THE MODERATOR: Okay. 4 MR. KEANE: One, as the learned general 5 counsel just pointed out, she's talking about bond 6 covenants and things that we've got to pay. 7 During the task force discussions, one of our 8 senior distinguished citizens, Mr. Cannon, he said 9 over and over again we have to have a mechanism to 10 hold the City's feet to the fire to make sure they 11 make these appropriations and -- he said at least 12 half a dozen times, if not more. And we have the 13 chairman back here, who is nodding affirmatively. 14 While we don't believe the City would engage 15 in untoward conduct, we look around us, and in -- 16 pension reform in New Jersey last year required 17 the employees to make an additional contribution, 18 and the State was going to make an additional 19 contribution in this year's budget. They took the 20 money from the employees, and the legislature 21 decided not to appropriate the money. 22 Now, the suggestion that the chief just 23 advanced, if the City doesn't do it, then we quit 24 paying that, that's -- you know, that's possibly 25 one thing. We're not looking for an escape hatch.</p>	<p style="text-align: right;">Page 76</p> <p>1 which would -- in the event that one, two, and 2 three were agreed upon, and in the event the 3 additional funding -- "subject to appropriation" 4 language, there was a -- it's kind of a 5 correlative of "you don't pay, we don't pay" 6 situation. Assume all that for a moment. Is the 7 Board prepared to dedicate half of the chapter 8 funds to the unfunded liability payment until the 9 plan is 80 percent funded? 10 MR. KEANE: Not right now. 11 I'd like to ask Chief Hand -- in the City 12 proposals, did Middleman give you-all the 13 actuarial savings on all the proposals that 14 you-all advanced? 15 MR. HAND: Yes. 16 MR. KEANE: Would you send them over to me? 17 I can send them up to -- and that will -- 18 MR. HAND: Uh-huh. 19 MR. KEANE: -- speed him on in his thing. 20 MR. HAND: Sure. After consultation with 21 counsel, sure, we'd be happy to talk about that. 22 THE MODERATOR: Okay. If we could do that, 23 guys -- you know we've got kind of a tight 24 schedule here, so let's try to get -- but when you 25 say, "Not right now," I also don't see you</p>
<p style="text-align: right;">Page 75</p> <p>1 We're looking for the hammer on the -- on the nail 2 to get this money in to get this problem resolved. 3 We currently have a contract with the City. 4 It runs until 2030. So we can amend that and have 5 this language in there that would then -- you 6 know, when the dump truck of money backs up and 7 dumps it out, it could start being apportioned, 8 you know, first to the bondholders. You know, 9 something's got to go into payroll and -- "Look 10 here, we" -- "this is the wad we have to give to 11 police and fire. Let's get that in a sack and get 12 it out of here and get it over to them." 13 But there's -- in the budget, our City 14 fathers and mothers have great leeway to decide 15 what they want to fund and what they don't want to 16 fund. And if you don't have a requirement that 17 they fund this, it will -- it will wind up -- if 18 you believe that history repeats itself, it will 19 wind up like a lot of projects -- 20 THE MODERATOR: Well -- 21 MR. KEANE: -- not only here in Jacksonville, 22 but in other places. 23 THE MODERATOR: Let me -- I want to -- I want 24 to advance a question for you, but I want you to 25 react, first of all -- tell me about the -- .3,</p>	<p style="text-align: right;">Page 77</p> <p>1 categorically saying "We're unwilling to do that." 2 If that -- if our guys say it can be done, it's 3 something that the Board would consider? 4 MR. KEANE: In searching for comprehensive 5 pension reform, we never say never about anything. 6 You know, we're willing to -- 7 THE MODERATOR: That's music to my ears. 8 MR. KEANE: -- have all -- oh, it's great 9 tones. 10 THE MODERATOR: All right. 11 MR. KEANE: We're able to have lots of 12 discussions. 13 THE MODERATOR: On Proposals 1, 2, and 3, 14 what are your reactions? And those are 1, 2, and 15 3 on Page -- 16 MR. HAND: Well, these are -- these are 17 the -- these are the subjects, obviously, we've 18 already talked about. 19 THE MODERATOR: Yeah. 1, 2, and 3, I'm going 20 to -- 21 MR. HAND: Okay. 22 THE MODERATOR: That would be -- 23 MR. HAND: New employees. 24 THE MODERATOR: -- new employees -- 25 MR. HAND: Current employees.</p>

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1 THE MODERATOR: -- current employees --
 2 MR. HAND: Governance.
 3 THE MODERATOR: New employees we've reached
 4 agreement. Governance and current employees.
 5 MR. HAND: Current employees.
 6 THE MODERATOR: Got it. All right.
 7 MR. HAND: So that is a -- reaching
 8 agreement, mutually satisfactory agreement, is a
 9 prerequisite before the City would agree to put
 10 in --
 11 THE MODERATOR: I got it.
 12 MR. HAND: -- additional dollars --
 13 THE MODERATOR: I got it.
 14 MR. HAND: -- into the unfunded liability.
 15 THE MODERATOR: But if we could reach
 16 agreements on those, could this be done?
 17 MR. KEANE: Well, we, in substance, reached
 18 agreement --
 19 THE MODERATOR: On one.
 20 MR. KEANE: -- on one.
 21 THE MODERATOR: Yep.
 22 MR. KEANE: And --
 23 THE MODERATOR: Long way on two.
 24 MR. KEANE: Long way on two. And we're in
 25 intense, good-faith discussions on No. 3.

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1 THE MODERATOR: And you think you'll have a
 2 reaction to that tomorrow?
 3 MR. KEANE: Yes, sir.
 4 THE MODERATOR: And then you guys will be
 5 prepared to respond to him tomorrow from their
 6 proposal as it relates to that which I guess we're
 7 calling No. 3?
 8 MR. HAND: Sure.
 9 THE MODERATOR: Okay. John, you had also
 10 talked before. And so this is a two-way street.
 11 Are there other issues you're going to want
 12 considered, proposals that you're going to advance
 13 to address the issue of unfunded liability?
 14 MR. KEANE: Exactly.
 15 THE MODERATOR: All right. Tell us -- I know
 16 you --
 17 MR. KEANE: Investments.
 18 THE MODERATOR: All right. Tell me -- I know
 19 you don't have that in front of you right now.
 20 Will you have that with you tomorrow?
 21 MR. KEANE: Oh, yes, sir.
 22 THE MODERATOR: Okay. Are you prepared to do
 23 that, to give a copy of that to them today before
 24 we end?
 25 MR. KEANE: I don't have it with me.

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1 THE MODERATOR: Okay.
 2 MR. HAND: And, John, is this the issue of
 3 investment authority?
 4 MR. KEANE: Yes.
 5 MR. HAND: Yeah. Okay.
 6 THE MODERATOR: Right. Can we talk about
 7 that and get that --
 8 MR. KEANE: Sure.
 9 THE MODERATOR: -- on the table and --
 10 MR. KEANE: We're looking to have --
 11 THE MODERATOR: -- explain what your position
 12 is on investment authority?
 13 MR. KEANE: Certainly. We want the same type
 14 of investment authority that the Florida
 15 Retirement System, the number four -- fourth
 16 largest retirement system, public retirement
 17 system, in the world, has. And if we had this
 18 increased investment authority, we would have had
 19 increased returns at a lower risk model, and part
 20 of this problem would have been solved.
 21 We've asked the City Council for a number of
 22 years, not only for the Police and Fire Pension
 23 Fund, but the general employees has sought to have
 24 increased investment authority. And they have a
 25 uniform answer. "No."

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1 THE MODERATOR: Let me -- let me understand a
 2 couple of things. First of all, on the additional
 3 investment authority that you seek, is that
 4 something that the City Council itself has, or
 5 does that have to go farther than that --
 6 MR. KEANE: (Shakes head).
 7 THE MODERATOR: -- because that -- are you
 8 satisfied that the Council has the ability to give
 9 additional investment authority?
 10 MR. KEANE: Yes, sir.
 11 THE MODERATOR: All right. What specific
 12 authority are you going to be seeking?
 13 MR. KEANE: The use of increased alternative
 14 investment vehicles.
 15 THE MODERATOR: Okay.
 16 MR. KEANE: Exactly what the Florida
 17 Retirement System does. We would wind up hiring
 18 probably some of the same managers they use for
 19 the State Board of Administration, or other
 20 well-qualified managers after review by the new
 21 financial advisory council.
 22 THE MODERATOR: What do you perceive is the
 23 advantage of that?
 24 MR. KEANE: The advantage of it? It broadens
 25 the investment base and reduces the risk and

<p style="text-align: right;">Page 82</p> <p>1 increases returns.</p> <p>2 THE MODERATOR: All right.</p> <p>3 MR. KEANE: Every major consultant recognizes</p> <p>4 this and has recommended it elsewhere where it has</p> <p>5 been adopted, including the learned members of the</p> <p>6 Florida Legislature adopted it for FRS. It's not</p> <p>7 something new. We're not --</p> <p>8 THE MODERATOR: Generally --</p> <p>9 MR. KEANE: -- into alchemy or anything --</p> <p>10 THE MODERATOR: Yeah. I understand. No.</p> <p>11 Generally speaking, the -- one of the concerns</p> <p>12 that I remember from earlier conversations,</p> <p>13 generally speaking, is -- is concerns about -- you</p> <p>14 say reducing risk. I think anytime you -- the</p> <p>15 perception has been anytime you give additional</p> <p>16 investment authority, the question is does it</p> <p>17 reduce risk or does it, in fact, increase risk.</p> <p>18 And I shouldn't speak for the City on this,</p> <p>19 because I -- but I do remember the conversation</p> <p>20 briefly. Could I hear kind of you-all's response</p> <p>21 to the conversations regarding increased</p> <p>22 investment authority to the Board as part of</p> <p>23 unfunded liability?</p> <p>24 MR. HAND: Well, just to be clear --</p> <p>25 THE MODERATOR: Response?</p>	<p style="text-align: right;">Page 84</p> <p>1 laid out some recommendations on authority</p> <p>2 changes. It would be those -- not trying to pin</p> <p>3 you down. I'm just trying to make sure I'm clear.</p> <p>4 It would be essentially those changes.</p> <p>5 MR. KEANE: That's correct.</p> <p>6 MR. HAND: Yeah. Okay.</p> <p>7 MR. KEANE: And the task force was moving</p> <p>8 along towards supporting that. And then with the</p> <p>9 adoption of the financial --</p> <p>10 THE MODERATOR: Investment committee?</p> <p>11 MR. KEANE: They decided --</p> <p>12 THE MODERATOR: Advisory committee?</p> <p>13 MR. KEANE: They decided to wait for them.</p> <p>14 THE MODERATOR: All right.</p> <p>15 MR. BELTON: Senator?</p> <p>16 THE MODERATOR: Yeah. Yes. Absolutely.</p> <p>17 MR. BELTON: One of the things, John, I want</p> <p>18 you to be cautious of, having investment authority</p> <p>19 versus having investment knowhow is a very</p> <p>20 significant difference. Having the ability to</p> <p>21 invest in all kinds of things don't mean you</p> <p>22 invest in all of them. You've got to deal with it</p> <p>23 based on what the market is showing, based on what</p> <p>24 your actual policies are about, what you're trying</p> <p>25 to do, and protect your monies.</p>
<p style="text-align: right;">Page 83</p> <p>1 MR. HAND: -- on the history of this, so the</p> <p>2 task force decided ultimately not to make a</p> <p>3 recommendation on that point --</p> <p>4 THE MODERATOR: One way or the other.</p> <p>5 MR. HAND: -- wanting to leave that sort of</p> <p>6 recommendation ultimately up to the new Financial</p> <p>7 and Investment Advisory Committee once it was</p> <p>8 constituted.</p> <p>9 Just so I'm clear -- because I think we have</p> <p>10 a fairly good sense of what your -- are these the</p> <p>11 changes that are memorialized in what I believe is</p> <p>12 Councilman Schellenberg's bill before the City</p> <p>13 Council right now, John? There is legislation</p> <p>14 pending that would impact the investment</p> <p>15 authority. Are these those changes --</p> <p>16 MR. KEANE: I think they will be --</p> <p>17 MR. HAND: -- as far as you know?</p> <p>18 MR. KEANE: -- yeah. I know his --</p> <p>19 MR. HAND: Yeah.</p> <p>20 MR. KEANE: -- thing has been cut up several</p> <p>21 times.</p> <p>22 MR. HAND: Got you. As far as you know.</p> <p>23 MR. KEANE: As far as I know.</p> <p>24 MR. HAND: Yeah. And I think at one point</p> <p>25 you made a presentation to the task force which</p>	<p style="text-align: right;">Page 85</p> <p>1 So if you look at it, your fund, as well as</p> <p>2 the general employees, did better than the State.</p> <p>3 And they had more opportunity to buy different</p> <p>4 things than you had.</p> <p>5 So I don't think that is a real, real strong</p> <p>6 stance for you to talk about in terms of -- if</p> <p>7 you've got proper investment professionals and</p> <p>8 they're doing the job for you -- because you don't</p> <p>9 have a certain category to put your money in,</p> <p>10 there's no significance. If you're making the</p> <p>11 money in the thing that you're investing in with</p> <p>12 reduced amount of risk, why concern yourself with</p> <p>13 having this whole array of things that you can</p> <p>14 use?</p> <p>15 At various points they may have an advantage</p> <p>16 to you, but that does not drive your numbers. It</p> <p>17 didn't -- didn't hurt your numbers.</p> <p>18 THE MODERATOR: Well, let me -- if I remember</p> <p>19 the conversation we had about this -- and I</p> <p>20 just -- I want to see how you'd react to this.</p> <p>21 MR. BELTON: Uh-huh.</p> <p>22 THE MODERATOR: The conversation we had was,</p> <p>23 one of the ideas of a broader investment</p> <p>24 authority, what made it attractive was, yes,</p> <p>25 they're absolutely years in which you could have</p>

<p style="text-align: right;">Page 86</p> <p>1 very narrow authority, but if those are the years 2 in which that narrow authority performs 3 particularly well -- and I think in this case the 4 market's returns within the silos that -- using 5 the term -- within the area of authority that the 6 Board now has, this has been a -- just as we 7 felt -- just as we, meaning you guys, felt the 8 dive disproportionately because of some narrowness 9 of our investment authority, we have also, of 10 course, felt the recovery, but the idea of 11 increased investment authority is trying to spread 12 out, okay, what happens in those years when the 13 particular areas that we have are -- because, 14 you're right, you could very well have a very 15 narrow authority outperform a broad authority in 16 any given year.</p> <p>17 But over time I think the idea from the 18 Board's perspective is that this would allow us to 19 be immunized against some of the broader -- and 20 I'm not staking your case. I'm kind of repeating 21 the case as you explained it earlier. I mean, is 22 it -- is it fair to look at a particular year, or 23 are there times when broader authority might 24 insulate you against -- just your thoughts.</p> <p>25 MR. BELTON: Sure. Well, if you look at it,</p>	<p style="text-align: right;">Page 88</p> <p>1 to do." You can do that. But why do that? What 2 you want to do is -- you're graded on what you 3 actually invest in.</p> <p>4 THE MODERATOR: Sure.</p> <p>5 MR. BELTON: Can you make money in these 6 particular things? And that's how we set this 7 whole criteria up for the managers that we bring 8 in.</p> <p>9 THE MODERATOR: Sure.</p> <p>10 MR. BELTON: And so we've got the same 11 consultant. So what we're talking about is 12 performance from those things that are working.</p> <p>13 THE MODERATOR: What's the downside to 14 broader authority in your -- I'm sorry. Cindy?</p> <p>15 MS. LAQUIDARA: If I could --</p> <p>16 THE MODERATOR: Yeah. Yeah. Sure.</p> <p>17 MS. LAQUIDARA: Because there was a lot of 18 agreement in this, but Pew Research had identified 19 a distinction between FRS and the Police and Fire 20 Pension Fund. I have no skill set in this area. 21 I just recall -- the distinction, for what it was 22 worth, was that, given the size of FRS, they could 23 manage hedge funds and -- in a financially capable 24 way -- that any firm, no matter how excellent the 25 managers are, were not going to be equal to one of</p>
<p style="text-align: right;">Page 87</p> <p>1 broader authority versus the use -- we've got the 2 authority to invest in certain things right now --</p> <p>3 THE MODERATOR: Right.</p> <p>4 MR. BELTON: -- and we aren't.</p> <p>5 THE MODERATOR: Sure.</p> <p>6 MR. BELTON: Okay. So you've got the 7 authority. So the authority is not the issue. 8 The issue is: What are you selecting? What are 9 you doing?</p> <p>10 If you look at the performance on both of the 11 funds over the last five years, we've gone from 12 somewhere, like, in the sixty-fourth percentile in 13 performance all the way up to the first percent -- 14 fifth percent for -- first five. We're number 15 one --</p> <p>16 THE MODERATOR: Right.</p> <p>17 MR. BELTON: -- in a lot of them. And 18 because of -- the size of theirs is the only 19 reason they wouldn't rank in that top -- so it's a 20 matter of performance from the managers that 21 you've got. And those are the folks that we're 22 paying.</p> <p>23 The actual ability to invest in all kinds of 24 things, that's not -- they can actually say, "By 25 buying anything you want, just anything you want</p>	<p style="text-align: right;">Page 89</p> <p>1 the top largest public pension plans in the 2 country. And so it was Pew's recommendation that 3 one line of that additional authority, which my 4 recollection was hedge funds, was not in. So --</p> <p>5 THE MODERATOR: It was hedge funds that we're 6 talking about with Pew?</p> <p>7 MS. LAQUIDARA: Right. And so I just note 8 that, for what it's worth. Again, I have no 9 financial expertise, but in front of the task 10 force, that was the issue that people were focused 11 on, one part of what the PFPF wanted.</p> <p>12 MR. HAND: I think one of the --</p> <p>13 THE MODERATOR: Back to you.</p> <p>14 MR. HAND: One of the concerns is -- I know 15 that's been expressed -- and, again, not -- 16 certainly not my skill set, either -- is that some 17 of the alternative investments carried with them 18 some more risks. So while there is certainly the 19 potential for more reward, there's also the 20 potential for more risk.</p> <p>21 Some of those investments are ones that did 22 not perform particularly well during the recent 23 downturn. So that's the main concern I've heard, 24 I think. And I don't know if you agree with that, 25 John, but that concern's been voiced, that there</p>

<p style="text-align: right;">Page 90</p> <p>1 is some increased potential reward, and that 2 carries with it some increased potential risk. 3 THE MODERATOR: But, again, that -- if you 4 have the authority, I think the point you're 5 making is it's really not just authority, is the 6 issue. It's also management. And, obviously, 7 that's the responsibility of the Board in their 8 hiring and in the people that they hire. 9 But react to the idea that somehow what 10 you're seeking would increase risk to the fund and 11 also react -- that the fund -- that the fund has 12 actually outperformed some of the -- some of the 13 counterparts that you -- like the FRS, at least in 14 the recent past. And then, finally, I did read in 15 the materials, obviously, the task force and the 16 task force members had some real concerns about -- 17 and I think it was based on a Pew report on hedge 18 funds. But go ahead and kind of give the Board's 19 view on all that and what you -- what you think 20 that would -- how you think that would impact the 21 success of the fund. 22 MR. KEANE: Having the authority to invest in 23 a wide range of investment options doesn't 24 necessarily mean you're going to do it; you know? 25 THE MODERATOR: Right. As you pointed out,</p>	<p style="text-align: right;">Page 92</p> <p>1 speaking -- 2 MR. KEANE: We're not much interested in 3 hedge funds -- 4 MR. HAND: Right. 5 MR. KEANE: -- because they come in. They 6 open their briefcase. They put your check in it. 7 And they say, "We'll give you some reports 8 somewhere down the line." 9 MR. HAND: Right. 10 MR. KEANE: We're not interested in that. 11 MR. HAND: Right. 12 MR. KEANE: We're on the J. Edgar Hoover plan 13 there. "Watch the border." 14 MR. HAND: Right. 15 MR. KEANE: "Don't let them get into the 16 border." So we don't want -- not interested in 17 hedge funds. 18 THE MODERATOR: I would remind you this is in 19 the Sunshine. 20 MR. KEANE: That's fine. 21 THE MODERATOR: Okay. 22 MR. KEANE: Fine with me. 23 The private equity, as Chief Belton has 24 pointed out, we share the same investment 25 consultant. Their recommendation is -- their</p>
<p style="text-align: right;">Page 91</p> <p>1 you have authority right now for things you're not 2 doing. 3 MR. KEANE: That's right. But the general 4 employees, for example, they can buy bonds that 5 are rated B. We cannot. Now, that's just one 6 little step down, but there is a significantly 7 incremental larger return for that step down. 8 Bonds right now, most people wander around 9 thinking bonds are safe. Bonds are the worst 10 possible investment right now. But we're trapped 11 into them because we can't go to some of these 12 other places. And so that's what we have long 13 sought and that's what we want. 14 THE MODERATOR: Okay. 15 MR. HAND: And I think -- just to clarify, I 16 know some of the major new authorities would be, 17 not only the -- in terms of the ratings of the 18 bonds, also some areas like the ability to 19 increase or maybe diversify international 20 investments, and also investments in things like 21 private equity and, to use the term of art, hedge 22 funds -- 23 MR. KEANE: Right. 24 MR. HAND: -- some of those leveraging kind 25 of entities; is that -- is that, generally</p>	<p style="text-align: right;">Page 93</p> <p>1 long-range view is that private equity is going to 2 have the largest return going forward in the next 3 ten years. We have exactly zero invested in that. 4 THE MODERATOR: Okay. 5 MR. KEANE: And the general employees was 6 interested in getting into private equity also. 7 In 2011-399 -- 8 THE MODERATOR: Will you have -- will you 9 have a proposal specifically tomorrow on the 10 increased investment authority? 11 MR. KEANE: Generally, yes, sir. 12 THE MODERATOR: Okay. I want to kind of 13 recap where we are, then, see that -- so that I 14 kind of give everybody their marching orders for 15 tomorrow morning because we have a morning session 16 tomorrow and an afternoon session tomorrow. 17 Everybody understands that? 18 MR. HAND: Ten to twelve and two to, I think, 19 five. 20 THE MODERATOR: Everybody understands that? 21 Okay. So I'd like to go back and -- one of the 22 things we're going to revisit tomorrow is 23 governance. I still am looking for -- and I will 24 work -- I will dedicate myself to finding a way 25 out of the Category 3 problem. What I -- what I</p>

<p style="text-align: right;">Page 94</p> <p>1 think is that everybody is saying "I want 2 something I can live with by which we don't 3 sacrifice" -- or "we don't concede the other side 4 is correct on certain issues, but we're all 5 willing to kind of live in the kind of -- PFF that 6 we've had on this issue, that we could all live 7 with." 8 So I'm going to try to focus on having 9 something -- I may come back and use my own 10 moderator's -- having read all these plans and 11 having read Klausner's recent one, heard your 12 responses, and see if I can come up with something 13 that you can -- guys, that ought to be something 14 you can fix. 15 We're still back on you. Tomorrow we would 16 like to hear from you more specifically about -- 17 MR. HAND: Governance. 18 THE MODERATOR: -- governance. And the heart 19 of governance right now is four. Ten, I don't 20 think, was a big deal. Ten, I think, was just an 21 agreement, that that really probably was language 22 that was superfluous and caused more -- 23 MR. HAND: No. The City -- 24 THE MODERATOR: -- problems than it was 25 worth.</p>	<p style="text-align: right;">Page 96</p> <p>1 don't pay their -- whatever their agreed-upon end. 2 And then you want to bring in a proposal 3 tomorrow about increasing investment authority. 4 Is that where we are, ladies and gentlemen? 5 MR. KEANE: It is. And -- 6 MR. HAND: Yes. That sounds correct. Yeah. 7 MR. KEANE: -- we'll get the -- 8 THE MODERATOR: And we start at ten in the 9 morning. 10 MR. KEANE: Middleman. 11 THE MODERATOR: I'll have a Paragraph 3 12 proposal to start us on. I'll have that, get that 13 out of the way. Getting that out of the way, then 14 four, we'll turn to you. 15 Then when we get off of that, I'm going to go 16 back to unfunded liability, John, which will come 17 to you; all right? 18 Everybody think that's a reasonable way to 19 go? 20 MR. HAND: Yes. 21 THE MODERATOR: All right. Anything else 22 that I haven't brought up today for the good of 23 the order that you think would advance us? 24 Madam Court Reporter, make sure that it 25 reflects that tomorrow we start at ten o'clock.</p>
<p style="text-align: right;">Page 95</p> <p>1 MR. HAND: The City will have a 2 counterproposal on governance tomorrow. 3 THE MODERATOR: New employees is kind of your 4 turn -- I mean, current employees is kind of your 5 turn tomorrow on the new proposal that they put in 6 front of us. And you saw the -- and you can add 7 anything or -- I mean, anything you want to do, 8 but I need to get that out in front of everybody 9 tomorrow because these two hinge on each other. 10 And then I need your reaction to the unfunded 11 liability, realizing that one, two, and three -- 12 one is already done. Two and three are much 13 closer than we've been before -- and particularly 14 the willingness to pay the chapter fund -- and 15 with realizing -- I think everybody's in agreement 16 that the "subject to appropriation" will be some 17 sort of bilateral provision by which -- in any 18 time in which the appropriation were -- 19 immediately the other obligation -- the obligation 20 of the other would terminate for that particular 21 funding period. 22 MR. HAND: In other words, the obligations 23 are tied together. 24 THE MODERATOR: They're tied together. You 25 don't make the "subject to appropriation"; they</p>	<p style="text-align: right;">Page 97</p> <p>1 Ladies and gentlemen, make sure that we post 2 the times appropriate. Tomorrow is a ten o'clock 3 and a two o'clock start. We're scheduled to go 4 tomorrow until, I think, five. 5 The next two days, we have the possibility of 6 going later evenings. I'm hoping we don't even 7 have to have those. I'm optimistic. 8 And then Friday I am absolutely unavailable 9 because I'm -- my son is graduating from law 10 school after some difficult travails in his 11 health, which our family is all going to be there 12 for that occasion, come hell or high water. And 13 none of you are paying what the divorce would cost 14 me if I did not attend. 15 So with that, show that we are concluded for 16 this morning's session. 17 (The meeting was concluded at 10:51 a.m.) 18 - - - 19 20 21 22 23 24 25</p>

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CERTIFICATE

STATE OF FLORIDA)
COUNTY OF ST JOHNS)

I, Karen Adair Ruiz, Registered Merit Reporter, Florida Professional Reporter, certify that I was authorized to and did stenographically report the foregoing meeting and that the transcript is a true and complete record of my stenographic notes.

I further certify that I am not a relative, employee, attorney, or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorneys or counsel connected with the action, nor am I financially interested in the action.

Dated this 25th day of May, 2014.


KAREN ADAIR RUIZ
Registered Merit Reporter
Florida Professional Reporter

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