PUBLIC MEETING BETWEEN

CITY OF JACKSONVILLE

AND

JACKSONVILLE POLICE AND FIRE PENSION FUND

MODERATOR,
RODNEY WARREN SMITH, Esquire
Avera & Smith, LLP
2814 Southwest 13th Street
Gainesville, Florida 32608

DATE TAKEN: May 14, 2014
TIME: 1:33 p.m. - 5:48 p.m.
PLACE: City Hall
St. James Building
Lynwood Roberts Room
117 West Duval Street
Jacksonville, Florida 32202

reported by:
Karen Adair Ruiz
Florida Professional Reporter
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THE MODERATOR: If we could, I think where we are this afternoon -- thanks for everybody being so prompt. I had asked -- and I know I called this morning and Chris confirmed. What I thought we would start with -- and I -- and I don't want to delay anything today to do this, so what I'd like to do now is, Chris, if you would hand out --

MR. HAND: Sure.

THE MODERATOR: -- the copies of the -- what we believe that we've been able to put to bed so far.

Then, John, what I'd ask you to do is we'll have some breaks this afternoon. You take a look at it --

MS. LAQUIDARA: Thank you.

THE MODERATOR: -- and have whoever --

MR. KEANE: Thank you.

THE MODERATOR: Have whoever you want to take a look at it. Obviously, there's copies there for public perusal, but this really is nothing new. This should be just the opposite. This should be what we have -- believe this would be the language that we believe that we have agreed upon.

And I just want to warn everybody because,

having done this -- and I know many of you have been involved in it. At the end, there's always the mechanics of getting things put together. And that's not as insignificant as you think.

And as we move towards tomorrow, I know -- certainly, Cindy has resources that will be available and --

MS. LAQUIDARA: Yes, sir.

THE MODERATOR: -- have to be used because, if we get this thing -- if we get this thing put to bed, you've still got to have something for somebody to put their initials on and then ultimately their signature on. And I don't really -- it's kind of an old rule of mine. I don't like to leave the table without some ink on it.

So even if -- even if we -- even if we have to use some rough language tomorrow, we're still going to -- if we reach agreement, we're still going to have something that everybody has put their initial on. And, obviously, then that -- then I -- I will be the one -- I'll ask -- request of each of you to be -- given a little scrivener's right to go through it myself. And, you know, if there's something just -- that didn't -- got a

sentence wrong or something, I'll check with both parties, but we'll try to get a final copy. But I'd like to work towards the goal of having something tomorrow. I have a --

MR. HAND: Senator, can I -- can I just --

THE MODERATOR: Yeah. Absolutely.

MR. HAND: I just want to summarize what people have in front of them so it's clear. These are the -- and, again, obviously, knowing that before there could be full agreements --

THE MODERATOR: Got it.

MR. HAND: -- on governance and current employees, there would need to be some additional work done, but what -- the language to which we have tentatively agreed is, No. 1, Financial and Investment Advisory Committee; No. 2, Ethics, Certification, and Disclosure Requirements for Investment Managers and Advisers; 3, Use of Office of General Counsel.

And, John, I just wanted to point out I made one small clarification here.

THE MODERATOR: Where?

MR. HAND: Rod -- this in the -- under Item 3, Use of Office of General Counsel.

THE MODERATOR: Right.

MR. HAND: Rod had used the phrase "i.e." What I think he meant was "e.g.", for example.
THE MODERATOR: I did.
MR. HAND: So I changed it to "e.g."
He had also said "and the like." Just for the purpose of clarity, I put "and other ordinary legal issues."
THE MODERATOR: That's right.
MR. HAND: Could have meant other routine legal issues. I just wanted to make sure that was not problematic --
THE MODERATOR: And you're right, my -- e.g. --
MR. HAND: -- just trying to clarify.
THE MODERATOR: It should have been "e.g."
MR. HAND: Yes.
THE MODERATOR: I apologize --
MR. HAND: So that's the only change to No. 3. Everything else is exactly as is.
THE MODERATOR: Uh-huh.
MR. HAND: No. 5 is the -- again, if we're able to reach agreement, the qualifications for the Council-appointed trustees and the fifth trustees, John, that reflects your "continue to be" language.

Item 6, Actuarial Standards, Transparency, and Disclosure. Item 7, which is the selection of the executive director-administrator. Obviously, we've not yet finished Item 8, so that is not included here. Item 9, per Senator Smith, is deferred until the end of discussions.
THE MODERATOR: Correct.
MR. HAND: Item 10 is the Negotiation of Pension Benefits language we agreed to yesterday. Item 11 is the Consultation Among Parties language we agreed to yesterday. And Item 12 is the Expression by Charter and Ordinance language we agreed to yesterday.
THE MODERATOR: One question on eight, had we not reached agreement on eight yesterday?
MR. HAND: We had not because there was a --
THE MODERATOR: Or we were --
MR. HAND: There was a -- sort of an issue that Mr. Keane had raised related to the incumbent's pension status, if you might recall that --
THE MODERATOR: That's the --
MR. HAND: -- so -- so I brought the --
THE MODERATOR: I'll address that today.
MR. HAND: At the appropriate time, we can

discuss that, but we brought the red-lined version of Item 8, indicating we have not yet reached --
THE MODERATOR: I got it.
MR. HAND: -- agreement on that.
THE MODERATOR: But that's the only thing in eight that was --
MAYOR BROWN: That's correct.
MR. HAND: Correct.
THE MODERATOR: The current treatment --
MR. HAND: I don't want to --
THE MODERATOR: -- it wasn't that?
MR. HAND: -- speak for John, but my memory is --
THE MODERATOR: Yes.
MR. HAND: -- the incumbent pension status was the only --
THE MODERATOR: That was the only thing that was left in the air; correct, John?
MR. KEANE: Correct.
THE MODERATOR: Okay. Now, I have a -- I have a -- I hate to publicly admit this, but I read the paper today, which I -- and in doing so, I've got to ask a question here. There's an article -- and I don't have any idea what the status -- or even if it's accurate.

But there is -- and I've had some calls on it, as you would expect, today. There is a suggestion in an article that's out today on the front page of the paper about someone from Council -- I don't pretend to remember the name, and it doesn't matter, but it appears to say that the Council is addressing what I'll call the Item 5 -- 5 and 4 issue, which was to add a fifth member by either Council action or referendum. I'm not saying this is accurate or not.
MR. HAND: Sure.
THE MODERATOR: I know you've read the paper. I know you guys know this. Someone is out there -- I've been asked by multiple parties -- and I've not answered anybody because I don't know anything about it. But all I know to say is that it seems to me that that is a critical component of the agreement that we're trying to reach here. Everybody knows that. I want to know kind of from the City's side --
MR. HAND: Sure.
THE MODERATOR: -- what happens here to, A, any agreement we would have if there were to be separate Council action directly inconsistent with that. I'm not even sure that that impairment can

occur after an agreement's been reached, but I'm not -- I'm not going to go into that. I just kind of know -- want to know what your reaction to that is because --

MR. HAND: Let me tell you what --

THE MODERATOR: -- that has some people saying we ought to give up. And I'm --

MR. HAND: Well, let me tell you where -- and this is -- I mean, I referred to this yesterday. There was a noticed meeting between two Council members yesterday. In that meeting they discussed their potential interest, as I indicated yesterday, in filing legislation that would authorize a referendum -- would amount -- would amount to a straw ballot, at which the voters would decide who ought to have the appointment power for the fifth member.

They have not yet introduced that legislation. It has not been filed. It's not on the Council docket. They did meet, as I indicated they were planning to, to sort of discuss that idea, but no legislation has yet been filed.

That legislation may not be necessary if we are able to get to a satisfactory conclusion here. To me, it's significant that the bill has not yet

been filed, but it is a matter of great interest.

And the two Council members who had that meeting are the current Council president and former finance chair, Councilman Crescimbeni, who were the sponsors of the J-bill that has been in Tallahassee the last two years. So nothing's been filed, but as I had indicated, they did have their noticed meeting yesterday.

THE MODERATOR: If I could ask -- and I probably am directing my question to you, Cindy, because this is not an area where I claim expertise. In the event that we were to reach the agreement here and it -- the agreement, in part, hinged on the omission of what had been proposed in Paragraph 4 --

MS. LAQUIDARA: Yes.

THE MODERATOR: -- and Council was to take an action inconsistent with that Paragraph 4, what's the view of the City attorney as to what that would do to the agreement that had been reached between the parties?

MS. LAQUIDARA: Well, it's a -- it's a timing --

THE MODERATOR: And do we need to address that in our language?

MS. LAQUIDARA: No. It's the timing of the agreement. They would certainly be advised in passing this agreement that it would supercede any inconsistent provision that they have. We'd identify those, and if they -- if they have -- let's say that they had filed that and passed it. Then our position would be we'd have to expressly reference it in this as being repealed so that we have a clear legislative record --

THE MODERATOR: Okay.

MS. LAQUIDARA: -- so --

THE MODERATOR: Here's what I'm getting at. Let's say we -- because the timing would appear --

MS. LAQUIDARA: We can't make them stop.

THE MODERATOR: -- to maybe be the other way. I'm not --

MS. LAQUIDARA: Yes.

THE MODERATOR: Here's what I want to know because I -- this is questions that came to me, and I think --

MS. LAQUIDARA: Yes, sir.

THE MODERATOR: -- valid questions.

MS. LAQUIDARA: They're good questions.

THE MODERATOR: What happens if we reach an agreement -- and I open this, Mr. Mayor, to

anybody on your side. I'm just asking Cindy the legal -- if an agreement was reached, do we need specific language in here in this agreement that addresses the potential of the -- of the Council passing a provision inconsistent with what we've done here, and can they do that?

MS. LAQUIDARA: I don't believe we need it because this agreement is -- because this is not collective bargaining.

THE MODERATOR: Right.

MS. LAQUIDARA: This agreement is a recommendation of Council that becomes implemented upon a vote of ten members.

THE MODERATOR: That's right.

MS. LAQUIDARA: And so it is not unusual for the City to have multiple positions --

THE MODERATOR: Sure.

MS. LAQUIDARA: -- and to be advising the Council on the floor to choose. In this one, they haven't filed it yet, as Chris --

THE MODERATOR: Okay.

MS. LAQUIDARA: This may well be the first filed and have an effect on whether or not they're going to file that.

THE MODERATOR: Okay.

MR. HAND: Well, and my hope would be that if we're able to reach a strong, balanced agreement here, that, you know, their feeling that there's a need to do that would -- you know, would sort of dissipate. But they have not filed legislation as of yet. But this is very consistent with their, and other Council members', past positions on sort of the need for accountability.

THE MODERATOR: Well, I'm glad to hear the answers that I've -- that I've gotten to this. And what I'd like to do is to move forward.

And I think where I left it off yesterday, John, I believe, for lack of a more artful term, I had indicated you would start off an offense today. And by that I meant that you would be advancing a proposal or proposals for the City.

And those essentially -- I think where we are now -- and I -- don't anybody panic. I know everything else hinges -- but where we really are now is down to issues of -- some pending issues of current employees, some pending issues -- primarily, if I recall, it was COLA and DROP. And while those are there, we also kind of tied that in to now the issue of how are we going to use available dollars, and where are we going to use

dollars to address this issue of an unfunded liability. And that's kind of where we are. Is everybody in agreement on that?

Okay. With that, John, I'm going to turn it over to you. I think you -- you have -- it's your turn to make your proposals on behalf of your Board.

MR. KEANE: Well, we -- I can start talking and --

THE MODERATOR: You can go.

MR. KEANE: -- talk slow till Carol gets back so she can --

THE MODERATOR: Oh.

MR. KEANE: -- put it up.

THE MODERATOR: I'm sorry. Well, I did better today. It was the court reporter yesterday --

MR. KEANE: Or --

MR. HAND: We're testing you, Mr. Moderator.

THE MODERATOR: Yeah. I've got to -- now I've got to make a full turn. I didn't even pass a half turn.

MR. KEANE: Well, the whole discussion of resolving the long-term unfunded has been pushed off to the end. We want to make another proposal.

And Mr. Croft is about to get it up there. It's -- maybe that's the one at the bottom there? Nope?

MR. CROFT: Do you remember what it was called?

MR. KEANE: It should say "5/14 Revised." She had it up there a few minutes ago, just to see.

MR. HAND: Here she comes.

MR. KEANE: And she's returned.

THE MODERATOR: We were lost without you.

MS. WELLS: Sorry.

THE MODERATOR: 5/14 Revised, please.

MS. WELLS: That one?

MR. KEANE: No.

MS. LAQUIDARA: No.

MR. KEANE: The one I gave you earlier.

MS. WELLS: That one?

THE MODERATOR: There. Yes.

MR. KEANE: That's correct.

THE MODERATOR: Thank you.

I'll pass those down.

MR. KEANE: And let me hand those to you so you can give them to your squad.

There's one for you.

MS. LAQUIDARA: Thank you, John.

MR. KEANE: And one for the moderator.

There's yours.

THE MODERATOR: Thank you. I got it.

John, the floor is yours to explain this.

MR. KEANE: And here's copies. There's copies.

THE MODERATOR: Do you need another one?

MR. CHATMON: One more.

Thank you.

MR. KEANE: This goes back to -- it's an adjustment to our proposal from yesterday for the use of chapter funds. We point out, again, that the current member payroll deduction is 7 percent. The current supplemental chapter allocation is 4, for a total member contribution of -- credited to the members of 11 percent.

Sometime off in the future, the member contribution will increase to 10 percent. We are currently using the 4 percent that's shown up above. So the member contribution would be somewhere between 14 and 10 percent.

What we're proposing today is that we transfer an additional 4 percent until the fund reaches a 50 percent status, at which time it will drop down to 3 percent until the fund reaches a 60 percent status, an additional 2 percent until the fund reaches 70 percent status, a 1 percent until the fund reaches 80 percent status, and at 80 percent and above, zero chapter funds will be allocated.

THE MODERATOR: And I think yesterday it was generally agreed that 1.25 was the value of a percent, and I think using that, then, what you are proposing is that there would be 6 million in contribution. Correct me if I'm wrong on this -- I'm sorry -- 5 million in contribution until 50 percent; 3.75 between 60 and 70; 2.5 between 70 and 80; 1.25 -- between 60 and 70; and then 1.25 until it reaches 80 percent; is that correct?

MR. KEANE: Using that --

THE MODERATOR: Using the 1.25 --

MR. KEANE: Yes.

THE MODERATOR: -- knowing that's a close number, but both sides --

MR. KEANE: Yes.

THE MODERATOR: -- seem to have -- each have indicated to me privately that that's kind of what the numbers should be. So with that, it would be that -- your proposal is that you-all would put in

$6 million additional until 50 percent funding status.

I think, guys -- and correct me if I'm wrong -- we start off at about 39 percent; is that right?

No?

Is that what it was, 39?

Okay. So we're in the ballpark. So for -- until the -- until the funding status is increased by another 10 percent, you would stay at 4. Then you would go to 3, then 2, then 1. The employee contribution would go to 10, as you guys have already agreed to, and that 10 would go into effect upon reinstatement of the rollback or cuts, or whatever you guys refer to.

Now, can I ask a few questions on this, if I may, before we -- and then I'll let them.

With this proposal, I am -- since you have not addressed those items which are the COLA and the -- and the 8.4 percent DROP, I take it that this is your proposal, and this proposal would not include a cost of living downward adjustment and would not include an increase -- excuse me -- a range, would stay with the -- with the set DROP earnings figure; is that correct?

MR. KEANE: That's correct.

THE MODERATOR: Now, yesterday I had asked you -- and I don't know if you had a chance or not -- if you went back -- if somebody had a chance to do that, to go back and determine whether or not the -- we know the fund would now -- is outperforming 8.4 percent, and that if it were implemented under the City's plan, would go to 10. We know that was true probably last year also, and maybe even the previous year, but for the last two for sure. Over the last five years, my guess is it's a very close number.

What I wanted to know is if that was accurate or not because it seemed to me that -- at least right now that the City's -- that the City's proposed DROP rate would be actually higher than the 8.4 percent that the employee -- as the fixed rate. And you were going to do some comparative to see kind of what that really amounted to.

MR. KEANE: And they did. And I'm trying to find you an answer.

THE MODERATOR: Okay.

MR. GREIVE: Well, I think, John, over the last five years your fund has averaged about 14, 12 to 14 --

THE MODERATOR: So it would be a --

MR. GREIVE: -- percent, is what you --

THE MODERATOR: -- 10?

MR. KEANE: Uh-huh.

MR. GREIVE: Yes. It would be capped out at 10.

THE MODERATOR: And the idea behind that, as I understand it, was the zero floor meant that you didn't actually ever take the impact of the loss. There would be times, as there have been, where the 10 would be below what the actual -- but those two things kind of were factored into the range?

MR. GREIVE: Yeah.

THE MODERATOR: Okay. But is it -- it's your position right now that -- your current position that this would be the additional -- have you figured out -- yesterday you gave me a number. What is the amount of money that you are -- you, meaning the Board, is -- if you have done it. I know you have. What amount of money are you now proposing to put forth towards the issue of unfunded liability in this proposal?

MR. KEANE: Well, using the round numbers that you talked about, it's -- five and three is eight -- eleven, twelve -- about $14, $15 million.

THE MODERATOR: Okay. Now -- well, I have one additional question. And maybe both sides can address this. How long do you think it would take for the fund to reach the 50 percent funded status under your proposal, a single year?
MR. KEANE: Probably not in a single year, but certainly in the next couple years, if the market maintains its strong performance as -- right now we have the fresh information from our consultant. So far this fiscal year, the fund has returned 8.61; our one year number is 13.61; three year number, 9.51; five year number, 13.30; and ten year number, 7.18.
THE MODERATOR: Okay. Then my --
MR. KEANE: We're closing in on it.
THE MODERATOR: Okay. So your number would --
MR. KEANE: Fortunately.
THE MODERATOR: The number that you're -- that you're setting out there, that number would also, at least in part, be dependent by how long it takes to reach each of these thresholds?
MR. KEANE: Yes, sir.
THE MODERATOR: Okay. I've asked some of the questions I had in mind when I saw this proposal.

I'm going to kind of turn it over to you, Chris, for your --
MR. HAND: I have a couple of questions.
So, John, does this sort of supersede and cancel out the proposal you made yesterday; in other words, should we disregard that one --
MR. KEANE: This is our --
MR. HAND: -- and this is a --
MR. KEANE: -- revised proposal.
MR. HAND: -- substitute for it?
MR. KEANE: Yes, sir.
MR. HAND: I'm curious. Because, for example, right now the amount we receive in chapter funds each year is about $9 million, about half of which is paid to the base benefits of the plan, the other half is going into the enhanced benefit account.
Given the current numbers, this additional contribution, until you get to the 50 percent funded level, would seem to -- if you add that to the existing contribution to base benefits, would seem to exceed the amount in chapter funds the City receives each year. If I'm doing the math correctly, that'd be about 10.5 total, when right now we're really only getting about nine. So what

funding source would you be utilizing to make up that difference?
MR. KEANE: We'll be utilizing two funding sources. One is some reserve funds that we have in the chapter fund. And, secondly, the legislature passed and Governor Scott signed, on Tuesday, House Bill 117, introduced by Representative Ray --
MR. HAND: That's the Baldwin bill?
MR. KEANE: -- to get the Baldwin 185 money that we had previously discussed last year.
MR. HAND: Isn't that only about $70,000 a year?
MR. KEANE: They're not --
MR. HAND: I thought it was --
MR. KEANE: They're not sure how much it is. We've had estimates between 70,000 and 150,000, but, you know --
THE MODERATOR: But --
MR. KEANE: -- the State doesn't have a firm handle on it because there wasn't a qualifying fund down there for them to have, but . . .
THE MODERATOR: Let me go back, if I could follow up, Chris, on your question because I want to make sure this is -- that I understood this

right. What this would do, if we -- if we take the first year, you currently are putting somewhere -- about $10 million you are contributing to chapter funds; correct?
MR. KEANE: Receiving about $10 million.
THE MODERATOR: I'm sorry. Yeah. Yeah. Yeah. This would have you paying out . . .
MR. KEANE: Virtually all of it.
THE MODERATOR: Well, current dollars that you have contributed, plus this would actually exceed the 10.6, or whatever that number is. And what you're saying is that you would use whatever monies that might be there, although they may be nominal, but they are -- they're still -- they're dollars. And you would augment that by reserves that you have accumulated over the past?
MR. KEANE: Correct.
THE MODERATOR: All right. Go ahead. I'm sorry. I just wanted to make sure I understood it.
MR. HAND: Sure.
And, John, do you -- yesterday you had indicated -- so that's helpful to know, that we should discard what was issued yesterday, and this is the -- this sort of supersedes that proposal.

You had also indicated yesterday you were likely to bring back a counterproposal on both DROP and COLA. Is that still your intention, to do that today?

MR. KEANE: Well, we want to talk about this as -- this proposal in lieu of a separate proposal for DROP because this would be the financial contributions from the Board in lieu of a separate proposal for each one of those.

MR. HAND: So --

THE MODERATOR: So if I could be clear on this -- because I understood this when you handed out -- what you're saying is that you would offer this, and your response on the COLA and the DROP is to maintain status quo?

MR. KEANE: Correct.

THE MODERATOR: You would maintain status quo as to those, and then you would put these additional dollars up?

MR. KEANE: Correct.

THE MODERATOR: Okay.

MR. KEANE: We used the language up here in the middle of the page, for the contribution of the members' return to the -- after the wage reduction using the MSA formula. And as you

recall, there were no other impacts on current employees in the MSA.

THE MODERATOR: Back to you, Chris. I'm sorry.

MR. HAND: Well, I'm just -- I'm not entirely clear what, if anything, this has to do with DROP and COLA. I mean, these are funds that have been discussed, and both sides have discussed them in terms of the unfunded liability discussion, which we will only get to, as we said, if we can reach agreement on new employees, which we have -- current employees, which we have not reached final agreement, and governance.

So, I mean, this strikes me as a proposal that's useful to have and would be part of that third discussion, but doesn't really address the remaining issues in the category we still have outstanding and that are prerequisite to resolving before we get to the unfunded liability.

MR. KEANE: We're offering this and maintaining the benefit structure for our current members, maintain the structure and make these payments.

THE MODERATOR: Well, I need to follow up on something. Maintain -- now, there were some

changes yesterday that the parties had agreed upon, and I want to be -- so I have addressed COLA and DROP because those are the ones that I consider the silos that are open.

This proposal is to maintain the COLA and the DROP, or is this -- are you receding from the agreements we made on the third -- excuse me -- on the 48 months yesterday and the -- well, this actually incorporates -- goes to 10 percent on --

MR. KEANE: Yes.

THE MODERATOR: So that is not -- are you receding from the 48-month?

MR. KEANE: It's so far away and it's so insignificant, it doesn't matter one way or the other.

THE MODERATOR: Okay. Then you're not receding from it?

MR. KEANE: Right.

THE MODERATOR: Because it does matter to the -- to this side because that was the offer and I -- that was --

MAYOR BROWN: That's the offer we gave --

THE MODERATOR: -- what we agreed to and that was in agreement. So all right. So we're not.

So to make -- to get this thing recentered,

where we are is we're talking about the two issues for current employees that are open. Your proposal back is -- says, "Look, we're" -- "We'll put these additional dollars up, but we want to maintain the MSA as it relates to the issue of COLA and as it relates to the issue of the DROP."

Let me -- because I'm not going to let this thing get bogged down if I can avoid it. So as it relates to the DROP and the COLA -- I'm not -- I have no earthly idea how the City would react to this, and I have no idea how you -- because now we're really getting down to bargaining in public.

If the -- am I wrong in believing that maintaining the COLA structure is more important to you than maintaining the 8.4 DROP number? Is that wrong, or is that -- are they the same?

MR. KEANE: They're the same --

THE MODERATOR: Okay.

MR. KEANE: -- because some members are on the verge of entering the DROP. All of them are working toward their current 20 years. And so the COLA matters to -- both of them are very important.

THE MODERATOR: But on the DROP number, again, if somebody was to go out now on DROP --

and let me -- the DROP number that they would earn on their DROP now and would have been anytime over the last five years would be greater than the structure number we're currently using?
     MR. KEANE: That's correct.
     THE MODERATOR: Okay. I'm sorry. I'm not -- I'm going to go back to the City for a moment.
     MR. HAND: No. I just -- we're going to -- I think we're going to have some challenges making progress. I mean, I think that's --
     MAYOR BROWN: Yeah.
     MR. HAND: -- very important financially to the City, obviously --
     THE MODERATOR: Here's what --
     MR. HAND: -- and to --
     THE MODERATOR: Here's what I want to do. I want to --
     MAYOR BROWN: Can I ask a question?
     THE MODERATOR: Yeah.
     MAYOR BROWN: Just --
     THE MODERATOR: Mr. Mayor, you're recognized.
     MAYOR BROWN: -- from listening -- so, John, basically what you're saying is -- I just want to be clear -- that the DROP and the COLA are nonnegotiable?

     MR. KEANE: No. They're negotiable.
     THE MODERATOR: No. No.
     MAYOR BROWN: Okay. So we're trying to figure out -- you know, you don't have them here, and you're using this as a --
     MR. KEANE: No. We've offered this --
     MAYOR BROWN: Okay.
     MR. KEANE: -- as a first starting point of --
     MAYOR BROWN: Okay.
     MR. KEANE: -- talks.
     THE MODERATOR: I want to -- first of all, I think you guys need to go consider this for a few minutes and see if you want to come back in response to this. I'm assuming that your response to this is, "I'm not responding to this yet until we work out the issues that we talked about yesterday, which are COLA and DROP."
     And I'm assuming what you're saying is, "I'm not going to do something on COLA and DROP unless and until" -- "first of all, I'm not" -- "the Board doesn't want to do anything on COLA and DROP, but we're not going to do that unless and until it's converted to how much money we're willing to put into" --

     MR. KEANE: Uh-huh.
     THE MODERATOR: -- "the fund" --
     MR. KEANE: Uh-huh.
     THE MODERATOR: -- "or into the" -- "into the" -- "the monies that we would transfer from the fund." Okay.
     Well, guys, this is where it gets harder and where, hopefully, we can -- I want to ask both parties to break for about 15 minutes. I'm not going to be able to -- because of the way we're doing this, I won't take proposals back to one another, but I want to have private discussions with each of you regarding these issues.
     I will come back to the table after these private discussions. I will advance proposals, but I will only advance those proposals at this table; okay?
     I do have one additional matter I'd like to bring up before you break because I'd like it to be discussed by the City. We have Paragraph 8, which was open in a very limited fashion.
     MR. HAND: Uh-huh.
     THE MODERATOR: A suggestion that I have and that I came up with -- and it may be a terrible suggestion. I don't claim any expertise, but as I

was seeing the language we had there, it came to me -- and I would like you to consider it -- why wouldn't it make sense to -- I think until 2017 -- would it or would it not make sense as an option just to put the incumbent in DROP for the remaining -- I guess it's two years, a little more? December 17 was the number. So I just throw that out.
     I'd like -- and if not, come back with some other plan that you think might work. And I know you've got somebody down there who can -- I'd like to get eight done today and finalized also. And then I'm going to talk with John, and I'm going to -- then I'm going to come talk with you guys.
     MR. HAND: Okay.
     THE MODERATOR: Okay. We'll take a break.
     Make that, Madam Court Reporter, 20 minutes from now. And what time is it?
     THE COURT REPORTER: It's 2:04 now.
     THE MODERATOR: Okay. It's 2:04. We will meet again at 2:24.
     (Recess from 2:04 p.m. to 2:47 p.m.)
     THE MODERATOR: Thank you, folks. I appreciate the opportunity to talk with both of you. I have -- I've come back, and I have tried

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to -- we are -- we've made a lot of progress, folks. We've made a lot of progress in the last few days. And so somebody has to be the guy that tries to move this forward.

And I'm looking at the proposal of -- the funding proposal of 5/14/14. I'm also looking at the proposed current employee modifications as presented to me by the City. And I'm focusing on the first two issues there, which are COLA and DROP.

I make no -- I make no representation that my -- that I have any secret idea on how to resolve these differences, which are important differences, though I have to tell you, as I look at costing out these differences, the costing out of the differences between the parties, particularly as it relates to COLA and DROP, are not nearly as significant as people may believe, but I understand for both parties these are very important.

I have a proposal that the moderator would put on the table and see if that could get some discussion going. I would propose that the -- that the City accept the 5/14/14 Revised Current Plan, Members Supplemental Contribution with the

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following changes: That the -- and these are the moderator's changes. These are not, I understand, the Board's changes, nor has the Board indicated acceptance of them -- that the COLA would be capped at 2 percent for those employees with less than ten years, using the Social Security COLA funding. And that would go into effect at implementation, that the DROP would be accepted at the zero to 10 percent range, and that the parties agree to review these provisions in the -- after four years, after the fourth year of implementation has expired, meaning it'd have to be four years expire before the parties would review it, and then they would agree to review these.

I know that that probably has one thing in common, neither one of you likes it. But I think it, at least, will spark some conversation here.

And I would repeat that again, that the City would accept the 5/14/14 Revised Current Plan, Members Supplemental Contribution with the following changes: That the COLA would be capped at 2 percent for those employees with less than ten years, using the Social Security COLA figures, that that would commence upon implementation of

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the plan, that the DROP would be -- 8.4 percent would be abolished, that the DROP would then, for all employees, be zero to 10 percent, and that this -- that this amendment to the current agreement would be subject to review after it had been implemented for four complete years. And I don't give a starting and beginning date because it -- whenever it was adopted, it would run, and the fourth year would be four years thereafter.

That is my proposal. And I'd like to get some comment from the parties. And the good news is that I probably already have agreement, and that agreement is that neither one likes my proposal, so I've done better than you've been able to do on your own.

MR. HAND: May I ask you a couple of questions?

THE MODERATOR: You can.

MR. HAND: Sure. And these are to John.

So, John, I just want to be clear. You haven't brought any proposals on DROP or COLA with you here today; is that correct?

MR. KEANE: That's correct.

MR. HAND: So you don't have any proposal --

MR. KEANE: This is to substitute --

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MR. HAND: -- as to DROP or COLA?

MR. KEANE: -- for that.

MR. HAND: So no proposal as to --

MR. KEANE: No proposal.

MR. HAND: -- DROP or COLA here today?

THE MODERATOR: Well, the proposal would be the status quo.

MR. HAND: Got you. Okay. Let me just -- I just -- because I was -- I was looking last night again at the 10/1/13 valuation of the Police and Fire Pension Fund. And I noticed too you referenced some reserve accounts earlier.

MR. KEANE: Right.

MR. HAND: I noticed two. One is the enhanced benefit account, which currently has a balance, as of the 10/1/13 val, of approximately $28 million, 26,647,091, and also what's called the CBSA, the City Budget Stabilization Account, which has a balance of approximately $33 million, 33,268,816.

I did not see in the valuation any other reserve accounts at the Police and Fire Pension Fund. I just wanted to confirm if my reading is correct and these are, in fact, the only two reserve accounts of any kind at the PFPF.

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MR. KEANE: Correct.
MR. HAND: So other than the EBA and its approximately $28 million balance and the CBSA and its approximately $33 million balance, there are no other reserve accounts with any balances at the --
MR. KEANE: Correct.
MR. HAND: -- PFPF? Okay.
MS. LAQUIDARA: I had one question, Senator. And that is, both of these are benefits, and so our provision is -- as to benefits, I would be uncomfortable in bringing a benefit change after four years back to the fund because we were separating those.
MR. CHATMON: Along the lines --
THE MODERATOR: Well --
MR. CHATMON: We have -- we have a waiver for three years.
THE MODERATOR: Yeah. Here -- let me -- let me tell where -- let me tell you how it -- so that I can explain, and it may look like I don't understand what I'm doing, but --
MS. LAQUIDARA: No. No.
THE MODERATOR: You have a provision out there for a waiver that currently --

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MS. LAQUIDARA: Right.
THE MODERATOR: And I've reviewed it. It is currently a three-year waiver. So the fourth year was not some number I just reached out of the sky. My thoughts would be, at the end of three years -- three years the issue of this going back to bargaining --
MS. LAQUIDARA: Okay.
THE MODERATOR: -- may or may not occur --
MS. LAQUIDARA: Got you.
MAYOR BROWN: Got it.
THE MODERATOR: -- because the --
MS. LAQUIDARA: Thank you.
MAYOR BROWN: Got it.
THE MODERATOR: Because the organizations may have chosen to not --
MS. LAQUIDARA: Got you.
THE MODERATOR: -- do it again, which means it would --
MR. HAND: They're obviously --
THE MODERATOR: -- stay in the status quo.
Now, the other side is, this may -- subject to review by either party, meaning that if the -- if it essentially remains intact but the parties come back because something herein is not

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working --
MS. LAQUIDARA: Yes, sir.
THE MODERATOR: -- in light of what happened after three years and the parties having been given an opportunity under the collective bargaining to either waive or to proceed to --
MS. LAQUIDARA: Uh-huh.
THE MODERATOR: -- some other benefit plan, then if the City brings it back -- if the City brings it back and wants to discuss it, while there is a provision in there that the future pension benefits would not be negotiated, the flip side of it would be that, if the City chose that it hadn't occurred in collective bargaining, this would still allow the parties to come back to the table.
And one of the things that might be provided is that, A, the City may want to. And they could look at whether or not that has proven to be workable in light of what you maintain is the collective bargaining restrictions on the three years. So that's kind of how I came up with that number.
MS. LAQUIDARA: I see. Thank you.
THE MODERATOR: I didn't pull that out of --

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I didn't just pick four years --
MS. LAQUIDARA: I knew you had a plan.
THE MODERATOR: -- for any other reason. That was to give --
MS. LAQUIDARA: Thank you.
THE MODERATOR: -- both parties a chance to have gone back to the table to have dealt with whether or not it was going to be collectively bargained and also to give it a period of time, assuming that it was not changed, to see whether the parties were in agreement in a fourth year, whether or not it was working.
Now, it also dealt with another issue. One of the issues that has been raised by John, and I think wisely, has been, "Well, what would happen if there was a significant change in the cost of living?"
We've been told over the years that we may be looking at some inflation. So far, that hasn't been the case. And at least for next year, it's not projected to be the case. But four years down the road, if there was to be inflation, and that was not to have been significantly addressed in a collective bargaining setting -- and it may or may not be -- then that would allow both parties to

come back and say, "Hey, wait a minute. This number's" either too low, or the flip side of it is the number could be exactly right or need to be modified.

So that was my thinking. That's why I came up with the fourth year. I'm not suggesting that that's a magic number. You guys may say five. You may say ten. You may say, "I don't want that."

But at least that would allow the interim time to -- I'm accepting the City's argument for a moment regarding reopening of issues and that that would not -- that that would -- may have alleviated the need to reopen or it may have exacerbated it. I don't know. So that's how that came about.

That also, frankly, would mean that you could come back and say, "Okay. You can" -- "You can reopen these provisions only that we've agreed to here on this last section," meaning COLA, DROP, and funding.

The other reason I did this is I went four, three, two, one. I thought that -- and I know this may not be precise, but if the fund was to continue to perform as it is now, if the dollars

were to be as proposed in the supplemental agreement, then we ought to be at somewhere greater than 50 percent and somewhat -- somewhere less than 80 percent at the end of four years.

MR. HAND: Maybe. I mean, we'll -- we can -- we can look and see what those numbers -- I'd tell -- I will you tell you, based on both the analyses we ran and those that the task force ran, even with the types of benefit changes we're talking about, which go to the future normal costs, and even with some of the unfunded liability pay-down measures that were discussed, we're still looking at a 14-year period to get from where we are now to get to that 80 percent benchmark. So it may not be as fast --

THE MODERATOR: No, I wasn't talking about --

MR. HAND: Yeah.

THE MODERATOR: I don't -- I'm not projecting we get at --

MR. HAND: Sure. Sure.

THE MODERATOR: What I said is I believed we would be past the 50 percent mark at the four years, if they contributed at the rate of -- if you were at 40 million --

MR. HAND: Uh-huh.

THE MODERATOR: -- and they were at 6 million, that would be 46 million a year for the four years. That should -- that should -- and if we use 40 percent or 39-something as the current funding level, that should raise you to get to the 50 percent level and everybody see if it's working. That was the other thing I left open.

MR. HAND: Yeah. And one thing --

THE MODERATOR: I'm not -- and I'm not -- guys, I'm not saying --

MR. HAND: Sure.

THE MODERATOR: Hey, my proposal may not be better, but so far -- you-all can beat it, but you-all have got to do it.

MR. HAND: Well, and one thing I'm a little -- and, John, maybe you can clarify on this point. So I'm looking at this kind of stair step down approach, you know, 4 percent until 50, then 3 percent until 60, 2 percent until 70. I don't know.

I guess there would have to be a future Board decision as to how that money would be spent if it weren't being spent putting it into the plan or unfunded liability or those kinds of things, but theoretically that could even go into -- you know,

I know there have been some proposals you've made in the past to put those into enhanced benefits.

So the Board is comfortable with the idea of that sort of stair step down, even if you're still at a 50 percent funded status, which is still obviously lower than is optimal for a plan like this, or a 60 percent funded status, or a 70 percent? They're comfortable with that stair step down kind of approach?

MR. KEANE: It's an approach to start transferring money in to address the issue. We don't have enough money to solve the issue.

MR. HAND: Uh-huh.

MR. KEANE: So we want to do at least a significant part, part of it. We can't solve the whole thing.

THE MODERATOR: Well --

MR. KEANE: Time will solve the whole thing.

THE MODERATOR: Now, there is also -- and I don't want to -- I'm not trying to -- nobody is trying to hide the beanbag here. Everybody has seen the -- there is the mention of a share account in this supplemental. It's the last sentence. I'm sure you've seen that, but there's a mention of a share account.

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At some point in time, if you ever got to where those commitments to cost -- to regular -- and reduction of deficit -- I mean, presumably some of those dollars could be used over there, but that's probably way down the road. I mean, that's -- there's not any question about that.

And I noticed this morning there was some conversation -- as I read the story, there's some conversation about the idea of a shared account. As I read the shared account, the shared account's of no immediate consequence because the commitment of the dollars is already greater than would ever be -- there would be no funding -- when you're at a -- using the numbers you've -- the account numbers you've given us today --

MR. HAND: Uh-huh.

THE MODERATOR: -- if those account numbers essentially account for the reserves, then it is unlikely that there would be any -- and correct me if I'm wrong. It's unlikely there'd be any additional dollars above -- while you're paying 4 percent until -- that's 50 percent funded, which may very well be somewhere between three and four years that you would be paying an additional 4 percent into the plan and 3 percent thereafter

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until it gets down to 60. I mean, if we use -- you said 2028 was aspirational.

MR. HAND: Well, that's the -- given --

THE MODERATOR: At the 80 percent.

MR. HAND: -- a variety of factors --

THE MODERATOR: Right.

MR. HAND: -- that was the earliest date at which the plan would be --

THE MODERATOR: Right. And I'm accepting that for purposes of my proposal, which says to me -- okay. Then what is the rate it would take to -- if that's what it would take to get to 80 percent, what would be the rate at this -- to get to 50 percent, which is roughly ten-plus percentage points from where we are now?

The four years seemed like that was not an outlandish -- once again, that's why I left you guys a little bit of an escape hatch if it wasn't working. And so if you don't like it, we don't have to have the escape hatch, but I thought it might be something that everybody -- and that might not ever be necessary because maybe the employees have dealt with it, or maybe they have not.

MR. HAND: Well, I guess the larger concern,

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as -- again, as I sort of mentioned earlier, this appears to be timing. You know, when the City made its proposal from the outset -- and, of course, we've got the BACKDROP of the task force and, of course, our -- the mayor and the City Council members, as well. When we initially made our proposal, we sort of made it clear that, in order to get to the discussion about unfunded liability, we needed to resolve these other issues.

And then resolving the unfunded liability after we resolved those other issues was a function of the City potentially putting in extra money and the fund potentially putting in extra money. I'm just wondering if this tying of funding to the issue of benefits, and by implication, governance is not a bit premature.

THE MODERATOR: Let me -- let me remind -- let me remind the City that, from the Board's position in these negotiations, there is an increase already for the employee contribution immediately. There is a 10 percent increase tied to the reinstatement of the cuts. There is -- for a recalculation of the 60 to 48 for those with less than ten years.

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There is the issue -- and I'm not making their argument, but I'm throwing this back to you from where they are sitting. The MSA left current employees, for the most part, certainly almost -- with the exception of the eventual step, one-half of 1 percent, if I remember how it went up, to 9 -- left the current employees untouched.

And the argument was at the time, and one that I know you guys are sensitive to, it is always a lot harder to tell people we're changing the rules on them during the game. The Board, I think, has taken a strong position that that is a very difficult thing to do, not only because you're changing the rules in the middle of the game, but also because people have already made plans, and monies have already been reserved on the basis of -- now, back from the City's side, the City said, "Yes, but, A, we've got to cut the cost somewhat to make this work, and, B, that was a concern about shared sacrifice, so we're not talking about shared sacrifice because there's already been a greater amount given than was given in the MSA, and there's a recalculation that was not included in the MSA."

So if -- I don't want anybody coming in here saying that there hasn't been any change from where we were on the MSA. The Board sees that they have given ground significantly on this, and they look back to the City and say, "How do we tell people" -- "How do we look people in the eye and say, 'We're changing the COLA on you,' when those people are saying, 'Wait a minute. One of the reasons I came here was the COLA'?"

Now, I may have come up with an answer that's inadequate. The task force came up with a provision. They addressed it. I've read their report. They too struggle with this because everybody realizes that this isn't just about dollars. In fact, this is also about a sense of equity on both sides, fairness.

And so I came back and said, "Okay. Wait. With less than ten years, we reduce the COLA. That still means for" -- and there is lots of time for that to be fixed down the road. The 2 percent COLA right now is not an unreasonable number for people to anticipate.

If the performance of the economy remains like it is -- which it won't, over their -- but there's plenty of time to fix that. For those employees later, for those employees who are --

who are past that point in their career, maybe the argument can and should be made, "Wait a minute. You know, I've been" -- "I've been here a long time. I've gone through good times and bad. This is a COLA that I have counted on."

The answer to that will be, "Yes, but we can't afford it. It affects the overall" -- I understand that. I've come back with a proposal. It appears that, at least, John, you're as -- you seem about as enthusiastic about it as the City. So, as I say, I've already started off by reaching agreement. Neither one of you like my plan.

All right. Using that to work from, you guys come back with something.

John, you come back with something.

We're not that far apart here, guys.

Now, if there's more dollars, if more dollars will fix it, maybe more dollars will help. If it's not just dollars but it's also the need of this additional shared sacrifice, how much shared sacrifice is enough?

MR. HAND: Well, and just to -- if I -- if I might, not to interrupt, but --

THE MODERATOR: No. No. Interrupt.

MR. HAND: But just to kind of put things in

context for us a little bit, you raised a number of good points. The point of equity and shared sacrifice are all very important.

We also have to be mindful of the marketplace and sort of changing conditions. When this COLA was put in, made guaranteed at 3 percent and retroactive approximately 11 or 12 years ago, sure, it was done for good reasons and cognizant of what the marketplace looked like then.

We're now in a situation where the City is offering a guaranteed 3 percent COLA going forward, where inflation has not kept pace with that in recent years and where our chief competitor, the Florida Retirement System, where 65 of 67 counties have their public safety employees, in July of 2011, abolished the COLA altogether on a going forward basis -- so it's not that we are seeking equity for the sake of seeking equity. The marketplace has changed.

On DROP, again, when it was set at a guaranteed 8.4 percent rate of return, that was probably for a good reason, and the market looked one way at that time, 12 or 13 years ago. It looks different in the time since then, and particularly given the fact that people can, not

only have that guaranteed rate of return for five years, but leave their money in DROP for the rest of their lives and continue to earn that 8.4 rate of return. A plan that was originally supposed to be revenue neutral for the City is now not.

THE MODERATOR: No.

MR. HAND: And so those are all marketplace considerations that we've --

THE MODERATOR: But --

MR. HAND: -- got to take into -- I just didn't want you to think this was something --

THE MODERATOR: No. No. I'm not. Look, I --

MR. HAND: -- capricious or random we were doing --

THE MODERATOR: One of the reasons I'm sitting here is because you guys know that I've been around a lot of these issues for a long period of time.

MR. HAND: Right.

THE MODERATOR: I go back a long, long time on these issues, when also, let's be very candid, it wasn't uncommon for -- sometimes it seemed a lot easier to put things in the -- say, we'll add benefits to the pension plan, because, guess what,

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the bill didn't come due then.
MR. HAND: Right.
THE MODERATOR: Well, then the bill came due. And the bill came due and the people who had made the original decision weren't around -- weren't around to feel the impact of it.
I would suggest, as a counterpoint -- and I have -- I have proposed in mine that your DROP proposal be accepted. And the reason why is because, for me, with a zero to 10, realizing the market has outperformed even the top of your plan for several successive years, but there were years it was dramatically below and would have -- I don't think people should be facing a downturn. I do believe people -- that a cap is reasonable. I think the Social Security number is one that everybody kind of uses as a -- as a number.
And so I think some of these issues are not -- on the DROP issue, I think, "Well, okay, right now if anybody went out on DROP, and if they went out five years ago and in the last five years" -- and, Joey, correct me if I'm wrong. If they went out five years ago, the fact of the matter is the ten -- the ten would have been a better deal for them if they left five years ago.

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If they leave five years from now, I have no earthly idea if that'd be a better deal, and nobody else does.
What we're saying is let's make the -- let's use the marketplace more, but let's have some -- the fact that there was an excess performance over these years offsets the fact that we didn't -- they didn't have to absorb, at any point in time -- wouldn't have to have absorbed a deficit.
It's a reasonable proposal. The City -- the Board may feel very differently about it. And they have -- they've stated their reasons, that they believe the safety of the structure for the current employees -- I know, John, you made -- I heard you making a call. I don't know if you got the answer about -- I don't know whether or not over time this would -- we may be talking about something that is an insignificant financial difference. But I may be wrong.
MR. KEANE: From 1999 to 2013, the average return was 6.86.
THE MODERATOR: Right.
MR. KEANE: From 2000 to 2013, it was 6.42. The last five years, from 2009 to 2013, is 8.58.
THE MODERATOR: That doesn't surprise me. I

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mean, my answer is that we're talking about something that's in the neighborhood of less than 2 percent difference. Now, that's not an insignificant number added over the years to people. I understand.
I've got a proposal out here. I'd like both of you to come back with something here. I want you to come back in the next 30 to 45 minutes -- 30 minutes. I think both of you can come back with another proposal. I want to have the City to go first.
John, I want you to have another proposal ready. And I want you to -- guys, we're down to -- we're down to -- the City's saying, "We've got to resolve this." And their argument is, "We're not going to unfunded until we fix this" -- your argument, I understand, which is, "We're not fixing this independent of unfunded because they're interrelated."
I accept either argument, but we're at -- we're not at impasse. We're at a point where we've got a difficulty. I've thrown out a proposal to keep this thing moving.
I know you don't like part of it on COLA.
I know you don't like what I've said to do on

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the -- on the DROP.
Well, let's see if we can get something going here.
Yes, ma'am?
MS. LAQUIDARA: On the COLA, is that -- I'm sorry. John reminded me to speak into the microphone.
Is the -- is the COLA change going forward so that --
THE MODERATOR: For those with -- my proposal was for a 2 percent cap on those with less than ten years. For those who have greater than 10 percent, the status quo maintains. And, yes, that would be -- everything I've offered here is from implementation.
MS. LAQUIDARA: All right. Thank you.
THE MODERATOR: Okay. Can you guys be back at the table in 30 minutes?
MR. HAND: We will --
MS. LAQUIDARA: Yes. Absolutely.
MR. HAND: -- go work on it.
THE MODERATOR: Okay. Thirty minutes.
MS. LAQUIDARA: Yes, sir.
(Recess from 3:12 p.m. to 4:05 p.m.)
THE MODERATOR: Folks, we're back. Thank

you. I know both of you I've had a chance to speak with. I know both of you -- I know you had somebody typing diligently.

I know you guys were working on something.

I think where I left it off was I had made a proposal, which I think was uniformly disliked. So let's have some -- let's have a response. I'm going to ask the City to respond.

MR. HAND: Sure.

THE MODERATOR: And then I'm going to ask, John, for your response to this and then anything you have. And let's try to -- I'm going to -- I'm going to tell you, so that -- by way of encouragement, we're scheduled for tomorrow, but I know how these things work. If we get an agreement, the bones of that agreement need to be in place today and tonight because tomorrow we'll be -- I'm not optimistic.

So I'm hoping everybody is -- don't hold back and think that we're going to be able to solve this at the last minute. We won't be able to do it within the time frames we've set. Now, you guys -- I'll work till the last minute you want to work, but today's the day we ought to get this thing in a framework and get it done.

Okay. I'm sorry.

MR. HAND: Sure. And I think Carol is putting it up if she has not already and also passing out hard copies.

So, obviously, we've expressed some reluctance to kind of discuss the issue of unfunded liability, but at the moderator's suggestion, arm-twisting -- I think I'm going to have to see an orthopedic surgeon after we're done here -- we have agreed to talk about that in the context of the other issues.

We will also agree to modify our offer of the COLA cap. So the proposal we would offer is to comprehensively deal with a number of the remaining issues, not that this deals with all of them, but those that we're discussing at the moment.

The City will modify its offer of the prospective COLA cap, which in our first proposal was a cap of 1.5 percent, with employees receiving the lesser of 1.5 percent or the Social Security COLA. We would modify that to a 2 percent cap for all current employees, regardless of years of service.

We would maintain our position on the DROP

rate of return, so it would be an actual rate of return -- the actual rate of return with a rate floor of zero, and a rate cap of 10 percent.

And to issues of plan funding that Mr. Keane brought up earlier today, again, consistent with our previous proposal, the City will make an additional unfunded liability payment of $40 million annually until the plan reaches the 80 percent funding level, if the JPFPF contributes half of the chapter 175, 185 funds, and that's approximately 4 percent of payroll, but in any event, no less than half of the chapter funds received in a given year, if they dedicate that to unfunded liability repayment until the fund reaches the 80 percent funding status. That way, we're both contributing until such time as the plan is at a -- what the actuarial world would deem to be a healthy level.

THE MODERATOR: I have some questions, if I could.

MR. HAND: Sure.

THE MODERATOR: On the last point, is that number -- is that amount -- I think, if I remember our conversations before, because I used this in some of my conversations today, essentially we now

know that 4 percent is roughly --

MAYOR BROWN: Five million.

THE MODERATOR: -- five million bucks.

MAYOR BROWN: Five million bucks.

THE MODERATOR: So it's about 45 million. And is that the number that it takes to get to the 80 percent funded status by 2028 --

MR. HAND: 2028. That would bring you to a funded status of 80 percent by 2028.

THE MODERATOR: Okay. And so your -- you would -- what you would say is you would -- you would use the Social Security COLA, but the cap would be raised from 1.5 to 2 percent?

MR. HAND: To 2 percent. That would be the change in the current employees that we would make in --

THE MODERATOR: And that's -- and doesn't affect -- isn't affected by how many years of service? It's just --

MR. HAND: Correct.

THE MODERATOR: Okay.

MR. HAND: Sure.

THE MODERATOR: It would go into effect at implementation?

MR. HAND: And just to be clear because under the law -- I think this is important. Under the law, the way this works is, as of the date of plan implementation, any benefits that a current employee has earned, up until that point they would still get --

THE MODERATOR: Sure. Sure.

MR. HAND: -- the current COLA.

THE MODERATOR: Oh, yeah.

MR. HAND: This would be a COLA on the prospective benefits they would earn after the date of plan implementation, and there would have to be a calculation made --

THE MODERATOR: To use an -- to use the example, if they were -- basically, the 3 percent stays in effect for everybody here until such time as the 2 percent goes into effect, is your proposal?

MR. HAND: Correct, which would --

THE MODERATOR: Your proposal --

MR. HAND: -- be as of October 1, '14 --

THE MODERATOR: Your proposal is still zero to 10 on DROP --

MR. HAND: Right.

THE MODERATOR: -- and the 40 million?

John, I think what we should do now is --

well, do you have any questions on this? I mean, there's --

MR. KEANE: I just have one on this last proposal. We're talking about we receive $9 million -- let's use that as a base number. And you want $4,500,000, just transferred, boom?

MR. HAND: Into the unfunded liability.

MR. KEANE: Into the unfunded liability?

MR. HAND: Correct. Yeah.

MR. KEANE: And the other --

MR. HAND: The half that is right now going to enhanced benefits --

MR. KEANE: Right.

MR. HAND: -- would, in lieu of that, go to unfunded liability.

MR. KEANE: Okay. I understand that.

THE MODERATOR: Anything else? Any other questions?

MR. KEANE: No. I understand that.

THE MODERATOR: Do you have any response that you want to give?

MR. KEANE: A proposal.

THE MODERATOR: That's what I thought. Let's get it out there.

I know you guys are working because the

heat's -- both of your proposals are still warm, so that tells me that literally they've been copied --

MR. KEANE: Mayor, let me hand those to you. Cindy.

MS. LAQUIDARA: Thank you, John.

MR. KEANE: Court reporter.

Moderator.

THE MODERATOR: Thanks. I got it.

MR. KEANE: Myself.

THE MODERATOR: Okay. This would be the 5/14/14, but just to be clear on this for later, this is the 5/14/14, and it is the second Board proposal because we had one earlier today.

Okay. Go ahead.

MR. KEANE: The employee portion of the shared sacrifice under this proposal for the next five years is estimated at $100 million and comes from the following sources: Employee contributions will gradually increase from 7 to 10 of pay, utilizing the MSA formula that we had discussed previously.

We would transfer all current and future chapter monies and other accounts to reduce the City contribution, except for the funds required

to annually pay for the Peyton bonus. All current employee benefits will remain unchanged. New members COLA benefits will be based on the Social Security formula, establish a share plan, and review it in five years.

This would result in an estimated $100 million in City contribution reduction during the next five years. Most of this would be recognized immediately. And the City contribution to be paid in December of 2014 would be reduced from 153 million to approximately 90 million. This has a direct impact on the next budget, and then going forward.

MS. LAQUIDARA: Thank you, John.

THE MODERATOR: Here's -- I'm kind of confused on a couple of things I want to get straight. Where you say, all current employee benefits remain unchanged, we previously had dealt with the -- well, this changes the employee contribution agreement you had made; is that correct?

MR. KEANE: No. No.

MS. LAQUIDARA: No.

MR. KEANE: No. No. No.

MR. CHATMON: No. 1.

MR. KEANE: No. 1.
MR. CHATMON: No. 1.
MR. KEANE: They're going to 10, according to the MSA.
MR. HAND: But this says the MSA formula. That's different than the formula we had agreed to yesterday.
THE MODERATOR: That's what I was getting --
MR. KEANE: Right.
THE MODERATOR: Okay.
MR. KEANE: I'm going back to the MSA formula --
THE MODERATOR: So this --
MR. KEANE: -- where they get the raise, and then the percentage starts going up.
MR. HAND: Okay. So the agreement we reached yesterday on that, you're rescinding from --
MR. KEANE: I'm not rescinding. I'm offering another proposal.
THE MODERATOR: Okay.
MR. KEANE: If you agree to it --
MAYOR BROWN: Okay.
THE MODERATOR: Okay. I got that, but I just want to make sure I understand. And you also had -- on "all current employee benefits remain

unchanged," there was a provision for a 48-month contribution to the first ten years. Does this probably change that?
MR. KEANE: That would unwind that also. That's such an insignificant amount of savings, that it --
THE MODERATOR: Okay. All right.
MR. KEANE: This just -- this establishes -- it leaves everything like it is. That's where we're at. This is -- this is our current proposal, subject to modification.
THE MODERATOR: I got it. The new members COLA would be based on Social Security formula, and that would be -- the COLA would be based on Social Security formula without a cap at all?
MR. KEANE: Right. And as we know, we had previously agreed to Social Security up to 1.5, I believe, is the way it was worded; is that correct?
MS. LAQUIDARA: Uh-huh.
THE MODERATOR: Right.
MR. KEANE: All right.
THE MODERATOR: And, now, they've made a proposal -- they made a proposal just a few minutes ago. Let me make sure I understood it.

It would move that to 2 percent, using the Social Security, move the cap to 2?
MR. HAND: Correct.
THE MODERATOR: Okay.
MR. HAND: For current employees.
MR. KEANE: This is for current employees.
THE MODERATOR: For all current employees. I got it. I got that. For all current employees.
MR. KEANE: What I'm talking about is new members here in Item 4. We currently say the Social Security formula -- 1.5 up to the Social Security formula is what we had previously agreed upon for new employees. That was the City probably.
THE MODERATOR: Right.
MR. KEANE: As you had discussed earlier in your financial discussion, it's expected that, one day, inflation will come back again and by then --
THE MODERATOR: Well, let me --
(Sound equipment noise).
(Pause).
THE MODERATOR: All right. Let me address a couple of things here, John. And I understand this is a significant financial proposal, and we'll talk about that in a moment.

What I am -- what I believe that I would like you to consider in your -- in your proposal -- I will tell you that I'm bothered by the following: If we go back and we change things that we've agreed to -- I'm not saying you can't. You guys can change anything you want to anytime you want to. But I'm just going to tell both sides this.
If you go back and change things that you've previously agreed to -- this is like a ball of twine, and once you start undoing it, I promise you, it unravels. Because there's things that you've agreed to on this side that they'd probably like to revisit.
I'm not -- whatever you guys can agree to, but I will tell you that I -- the new members COLA has not been on the -- we started off on last Monday on new members with an agreement. And I'm -- please don't take this as -- I hope this is not seen as hectoring. I'm just -- I just want everybody to -- I have some concern about unwinding things that you've previously agreed to.
But this, I know, is a significant -- and I'm going to ask you some questions. I know this is a significant proposal. And it has an immediate and substantial -- looks to me like something like $60

million impact. What I -- what I want to be clear is that it is the City's position -- or has remained the City's position that these issues that we have agreed upon were agreed upon.

Now, again, I know you're saying, "Well, I'm offering this proposal, and I want to go back and revisit those issues."

I would hope that as we deliberate that we would -- that you give some consideration to the fact that it is a dangerous process for us and a difficult way to negotiate to go back on things that I thought we had some agreement on. I realize that everything is always subject to change, but I hope you will take a look at not unwinding things that we have previously put to bed.

I'd like you to explain that -- and I think that applies to the MSA formula. I know we've agreed to the MSA formula before, and I -- but I know that that's not the same as what we'd -- what had been agreed here today, although it's not hugely different. I know that we had agreed to the new members COLA, and I know that, while it is insignificant financially, I think that the agreement yesterday was a clear compromise.

I think they were at -- I want to say they were at 24. Then they went -- then you came back and stated 60. They went to 36. And, finally, there was a compromise to go to 48.

I don't think those -- if it's insignificant, it becomes more significant if we start unwinding things. I'm not -- again, I hope you guys -- normally, I wouldn't have these conversations, but we're in the Sunshine. I've got to talk to both of you about it now.

MR. KEANE: Let me see if I can help you, Senator.

THE MODERATOR: Okay.

MR. KEANE: Apologize for interrupting.

THE MODERATOR: Go ahead.

MR. KEANE: On No. 1, on the second line, after the word "pay," strike the coma, insert a period, and strike the balance of the sentence.

THE MODERATOR: I like that better.

MR. HAND: In other words, John, so you're -- that phrase, in your mind, would mean the increase in employee contributions we previously agreed to --

MR. KEANE: Correct.

MR. HAND: -- which would be immediately 1

percent to 8, and then the additional 2 percent upon the pay cut restoration?

MR. KEANE: And we're doing that in an effort to reach unity and harmony and a resolution.

THE MODERATOR: Okay.

MR. HAND: So you're reaffirming the agreement --

THE MODERATOR: Yes.

MR. HAND: -- we reached yesterday?

THE MODERATOR: That's correct.

MR. KEANE: Correct. And also in interest of expediency, strike No. 4 in its entirety. It doesn't come into play till 25, 30, 35 years from now. And I'll leave that to the wise folks that are here at that time that succeed us to resolve. So we'll take that out of there.

MR. HAND: So just so I'm clear, you are now reaffirming the agreement we reached several days ago on new employees?

THE MODERATOR: Yes.

MR. KEANE: Correct.

THE MODERATOR: That's correct.

MR. KEANE: And the last thing is No. 5 and 6, 4 and 5, so then we all have the same talking page.

THE MODERATOR: Okay. Now, explain -- how does the -- and you guys -- I'm probably asking questions that you-all know way better than I do already because I know both sides have their own expertise on this. Tell me the financial impact of your Proposal No. 2 today. How does that stack up with the proposal that you had made financially, number one? And, also, what is the continuing obligation of the Board after -- excuse me -- is this -- would this be a one-time wholesale transfer or -- I'm not quite getting that.

MR. KEANE: When we reach $100 million in transfer money, these two funds plus all of the future chapter funds, with the exception of the amount that has to be retained for the Peyton bonus, 100 percent of that would come over until we reach this $100 million contribution threshold. We're offering to put $100 million in here.

MR. HAND: John, is there -- and maybe I'm just misreading it. Is there an unfunded liability reduction measure in this agreement? There does not appear to be.

MR. KEANE: If you take the funds and apply them to the unfunded rather than to the current obligation, that's where it would go. We believe that applying them to current City obligations, which would reduce the stress on next year's budget and the follow-on budgets, while the market continues to help us on the unfunded, is a better way of doing it.

MR. HAND: Can I just -- for clarity's purposes, may I ask a couple of questions about No. 2, John?

MR. KEANE: Yes, sir.

MR. HAND: You say: Transfer all current and future chapter monies and accounts to reduce the City's contribution.

By future chapter monies, I assume you mean the -- what is now approximately $9 million that comes in each year from the premium tax revenues; is that right?

MR. KEANE: That's correct.

MR. HAND: So that would be the year-in, year-out period. And is that for a particular period of time, or is that just in perpetuity?

MR. KEANE: That is till we reach the $100 million threshold.

MR. HAND: When you refer to current chapter monies, what do you mean by that?

MR. KEANE: It's funds we have available.

MR. HAND: You mean the funds that are --

MR. KEANE: That we talked about earlier.

MR. HAND: Okay. Those two different accounts --

MR. KEANE: Two different accounts --

THE MODERATOR: They're transferring --

MR. KEANE: Collapse all those accounts, put them into the fund, and it would be anticipated that, future chapter revenues, all of them would be committed for probably the next six years.

MR. HAND: And the amount -- just because I don't have that piece of the valuation in front of me, the amount that you referred to as funds required annually for the bonus named after Mayor Peyton, what is that amount each year?

MR. KEANE: It's about $2 million.

MR. HAND: Is it your position that that is an amount that the PFPF is legally required to pay year-end, year-out?

MR. KEANE: It's our position it's authorized by the City Council for the trustees to make that payment, subject to a certification from the fund actuary, that making the payment will neither increase member contributions or increase City

contributions, in accordance with the terms and conditions of the settlement agreement.

MR. HAND: So it's your -- it's your position it's sort of a gratuitous payment done on an annual basis; is that right?

MR. KEANE: Yes, sir. It is not a pension benefit, per se. It is a benefit that the trustees are authorized -- in the words the City Council chose, is called "post retirement enhancement."

MR. BELTON: John, have you ever not paid that?

MR. KEANE: No, sir.

MR. BELTON: So it's been paid every year?

MR. KEANE: Every year.

MR. BELTON: How long ago did you start that?

MR. KEANE: Started in two thousand and . . .

MR. HAND: '06, I believe, the legislation --

MR. KEANE: '06 is when it -- when it was changed.

THE MODERATOR: I want to make sure I understand something just for this -- under this provision, if you're right that the -- if the 153 would be reduced to 90, I'm reading that as -- and correct me if I'm wrong -- that would be -- $63

million would be anticipated on the front end?

MR. KEANE: Yes, sir.

THE MODERATOR: And then I think the number you gave was the chapter funds at 9 million, less the --

MR. KEANE: Two.

THE MODERATOR: Less the two, so that 7 million would be paid until the 63 million became 100 -- the 63, plus however long it takes -- and I'm not figuring that out that quickly, but you would put in 63 million up front and $7 million a year until you had contributed 100 million to the fund?

MR. KEANE: Yes, sir.

THE MODERATOR: And by way of that 63 million and that $7 million annual, you would offer that in the sense of it would be then the City's choice to use that money for either benefit or deficit reduction? So, theoretically, your proposal would allow for deficit reduction of --

MR. KEANE: $100 million.

THE MODERATOR: Well, but even in the first year would allow for deficit reduction --

MR. KEANE: Significant.

THE MODERATOR: -- of 50 million?

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MR. KEANE: Uh-huh.
THE MODERATOR: Okay. Questions on your side?
Yes.
MR. CHATMON: First year, 63 million or 50 million?
MS. LAQUIDARA: 63 --
MR. KEANE: About 63 million.
THE MODERATOR: Well, what I did is I just subtracted it out. I know that's an approximate number. And I'm not -- but, you know, a million here, a million there --
MR. KEANE: The actual number --
THE MODERATOR: -- is real money.
MR. KEANE: Yeah. Yeah. The actual number would be what it is, but the actuary calculates it.
THE MODERATOR: At 63 million?
MR. KEANE: With the gains from this year, we would propose to pay that over on October the 1st, as soon as we know --
THE MODERATOR: So --
MR. KEANE: -- the full value of it.
THE MODERATOR: -- in the event -- and I'm just talking about melding it for a moment. In

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the event the City was to stay with its current proposal of, I think, $40 million a year to be paid above -- and I don't know if that's the case, but, theoretically, if the City was prepared to pay $40 million, am I wrong that this would reduce, in the first year -- could reduce it the first year, depending on how you use it, the deficit, by $100 million?
MR. HAND: Well, I don't -- I mean, he hasn't specified here how the funds would be used. He --
THE MODERATOR: Well, I -- I thought the transfer was to let them make the decision --
MR. HAND: Right.
THE MODERATOR: -- entirely.
MR. HAND: Uh-huh. I think -- that's how I understood it, yeah.
Can I ask another question while we're --
THE MODERATOR: You can ask all you want, guys.
MR. HAND: John, you say: Establish a share plan.
Now, when you had your earlier proposal, that was essentially a proposal to sort of set up the framework of a shared plan. Again, given that the plan's still at 43 percent, and that would seem to

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be an unusual level to set up a new benefit, is that still just establishing the framework of a share plan?
MR. KEANE: Now, it's not a new benefit.
MR. HAND: Uh-huh.
MR. KEANE: It's establishing the framework for when money becomes available. The newspaper headline said that we're trying to create a new benefit. It's not a new benefit.
MR. HAND: Uh-huh.
MR. KEANE: It's the framework to apply the future chapter funds in a manner prescribed by the legislature.
MR. HAND: And would you -- and would you -- because I know where some other Cities have done it. They have essentially set up a system where they provide a proportional share of those chapter funds to each of the members when they do that. Is that -- would that be the idea?
MR. KEANE: Correct.
MR. HAND: You would set it up --
MR. KEANE: Correct.
MR. HAND: -- the same way?
MR. KEANE: Correct.
MR. HAND: It would then be invested in

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some --
MR. KEANE: Correct.
MR. HAND: -- you know --
MR. KEANE: Yeah.
MR. HAND: -- instrument?
MR. KEANE: We would invest it and --
THE MODERATOR: But the obligation that you've encountered here by this agreement would take precedence over the funding of any share plan?
MR. KEANE: Exactly.
THE MODERATOR: So the -- the 7 million annually that you speak of, or approximately, and the $63 million initial transfer, all of that would -- none of that would be linked to the funding of a share plan?
MR. KEANE: None.
THE MODERATOR: And presumably for the next several years, because it's going to take at least -- my math shows it's going to take about seven years, but I'm not an actuary. Five to seven years, there wouldn't be any funding of the share plan either because all chapter monies are being transferred --
MR. KEANE: Correct.

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THE MODERATOR: -- to the City?
MR. KEANE: Correct. All except the amounts needed for the Peyton bonus.
THE MODERATOR: That was -- that was the difference between nine and seven --
MR. KEANE: Right.
THE MODERATOR: -- approximately?
MR. KEANE: Right.
MR. HAND: A Peyton bonus, which -- because, as you said, is not a benefit, there's no vested right to pay that? That's a Board decision on a year-in --
MR. KEANE: Correct.
MR. HAND: -- year-out basis? Okay.
MR. KEANE: Correct.
THE MODERATOR: Further questions on your side?
MR. HAND: I don't think I have any more.
MS. LAQUIDARA: Again, on the shared plan going forward, the way I understand that is it's language that equates to a defined contribution plan?
MR. KEANE: Correct.
MS. LAQUIDARA: Okay. So it is a plan. Would that be for -- so it's additional retirement

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contribution for new employees, for old employees, or for who?
MR. KEANE: For qualified employees who are members of the fund.
MS. LAQUIDARA: So that would be spread over the people who have not yet retired, new employees --
MR. KEANE: Have not yet retired, nor dropped.
MS. LAQUIDARA: All right. So that's for all present employees and to-be-hired, new employees, so I think it sounds like we're kind of going in the wrong direction.
THE MODERATOR: Then I misunderstand it because on this --
MS. LAQUIDARA: That's the way I understand it --
THE MODERATOR: You would -- you would reopen this and -- not reopen. You would -- it would be -- it would be reviewed in five years?
MR. KEANE: Correct.
THE MODERATOR: Let me get this straight on this. Within that five-year period of time, even if there's a share plan structure implemented, there is no funding of a share plan?

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MR. KEANE: Not until the $100 million is transferred to the City.
THE MODERATOR: Right. And it just -- off the top of my head, it appears -- and an actuary could -- but it appears, at $7 million a year, you can't meet your obligation for five years and have any money left over for chapter funds.
MR. KEANE: I'd agree with that.
THE MODERATOR: So the transfer would be -- at least for five years and probably a little more than that, 100 percent of the chapter funds, absent the bonus money, would be transferred to the -- to the fund --
MR. KEANE: Right.
THE MODERATOR: -- until $100 million has been provided?
MR. KEANE: Right.
THE MODERATOR: Now --
MR. KEANE: And, of course --
THE MODERATOR: -- I want to --
MR. KEANE: -- we're very hopeful --
THE MODERATOR: -- ask the City a couple of questions.
MR. KEANE: We're very hopeful, Senator, that, as the economy continues to improve and

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property values recover --
THE MODERATOR: Uh-huh.
MR. KEANE: -- then, correspondingly --
THE MODERATOR: There might be --
MR. KEANE: -- we would get more money --
THE MODERATOR: -- more money. Yeah, I got that.
But let me -- let me go back to the City for a second.
Under your proposal -- which was the 40 and 5, the 45 million, meaning 40 million and 5 million?
MR. HAND: Roughly, yeah.
THE MODERATOR: And I know I'm using the wrong -- but how long would it take under your proposal for them to transfer $100 million into the fund?
MR. HAND: If you just take 100 divided by 5 million, that would take about 20 years, just relying on that piece --
THE MODERATOR: Sure.
MR. HAND: -- of the equation. And that --
THE MODERATOR: Which --
MR. HAND: That just refers to a distinct piece --

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THE MODERATOR: Which wouldn't quite get us to 2028, but it would get us --

MR. HAND: Well, no, the combination impact of the fund's contribution and the City's contribution --

THE MODERATOR: As it declines.

MR. HAND: -- would get you to 80 percent by 2028.

THE MODERATOR: Right. Okay.

MR. HAND: And the -- and, look, the other piece of that that's important, we can't overlook, is that is also a projection based on some modifications and benefits for current employees. So that period of time, because of a higher normal cost, if you don't change benefits for current employees, is going to be -- that horizon is going to be longer.

THE MODERATOR: But we know -- and I'm just throwing -- we know -- and I know that the zero to 10 percent -- we have some model -- and I know you're locked into 8.4 percent, and I know you've got your zero to 10 percent, but the reality is that, if we took it over the last 20 years, it's been about a 2 percent differential.

Now, I'm not saying that's an insignificant number. If we took -- if we took away three or four of those years' performances, actually, it's probably a flat wash in terms of its cost. Do you agree with that?

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MR. GREIVE: Uh-huh.

THE MODERATOR: Okay. So that can't be what's driving the projected cost over the next -- I mean, it has a cost. I'm not arguing with you on that, but that can't be a driver. This is -- I know somebody complained to one of the -- some of the -- came to me and said, "You're not using enough data."

And I told them, "Well, we've been here a long time, but I can tell you that we know those numbers."

So -- and the COLA has a cost now, which would -- is not insignificant. You would be saying that the COLA would be reduced by 1 percent, you were saying, to maintain it, so there's a 1 percent -- but I was trying to figure out here just from my own perspective under this provision if it were to be implemented, if it were to be adopted by the City, when would the reduction reach 80 percent?

MR. HAND: I don't know. It would be a -- it would be -- certainly be later than Fiscal Year 2028. I don't know -- without seeing the actuarial analysis, I can't tell you exactly when, but it would -- it would not be Fiscal Year 2028.

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THE MODERATOR: It would be later?

MR. HAND: Later.

THE MODERATOR: Okay.

MAYOR BROWN: John, do you have an idea when it would reach 80 percent, based on --

MR. KEANE: No, sir.

MAYOR BROWN: -- what you present?

MR. KEANE: No, sir. We didn't run that.

THE MODERATOR: Now, so that we -- back up for a moment. The fund's performance still would impact the ability of your fund to have additional monies for other purposes, the fund's performance; is that correct? You're transferring the chapter funds?

MR. KEANE: Right.

THE MODERATOR: And you're transferring 100 percent of the chapter funds, less the amount for the --

MR. KEANE: Correct.

THE MODERATOR: -- Peyton bonus plan --

MR. KEANE: Correct.

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THE MODERATOR: -- I think is what you call it, which I was unaware of.

MR. KEANE: Right.

THE MODERATOR: Okay.

MR. KEANE: But there's no additional funds generated under the trustee's control based on plan performance. That was in the formula that we abandoned a number of years ago.

THE MODERATOR: Okay. Those all I want to -- I want to be clear on that.

MR. KEANE: Everything goes in.

THE MODERATOR: So your -- it's all in on your side from all of the monies you identified earlier --

MR. KEANE: Correct. We're making a $100 million commitment here.

MS. LAQUIDARA: It's just that the -- and I don't want to overemphasize the point, but reopening an additional contribution does affect the calculation and the impact. And that's the -- established --

THE MODERATOR: Well --

MS. LAQUIDARA: -- the share plan because that's a -- that's a modification --

THE MODERATOR: I didn't --

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MS. LAQUIDARA: -- to benefits.
THE MODERATOR: I actually didn't -- and I was clear on the word here, review in five years, as oppose to reopen. I'm assuming that what the parties are -- what you're requesting here is that there would be a review of this five years from now to determine its success, lack of success, it's -- it does not mean necessarily that the parties reopen because it may be -- there's a difference.
MR. KEANE: They may not want to.
MS. LAQUIDARA: But what is meant, then, by establishing -- if we establish the share plan today, then there's a mechanism where, when we do the math and we talk to the market, we have to say that there's a mechanism here that's going to increase the cost. And it does become real in terms of our consideration. And it may not have been intended to be so, but that's just how I was reading it.
THE MODERATOR: Again, I may --
MR. KEANE: Let me help --
THE MODERATOR: -- be wrong --
MR. KEANE: -- you with that.
MS. LAQUIDARA: Thank you, John.

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MR. KEANE: Let me help you with that.
THE MODERATOR: Yeah.
MR. KEANE: Both 175 and 185 say that plans like ours --
MS. LAQUIDARA: Uh-huh.
MR. KEANE: -- the money can come over, and with the approval of the members, either be deposited into the main fund --
MS. LAQUIDARA: Uh-huh.
MR. KEANE: -- which we are proposing to do --
MS. LAQUIDARA: Yes.
MR. KEANE: -- for the number of years, or put in a share account, as Miami has and Tampa and almost every other place. And the way the share account works, the check comes in. Let's say -- make it easy -- $1,000.
MS. LAQUIDARA: Uh-huh.
MR. KEANE: And you've got ten employees. Each one of them gets $100 this year as a contribution to their share account.
Next year, whatever it is, divide the number of people into the money. Everybody gets it. There's no additional cost to the City whatsoever.
MS. LAQUIDARA: Well, it's not --

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THE MODERATOR: That's the --
MS. LAQUIDARA: I'm looking at --
THE MODERATOR: That's the enhanced plan language that's in there?
MR. KEANE: Uh-huh. Yeah.
MS. LAQUIDARA: And I'm not looking at additional cost to the City. I'm looking at the additional cost to those funds not going in to pay for the existing benefits already, which were enhanced benefits, for which we don't have adequate funding already.
So it seems to me that, while that is something that could come up if the world changes, that if there's money coming in -- and in an enhanced benefit we're at a deficient funding point because of enhanced benefits. And so the proper place to go with that is to keep paying it until we're at 80 percent because, other than that, it's like we're taking all these huge steps forward and then we have this little one back.
And there -- it doesn't make sense to me to take those funds and enhance anything with them until the corpus for everybody is safe at 80 percent because, otherwise, what you do -- as long as that corpus is being diminished, a few years

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from now you still have pressure on the existing and current employees to give something up because it's not succeeding. I think it's in everybody's interest to make that corpus get to 80 percent as soon as possible for present employees and --
THE MODERATOR: Well --
MAYOR BROWN: -- future --
THE MODERATOR: -- I mean, I understand that. And what --
MS. LAQUIDARA: And that's money off the table --
THE MODERATOR: What could happen is --
MS. LAQUIDARA: -- as I understand it.
THE MODERATOR: What could happen is -- is that they could say, "Okay. We will" -- "We will go at 4.5 million" -- excuse me -- "4 percent, which is $5 million," is what I'm trying to say. We could do that. We could do that over the next 20 -- whatever 2028 is, I guess, 23, almost 24 years now. So we could -- we could -- no, I'm sorry.
MR. BELTON: No. That's 14 --
THE MODERATOR: 14 years. I'm sorry. Yeah. Right. Time passes when you're my age.
But my -- I guess my point that I'm wondering

here is, is the -- is it your position that the corpus is safer with the $4 million annual contribution until it gets to 80 percent, or doesn't the -- doesn't the plan have the benefit of the fact that it's -- doesn't the plan get in -- some factor for the benefit that there's an immediate transfer of $60 million?

MS. LAQUIDARA: I just -- certainly, the fund is doing the right thing and -- because their job is to pay down the unfunded liability with every tool they have. And it just seems that establishing a share plan now is counterintuitive to that. And so perhaps, again, I'm reading too much into it, but the fund's obligation is to get that unfunded liability down because, frankly, nobody's retirement would be in jeopardy if --

THE MODERATOR: What about if --

MS. LAQUIDARA: -- it were at --

THE MODERATOR: What if the -- what about if the plan -- if the provision was that -- that the share plan would be implemented after -- only after the $100 million had been paid?

MS. LAQUIDARA: The $100 million to me isn't the issue. It's the health of the corpus. Because we could put in $100 million and, you

know, God forbid, we're still at 40 percent, there's still going to be pressure on those employees.

And so what I'm trying to do is -- as I think John is. That's why I'm making sure I understand it properly -- that the best thing for everybody is to get that plan funded as soon as possible. And I just think opening the door, establishing a share plan when we don't have any money, is like establishing a vacation bonus account to go to Europe when, you know, you're in Chapter 13.

So I would just put that issue aside. I think it's a theoretical one. I think it will come about if we have money quite naturally in the future, but, to me, I think it's in everybody's mutual advantage to get -- to not leave unopen, undefined doors for additional expenses. And I don't want to take everybody off --

MR. HAND: No. That's a --

THE MODERATOR: No. Absolutely.

MR. HAND: It's a fair point.

MS. LAQUIDARA: -- but it's just a point that I want to make sure --

THE MODERATOR: So --

MS. LAQUIDARA: -- because I think --

MR. HAND: If I were one of the fiduciaries --

MS. LAQUIDARA: -- everything else --

MR. HAND: -- that would certainly be my position.

THE MODERATOR: So the issue -- the issue, I think, that they're raising is that the share plan should not be implemented until such time as they reached 80 percent.

It's the City's position that, at the time they reached 80 percent, they'd implement a share plan.

Your answer would be, "We can't lock in people" --

MR. HAND: That is -- that is not our position because we were just discussing it.

THE MODERATOR: Sure.

MR. HAND: I actually am just trying to clarify because the share plan --

MS. LAQUIDARA: Right. That's what -- I was --

MR. HAND: -- is something of a new one --

MS. LAQUIDARA: -- trying to understand it too.

MR. HAND: And I think Cindy raised some very

good points about sort of the fiduciary obligations.

But, John, you mentioned several other Florida cities that have share plans. What other major Florida cities -- I mean, this will be helpful in the research --

MR. KEANE: Almost all of them.

MR. HAND: So the City of Miami does?

MR. KEANE: Oh, yeah.

MR. HAND: Tampa?

MR. KEANE: Yeah.

MR. HAND: City of Gainesville?

MR. KEANE: Probably.

MR. HAND: St. Petersburg?

MR. KEANE: Yes.

Orlando.

MR. HAND: City of Orlando?

MR. KEANE: Yeah.

MR. HAND: What's the funded status of those plans; do you happen to know?

MR. KEANE: I believe it would -- best answer -- say it probably varies.

MR. HAND: Uh-huh.

MR. KEANE: I don't know the answer to -- the exact answer.

MR. HAND: To the best of your knowledge, is it fair to say they have a higher funded status than we do here in Jacksonville?
MR. KEANE: Some of them do.
MR. HAND: Uh-huh.
MR. KEANE: Certainly Tampa.
MS. LAQUIDARA: And sometimes it's -- I mean, it's kind of -- and, again, I wouldn't want to take us too far off into that because you have to look at somebody's entire package and the number of employees and the number of -- so if someone has a retirement plan that let's say is at two and a half percent, invested 25 years, the fact that they get 1 percent of funds, which would be $40, should not, you know, drive us because that $40 -- that one person, you have to look at their entire retirement plan to see if it's comparable. It just seems to be a complicating factor on a matter in which we're trying to simplify.
THE MODERATOR: Let me see if I understand something here, John. As I remember the 175, 185 money, the 175, 185 money essentially -- and I know this is -- can be interpreted -- but it's for enhancement of . . .
MR. KEANE: Extra benefits.

THE MODERATOR: Right. What you're saying here is, "We recognize the obligation to reduce the deficit, but at some point in time, those chapter funds have to be redirected towards a specific enhanced benefit. And the specific enhanced benefit you're proposing is that there be a share plan implemented, but that that implementation would not take place while you were meeting the financial obligation you've offered" --
MR. KEANE: That's correct.
THE MODERATOR: -- is that correct?
MR. KEANE: That's correct.
THE MODERATOR: Okay.
MR. KEANE: Excellent summary.
THE MODERATOR: All right. And the City's position is, "Wait a minute, if we establish a share plan, the share plan exposes us to" -- "if the plan" -- "if we have" -- "if we don't reduce our unfunded liability fast enough, the share plan just becomes an additional benefit cost and allows -- then it would allow the unfunded liability not to get to where we want it to get, or certainly not as soon as we would want to see it get there."

MR. KEANE: It's not an additional benefit cost because the money comes in. You can't spend any more than what you've got in.
MR. HAND: I think our concern is, to Cindy's point: Is it worth taking a trip on a nice vacation when you're still upside down on the mortgage? That's what we're a little bit concerned about just from a financial standpoint.
THE MODERATOR: And I understand that. And I'm assuming your response would be, "Well, we may be taking that trip, but I just prepaid the Winnebago."
MR. KEANE: Correct.
THE MODERATOR: I got it.
MS. LAQUIDARA: That's probably an inefficient vehicle, Winnebago, but I --
MR. KEANE: If we deferred -- if we withdrew No. 4 and let the people that come here behind us --
MS. LAQUIDARA: Uh-huh.
MR. KEANE: -- worry with it, where does that put us?
MAYOR BROWN: You mean No. 5?
MR. BELTON: You mean 5?
MR. HAND: It's been -- it's been through --

MS. LAQUIDARA: Well, it's been renumbered, so --
MR. BELTON: Share plan, right?
MR. KEANE: It's the new four.
MS. LAQUIDARA: Yeah. It's the new --
MR. KEANE: Used to be five.
THE MODERATOR: Right.
MR. KEANE: It's now four.
THE MODERATOR: I got you.
MR. KEANE: It's the share plan.
THE MODERATOR: So if you withdrew your share plan -- if they withdrew their share plan proposal --
MR. KEANE: I'm asking where does that leave us on the other?
MR. HAND: Yeah. We'd have -- we'd have to look it at. I'm actually just curious to find out -- I mean, in the share plan it was a new concept that was sort of introduced yesterday. So I'm curious to find out more on what the experience has been in other cities, as well, but --
MR. KEANE: Okay.
THE MODERATOR: I'd like us to -- I think you guys -- they've made a significant proposal.

You've made a significant proposal. Both of you need to look at them.

I'm going to take a 15-minute break. I'm going to talk with both sides.

Make it 20 minutes. That'll give me ten minutes per side.

Madam Court Reporter, what time is it?

THE COURT REPORTER: It is 4:46.

THE MODERATOR: We will meet again -- let's just make it 5:10; okay?

MR. HAND: Fair enough.

MR. KEANE: And how late do you plan to remain here this evening?

THE COURT REPORTER: Stay on the record?

THE MODERATOR: Yes, ma'am. Stay on the record for this.

My plan is stay here as long as we're making progress. We've got things from both sides to put on the table, and they are not insignificant. I say that to the City. The City has made movement on some things that are very important to them.

John, you've made a proposal that's -- certainly cannot be considered an insubstantial proposal.

With those two things out there, I'd like us

to stay here because I know that if we don't get it done today and we then -- get around till tomorrow, and then we don't get it done tomorrow, I'm not available for a period of time. You guys have booked my time, so I'm happy to be here as long as you want me. I've usually abided by your requests. I want to stay as long as we're being productive.

And I'd like us to try to at least get some more conversations about these two proposals, how they -- Can we take these? Is there an overlay of these two proposals -- plus other stuff we've done that could result in our having agreement.

And if there -- if there is, then I think we ought to stay here. If there's not, then we ought to go home. And then my question becomes, when we go home -- I love Jacksonville, but I want to come back to some success. So let's at least have one more round tonight before we -- I think we'll know how we're doing; okay?

MR. HAND: We can spend another couple hours at least.

THE MODERATOR: Yeah. I'm here, and I'd like to stay here and be productive.

Okay. We'll come back at 5:10. Thank you.

(Recess from 4:48 p.m. to 5:39 p.m.)

THE MODERATOR: Madam Court Reporter, we're back on the record. Show the time.

And we're going to proceed. And the way we're going to proceed now is to go to the City, which I know you have -- we've delayed our starting time a little bit so that you were able to put together a new proposal. And I'd ask you to advance that proposal. Then we'll explain it. We'll have questions about it --

MR. HAND: We will.

THE MODERATOR: -- and . . .

MR. HAND: Cindy, there's one for you and one for John.

THE MODERATOR: Okay. Chris, the floor is yours.

MR. HAND: Sure. Thank you, Rod.

First let me just say the City's here in good faith. We want to see if we can bridge our differences and come together. And we know that all the parties are here in good faith. So as we advance proposals that we hope will help bridge those differences -- that there's going to continue to be some reciprocity in that regard as we try and reach an agreement.

And Carol is passing out our offer, which we're always going to label ours by date and time just so it's clear for the record kind of what we've done.

So the new City counterproposal is as follows: No. 1, that we will continue our -- as of our last counterproposal, we had an offer that would change the prospective COLA cap from 1.5 to 2 percent. That is unchanged from our offer at 4:00 p.m.

THE MODERATOR: Got it.

MR. HAND: We do have a change in our proposal on the DROP rate of return. Under the original proposal that we offered, it was the actual rate of return with a rate floor of zero and a rate cap of 10. Here we have offered to raise the rate floor from zero to 2.5 percent so that the least someone could earn on the plan would be 2.5 percent. The most would continue to be 10.

The City will agree to the enhanced PFPF investment authority. Obviously, we'll need to sort of discuss some specifics, but we will agree to the enhanced authority.

Additionally, and much of this is consistent with our 4:00 p.m. proposal, the City will agree to make an additional unfunded liability payment of $40 million annually until the PFPF reaches an 80 percent funded status if two things occur, one, the JPFPF contracts the full half of Chapter 175, 185 funds currently going to enhanced benefits, including the Peyton bonus.

That's approximately 4 percent of payroll, but, in any event, no less than half the chapter funds received in a given year to the unfunded liability until the fund reaches an 80 percent funded status. So in that sense, both the City and the fund are taking the financially prudent measure to try and reduce this unfunded liability as quickly as is reasonably possible.

Additionally, per the last offer we got from the PFPF, they will transfer the approximately $61 million in the enhanced benefit account and the City budget stabilization account to the COJ for the benefit of the plan.

So that is, in a nutshell, Mr. Moderator, our 5:30 p.m. proposal.

THE MODERATOR: Okay. So I want to go back. Basically, you've continued your earlier proposal as it relates to COLA. You have changed your DROP

proposal by instilling a higher floor level. You are -- now you would agree -- I know we haven't fleshed it out, but one of the provisions in the Board's original request, as well as in the MSA, was for advanced -- enhanced -- excuse me -- investment authority. You would do that.

They -- you would make a $40 million payment until the fund reaches 80 percent, with the caveat that the -- there would be 61 transferred -- the approximately 61 million in the enhanced benefit account, or whatever that number is, and that the difference here in your proposal on the resolution and theirs is that they would pay to the cap of 100 million. You would require that to be paid to the cap of 80 percent, meaning that their so-called 5 million would be an additional payment until the budget reached 5 percent.

Have I correctly summarized your most recent proposal?

MR. HAND: You have. Again, as sort of is consistent with the concept we laid out early on, to the extent the City is going to pay in an additional 40 million until such time as the PFPF reaches an 80 percent funded status, the PFPF would also pay in that half of chapter funds,

approximately $5 million, until the fund reaches an 80 percent funded status. It represents a shared effort on the part of both entities to work together to lower the unfunded liability until the funded status reaches an 80 percent healthy level.

THE MODERATOR: All right. What I'm going to do, if it's okay with everybody -- John, do you have questions now?

My plan is really not to have you make a counterproposal today. I know you want some time to think this over.

MR. KEANE: No questions.

THE MODERATOR: And what I'm going to -- I'm sorry. I apologize. Once again, I didn't realize I had to do this earlier today, so we will start tomorrow at 1:30. I'm going to be over here earlier tomorrow. I'm going to meet with both parties tomorrow and have some more discussions on this proposal.

My plan is -- I have one question for you, and I would -- an assignment to your side of the table. John, you're the next person to counter and to respond, I know that, but there is still -- I'm going to try to work on some language for Paragraph No. 9, realizing -- if you remember what

that's about, that's kind of a wraparound. We have the -- the monitoring was agreed upon, but I'm going to try to put that in context.

The other issue that remains out there that I'd like you guys to respond to is we still haven't dealt with -- I think there was -- I laid out an idea today, but I just want a response on -- we need to get more specific on how we're going to deal with the unanswered question on Paragraph No. 8. I'm not asking for a response now.

MR. HAND: Right.

THE MODERATOR: We just need to deal with that. And that unanswered question has to do with the cessation of the fund, closure of the fund, or whatever the right term would be.

With that, I want to tell both sides, I think you guys today have done great, both sides. Both sides have done great. There was not one thing brought to this table today that I did not think was serious.

I know that you haven't addressed the share plan in this. I know you still have the share plan out there. I know that we have some differences on monies and how they're to be paid, amounts to be paid, and all that, but we have made some progress today.

We will meet tomorrow at 1:30. I will be calling each of you in the morning. And I will be here earlier tomorrow and available to you guys. And I know both of you have my phones.

So we will start off tomorrow with a reaction back from John on behalf of the Board. Then we will -- I will be -- I will be asking you to respond to Paragraph 8. And I plan to have a Proposed Paragraph 9 with -- obviously, there will still be some blanks for times and places and all that.

But with that, thank you, and see everybody at 1:30 tomorrow. And let's get this thing done tomorrow.

MR. CHATMON: Senator?

THE MODERATOR: John?

MR. KEANE: I just want to get a clarification, if I can, before we shut everything down.

THE MODERATOR: Yeah. Okay.

MR. KEANE: Let's talk about the $9 million in chapter money -- talk about four and a half. We already put in 4 percent -- talk about another

four and a half.

MR. HAND: This is -- this relates to -- so right now about half of those funds go to the plan itself, go to --

MR. KEANE: Correct.

MR. HAND: -- the base benefits. That would continue.

MR. KEANE: Correct.

MR. HAND: So now the additional half, rather than going to enhanced benefits, would go to pay down the unfunded liability --

MR. KEANE: Okay.

MR. HAND: -- until it reaches 80 percent.

MR. KEANE: And what about the portion that goes to our senior retired people for their bonus?

MR. HAND: Again, the amount that does not go to the plan for base benefits will now go to pay unfunded liability until such time as the plan reaches an 80 percent funded status.

THE MODERATOR: Can I ask a question?

MR. KEANE: Said another way, the plan -- your proposal would require the use of all of the chapter funds, and there would not be funds available for the bonus?

MR. HAND: That's always been our proposal.

That's completely consistent with what we've always done, that the first priority right now has to be to pay down the unfunded liability. The mayor has been very consistent about that. This is not different from his previous stance, which is a very fiscally responsible stance.

THE MODERATOR: I understand. Guys, I understand that, really, the difference there is that right now, currently, about two million of that money is used -- I think everybody knows where we are.

Let's get some rest, work hard tomorrow, and celebrate tomorrow night, I hope. You know, I'd rather be drinking happy tomorrow than sad. So let's try to get to that point. Thank you for hard work today, everybody.

(The meeting was concluded at 5:48 p.m.)

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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 27th day of May, 2014.

Karen Adair Ruiz

KAREN ADAIR RUIZ
Registered Merit Reporter
Florida Professional Reporter