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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 6, 2014
TIME: 10:03 a.m. - 4:37 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
Registered Merit Reporter

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THE MODERATOR: Folks, if I could get everybody's attention. Thank you for being so prompt. As you know, we have tried to schedule these so that they have very specific time frames.

To everybody, what I'd like to do first thing this morning -- I think it was Friday of last week that I received from Chris -- and John, I wanted to go over this with you. You were copied on it. I received a series of times proposed for these meetings, and I want to go over those and make sure those times are still fine with everybody because, once we do this, I'd kind of like to lock us into the time frames and everybody knows what we're doing during those specific periods.

Today we're supposed to meet from ten to twelve and again this afternoon from 2:30 till five. Is that still suitable with everyone?

MR. HAND: Actually, it's 3:15 to 5:30 today.

THE MODERATOR: That's why I ask the questions. All right. 3:15 to five. We will convene again, if necessary, on Thursday from ten to twelve, and, again, I have from two to five; is that correct?

MR. HAND: Let me just verify.

1 MR. KEANE: I've got it here, Chris.

2 MR. HAND: Correct. I'm trying to do
3 everything electronic.

4 THE MODERATOR: Okay. I'm just confirming.
5 So Tuesday will be eight to ten and then two to
6 five. We are set for Monday from nine till 11:30.
7 Is that still good with everyone?

8 And we are set for Tuesday from ten to one
9 and from two till five. Is that still good with
10 everyone?

11 And Wednesday we have 1:30 to 5:00 p.m., and
12 Thursday, if needed, 1:30 to 5:00 p.m. And the
13 5:00 p.m. -- it appears on Wednesday and
14 Thursday -- is a soft number, meaning that, if
15 we're getting somewhere, which by then we'd better
16 be getting somewhere, we will -- we will set
17 our -- we will not be bound by a five o'clock
18 stopping time. If it looks like we're having a
19 productive session, we're going to work our way
20 through until we think we're no longer being
21 productive. Is that okay with everyone?

22 MR. KEANE: That's fine.

23 THE MODERATOR: Okay. Those will be -- and
24 for the public, since I know there are those out
25 here who are concerned about those meeting times,

1 those are the meeting times that are scheduled.
2 It is my intent that those meeting times will
3 be -- unless we hear otherwise in advance -- that
4 people will be here on those occasions with their
5 preparation ready.

6 MR. HAND: Mr. Smith, those --

7 THE MODERATOR: I also --

8 MR. HAND: Those -- Ms. Wells has already
9 publically noticed all those meetings, so that
10 part's been --

11 THE MODERATOR: You just took care of my next
12 question. I was about to direct that we put
13 something up that sets that forward, so thank you
14 for doing that.

15 The other thing is today I know that we have
16 kind of some tasks ahead of us that will, I think,
17 require some periods of time for people to perhaps
18 step away into their own rooms. I had asked you
19 before do we have rooms available for John and
20 whoever, whatever advisers he may wish to contact,
21 and you-all will be meeting -- if I need to talk
22 with you?

23 MR. HAND: We do.

24 THE MODERATOR: Okay. And we'll -- when we
25 get to that, I'll just ask you to go ahead and set

1 forth where those are. And, again, so that we're
2 clear, those meetings will be for people to
3 consider their offers and counteroffers. They
4 will not be -- we will not accept any proposals in
5 that fashion, nor will I advance any proposals
6 back and forth between the parties. The only
7 proposals and counterproposals will be those which
8 are received at this table.

9 With that, I wanted to go over, before we
10 proceed this morning, just a couple of questions
11 that I had formulated. This weekend I finally had
12 the time to sit down and go back through the files
13 that we -- of the work that we have already
14 performed. And I just wanted -- and then I read
15 those in light of the other documents I disclosed
16 to you the other day that had been provided. And
17 let me see if I -- if I can get some consensus on
18 this.

19 From both the documents that I read from the
20 attorneys, I think that was the Gray Robinson
21 communication, as well as the City attorney's
22 office, as well as other cases and communications
23 that I have read, as well as the history of where
24 we -- of how we got here from the past efforts to
25 reach -- I want to know if I'm right in the

1 following: There will not be anything in these --
2 there will not be and arguably cannot be anything
3 here that affects current retirees. Is everybody
4 on board with that, current retirees --

5 MR. KEANE: Correct.

6 MR. HAND: (Nods head).

7 THE MODERATOR: -- people who are currently
8 retired? I'm just trying to kind of move things
9 off the table to make sure that I understand -- so
10 that those persons who are in current retirement
11 status, while they may have great interest in what
12 we do here for other reasons, as it affects them,
13 there aren't going to be proposals and
14 counterproposals. I read the law. I read the law
15 and read both -- kind of both from the notes I had
16 before, as well as the updated, that that's kind
17 of off the table.

18 As to new hires, those people, now, I'm not
19 sure that we've been able to arrive at a date for
20 whether a new hire is defined as of when this
21 reaches agreement or -- but let's assume that
22 we're talking about new hires in a way that we can
23 agree when that new hire number begins. But as to
24 new hires, people that are new or relatively new
25 to the employment here in the City, as to --

1 MR. KEANE: Plain and simple, it means people
2 who are not here yet.

3 THE MODERATOR: That ain't here yet. That's
4 your view?

5 MR. KEANE: Yes.

6 THE MODERATOR: All right.

7 MR. KEANE: That's clear.

8 THE MODERATOR: As to new hires, those people
9 who -- they may be coming -- may be a bunch of
10 them coming. There may not be very many of them
11 coming. Whatever the case, as to new hires, we
12 have reached an agreement for a number of -- in a
13 number of ways in which new hires would be treated
14 differently than the current plan.

15 MR. KEANE: Correct.

16 THE MODERATOR: When I read through the
17 materials and when I went back through the
18 materials, and having had the experience I've had
19 here, are we in agreement that, as to new hires,
20 those persons -- those changes that were for new
21 hires that the task force reviewed and appeared to
22 agree with, the agreement of the parties, are they
23 off the table? Are new hires off the table?

24 In other words, the task force
25 recommendations, which I believe -- and you can

1 correct me if I'm wrong because I tried to do a
2 side-to-side -- are the same as we had agreed to
3 between the parties in previous efforts to resolve
4 this? Are the new hires going -- are they part of
5 this, or have we reached agreement to accept the
6 task force recommendations, which essentially
7 replicated the agreements that you-all had
8 previously entered into?

9 MR. HAND: The City is certainly open to
10 that. And that's one of our proposals, is to do
11 exactly what you suggested, Mr. Smith.

12 THE MODERATOR: John?

13 MR. KEANE: We're here to discuss new hires,
14 benefits for new hires, people who are not in the
15 system today or on the day before the agreement
16 becomes effective.

17 THE MODERATOR: Okay. If I may inquire on
18 that, John. As to new hires, then you -- then it
19 is not your position -- at least at this juncture,
20 it is not your position that new hires -- that the
21 task force recommendations, which -- do you agree
22 that the task force recommendations essentially
23 adopted, I think verbatim, what the parties have
24 previously agreed to?

25 MR. KEANE: I believe the final report of the

1 task force concerning benefits, they side-stepped
2 the issue, just said, you know --

3 THE MODERATOR: Well, I read it differently.
4 Once again, I'm not -- I read that as to new
5 hires -- the way I read that report, and certainly
6 if -- I stand to be corrected. As I read it as to
7 new hires, they accepted what -- and verbatim what
8 the parties had already agreed to for changes.

9 That doesn't lock you in, John. I just want
10 to know are we going to be addressing new hires
11 differently than they've been -- then they were
12 addressed either in the task force or in the
13 previous agreements between the parties?

14 MR. KEANE: We're going to address them some
15 more, in more depth.

16 THE MODERATOR: Okay. All right. And that
17 brings me, then, to what I'll call the third
18 classification, and that are -- that are persons
19 who are current employees. They -- that means
20 they are on the payroll, whether they have --
21 they're in their last six months or in their first
22 six weeks. At this point in time, the parties
23 will be -- I saw -- I read -- at least, both from
24 our notes, as well as from the materials that I've
25 reviewed over the weekend, it seems to me that the

1 treatment of current employees was to -- would be
2 the primary focus of these proceedings. I'm not
3 discounting anybody's right to bring up whatever
4 they want to. There's nothing -- but am I right
5 there that the primary focus, really -- if we take
6 retirees off the Board and we say that we have a
7 model, at least, that we're working off of that
8 can be changed, but we're working off a model for
9 new hires, that the primary issue we're here to
10 discuss over these next days and weeks is the
11 treatment of current employees?

12 MR. HAND: As to plan design. It's not the
13 City's position the plan design is the only issue
14 that needs to be addressed --

15 THE MODERATOR: I understand.

16 MR. HAND: -- but as to plan design, I think
17 that's an accurate statement.

18 THE MODERATOR: John, do you agree with that?

19 MR. KEANE: And we'll respond to the City's
20 proposals.

21 THE MODERATOR: All right. Now, governance,
22 I read there were -- the task force
23 recommendations -- I read the summary, as well as
24 the task force report itself as to the governance
25 issues. What I would like us to try to do in our

1 proceedings is make sure we identify when we're
2 talking about issues of plan design, benefits,
3 governance, because, obviously, there were some
4 governance issues addressed previously in the
5 agreement between the parties, but they weren't
6 as -- they were not addressed as extensively in
7 the -- as they were addressed in the task force
8 report.

9 So with that, I -- and I just -- I did this
10 exercise this morning to kind of see where our
11 differences are. And I see that they're going to
12 be, as I would have predicted -- some, but they --
13 some things we've agreed on. At least retirees we
14 know are off the board.

15 I think my plan for this morning was for the
16 City to advance a set of proposals, or whatever it
17 wishes to advance to the Board, and then give the
18 Board the chance, and myself the chance, to look
19 at it, answer -- ask questions, answer questions,
20 outline the reasons for the proposals, and then
21 proceed to see what, if any, of those proposals
22 might be accepted. And if not, then we'll be
23 dealing with counteroffers or proposals or
24 reactions by the Board; okay?

25 I turn it over to the City.

1 Mayor?

2 MAYOR BROWN: Thank you, Senator Smith. I
3 really appreciate your leadership on this. And I
4 want to thank you all for being here today. Let
5 me start this morning with Police and Fire Pension
6 Fund Executive Director John Keane.

7 John, we're ready to get to work and achieve
8 retirement reform that protects taxpayers and
9 respects City employees. And I want to let you
10 know how much we appreciate and respect your more
11 than 50 years of service to the people of
12 Jacksonville.

13 I know -- I know you're here because you care
14 about Police and Fire employees and want them to
15 have secure retirements. And I know that you are
16 here because you believe we can work together to
17 solve this challenge for the community. Over the
18 next few days, I look forward to working with you
19 to make the results happen.

20 Retirement reform agreement would be, I
21 believe, in my humble opinion, the ultimate
22 accomplishment in your long public service career.
23 While Bill Scheu is not here, I want to thank
24 Chairman Scheu and his task force for really
25 bringing us to this point in negotiations. I want

1 to thank all of the leaders who participated.

2 In a few minutes, you're going to hear from
3 Chris Hand, my chief of staff. And he'll go over
4 the proposal the City is going to present. But
5 before that, I want to make sure that we view
6 this, not just as the subject of the pension, but
7 as more than that. It really is about the quality
8 of life in our city. It's about making sure that
9 we do what's right for the taxpayers.

10 I submitted my first budget exactly two weeks
11 after becoming mayor in July of 2011. In that
12 budget, the City's general fund and contribution
13 to the Police and Fire Pension Fund was \$77
14 million. In July, I will mark my third year as
15 mayor. If we don't achieve retirement reform now,
16 the budget I submit this July will contain \$154
17 million to the contribution of the Police and Fire
18 Pension Fund. That's 100 percent increase in just
19 three years.

20 Think about that for a moment, 100 percent.
21 And that increase is more than the current year's
22 budget of Jacksonville Public Libraries,
23 Department of Public Works, and the Office of
24 Economic Development combined.

25 If we do nothing, the City's contribution

1 will continue to grow out of control. We can't
2 invest in the quality of our life without
3 retirement reform. So if we want to have the best
4 urban park system, we have to make sure we solve
5 the problem with retirement reform. If we want
6 the best libraries, we need to reform our
7 retirement system. If we want to invest in
8 Downtown, if we want to continue to have a City
9 where we can attract companies to expand and grow
10 and compete in a global economy and put people
11 back to work, we have to solve the pension
12 problem. If we want financial stability so we can
13 have the opportunity to recruit and retain the
14 best and brightest public safety officers in this
15 City, we have to solve this problem.

16 And so I'm pleased to be here with you, John,
17 and everyone to make sure that we, once and for
18 all, solve this problem. I think -- there's no
19 question in my mind -- by working together, we can
20 do it. We can bring financial stability to the
21 City. We can bring financial security for our
22 police and fire and first responders. And I think
23 our taxpayers deserve financial stability. So by
24 working together, we can get it done. Chris is
25 going to go through this presentation, and I'm

1 sure, by all of us working together, we can get it
2 done.

3 So Senator Smith, thank you for this
4 opportunity. Thank you for your leadership. And
5 now I'll turn it over to Chris. We'll pass out
6 the information.

7 THE MODERATOR: Chris, why don't you proceed
8 now and make the City's proposal and explain it.

9 MR. HAND: Appreciate that.

10 Mr. Keane, let me give you a copy of that.

11 Mr. Smith, here's one for you and one for our
12 court reporter.

13 Okay. Are you ready for me to begin?

14 THE MODERATOR: We are.

15 MR. HAND: Okay. First of all, just to
16 reiterate what the mayor said, we greatly
17 appreciate everybody being here today. We're
18 hopeful this will be very productive. And what we
19 wanted to do this morning was kind of frame up the
20 issue, remind people kind of where we've been,
21 what some of our challenges are, and what the
22 City's proposals are to help deal with those
23 changes. And then we look forward to any
24 questions and, of course, welcome a response from
25 the Police and Fire Pension Fund.

1 Okay. As Mayor Brown said, obviously, we are
2 all in this together. This is a problem that we
3 have to work together as a community to solve.
4 And there's kind of three, as a background -- sort
5 of outlined in his initial comments, there's sort
6 of three major community questions for which
7 retirement reform can help us answer "yes."

8 One is: Can we stabilize the City budget and
9 start to reinvest in our quality of life? Two,
10 will we protect Jacksonville's strong credit
11 rating and avoid a downgrade? And, third, do we
12 help Sheriff Rutherford and Chief Senterfitt
13 recruit and retain the best public safety
14 employees?

15 So there's a flip side to that. Those are --
16 if we achieve retirement reform, those are
17 questions we think that, by working together, we
18 can answer "yes."

19 There's a flip side and some challenges that
20 will occur, we believe, if we don't achieve
21 retirement reform. One is a very stark budget.
22 Without reform, the City's annual Police and Fire
23 Pension Fund contribution continues to rise, and
24 that tops out at \$481 million in Fiscal Year 2036.
25 Of course, that in that period of time means

1 little to no room in the budget for key
2 quality-of-life investments, including in the area
3 of public safety.

4 Another issue which we alluded to before is
5 that the ratings agencies downgrade the City of
6 Jacksonville's credit rating, which, obviously,
7 makes borrowing more costly, creates confusion,
8 uncertainly, lack of confidence in the market.

9 And then last, but certainly not least -- and
10 we'll see what the sheriff and the fire chief have
11 said about this in the past -- pension uncertainty
12 sends public safety employees to other states,
13 counties, or cities, so we -- you know, we have a
14 brain drain out of our public safety system if we
15 don't achieve some -- some stability.

16 Okay. So just to kind of remind people kind
17 of where we've been in the last three years on
18 retirement reform, I think these are some helpful
19 kind of mileposts onto the path as to where we are
20 here today. Back in May 2011 is when Mayor Peyton
21 reached his pension reform agreement with the
22 Jacksonville Police and Fire Pension Fund. That
23 was 2011-400.

24 Obviously, Mayor Brown -- elected the same
25 month, and he appointed a pension transition

1 committee that, among others, our CFO, Ronnie
2 Belton shared. In June 2011, the Council decided
3 not to enact 2011-400.

4 In January 2012, the City ratified a wages
5 agreement with the Fraternal Order of Police
6 through September 30th, 2014. That's important
7 because we are now back at the table with the FOP.

8 And by the way, hello, President Amos, who I
9 see sitting there in the audience today.

10 We're now back at the table with them.
11 Mr. Chatmon, on our labor team -- negotiating a
12 new contract. I think some of you have copies.
13 The FOP has waived their right to collectively
14 bargain these pension issues.

15 In September 2012, the City ratified a wages
16 agreement with the Jacksonville Association of
17 Firefighters through the period of September 30th,
18 2015.

19 And, hello, President Wyse, who's also here
20 in the audience today.

21 That agreement is slated to end, as I said,
22 in September of 2015. We've recently been back at
23 the table with the firefighters. And, again, they
24 have waived their right to collectively bargain on
25 pension issues.

1 Obviously, last May, the mayor reached the
2 last pension agreement with the Police and Fire
3 Pension Fund. That was defeated in Council in
4 July of 2013. And then really began the intensive
5 work of the Jacksonville Retirement Reform Task
6 Force, which Mayor Brown appointed to study some
7 of these City Police and Fire Pension challenges
8 and recommend solutions.

9 As everyone knows who participated in that --
10 a very extensive, thorough conversation.

11 Mr. Keane was there every time -- a number of
12 community stakeholders. And in March, after about
13 eight months of work, the task force presented its
14 recommendations on pension design. In other
15 words, what does the benefit structure look like,
16 Police and Fire Pension Fund governance, and
17 unfunded liability, dealing with that.

18 As I said, in April, the City -- Mr. Chatmon
19 and our labor team met with the JFF and the FOP,
20 which waived their right to collective bargaining
21 on benefits. And, obviously, now we're here at
22 these meetings. So that takes us over the scope
23 of the past three years -- and, obviously, hoping
24 that, over the next two weeks, we're able to bring
25 this process to closure and bring this back to

1 City Council.

2 So our financial challenges, just to kind of
3 remind people why this issue is so significant for
4 both taxpayers and City employees, obviously, over
5 the last 12 to 13 years, we've seen a very
6 significant increase in the amount the City is
7 contributing to the Police and Fire Pension Fund.
8 And if we do nothing -- and this sort of is what
9 we referred to previously -- you'll see how the
10 City's contribution steadily increases till it
11 reaches a peak of \$481 million in Fiscal Year '36.
12 So, obviously, one can imagine the potential
13 budget impacts, long term, if we are able to
14 create some stability in terms of the amount we're
15 contributing to the Police and Fire Pension Fund
16 each year.

17 As I indicated, those budgetary consequences
18 could even be immediate. If we do nothing, if we
19 don't have a reform agreement before the time the
20 budget is in place for next year, the contribution
21 for the Police and Fire Pension Fund is expected
22 to increase from 148 million to 154 million.

23 Now, that's a significant increase. It's not
24 as significant as it's been in the last couple of
25 years in the budget, but \$6 million is still very

1 significant and, of course, could impact
2 investments and other priorities, including public
3 safety priorities, like personnel, employee
4 compensation, vehicles. So, you know, in a budget
5 of our size, as tight as the City has been
6 financially, that \$6 million increase is very
7 significant.

8 Other financial consequences -- and this is
9 the part that our department of finance,
10 Mr. Belton and Mr. Greive, kind of work on every
11 day. Fitch ratings, obviously, the City pays very
12 close attention to the three ratings agencies
13 because it determines the cost of money for the
14 City.

15 Fitch ratings is going to -- has basically
16 signaled to us that they will downgrade the COJ
17 credit rating unless we have reform by the end of
18 2014. Moody's has essentially told us the same
19 thing, that they have the city -- our city and
20 others on a pension-related watch and will also
21 downgrade us without reform, if we don't have a
22 reform quickly in 2014.

23 And, you know, the downgrade is not something
24 just simply hypothetical. Obviously, there's real
25 money attached to it. Our estimates are,

1 depending on how far we're downgraded, anywhere
2 from one notch -- we're a double-A-plus right
3 now -- all the way down to a two- or three-notch
4 DROP. That could have a \$600,000 to \$2 million
5 annual impact on the City, both in terms of
6 variable rate debt we have now and new debt we
7 might borrow in the future.

8 But there's a potentially even bigger impact
9 of that, as well. And that's the loss of market
10 confidence and trust that comes with a downgrade
11 and, obviously, something that we all have an
12 interest in trying to avoid for the City.

13 Okay. And the operational challenges of not
14 being able to have reform -- and what I would
15 refer you to is the February 19th, 2014, meeting
16 of the Retirement Reform Task Force where both
17 Sheriff Rutherford and Chief Senterfitt said the
18 exact same thing, that uncertainly hurts retention
19 and recruitment and undermines stability.

20 Sheriff Rutherford said: Look, if nothing
21 else, we need certainty about what this is going
22 to be, what reform is going to look like, what the
23 pension package is going to be.

24 Chief Senterfitt said: Stability is the key
25 to our success. People have to know what the

1 future holds if we're going to continue to recruit
2 and retain and have the right size workforce.

3 So, anyway, those were both the sheriff and
4 the fire chief weighing in on the need to achieve
5 resolution to this issue that's obviously lingered
6 for some time.

7 Okay. So I wanted to kind of frame up the
8 issues for discussion that we're going to present
9 from the City's perspective today, and realize
10 that Mr. Keane, Police and Fire Pension Fund, may
11 have some questions. We'll have some responses.
12 But we wanted to go ahead and sort of put our
13 proposals on the table, if that's okay.

14 Okay. Issue number one is the issue that
15 Senator Smith referred to from the outset, which
16 is the issue of pension benefits. What does the
17 package of benefits look like for both existing
18 employees and for future employees?

19 So just to remind everybody what the
20 Retirement Reform Task Force recommended in terms
21 of pension benefits, essentially, in two -- one,
22 as Senator Smith referred to this morning, they
23 endorsed the previously negotiated modified
24 benefits for future employees, so pretty explicit.
25 And I'll get the citation to their report when we

1 get a couple of slides later. But they
2 essentially endorsed the benefit structure for
3 future employees identified in last year's
4 mediated settlement agreement.

5 And the reason for that was that's a package
6 that significantly reduces the City's cost, but at
7 the same time remains competitive with the Florida
8 Retirement System and competing systems. So the
9 task force endorsed that. And we'll get into
10 those in just a second.

11 It also recommended what it terms some
12 additional shared sacrifice from current
13 employees. And that's just some additional
14 current employee participation in some of the
15 pension changes.

16 So just to sort of sum it up generally, that
17 included an increase in the employee contribution
18 from seven percent to ten percent, a change in the
19 DROP rate of return from a guaranteed 8.4 percent
20 to one that's now pegged to market returns, a
21 prospective cost of living adjustment change going
22 forward, and a change on final average
23 compensation for those employees who have less
24 than ten years of service. And we'll get into
25 those in a little more detail in just a second,

1 but, summary wise, endorsed what occurred last
2 year as it related to new employees, made some
3 suggested changes for existing employees.

4 All right. So this is just a summary. I'm
5 not going to dwell on this, but this is just a
6 summary of what that new employee pension design
7 package looked like that was negotiated last year
8 and was endorsed by the Retirement Reform Task
9 Force -- again, not going to dwell on each element
10 because I think people are well familiar with this
11 at this point, but, again, wanted to make sure we
12 had this in the presentation so that there was a
13 clear matrix as to what those major changes are.

14 And, again, as we've pointed out before,
15 these changes are similar to reforms in the
16 Florida Retirement System. And the reason that's
17 important is that the FRS is probably the most
18 comparable pension system in the State of Florida
19 to which we can compare with the City of
20 Jacksonville office. 65 to 67 counties have their
21 employees in that system, so if you are a county
22 police officer, county sheriff's officer, county
23 fire official who's in, say, Hillsborough County
24 or Orange County or Leon County, chances are
25 you're in the Florida Retirement System.

1 And so the plan that was agreed last year as
2 part of the mediated settlement agreement,
3 endorsed by the Retirement Reform Task Force, is
4 very similar to some of the same reforms that FRS
5 has adopted, as well. Again, a slide people have
6 seen before, but I wanted to make sure to include
7 it in the presentation.

8 Okay. So this brings us to sort of City
9 Proposal No. 1.

10 Senator Smith, we're going to be making four
11 proposals today. This is Proposal No. 1.

12 And the City's first proposal is that the
13 parties readopt the new employee benefit proposal
14 from the mediated settlement agreement, as
15 endorsed by the Retirement Reform Task Force. And
16 that citation, just per our earlier discussion, is
17 Page 38 of the task force report, is where they
18 endorsed that benefit model.

19 In addition to that, because that's just sort
20 of what the benefits look like, there's also an
21 issue of the term of the benefits. Based on kind
22 of current rulings, not only past legal decisions,
23 but also the law that we're living under, under
24 current decisions, the City would propose that the
25 term of those benefit changes be from October 1st,

1 2014, the date of implementation of the plan,
2 through September 30th, 2017. That is a
3 three-year term that's consistent with the law
4 and, again, related court rulings as to the
5 allowed length of a term or a condition of
6 employment.

7 In addition to that, we would also propose
8 that any future benefit determinations, in other
9 words, every three-year period hence, those be
10 made through the collective bargaining process,
11 which is governed by PERC, the Florida Public
12 Employees Relation Commission, with designated
13 bargaining agents, which, of course, are the
14 Jacksonville Association of Firefighters and the
15 Fraternal Order of Police.

16 So, Senator Smith, just to be -- and,
17 Mr. Keane, just to be clear, three pieces to the
18 first proposal. Number one, let's readopt the new
19 employee benefit matrix we agreed to in mediation
20 last year and the task force has endorsed. Let's
21 have the term of that portion of the agreement be
22 October 1st, 2014, through September 30th, 2017.
23 And then going forward, any benefit determinations
24 would be handled through the collective bargaining
25 process with the designated bargaining agents for

1 Police and Fire, Proposal No. 1.

2 Okay.

3 THE MODERATOR: Hold on just a second.

4 MR. HAND: Sure.

5 THE MODERATOR: John, would you rather him --
6 would you rather him go through the whole thing?

7 MR. KEANE: Keep on.

8 THE MODERATOR: That's what I want to make
9 sure. I just wanted to make sure that we'll come
10 back and have everybody's chance to ask questions,
11 but let's go ahead and hear the entire package.
12 So I apologize for interrupting.

13 MR. HAND: No problem.

14 THE MODERATOR: I just wanted to make sure
15 that was okay with everyone.

16 MR. HAND: Good clarification.

17 Okay. Current employees, just wanted to make
18 sure people were aware of kind of what the
19 recommended changes -- these are the task force
20 recommendations, just in a little more detailed
21 form in terms of what they suggested should be the
22 changes in the benefit package for current
23 employees.

24 First is the issue of the cost of living
25 adjustment. Right now, obviously, under the

1 current system, there is a guaranteed three
2 percent COLA starting as early as three months
3 after retirement.

4 For those current employees who have more
5 than ten years of service, what the task force
6 recommended is that the COLA be capped at 1.5
7 percent; in other words, that they, the employees,
8 receive the lesser of 1.5 percent or the CPI, and
9 then it starts the third January after retirement.
10 That's what the task force recommended for
11 employees who have more than ten years of service.

12 For employees who have less than ten years of
13 service, they essentially recommended the same
14 thing, but it sort of suggested what I guess what
15 amounts to kind of an age floor there, saying
16 that, if you've got less than ten years of
17 service -- would still be capped at 1.5 percent
18 and have that be either the -- that or the --
19 either the lesser of that number or CPI would be
20 the COLA. It would start the third January after
21 retirement, but in any event, no earlier than age
22 55. So the soonest that someone who is currently
23 working who has less than ten years of service
24 could receive a COLA would be age 55.

25 As to DROP, the Deferred Retirement Option

1 Program, obviously, right now there is a
2 guaranteed 8.4 percent rate in the DROP program.
3 What the task force recommended is that the DROP
4 receive the actual rate of return with a floor of
5 zero percent and a cap of ten percent. So the
6 highest anyone could ever receive, based on market
7 returns, would be ten percent. The lowest would
8 be zero percent. In other words, even if the plan
9 lost money, due to IRS regulations, there would be
10 a rate floor of zero percent.

11 In terms of the employee contribution, which
12 right now is seven percent, the task force
13 recommended that it be raised to ten percent, but
14 they recommended a two-stage process for doing
15 that, that it raised from seven percent to eight
16 percent upon the date of plan implementation,
17 which is October 1st under this scenario, October
18 1st, 2014, and then ten percent when the previous
19 pay cuts are restored.

20 So, obviously, as everyone knows, in 2010,
21 firefighters took a two percent pay cut. Two
22 years later, police officers took a similar pay
23 cut. When those are restored, it would go from
24 eight percent to ten percent, ending up at a ten
25 percent employee contribution.

1 And then the last piece that the task force
2 recommended is -- right now, the final average
3 compensation period, the period of time one looks
4 at to make the pension calculation as to what the
5 size of the benefit's going to be, right now
6 that's based on the last 24 months of employment.
7 The task force recommended that that actually be
8 extended to be the last 60 months of employment,
9 but received from -- clarity from attorneys saying
10 that the floor on that would have to be whatever
11 the 24-month period is at the time of
12 implementation, so they couldn't receive less than
13 they would have gotten at the 24-month period as
14 of October 1st, 2014, but that the period should
15 be extended to the last 60 months of employment.

16 So those were the major -- those were the
17 changes that the task force recommended as to
18 current employees.

19 Just a couple of notes on some of those
20 changes, just by virtue of -- to give a little
21 additional background and for comparison purposes,
22 as well. Just because we talked about FRS
23 earlier, obviously, the Florida Retirement System
24 ended its COLA for all service effective July 1st,
25 2011, so no State employees received COLAs. They

1 earned COLAs on benefits earned prior to that
2 date, but no COLA on benefits earned after that
3 date. That's the reform that the Florida
4 Retirement System put into place for cost of
5 living adjustment.

6 One other COLA fact -- because we talked
7 about this being tied to the CPI or the Social
8 Security COLA -- the average Social Security COLA
9 from 2010 to the present has been 1.53 percent.

10 A couple of other issues on DROP, you know,
11 we talked about that right now there's a
12 guaranteed 8.4 percent rate of return. And what
13 the task force recommended was use the actual rate
14 of return with a floor at zero and a cap at ten.

15 According to Summit, which is one of the
16 investment consultants for the fund, the ten-year
17 return on the fund was 6.65 percent net of fees, a
18 little bit higher than that, closer to seven in
19 terms of a gross rate, but 6.65 percent net of
20 fees. That gives some idea of what the actual
21 rate of return might have looked like over a
22 ten-year period.

23 And then, finally, on the issue of employee
24 contribution, just because this has been talked
25 about some in the public, I wanted to provide a

1 little bit of a basis of comparison. For FRS, the
2 sort of comparative number is about nine percent.
3 If you take the three percent that employees put
4 into FRS, plus the six percent they put into
5 Social Security, that's about nine percent.

6 The City of Tampa and the City of Miami,
7 which, like Jacksonville, are not part of the
8 FRS -- I wanted to show kind of their
9 contributions, as well. Now, currently, the City
10 of Tampa's employee contribution is 13.26 percent.
11 Now, there's some variability to that in the City
12 of Tampa. They actually tie their investment
13 returns to the performance of their Police and
14 Fire Pension Fund.

15 So, for example, two years ago I believe it
16 was 14.7 percent in Tampa. The year after that,
17 it was closer to 11. Under the current year --
18 and I rechecked it this morning, just to make sure
19 we have the most accurate data. Under the current
20 year, it's 13.26 percent employee contribution in
21 the City of Tampa.

22 The City of Miami, kind of in the same
23 ballpark, it has a ten percent fire contribution,
24 thirteen percent for police. And so, again, just
25 by basis of comparison, some extra context that

1 might be helpful in these discussions.

2 Okay. So that's -- that is the end of the
3 City Proposal -- excuse me -- we're now getting on
4 to City Proposal No. 2. Obviously, for current
5 employees, the City would not seek, as it wouldn't
6 be consistent with the law, any changes to
7 benefits already earned by the date of plan
8 implementation, which would be October 1st, 2014.
9 So just to be crystal clear so there's no
10 confusion about this at all, under the law we
11 cannot change any benefits that current employees
12 have already earned as of the date of plan
13 implementation.

14 So any benefit that a police officer, a
15 firefighter has earned, up to and including
16 midnight on September 30th, 2014, would not be
17 changed by this proposal. No one is going back
18 and taking away benefits that have already been
19 earned. Not only is that inconsistent with the
20 law, it's just inconsistent with fair practice, as
21 well, so just to be crystal clear about that.

22 What the City recommends is that the parties
23 adopt the current employee changes recommended by
24 the Retirement Reform Task Force. And, again,
25 those are outlined in the task force report, I

1 believe, on Page 39, what those changes are, and,
2 obviously, we've gone through them in this
3 presentation, as well.

4 Again, similar to new employees, the City
5 would recommend that the proposed term of the
6 agreement for these current employee benefit
7 changes -- or this current employee benefit
8 structure that we would have if this was
9 implemented would be October 1st, 2014, through
10 September 30th, 2017, so a three-year period,
11 consistent with the law as to the appropriate
12 length of those agreements.

13 And, again, very similar to new employees --
14 because it's going to all obviously be part of one
15 benefit structure -- any future pension benefit
16 determination would be made through the collective
17 bargaining process, which is obviously governed by
18 PERC, the Florida Public Employees Relations
19 Commission, with designated bargaining agents.

20 So going forward -- this would be for a
21 three-year period, and going forward, pension
22 benefits will be negotiated through collective
23 bargaining with the designated bargaining agents,
24 which in this case are the JFF and the Fraternal
25 Order of Police.

1 Okay. Issue No. 3 -- any -- I know Mr. Keane
2 wanted me to go forward.

3 Senator, do you have any questions at this
4 point?

5 THE MODERATOR: Go ahead. I'm going to let
6 John have his --

7 MR. HAND: Okay.

8 THE MODERATOR: -- period of time. Then I'll
9 have questions too.

10 MR. HAND: Okay. Issue No. 3 is the issue
11 of -- this is beginning to feel a little bit like
12 McLaughlin Group -- but Issue 3, governance. And
13 why is the issue of governance important? The
14 task force considered this in great detail when
15 they were making their determinations. Governance
16 is important for a number of reasons. It's not
17 the most exciting subject, but it really does go
18 to sort of a long-term solvency and financial
19 performance of the plan.

20 We believe enhanced governance will have a
21 number of positive impacts. One, better
22 investment returns over time, lower unfunded
23 liability, and be able to maximize the use of
24 taxpayer member dollars. And this is not
25 criticism of anyone or anything, but just sort of

1 part of a looking at any sort of structure to
2 figure out kind of how you can make sure there's
3 the best possible return on any investment you're
4 making.

5 So the task force made a number of governance
6 recommendations, which, Senator, I'm going to sort
7 of move by reference in a moment, but just to kind
8 of lay out some of the larger governance
9 recommendations that were made for the fund, one,
10 the task force recommended that, given the very
11 large amount of City money that is going into the
12 Police and Fire Pension Fund, you know, year in,
13 year out, that the City have the appointment of
14 the fifth member of the Board. And what the task
15 force recommended is that the mayor make the
16 appointment subject to Council approval.

17 Second, the task force recommended that the
18 parties -- the fund establish a Financial and
19 Investment Advisory Committee -- that's laid out
20 in some detail in the task force
21 recommendations -- to help provide advice, some
22 expertise, in sort of making investment decisions.

23 They also suggested increased financial
24 disclosure from fund investment managers,
25 advisers, Board members, others, just to make sure

1 that the system is as transparent as it possibly
2 can be moving forward.

3 In some matters we discussed during the
4 mediated settlement agreement, setting some
5 criteria for future PFPF leaders and Board
6 members, that was part of our previous agreement.
7 The task force spoke to those during this process.

8 And then some sort of disclosure and
9 reporting requirements -- given the sort of close
10 financial relationship between the City and the
11 PFPF. So what the task force recommended is that
12 the parties agree that the PFPF will conduct
13 annual actuarial evaluations and that they will
14 ensure the delivery of those no later than
15 February 1st of each year for budgeting purposes.

16 The idea being that -- want to make sure the
17 City has, you know, several months of information
18 before the mayor submits his annual budget to the
19 City Council each year, and that the Council has
20 that information well in advance, of course, of
21 when they're required to pass a budget, which in
22 September -- by no later than September 30th of
23 each year. And in addition to that, the task
24 force recommended that the PFPF have an annual
25 financial statement, and that they ensure delivery

1 of that to the City of Jacksonville no later than
2 March 15th of each year.

3 So, again, this isn't the entirety of them.
4 And, again, I'm going to cite them by reference in
5 a moment, but these are some of the major
6 governance recommendations that the task force
7 made.

8 So this gets us to the third City proposal,
9 which is related to the issue of governance. The
10 City proposal would be to adopt the governance
11 recommendations from the Retirement Reform Task
12 Force. Those are cited on the task force report,
13 Pages 22 through 29. The proposed term of
14 agreement on these would be, obviously, to take
15 effect with the rest of the plan on October 1st,
16 2014.

17 And, again, just -- and in case anyone
18 doesn't have it, both either here at the table or
19 in the audience, all of these documents are
20 available on the City's Retirement Reform website,
21 which, again, we can provide -- anyone who doesn't
22 already have it -- but is on the City of
23 Jacksonville website. Our Retirement Reform page
24 has each one of these documents, as it will have,
25 ultimately, the minutes and the videotape of these

1 meetings, as well.

2 Okay. Issue No. 4 is the question of
3 unfunded liability and how we deal with that as
4 part of this agreement. So just to kind of remind
5 everybody sort of where we've been -- where we've
6 been and where we are now, in terms of unfunded
7 liability as of October 2003, we were just over or
8 just around \$400 million in terms of the unfunded
9 liability of the plan.

10 That sort of went to a peak in the October 1,
11 2012, valuation, has decreased a little bit this
12 year, as of the October 1, '13, valuation.

13 Obviously, there's been some better market
14 performance as the financial markets have rallied
15 and come back. And so that has had a lowering
16 impact on the size of the unfunded liability.
17 But, still, we've add in excess of \$1 billion to
18 the unfunded liability over roughly a ten-year
19 period, which obviously has a very significant
20 impact on the City's annual contribution. The
21 majority of that annual contribution each year to
22 the Police and Fire Pension Fund is our
23 amortization payment to help pay down that debt to
24 the fund.

25 Okay. The Retirement Reform Task Force

1 recommendations as it related to unfunded
2 liability, number one, obviously, the bylaw; the
3 City must pay its ARC, its Actuarially Required
4 Contribution, each year to the fund. That's a
5 function of State law, in any event, that they
6 reiterated that principle.

7 They also recommended the City make a
8 supplemental payment each year of the difference
9 between the ARC and 200 million, which ends up
10 being between 40 million and 60 million annually
11 until the PFPF reaches an 80 percent funded
12 status. And under that scenario -- we'll see this
13 in a chart in a little while -- under that
14 scenario, that would be in roughly Fiscal Year
15 2028, so that's about 14 years from now, that, if
16 you implement these plan design changes, implement
17 these governance reforms, and implement this
18 accelerated pay-down of the unfunded liability,
19 you would reach that status in Fiscal Year 2028.

20 Of course, the other part of the discussion
21 was, as the City's putting in that money, right
22 now the City -- the City of Jacksonville Police
23 and Fire Pension Fund will receive approximately
24 \$9 million a year from the State in what are
25 so-called chapter funds. Those are funds provided

1 to local plans through Chapters 175 and 185 of the
2 Florida Statutes.

3 Right now we receive about \$9 million a year.
4 Half of those go to base benefits. There was
5 discussion at the task force about dedicating the
6 other half of those to helping to pay down the
7 unfunded liability until the plan reaches an 80
8 percent funding status.

9 That kind of summarizes what the task force
10 talked about. The task force also got into
11 funding methods. That, I don't believe, is a
12 proper sort of discussion for these talks back and
13 forth. That's a discussion for a different time
14 and in a different forum -- again, just wanted to
15 make sure that we had a very clear understanding
16 of what the task force had recommended just
17 numerically.

18 So this goes to the City's fourth proposal,
19 which is that the City will make additional
20 unfunded liability payments subject to
21 appropriation. That's very important because of
22 our bond covenants and because of legal opinions
23 from the Office of General Counsel about future
24 City Councils being able to make these
25 determinations, but subject to appropriation,

1 until the plan is at least 80 percent funded,
2 which, again, under some of these projections is
3 14 years from now if two things occur: Number
4 one, the parties agree on the first three
5 proposals that the City made, Proposals 1, 2, and
6 3, and, number two, if the fund dedicates the
7 other half of State chapter funds, which is about
8 right now four and a half million a year, to
9 unfunded liability payment until the plan is 80
10 percent funded.

11 So in other words, it's not just one issue;
12 it's a comprehensive plan of retirement reform
13 proposal that says we're going to want to sort of
14 make these changes to the benefit package. We're
15 going to want to incorporate these governance
16 reforms. If we do those things, we'll agree to
17 put in extra money. And, also, we'd like the PFPF
18 to put in the other half of the chapter funds to
19 help pay down the unfunded liability.

20 So just a couple of graphical depictions of
21 kind of if we were to agree to all of this
22 today -- not trying to be overly optimistic, but
23 if we were to agree to all of this today, what
24 would this look like just sort of numerically
25 going forward? So you see -- and, again, all of

1 this is subject to actuarial math, and we'd have
2 to have our actuaries kind of get down to the --
3 once a final proposal's in place, and do the
4 actual numbers, but this gives you a very clear
5 sense of the impact going forward, which is this
6 comprehensive retirement reform proposal would
7 have the effect of stabilizing and flattening out
8 the City's payment to the Police and Fire Pension
9 Fund each year.

10 Obviously, that provides consistency and
11 stability to the City budget year in, year out,
12 has a very significant impact going forward, and
13 obviously prevents -- I mean, one of the major
14 challenges you see with this what we call kind of
15 up the cliff, down the cliff, scenario in terms of
16 payments to the PFPF, it creates some real
17 taxpayer sort of generational inequity, in that a
18 taxpayer in Fiscal Year '36 is going to be on the
19 hook for a payment of \$481 million, but a taxpayer
20 in Fiscal Year, say, '41, is on the hook for a \$75
21 million payment.

22 So, not only does that up the cliff, down the
23 cliff phenomenon produce great pressure on the
24 City budget, it also creates some inequity. This
25 proposal flattens that out and ensures that we've

1 got some budget stability going forward so the
2 City can take care of all of its priorities, make
3 key investments in quality of life, as Mayor Brown
4 said earlier.

5 This also gives you a sense of kind of how
6 this impacts the funded status. Right now -- and
7 I know the numbers have gone up a little bit with
8 the latest valuation, but as of the 10/1/12
9 valuation, the funded status of the plan was 39
10 percent. The Police and Fire Pension Fund was 39
11 percent funded.

12 This shows you how this proposal accelerates
13 the path of the funded status from what is now
14 roughly 40 percent to 80 percent and how it does
15 that faster than would occur under the current
16 system. So we would, essentially, under this
17 proposal double the funded status between Fiscal
18 Year 14 and Fiscal Year 28 over a 14-year period.

19 So, again, just to kind of summarize the City
20 of Jacksonville's proposals -- and then I'll sit
21 down so we can take any questions -- number one,
22 the City proposes the consensus pension design for
23 future employees, in other words, the plan that
24 was agreed -- at mediation last year, was endorsed
25 by the task force, we would propose to adopt that

1 plan change for future employees effective October
2 1st, 2014, through September 30th, 2017.

3 Number two, we propose the task force
4 recommendations for current employees over the
5 same period of time.

6 Number three, we would propose to adopt the
7 task force governance reforms, which I have cited
8 here, reference to the task force report, which is
9 available online.

10 And then, of course, Proposal No. 4, the City
11 will make additional unfunded liability payments
12 subject to appropriation until the plan is at
13 least 80 percent funded, if we can reach agreement
14 on Proposals 1, 2, and 3, and if the other half of
15 the State chapter funds are dedicated to paying
16 down the unfunded liability until the plan is 80
17 percent funded.

18 We believe that this set of proposals,
19 Senator Smith and Mr. Keane, is fair, that it's
20 balanced, that it both respects -- both protects
21 taxpayers and respects employees, is fair,
22 maintains a competitive benefit package, but also
23 makes sure that we have some shared participation
24 in the efforts to lower unfunded liability, get
25 the plan to a healthy funding status, and make

1 sure it stays there going into the future.

2 So with that, Senator Smith, I will conclude,
3 and we're happy to take any questions.

4 THE MODERATOR: Okay. Thank you. John, what
5 I'd propose to do now is kind of go back through
6 this and give you an opportunity to ask questions.
7 I have some questions that I want to ask and have
8 answered, but do you want to go first? Go
9 ahead -- or any -- feel free, any comment at all
10 or any response at all is appropriate for you.

11 MR. KEANE: Sure. First of all, I'm not here
12 to engage in unproductive discussions that could
13 result in tension between the City and the fund.
14 We will not make unrealistic counterproposals that
15 have no chance of adoption, as we view that type
16 of action as an unnecessary distraction to the
17 core mission before us, which is comprehensive
18 pension reform. We believe that substantial
19 progress in resolving the pension funding issue
20 and comprehensive pension reform can be achieved
21 by having meaningful discussions and good faith
22 discussions and dialogue on the issues.

23 So starting from there, let me just kind of
24 skip around on the City proposal. You made lots
25 of comments about the task force recommendation.

1 The task force recommendation was to have a new
2 agreement to run for several years, many years off
3 into the future, until the funding status reached
4 80 percent. I didn't notice that in the City
5 proposal here this morning. And that's on Page 21
6 of the report.

7 Some of the recommendations of the task
8 force, the Pension Board embraces. We're in the
9 process of locating citizens to serve on the
10 financial oversight commission, and we believe
11 that that's going to be important. It's also
12 important for people who have received your
13 handout here this morning to -- either already
14 know or going to know right after I tell them that
15 many of the things that the task force
16 recommended, we're already doing. It's not that
17 we haven't been doing this, "You need to get over
18 here and start doing this." You know, we're --
19 many of these things we're doing.

20 All of the actions that we take in these
21 meetings must comply with the State law. I mean,
22 it's just that simple. And so let's try and take
23 some of the things out of the equation, if you
24 would permit, and let's just no longer talk about
25 the fifth trustee. The legislature just addressed

1 that issue again and so, rather than get bogged
2 down talking about the fifth trustee -- the
3 statutory scheme in Florida is two people
4 appointed by the legislative body, one police
5 officer and one firefighter, where we have joint
6 plans, and the majority of those four pick the
7 fifth.

8 It was challenged in court by the League of
9 Cities years ago and affirmed. The City Council,
10 in the 2013 session of the legislature, asked for
11 a change. They asked for it again this year, and
12 the legislature did not address it. And so I
13 think to move forward we ought to just take that
14 off so we're not distracted by that.

15 THE MODERATOR: Let me -- let me stop you a
16 second, John. Let me -- let me see if I kind of
17 understand this, and I'll try to reread the law
18 materials.

19 The current practice is police get one, fire
20 get one, municipality gets two. Those four then
21 select one. Then the issue --

22 MR. KEANE: Known as the fifth member.

23 THE MODERATOR: The fifth member, I'm sorry,
24 the fifth member. As I understand the way this
25 is, there's been some question out there raised as

1 to whether or not you could have one or the other
2 parties make a change.

3 And the answer is, yes, they can make a
4 change, but you read that as they can make a
5 change -- in other words, the City can change
6 their own persons, their own appointees, at any
7 point in time. There's no issue on that.

8 MR. KEANE: Absolutely.

9 THE MODERATOR: The issue from your
10 perspective is, but once it goes down to anything
11 that changes that imbalance, that would require a
12 statutory change.

13 MR. KEANE: Correct. And that's --

14 THE MODERATOR: Hold on. I just want to --
15 hold -- stay there just one second.

16 I want to hear, Chris, your response to that.
17 Do you believe that that change, if there was to
18 be a fifth member change, is a member change that
19 would have to take place in Tallahassee?

20 MR. HAND: Not necessarily. And I was going
21 to -- I'll bring to our -- if we take a break,
22 I'll bring to our afternoon session -- the Office
23 of General Counsel, Steve Durden, has recently
24 done a legal opinion, which I think, Senator
25 Smith, you reviewed --

1 THE MODERATOR: I read it.

2 MR. HAND: -- based on a request from a
3 member of the Council as to whether or not it
4 requires a statutory change. I believe his answer
5 was "Not necessarily."

6 And so I'd be happy to distribute that.
7 Again, I certainly appreciate Mr. Keane's
8 suggesting we ought to just take that off the
9 table. The City is not prepared to do so at this
10 time.

11 THE MODERATOR: But your position is and will
12 remain, John, as I understand it, that, even if
13 you guys agreed to it, it would require a change
14 in the law?

15 MR. KEANE: That's not only the position of
16 the Police and Fire Pension Board; that's the
17 position of the State Division of Retirement.
18 They address this question --

19 THE MODERATOR: They give an opinion on that?

20 MR. KEANE: They've already resolved this.
21 And the confusion occurred from a passage of a
22 change in 2012. Naples changed from a strong
23 mayoral form of government to a City manager type.
24 And in their legislation, much like Jacksonville's
25 used to be, they had specific individuals named as

1 the trustees of the pension fund.

2 So they filed a proposed amendment to Chapter
3 175 and 185 that was adopted by the legislature
4 that said, for the City, the City's two
5 representatives, that they could change them.
6 They could take the mayor off, put the finance
7 director on, take the City clerk off, put the
8 chief of police on.

9 Thereto, there was substantial discussion on
10 the senate floor prior to the adoption of the
11 amendment. And Senator Rich inquired of Senator
12 Richter, the amendment sponsor -- she said, "Does
13 this change, in any way, the numbers?"

14 His response is, "No. The City still has two
15 appointees, and those people, the City can
16 interchange if they want to."

17 We have absolutely no quarrel with the City
18 Council changing their appointees. They recently
19 did it in 2012. That's entirely their right. But
20 in the interest of succeeding here, we just don't
21 think we ought to spend a lot of time talking
22 about it.

23 THE MODERATOR: Okay. Well, I've heard --

24 MR. KEANE: I'm not familiar with this legal
25 opinion --

1 THE MODERATOR: No, no.

2 MR. KEANE: -- but I'll look at it --

3 THE MODERATOR: I just want to make sure we
4 understood where we are on this. So the City's
5 basic position is -- and I've read the Durden
6 response -- is "not necessarily," but I -- and
7 I've also read the response from the Division of
8 Retirement, I think it is, Division of Retirement,
9 which -- the history of this is whether or not
10 the -- it could be done, even if the parties
11 agreed to it.

12 And your answer is, if the parties agreed to
13 it, it might be done. Without the parties
14 agreeing to it, we agree -- you would agree that
15 that's a difficult task?

16 MR. HAND: Well, again, what I'd like to
17 do --

18 THE MODERATOR: Because, I guess, would --
19 because I understand --

20 MR. HAND: Sure. That's --

21 THE MODERATOR: -- that there have been two
22 attempts in Tallahassee; is that correct?

23 MR. HAND: Well, there's been a J bill
24 introduced, both in 2013 and 2014, that did not
25 pass, but just in the interest of being

1 productive -- and Mr. Keane hasn't had the benefit
2 of seeing Mr. Durden's opinion -- it sounds
3 like -- I'd like to get copies --

4 THE MODERATOR: Get him --

5 MR. HAND: -- of that --

6 THE MODERATOR: -- a copy of that, please.

7 MR. HAND: -- and when we come back, we
8 can -- you know, at the appropriate time, we
9 can --

10 THE MODERATOR: Please do that.

11 Okay. Go ahead, John. I didn't mean to
12 interrupt you, but I -- sometimes I kind of want
13 to get where we are on these things.

14 MR. KEANE: That's fine. Also note that the
15 task force recommended that the current settlement
16 agreement be replaced with a new agreement that
17 would last until the fund reaches an 80 percent
18 funding level. That recommendation was not
19 included in the -- in the City proposal, which we
20 think is an important recommendation.

21 THE MODERATOR: Can I stop you there for a
22 second and see if I understand this? What the
23 City is wanting to do is they're trying to --
24 correct me if I misunderstood this. You want to
25 go to a three-year cycle. I took the three-year

1 cycle to be the language that's contained in
2 Chapter 447, the three-year cycle meaning that you
3 would tie this back into collective bargaining?

4 MR. HAND: Correct.

5 THE MODERATOR: I had a couple of questions
6 on this -- if I could ask a couple of questions on
7 this. Number one, like most Cities -- this is
8 not -- please don't read this as anything
9 pejorative. Oftentimes you choose to vote -- to
10 deal with one contract in one year and another
11 contract in another year just because, practically
12 speaking, that's just a lot more manageable. And
13 I know that's what happens here. I think police
14 is up one time. Fire is up another.

15 MR. HAND: Correct. They're on different
16 annual cycles --

17 THE MODERATOR: Yes. Their expiration dates
18 are essentially a year apart. They're on the
19 three-year collective bargaining cycle. They
20 waived collective bargaining over issues of
21 pension, as I understand it, as part of these
22 proceedings. If they waive collective bargaining
23 over those issues, then one of the things is --
24 does that mean that collective bargaining will
25 then come back in, notwithstanding that waiver, or

1 can they waive that for a longer period of time?
2 I'm just throwing this out. I don't know the
3 answer.

4 And the other question is, if you are to do
5 that, doesn't that put the situation where you
6 would have, arguably, at some point in time,
7 pension benefits for the Police and Fire being
8 different for a year because they are on different
9 bargaining cycles? I mean, you'd have to square
10 that away at some point; you understand that?

11 MR. HAND: That assumes they're on different
12 bargaining cycles, which does not necessarily have
13 to be the case.

14 THE MODERATOR: Right, but it has
15 historically been the case, but that doesn't mean
16 you can fix that by -- you'd have to shorten one?

17 MR. HAND: It is the case now. I can't speak
18 to that. I don't think it's always been the case.
19 It is the case at this moment.

20 THE MODERATOR: I got it.

21 MR. HAND: It doesn't necessarily have to be
22 the case.

23 THE MODERATOR: Okay. And if -- if you were
24 to get agreement on this, what I'm now wondering
25 is -- you have a plan in place, and you then go to

1 collective bargaining. If you are collectively
2 bargaining on a three-year cycle for a plan that I
3 think the Board recommended until there was an 80
4 percent -- if I remember the language, until the
5 80 percent funding is complete -- because that
6 realizes that all this takes a while before it
7 would all gather --

8 MR. HAND: Sure.

9 THE MODERATOR: In reality, what happens in
10 collective bargaining on a three-year basis -- how
11 would -- I mean, could you theoretically -- would
12 you be changing what the long-term plan is, the
13 curvature of which you suggest takes a number of
14 years, maybe as many as -- I think till 2028, is
15 what I saw, or --

16 MR. HAND: Let me clarify, if I might, what
17 the task force actually recommended. They -- and
18 Mr. Keane is not incorrect. They recommended a
19 longer-term agreement as to the issues of dealing
20 with the unfunded liability and implementing
21 governance changes.

22 They very specifically -- again, that task
23 force report, I read it again in preparation for
24 this and consulted with the chairman of that task
25 force prior to this meeting. They very

1 specifically, in light of language in the charter,
2 in light of Florida law that you've cited, in
3 light of Judge Wallace's ruling in December of
4 2013, very specifically indicated that the
5 benefits section, their recommendations were to
6 tie those back to collective bargaining and have
7 them be for the legally appropriate period of
8 time.

9 So the recommendation as to tenure of the
10 agreement that Mr. Keane's referring to exempted
11 the issue of benefits, which the task force
12 recommended be subject to collective bargaining
13 with the appropriate time frames.

14 THE MODERATOR: My only observation on that
15 was -- and you guys think this over. I agree
16 exactly, that that's what it said. I've read the
17 report, and I've even got my little green yellow
18 highlighter.

19 What I didn't get is, unfunded liability,
20 which is your Proposal No. 4. Unfunded liability
21 is a major issue -- is how we even -- got us here.

22 MAYOR BROWN: True.

23 THE MODERATOR: Unfunded liability can't be
24 addressed on a three-year cycle, and part of what
25 drives unfunded liability levels would be pension

1 benefits. I mean, I understand what the parties
2 are trying to do.

3 I'm not -- but I just -- it is a little bit
4 complicated when you start talking about going to
5 three-year collectively bargaining over a pension
6 plan that, if adopted -- because the way your plan
7 works on unfunded liability, your contribution on
8 unfunded liability requires one, two, and three to
9 be excepted. "We will do four, if one, two, three
10 are accepted."

11 My only concern there is, well, are one, two,
12 and three, therefore -- are they really
13 changeable? Because they are changeable, that --
14 then four, as you outline it -- well, actually,
15 you've got it up there -- one, two, and three --

16 MR. HAND: Correct.

17 THE MODERATOR: You do one, two, and three.
18 We do four. One, two, and three have to stay in
19 place for four to stay in place.

20 And then one other question I had arising out
21 of that, the City's been very clear and the law is
22 very clear that appropriations is their authority,
23 and that you can't bind future -- within
24 restrictions, you can't -- what happens in any
25 given year to this plan if appropriations --

1 under -- if appropriations under No. 4 did not
2 occur, did not eventuate, if a future commission
3 did not act pursuant to No. 4, what happens to the
4 remainder of that agreement? And I don't know
5 that --

6 MR. HAND: I think the way I'd suggest
7 addressing that is when -- unless Mr. Chatmon
8 wants to address it now -- I mean, this has been a
9 point that Ms. Laquidara, our general counsel, has
10 made a number of times. I think it's appropriate
11 that she address that. And I can see where one
12 might want to raise that issue.

13 THE MODERATOR: I just want to get the
14 answer.

15 MR. HAND: Sure. Exactly. So we'll add to
16 the list --

17 THE MODERATOR: Right.

18 MR. HAND: -- sort of our punch list of
19 things we need to make sure we talk about. On the
20 issue of length of the agreement, again, the issue
21 of unfunded liability and governance, again,
22 doesn't have the same time parameters necessarily
23 as collective bargaining does.

24 Now, there's another element of this, as
25 well. And this was all in public City Council

1 meetings. I think it's important to raise this.
2 One of the major concerns of some of those Council
3 members -- and I want to speak to them, but just,
4 again, from what was said at the podium about the
5 agreement that was defeated on an 11-to-7 vote in
6 July of 2013 was the length of the agreement,
7 which, obviously, that mediation settlement
8 agreement was one that lasted until September
9 30th, 2030. So at that point --

10 THE MODERATOR: That was to replace the
11 30-year agreement we just --

12 MR. HAND: Correct.

13 THE MODERATOR: That was the overlay.

14 MR. HAND: Correct.

15 THE MODERATOR: I understand.

16 MR. HAND: So one of the concerns that was
17 raised by several of those who voted no was the
18 length of that agreement, particularly as to
19 benefits and whether or not it was consistent with
20 State law or, for that matter, consistent with
21 good practice in terms of -- I think what they
22 termed as the City's need to be nimble in terms of
23 its financial needs year in, year out, and the
24 needs of its workforce, for that matter.

25 THE MODERATOR: Okay. John, I interrupted

1 you with some questions --

2 MR. KEANE: No, no.

3 THE MODERATOR: -- so it's back to you.

4 MR. KEANE: I'm fine. Press on.

5 THE MODERATOR: No, no, no. Go ahead. I'm
6 sorry.

7 MR. KEANE: Okay. Well, we, again, contend
8 that the -- a settlement agreement between the
9 City of Jacksonville and the Police and Fire is
10 not related to collective bargaining. The City
11 didn't think it was related to collective
12 bargaining from 1990, when it was originally
13 developed, until more recent times.

14 As term limits impact the folks here, and 4
15 East, the mayor's suite, and 4 West, the City
16 Council, you know, and different people come in
17 supporting them, they have different ideas. Over
18 at the Police and Fire Pension Fund, we have
19 continuity for long periods of time, and we
20 continue to believe in what Mayor Austin agreed
21 to, what Mayor Delaney agreed to, and what Mayor
22 Peyton agreed to, and what Mayor Brown was trying
23 to agree to.

24 You know, this doesn't have anything to do
25 with collective bargaining. The settlement

1 agreement draws together a set of documents
2 previously approved by the City Council, which are
3 the pension benefits and the structure. And
4 that's what it is.

5 And if you agree with it today and we set out
6 on this track to solve the long-term pension,
7 unfunded liability, and the Police and Fire
8 members and the Board commit half of the State
9 chapter money, and two or three years down the
10 line, some new folks say, "Well, we don't want to
11 do this anymore," where are we going to be, with
12 already hundreds of millions of dollars
13 transferred from our members into the funding of
14 the current settlement agreement, somewhere off in
15 the future, when somebody says, "I don't like this
16 idea at all," and manages to rally sufficient
17 support and say, "We're not going to fund it at
18 the enhanced level that the task force
19 recommended," that is, the level of 200 million,
20 through the adoption of either millage increase or
21 the sales tax, if it's adopted by referendum?

22 So where is that going to leave the members?
23 We've taken them down the path to this point and
24 taken their money, and all of a sudden, a new
25 group comes in and says, "We're going to do

1 something else."

2 It just can't be that way. You've got to
3 have stability. As they pointed out in their
4 slide, the sheriff says you have to have
5 stability. The fire chief says you have to have
6 stability. Because of this demonizing of the
7 Police and Fire Pension Fund and its members over
8 the past several years, the average age of people
9 getting in our DROP has rapidly decreased. They
10 now enter the DROP with barely over 20 years of
11 service, the minimum required, and, therefore, two
12 things are happening.

13 They enter the DROP. The City quits making a
14 payment, so the City saves the money, but they're
15 not paying us five years more, and they're living
16 five years longer, so it's a double financial
17 implication for the -- down the line. And what --
18 people don't stay to come and get in the DROP.

19 You can inquire of the sheriff's office.
20 They've had a record number of young police
21 officers with less than ten years of service
22 quitting this year. They're leaving in droves
23 because of the uncertainty of -- "if it's going to
24 be here when I get here."

25 And given the option of coming to work for

1 the City of Jacksonville, which we hope these
2 well-qualified individuals will as either police
3 officers or firefighters, and paying ten percent
4 pension contribution and a -- receiving a 2.5
5 benefit or go to work in St. Johns County or
6 Alachua County and pay a three percent
7 contribution and get a three percent benefit --
8 it's not hard. It's not hard.

9 And some of the better recruits are going
10 away. Some of our better employees are departing
11 just because of that. It all has to do with
12 finances.

13 Certainly, our country, as well as globally,
14 we've experienced some very difficult economic
15 times since 2000, and we're coming out of it --
16 not near as fast as either Mayor Brown or myself
17 or our Pension Board, the President, the Congress,
18 the Federal Reserve, not as fast as any of us
19 want, but we're on a slow path of recovery.

20 Pension earnings, not only for the Police and Fire
21 Pension Fund, but to some extent to the general
22 employees, are suppressed by the policies of the
23 Federal Reserve to keep interest rates at near
24 zero.

25 All of these things go into the pot that

1 causes what's happening. But despite all of
2 those, it's the intention of the Police and Fire
3 Pension Fund Board to reach agreement on
4 comprehensive pension reform. That's what we're
5 here for. That's our goal.

6 THE MODERATOR: Well, let me start on this
7 line, then, because I hate to waste any of our
8 valuable time. I want you, John, to address this
9 issue for me. The new employee, the new hire
10 provisions that were previously agreed upon --

11 MR. KEANE: Uh-huh.

12 THE MODERATOR: -- we're talking the new
13 hires, now -- the new hire provisions that are
14 previously agreed upon, is the Board prepared
15 to -- and I think that moves a major issue off of
16 the table. As it relates to the new hires --
17 we're going to spend a lot of time talking about
18 issues, both of fairness, equity, and the
19 mechanics for dealing with current employee
20 benefits, but as to new hire benefits, is there
21 something that we agreed to previously -- which I
22 believe that the task force wholeheartedly
23 accepted -- is there something, John, in the
24 previous agreement on new hires that you would --
25 that you do not now agree with?

1 MR. KEANE: Yes.

2 THE MODERATOR: Okay. Let's go to that.

3 What is that?

4 MR. KEANE: It was the formula for early
5 retirees. You'll recall from our discussions down
6 in Gainesville when you came up with it, we said,
7 "No. That's not right," and you said, "We're just
8 going to go forward with it for now." Do you
9 recall that discussion?

10 THE MODERATOR: I don't recall it
11 specifically, but I won't question you that I --

12 MR. KEANE: Right.

13 THE MODERATOR: I know I threw my hands up
14 several times, so if that's the motion I took,
15 yes.

16 MR. KEANE: Other than the --

17 THE MODERATOR: Tell me about the formula
18 problem. Explain that to me again.

19 MR. KEANE: You started at the wrong end,
20 when someone retired early.

21 THE MODERATOR: Okay.

22 MR. KEANE: Currently.

23 THE MODERATOR: I'll admit starting at the
24 wrong end is bad in a whole bunch of things, so --

25 MR. KEANE: It can be difficult.

1 THE MODERATOR: Yeah.

2 MR. KEANE: Currently, 80 percent is our
3 maximum benefit, and it goes down under that. And
4 you started at the low end and went up and should
5 have started at the top end --

6 THE MODERATOR: Okay.

7 MR. KEANE: -- because mathematically the
8 number you came to, 53 percent, you can't reach.

9 THE MODERATOR: Okay. Outside that
10 computation method, what other areas of the
11 agreement as it related to new hires?

12 MR. KEANE: With the exception of the
13 reduction in benefits for early retirement, we're
14 prepared to tentatively embrace today the entire
15 new employee benefit structure that we discussed.

16 THE MODERATOR: Okay. Joey, or whoever on
17 this side is doing the math -- and I don't know
18 who it is -- I would like you guys, this
19 afternoon, to be prepared to specifically address
20 that issue of the way in which we came up with the
21 computation because if I made -- I am the first
22 one here to say that I've -- that I've never
23 thought of myself as an expert on these
24 computation methods.

25 John, I'd like you to be prepared this

1 afternoon to kind of go in greater detail in
2 explaining it because, as I understand what's
3 happening, if we can address that issue and get
4 that issue agreed upon -- if I made a mistake,
5 which I'm more than willing to admit that with
6 some frequency I do -- if we made a mistake there,
7 that needs to be fixed. Let's fix it. And that
8 would remove, in my view, one of the major issues
9 right away, and we would be down, then, to a
10 discussion of current employees.

11 Now, as to the proposal on -- I think you've
12 talked about governance, the issue of the fifth
13 issue -- the fifth person, the selection of the
14 fifth, if you will. There were also some changes
15 that were made on governance that had to do with
16 some -- and I know it was readopted in verse here.
17 You guys are already putting together -- you guys,
18 by that, I mean, the Board. The Board is
19 already -- am I wrong -- putting together a
20 financial advisory committee, or something that
21 would be, perhaps --

22 MR. KEANE: Yeah.

23 THE MODERATOR: -- an overlay that would fit
24 in with what's going on right -- what's being
25 recommended by the task force?

1 MR. KEANE: Yeah. We're hard at it. We've
2 interviewed three people already, and we're --
3 additional interviews scheduled with three or four
4 more so that we can come up with the five names.

5 THE MODERATOR: What I'd like you guys to
6 immediately focus on, then, is seeing in which
7 ways, if any, your task force plan and your task
8 force implementation, how they're the same and how
9 they may differ because it seems to me that, what
10 there is not a difference between the parties now,
11 is whether or not there ought to be a financial
12 advisory group. Both sides see the need for that,
13 so now it's just a matter of the mechanics on
14 that, and that ought to be something doable.

15 MR. KEANE: We will present a counterproposal
16 for that this afternoon.

17 THE MODERATOR: Got it.

18 MR. HAND: And, Senator, I would just say --
19 it would be helpful to know, John -- in that
20 context, the task force made some very specific
21 recommendations as to the structure of that
22 Financial and Investment Advisory Committee. It'd
23 be useful to know kind of how this implementation
24 that apparently the Board is doing matches up with
25 that, as well, just for --

1 MR. KEANE: Sure.

2 MR. HAND: -- transparency and clarification
3 purposes.

4 THE MODERATOR: Then there was -- there was
5 also, if I remember -- I know in the task force
6 recommendations -- I don't know -- I have not laid
7 them side by side, but I know that we had made
8 some agreements in the past as it dealt with
9 issues of qualifications for particular positions.
10 I know the task force has made its
11 recommendations. You are advancing those. I want
12 you to react to those --

13 MR. KEANE: Uh-huh.

14 THE MODERATOR: -- qualifications. If I
15 remember, there was some experience required, some
16 educational -- I think you have some -- I won't
17 say reluctance, but my sense of it is -- is that
18 there was always some concern in your mind whether
19 or not that was overly narrowing of the field for
20 good candidates. Please be prepared to kind of
21 address that this afternoon.

22 MR. KEANE: We have a proposal on that.

23 THE MODERATOR: And will you have a proposal
24 for this afternoon on the issue of -- they've now
25 made rather comprehensive proposals for current

1 employee changes. Do you agree that those are --
2 those would be -- that those are different, not
3 only than what now exist, but different than what
4 even had been agreed to last year?

5 MR. KEANE: Correct. They are different.

6 THE MODERATOR: Okay. I'm going to take a
7 wild guess and say that you're not prepared to
8 say, "I accept those proposals." So you'll be
9 prepared to address that this afternoon with the
10 counterproposals, as I understand it?

11 MR. KEANE: That's a very wild guess, and
12 you're correct. And, no, we will not be prepared
13 to respond to that.

14 THE MODERATOR: Okay.

15 MR. KEANE: But we just saw this for the
16 first time today.

17 THE MODERATOR: Okay. So --

18 MR. HAND: Per our agreement that we would
19 obviously trade this --

20 THE MODERATOR: Yeah, yeah, yeah. When --
21 maybe by Thursday could you respond -- because
22 that's going to be, as I see it -- you guys tell
23 me if I'm wrong. As I see, some of the governance
24 is doable, pretty easily.

25 MR. KEANE: It is.

1 THE MODERATOR: Some of it's --

2 MAYOR BROWN: Yeah.

3 THE MODERATOR: -- mechanically doable pretty
4 easily. Some of the current employee -- it looks
5 to me like we're down to one issue of --
6 mechanical issue of difference. And I don't
7 remember how that came about, and so I stand to
8 just have that explained and responded to.

9 MR. KEANE: Maybe three, but --

10 THE MODERATOR: Maybe three. Then there's a
11 huge difference on current employees. Am I
12 correct that that's where the heart of your
13 disagreement is right now?

14 MR. KEANE: Correct.

15 THE MODERATOR: Does the City agree with
16 that, that the other things -- but the heart of
17 our difference right now is what are we going to
18 do about current employees?

19 MR. HAND: Well, without hearing, you know,
20 Mr. Keane's counterproposal -- I don't want to
21 speak for him, but it sounds like that may be a
22 difference.

23 THE MODERATOR: Well, I mean, I think from
24 the history that you-all have -- and we're not
25 naive here. From the history that everybody has

1 at this table, what you're dealing with now is:
2 What do you do for those people who came to work
3 under one set of circumstances, and how are those
4 circumstances going to be changeable? And first
5 of all, are they, and to what degree they ought to
6 be changed; right? I mean, isn't that the --

7 MAYOR BROWN: Sure.

8 THE MODERATOR: I mean, am I missing
9 something here, guys?

10 MAYOR BROWN: That's right.

11 MR. HAND: That's the right legal framework,
12 right.

13 THE MODERATOR: All right. John, is there
14 anything else you want to respond to this morning,
15 anything you want them to explain, anything that
16 you don't think they have fully explained --

17 MR. KEANE: Oh, no.

18 THE MODERATOR: -- to your --

19 MR. KEANE: No, no.

20 THE MODERATOR: -- satisfaction?

21 MR. KEANE: No, no, no, no. They're
22 proposals, they're very comprehensive, and we
23 understand most of them because they've been
24 discussed previously.

25 THE MODERATOR: Sure.

1 MR. KEANE: There are a couple of new
2 wrinkles in here, but one thing that --

3 THE MODERATOR: Can I raise a question --

4 MR. KEANE: -- the City --

5 THE MODERATOR: -- then, John?

6 MR. KEANE: I beg your pardon?

7 THE MODERATOR: Can I raise a question just
8 while it's on my mind --

9 MR. KEANE: Inquire.

10 THE MODERATOR: If this was to be part of
11 collective bargaining -- I'm not saying -- but if
12 that was to -- what percentage of the people
13 are -- who are in the pension plan would not be
14 currently -- I don't know the definition of your
15 bargaining units here. Usually, there's something
16 like lieutenants, sergeants, somewhere in that
17 range -- are represented, and then the remainder
18 are either supervisory and not represented, or
19 they may be in a different unit.

20 MR. CHATMON: There are various units --

21 THE MODERATOR: Right.

22 MR. CHATMON: -- but they are represented.

23 THE MODERATOR: Right. And then you have
24 your managerial persons who are outside that.

25 MR. CHATMON: Yes, sir.

1 THE MODERATOR: That's why the pension plan
2 always raises different issues because whatever
3 changes would happen by bargaining would affect --
4 I take it to be a large part of the people, and a
5 heck of a lot of them would be more towards the
6 senior status because it takes a while to become
7 managerial or even supervisory. Do you know what
8 percentage of the guys in the plan are not
9 represented?

10 MR. CHATMON: Don't know the numbers off the
11 top of my head, but we can figure it out.

12 THE MODERATOR: Okay. I'd just like --

13 MR. KEANE: It's about five percent.

14 THE MODERATOR: About five percent of the --

15 MR. KEANE: Both departments.

16 THE MODERATOR: And they would tend to be the
17 more senior guys?

18 MR. KEANE: Oh, they are. They're appointed
19 people.

20 THE MODERATOR: Just because of the nature
21 of --

22 MR. KEANE: Yeah.

23 THE MODERATOR: Okay. I got it.

24 MR. KEANE: Appointed people --

25 THE MODERATOR: All right.

1 MR. KEANE: -- division chiefs, system
2 chiefs --

3 THE MODERATOR: That was just one of the
4 questions I had made a note to.

5 MR. KEANE: Right.

6 THE MODERATOR: When you guys came up with
7 the last 60 months of employment -- and then it
8 said not less than the amount at 24 months. I may
9 be the only guy that didn't get that.

10 MR. HAND: No, no.

11 THE MODERATOR: I didn't quite get what
12 you're -- there's -- currently you have a
13 24-month --

14 MR. HAND: Correct.

15 THE MODERATOR: -- period. It's your last --
16 presumably your best is your last, but it's your
17 best 24 months; right?

18 MR. HAND: Right. Well -- and so just to
19 clarify that because this is something, again,
20 that the task force moved during its
21 recommendations. This and some of the current
22 employee changes, frankly, sort of match some of
23 the new employee changes that were made during the
24 mediated settlement agreement process last year.

25 As to the final average compensation period,

1 obviously, what we previously agreed to for new
2 employees is that we can go from a 24-month period
3 to a 60-month period, or you can define it a
4 number of ways, years, pay periods, but
5 essentially a two- or five-year period.

6 What the task force recommended is that, for
7 current employees who have less than ten years of
8 service, the final average compensation period
9 would be expanded from 24 months to the -- to the
10 final 60 months. So, basically, you'd go from the
11 two years to five years.

12 The legal guidance we got from Jim Linn,
13 who's the City's pension counsel, that he
14 expressed to the task force is that, under that
15 scenario, and given some of the legal challenges
16 with changing benefits that have already been
17 earned, that the floor would be the value of those
18 benefits in the 24-month period at the time of the
19 plan implementation, if that makes sense, so --

20 THE MODERATOR: See if I get it.

21 MR. HAND: Yeah.

22 THE MODERATOR: If a person is going to
23 retire in the next couple of years, and they
24 retire, they retire after -- and this -- and if
25 this was to be enacted, they would get the greater

1 of the 60-month, or what would have been
2 24-month --

3 MR. HAND: As of the date of plan --

4 THE MODERATOR: As of --

5 MR. HAND: -- implementation.

6 THE MODERATOR: -- the plan implementation?

7 MR. HAND: Correct.

8 THE MODERATOR: They would get the greater of
9 those two amounts?

10 MR. HAND: Correct. And it would only
11 affect --

12 THE MODERATOR: So you couldn't diminish the
13 value of anybody's already earned work by
14 expanding the period of time. I get --

15 MR. HAND: Yeah. That prevents --

16 THE MODERATOR: I get that now.

17 MR. HAND: -- changing benefits that have
18 already been earned.

19 THE MODERATOR: You also had in here . . .

20 Yeah. Under the DROP plan that you have,
21 the --

22 MR. HAND: Current employees?

23 THE MODERATOR: I'm talking about for your
24 proposal for current employees. Under this, what
25 would happen is -- there's currently a guaranteed

1 rate of 8.4 percent?

2 MR. HAND: Correct.

3 THE MODERATOR: And what you would do is you
4 would just -- I think what you said was you would
5 float that with the market from zero to ten
6 percent?

7 MR. HAND: This is very consistent with --
8 you might recall one of the new employee changes
9 we made as part of the mediated settlement
10 agreement. The task force recommended -- it
11 recommended abolishing DROP for new employees and
12 going to a BACKDROP system that had a floor of
13 zero and a cap of ten.

14 This is very consistent to that. This simply
15 says that, rather than having a guaranteed 8.4
16 percent rate of return, someone in DROP would earn
17 the market rate of return, the actual rate of
18 return, into the plan, but, in any event, no less
19 than zero and no more than ten.

20 THE MODERATOR: Okay.

21 MR. HAND: So it tied to the actual return of
22 the plan, but established a floor and a ceiling.

23 THE MODERATOR: And you had a COLA capped at
24 1.5 percent after the third January following
25 retirement, is your proposal?

1 MR. HAND: Correct. Whereas, the COLA would
2 be the lesser of the 1.5 percent cap and CPI -- or
3 CPI.

4 THE MODERATOR: Okay. And did you -- did you
5 have -- the CPI being indexed by what method?

6 MR. HAND: The method we used, obviously,
7 during last year's discussions was the Social
8 Security COLA --

9 THE MODERATOR: Would you --

10 MR. HAND: -- which is indexed --

11 THE MODERATOR: Would you -- would you
12 recommend, if that was implemented, that you use
13 Social Security --

14 MR. HAND: That's one --

15 THE MODERATOR: -- as the ongoing --

16 MR. HAND: -- of a number of methods that we
17 could certainly look at, using those other
18 options, as well.

19 THE MODERATOR: All right. John, a couple of
20 times you have said that you did not believe that
21 the task force addressed benefits. I haven't
22 quite understood that because when I read the
23 report, I thought there were some benefit
24 recommendations.

25 MR. KEANE: They made some.

1 THE MODERATOR: Okay.

2 MR. KEANE: They made some.

3 THE MODERATOR: Okay.

4 MR. KEANE: In another area they shied away
5 from it. The Scheu commission --

6 MR. HAND: No pun intended.

7 MR. KEANE: -- moved away from it, no pun
8 intended to Chairman Scheu, because of the
9 deference they gave to Judge Wallace in his
10 ruling --

11 THE MODERATOR: Right.

12 MR. KEANE: -- which is under appeal --

13 THE MODERATOR: Sure.

14 MR. KEANE: -- and may be reversed.

15 THE MODERATOR: One of the proposals that
16 they have made on the unfunded liability is one
17 that I know has been discussed a lot of places.
18 And that is that, if certain agreements were made,
19 part of that agreement, part of the agreement,
20 would be that the 175/185 chapter funds, 50
21 percent, would be remitted -- I don't know if
22 that's the right word -- remitted to the City to
23 be part of their payment towards reduction of the
24 unfunded liability.

25 The 175/185 monies, as I remember your

1 discussions -- and if I'm wrong, just tell me I'm
2 wrong, or if it was Klausner, or whatever, but
3 there's the issue there about enhanced benefits or
4 for enhancement of benefits. Does reducing the
5 unfunded liability in your view, does that
6 constitute an enhancement of benefit?

7 MR. KEANE: No, sir.

8 THE MODERATOR: Okay. The City, I want to
9 hear --

10 MR. KEANE: It may be good --

11 THE MODERATOR: I'm just -- I'm not trying to
12 cause trouble.

13 MR. KEANE: It certainly --

14 THE MODERATOR: I'm just trying to get the
15 discussions --

16 MR. KEANE: It's certainly good for --

17 THE MODERATOR: -- where they need to be --

18 MR. KEANE: -- the plan and good for the
19 City, but it's not nothing you can go to the
20 Publix store and get a loaf of bread with.

21 THE MODERATOR: Okay. I threw this out there
22 knowing --

23 MR. HAND: Sure. And, again --

24 THE MODERATOR: -- there was going to be
25 reactions.

1 MR. HAND: -- this has -- this has been,
2 obviously, talked about in some of the task force
3 discussions, but, obviously, the City has a
4 different legal interpretation from our pension
5 counsel, Mr. Linn. The Jacksonville Police and
6 Fire Pension Fund, I think, along with one other
7 is specifically deemed to comply with the
8 provisions of Chapter 175 and 185.

9 Obviously, both as a result of that, perhaps,
10 and through previous agreements, there have been a
11 variety of uses of the chapter funds. Our
12 position is certainly that this suggested use is
13 consistent with 175 and 185 in light of the deemed
14 to comply language and Mr. Linn's previous
15 rulings --

16 THE MODERATOR: So you think that the 175 --
17 the City's position is that 175/185 money, if an
18 agreement were to be reached, if it were to be
19 reached, that using a portion of that money, in
20 this case, I think, half of that money, towards
21 reducing the unfunded liability still would be a
22 qualified usage under the -- because of the
23 opinions you've had?

24 MR. HAND: Correct.

25 THE MODERATOR: And you don't agree with

1 that, I take it?

2 MR. HAND: We're speaking to the half of
3 benefits that aren't already going to base
4 benefits, but --

5 THE MODERATOR: Yeah.

6 MR. HAND: -- correct, that are going to
7 enhanced benefits.

8 MR. KEANE: No, I don't agree with it.
9 Here's why. Throughout the City's presentation,
10 and the task force, they keep talking about
11 current employees pay seven percent. Seven
12 percent is taken out of the employees' salary.
13 That's a correct statement. But an additional
14 four percent is paid over to the pension fund out
15 of the 175/185 money.

16 Seven and four is eleven. It's not seven.
17 And no amount of mathematical trickery can say,
18 "We've taken the money from you, but we're going
19 to pretend we didn't, and you're only giving us
20 seven percent." Now, those monies --

21 THE MODERATOR: Currently, if I --

22 MR. KEANE: -- those funds --

23 THE MODERATOR: -- remember right --

24 MR. KEANE: Those funds were committed for
25 some of the benefits.

1 THE MODERATOR: The four percent?

2 MR. KEANE: Yes, sir, some of the benefits.

3 THE MODERATOR: And that's already being
4 paid.

5 MR. KEANE: And we're paying it. But, now,
6 when you have a new employee come in here who's
7 not going to get that benefit, you can't take his
8 portion of the 175/185 money and say -- the
9 statutory words are "extra benefits." And they go
10 on with the most recent change and describe what
11 extra benefits are.

12 And there's a -- we have some issue with some
13 of the money that's currently being paid, but we
14 want to use that to help solve this whole problem
15 in total, you know.

16 THE MODERATOR: Okay. And so I don't get on
17 the wrong track here, you're not suggesting that
18 you're not going to pay the four percent that's
19 currently being paid --

20 MR. KEANE: No, no.

21 THE MODERATOR: -- even for those current
22 employees -- I mean, for the new hires, even for
23 the new hires?

24 MR. KEANE: Well, it depends on what we wind
25 up in agreement --

1 THE MODERATOR: I got it.

2 MR. KEANE: There's no new hires right now
3 that have a different benefit level. Everybody
4 has the same level, and we're paying that.

5 THE MODERATOR: And if I remember right, you
6 previously had -- you-all had worked out an
7 agreement that -- not saying they're bound by it,
8 but the terms of which were that, if it went to
9 ten percent, it would only go to ten percent after
10 the amount that had been taken from police and
11 fire had been reinstated to them?

12 MR. HAND: It was subsequent to that, not
13 consistent with that, I guess, is the way I'd say
14 it. This proposal increase from seven percent --
15 the discussion about what Mr. Keane just raised
16 aside, from the amount coming out of their
17 paycheck from seven percent to eight percent
18 immediately. And then as soon as the pay cut is
19 restored, simultaneous with that, it would go to
20 ten percent. What was agreed to in the mediated
21 settlement agreement was an increase from seven
22 percent to nine percent tied to pay increases
23 following that restoration.

24 THE MODERATOR: That's what I remember.

25 MR. HAND: Several steps --

1 THE MODERATOR: So the difference here is --

2 MR. HAND: Right.

3 THE MODERATOR: -- that there would be a one
4 percent immediate impact, as opposed to what
5 previously had agreed to -- John, which was -- if
6 I remember right, it was seven. It would stay at
7 seven. It would go to nine, but it would only go
8 to nine when the two percent was reinstated.

9 MR. KEANE: Right.

10 MR. HAND: Correct.

11 THE MODERATOR: All right. Are there any
12 other questions you have about --

13 MR. HAND: Not when it was reinstated -- tied
14 the pay increases after it was reinstated --

15 THE MODERATOR: I'm sorry if I said that
16 wrong. After.

17 MR. HAND: Just --

18 THE MODERATOR: Yeah, right.

19 MR. HAND: So there is a distinction.

20 THE MODERATOR: I got it. I got it.

21 MR. KEANE: We got it right that time, didn't
22 we?

23 THE MODERATOR: All right. I got it. All
24 right. Do you have any more questions of them
25 about their proposal this morning?

1 MR. KEANE: No, sir.

2 THE MODERATOR: Do you have anything else
3 that you are prepared to -- I really would like
4 the first focus this afternoon to be on the
5 issue -- I would like to remove -- we've got
6 retirees out. I'd like to get new hires out. And
7 then I'd like us to focus this afternoon on areas
8 of governance that we can't agree on.

9 And it seems like we could agree on something
10 as it relates to this fiscal advisory committee,
11 or whatever terms you-all arrive at. And it seems
12 that we could get an agreement off the table today
13 on current employees, if we could deal with this
14 one or two or three -- that area where you -- so
15 I'd like you to focus first of all this afternoon
16 on that.

17 I'd like you guys to be prepared to respond
18 to that. I want us to remove as much as possible,
19 as many things off the table as we can, so we're
20 down to just those things which I think are going
21 to be the heavier lift. And I --

22 MR. KEANE: And it's moving --

23 THE MODERATOR: And we're not here -- given
24 the fact that --

25 MR. KEANE: And it's moving forward, and we

1 tentatively agreed on them --

2 THE MODERATOR: Yeah.

3 MR. KEANE: -- step by step by step. It's
4 all predicated on the final agreement. I want to
5 make sure of that --

6 THE MODERATOR: Absolutely. So there's --

7 MR. KEANE: -- clearly on the record here --

8 THE MODERATOR: There's no games being
9 played. There is no partial agreement here. But
10 the only productive way to move these kinds of
11 negotiations --

12 MR. KEANE: We agree.

13 THE MODERATOR: -- is to get things off the
14 table that need to get off the table. And then
15 you have less clutter. If we remove those
16 things -- I understand everything is a T.A. A
17 T.A. means that there's no -- nothing at the end
18 unless there's an agreement at the end, but we
19 don't go back and revisit things we've taken off
20 the table once they've been taken off the table,
21 so we move forward; okay?

22 So let's try this afternoon to be -- John,
23 I'll expect -- it's back -- it's kind of in your
24 ballpark to start the afternoon, but I want you to
25 address right away the fiscal advisory commission

1 efforts and what they say and how you think we
2 might be able to work those together. And I want
3 to address the issue of current employees. I want
4 the data in today with current employees off the
5 table -- excuse me, with new hires off the table
6 so that current employees remains the focus of our
7 issue over the next days.

8 I have only allocated the times I've given
9 you today. That means we can't spend a lot of
10 time posturing with one another or speaking to a
11 larger audience. We've just got to get down and
12 get these things off the table, get an agreement.
13 Everybody tells me today they want an agreement.
14 The way to get an agreement is agree; all right?

15 MR. HAND: Let me ask just a question --

16 THE MODERATOR: Sure.

17 MR. HAND: -- before we come back at 3:15.

18 Mr. Keane, are you going to sort of specifically
19 address the computation issue you raised for new
20 employees --

21 THE MODERATOR: The one that I got wrong?

22 MR. HAND: I certainly remember that
23 discussion. It was a bit of an eleventh-hour
24 difference in interpretation over how that should
25 be computed. If you wouldn't mind leading with

1 that to sort of show us your views on that
2 computation issue, and I'll be prepared to address
3 it, as well.

4 MR. KEANE: Sure.

5 THE MODERATOR: Okay. With that, I think
6 we'll break for this morning. I'm not going to
7 waste any time. Please, guys, be back in your
8 chairs at 3:15. Let's make our time work, 3:15
9 back here. I am on my cell phone for either side
10 if -- anything you want to talk to me about.

11 John, I am going to talk to you -- I'll tell
12 you, the other side, I'm going to talk to John on
13 a few issues because it's his turn up next.

14 Any questions that haven't been asked that
15 come up as you review this stuff, feel free to
16 leave with questions this afternoon. You guys
17 will be responsible.

18 Mr. Mayor, thank you for being here this
19 morning.

20 Gentlemen, let's break, and we'll reconvene
21 in this room at 3:15.

22 (Recess from 11:41 a.m. to 3:15 p.m.)

23 THE MODERATOR: It is 3:15. As advertised
24 and as announced this morning, we are back on the
25 issues.

1 Gentlemen, when we left this morning, I had
2 requested that we talk about an issue that was the
3 only issue that appeared to be dividing the
4 parties on the -- on new hires. And if you
5 recall, essentially what happened was we had an
6 agreement on new hires and -- and in large part --
7 and I -- and I think in total, but the task force
8 essentially looked at what we'd done with new
9 hires and said they weren't going to address it
10 any differently.

11 This morning I asked John to -- did we have
12 agreement on that. And he said, well, except for
13 one thing. And that one thing was -- and I'm
14 going to call it early retirement calculation, for
15 lack of a better term. And let me kind of tell
16 you -- frame for you what I want to do this
17 afternoon first. And then we'll move to other
18 things.

19 Since that's the only issue that's remaining
20 among new hires, as I understood it this morning
21 and as I still understand that to be the case,
22 what I'd like to do is have John address his
23 concerns over how we did it and then I think you
24 have a handout on how we did it that you were just
25 now showing to me, or I just have here, and I

1 doodled on the back kind of John's answer.

2 And I'd like to look at this and see if we
3 can reach at least a consensus on where our
4 difference is and, hopefully, can work these
5 differences out. This is one issue that kind of
6 comes into play this way. And see if I frame the
7 question right.

8 Under the -- under the provisions that we
9 talked about and agreed upon and as the task force
10 looked at it, for new hires, the normal retirement
11 date will now be 30 years. Is everybody in
12 agreement with that?

13 MR. KEANE: Correct.

14 MR. HAND: (Nods head).

15 MAYOR BROWN: (Nods head).

16 THE MODERATOR: Okay. We did, however, allow
17 for an early retirement option for new hires. And
18 the early retirement option would allow them to
19 leave at -- if they had completed 25 years. There
20 would be a, for lack of a better word, penalty
21 or -- a penalty for leaving early for those
22 periods of years, Nos. 25 till 30.

23 The accrual rate for the new hires will be
24 2.5 percent. Therefore, if you had 30 years in at
25 2.5 percent, if you -- if you took the 30-year --

1 and, please -- I'm going to throw this out but
2 don't go to it. We also -- I'm not without
3 knowledge that we have a BACKDROP provision that
4 only kicks in after 30, but let's set that aside.

5 If a person worked till their 30th year and
6 on that day they choose to leave, they would
7 receive -- 75 percent would be their maximum
8 pension benefit. Everybody's in agreement on
9 that?

10 MR. KEANE: Yes, sir.

11 MR. HAND: Yes.

12 THE MODERATOR: Okay. Where we are not in
13 agreement is the penalty for leaving early. First
14 of all, as I saw the agreement, reviewed the
15 agreement, the penalty provision for leaving early
16 is three percent per year; is that correct?

17 MR. KEANE: Uh-huh.

18 MR. HAND: (Nods head).

19 THE MODERATOR: Okay. So if a person works
20 25 years under -- well, we actually have a -- and
21 we had a minimum wage provision -- minimum
22 retirement provision, which I think was 52 and a
23 half or 53 and a half percent, but set that aside
24 for a minute. What I did, I think, is I
25 multiplied from the bottom up, I think, is the way

1 you suggested it.

2 And what you're saying is it ought to be 30
3 years, and whatever your shortfall is ought to be
4 calculated -- and I'm just going to say that if --
5 and I know this would probably never occur, but
6 for simple math, under your provision, if a person
7 worked 29 years and got a great job opportunity
8 that -- decided that -- or for whatever reason,
9 they did not wish to make that thirtieth year,
10 under your proposal, they would be at 72 percent;
11 is that correct?

12 MR. KEANE: If you do the math that way, you
13 would be, by just reducing each year off -- yes,
14 that's correct.

15 THE MODERATOR: All right.

16 MR. KEANE: 75 --

17 THE MODERATOR: Less three.

18 MR. KEANE: Yeah.

19 THE MODERATOR: So they would be --

20 MR. KEANE: But that's what the whole
21 argument is.

22 THE MODERATOR: Okay.

23 MR. KEANE: If you earn two and a half, how
24 can you penalize them for three? That's what it's
25 all about.

1 THE MODERATOR: Oh, I understand that. I
2 will tell you that I thought the agreement
3 penalized them at three percent; is that not
4 correct?

5 MR. KEANE: That's what you did, yes.

6 THE MODERATOR: Okay. So --

7 MR. KEANE: That was not our --

8 THE MODERATOR: So what you're saying is it
9 ought to be -- I got -- I got that. And I
10 understand that nothing's -- now I understand
11 another little difference here.

12 Tell me the number, John. Do you propose
13 that it be at two and a half percent?

14 MR. KEANE: In the previous agreements where
15 the maximum pension benefit was 80 percent at 32
16 years --

17 THE MODERATOR: Right.

18 MR. KEANE: -- if you left early, it was
19 reduced two percent for each year, going down to a
20 maximum of 56 percent at 25 years. And so we were
21 thinking of the two percent reduction --

22 THE MODERATOR: Okay.

23 MR. KEANE: -- but at the most, if you leave
24 a year early, it can be two and a half. How can
25 it be three?

1 THE MODERATOR: Okay.

2 MR. KEANE: You didn't earn three. How can
3 you lose three?

4 THE MODERATOR: Okay. So your proposal would
5 be the two percent or the two and a half percent?

6 MR. KEANE: Well, let's start with two. And
7 if we don't get that, we'll go to two and a half
8 in the interest of expediency.

9 THE MODERATOR: Well, how about in the
10 interest of -- we're at three, and you proposed
11 two. I want to look at two and a half for a
12 minute. Under your provision let me see if I have
13 it right.

14 MR. KEANE: Okay.

15 THE MODERATOR: At two and a half, would it
16 be -- under yours -- and, remember, if math had
17 been my strong point, I'd have been in another
18 college. Under your provision, it would be 72.5
19 for the guy at 29, is that correct, if we did two
20 and a half percent under the way you would have it
21 calculated?

22 MR. KEANE: Right.

23 THE MODERATOR: All right.

24 MR. KEANE: Two and a half from 75 is --

25 THE MODERATOR: Right. So if they left two

1 years early, they'd have 70 percent -- all right.
2 That's your proposal. Now, let me flip back to
3 the way you guys calculated it for a minute. And
4 the way I -- and I -- like, I promise you I do
5 remember this was something that kind of got
6 wrapped at the end, and I'm not sure that I ever
7 wrote this out as well as it's written out now.

8 Your provision -- just for a moment on the
9 early retirement, what you have right now -- and,
10 Joey, I'm kind of addressing you just because I
11 know you know the numbers here.

12 MR. GREIVE: Sure.

13 THE MODERATOR: Using it the way we
14 calculated it before, we had a floor of 53 and a
15 half percent; is that correct?

16 MR. GREIVE: Yes.

17 THE MODERATOR: And the floor was that
18 basically we just -- we arbitrarily created a
19 floor because the number, doing the strict math at
20 three percent, would have put it below 50 percent
21 after 25 years. And I think we generally didn't
22 agree with that. So that's how we ended up with
23 it.

24 As you have it, as it is done now at 29
25 years, if a person completed 29 years, it would be

1 69 and a half percent, would be what they would
2 receive.

3 MR. GREIVE: Correct.

4 THE MODERATOR: And under -- you have it, it
5 would be 72.5 percent. So that's the difference
6 right now in the -- in the consequence of the
7 respective calculation amounts; correct? Am I
8 wrong?

9 MR. GREIVE: 29 years --

10 MR. HAND: For the benefit of the public,
11 would it be helpful to put that up on the
12 PowerPoint?

13 THE MODERATOR: Yeah. Do you want to put
14 that up?

15 MAYOR BROWN: I think we should put it up.

16 THE MODERATOR: Put it up. Yeah. Yeah. Put
17 it up, please. Whoever's -- right there in front
18 of us.

19 Okay. And why don't you -- why don't --
20 Joey, just because I keep kind of talking to you
21 guys and I -- and, really, that is my job, but --

22 MR. HAND: Before you start, let me say one
23 thing. There's an important policy goal here.
24 And the reason this was crafted the way it was, we
25 originally did not have an early retirement

1 provision because -- as to the sheriff and the
2 fire chief's concerns about a stable workforce,
3 longevity in the workforce, we agreed to one under
4 the idea that we would have a system that did not
5 overly incentivize early retirement, which is kind
6 of how we landed in the compromise we landed there
7 that everyone signed.

8 THE MODERATOR: I understand that.

9 MR. GREIVE: Well, just simply, our read of
10 the meaning of the settlement agreement and our
11 thinking on this, just to use the example of a
12 25-year employee who's leaving at the earliest
13 possible opportunity within the early retirement
14 window between 25 and 30, you take the 25 years
15 worked, times 2.5 percent accrual rate. You get
16 62.5.

17 The penalty is five years times three
18 percent, which is on Page 5 of the settlement
19 agreement. So you reduce the 62.5 by 15 and get
20 47.5.

21 As Mr. Smith stated, 53.5 percent was agreed
22 to as a floor. That impacts Years 25 and 26 of
23 service. For Years 27, 28, and 29, you get above
24 the 53.5 percent floor. The same philosophy,
25 though, you take the years worked times the

1 accrual rate of 2.5 percent. You subtract out the
2 penalty, which is three percent, times the number
3 of years worked. And you come out with the
4 percentage to use in the formula for calculating
5 benefits. So that's the way we understood this.

6 THE MODERATOR: Let me kind of -- and I'll
7 throw this to both sides for purposes of our
8 conversation because I kind of -- now all this is
9 a little back in my mind. The reality -- and I
10 couldn't remember until I was just reminded as we
11 started this meeting.

12 When the task force did their -- when the
13 task force did their calculations, they used 22
14 years as -- they arrived at that -- and I don't
15 know the source, but I don't think any of us
16 severely disagree that 22 years is about the
17 average age that people initiate their career as
18 policemen and firemen.

19 I'll kind of look to you because you --

20 MR. CHATMON: Yes, sir.

21 THE MODERATOR: That's a ballpark number the
22 task force uses?

23 MR. CHATMON: Yes, sir.

24 THE MODERATOR: All right. So the reality is
25 that, for the guy that -- for the guy or woman

1 that comes in at 22 years, if they worked 30,
2 they're 52 years old. If they worked 25, they
3 leave at 47 years. If they leave at 52 years, if
4 they leave before 30, they boot themselves out of
5 the BACKDROP opportunity -- which they could still
6 complete by the time they were 57 years old;
7 correct?

8 MR. GREIVE: Yeah.

9 THE MODERATOR: Okay. I guess where I'm
10 coming from here is I'm looking at -- I don't
11 remember. You-all help me. Why did we come up
12 with the three percent as the penalty rate for the
13 year, when we used 2.5 as the calculation rate? I
14 don't remember it. It doesn't matter whether I
15 remember it or not. Just tell me the rationale.

16 Because when I looked at this earlier
17 today -- and I did see the two percent was the old
18 number. But what had made sense to me was that
19 the 2.5 percent was the accrual rate. Why did
20 we -- why did we raise the accrual rate for the --
21 I'm going to use the discount rate. I know that's
22 inarticulate, but why is the penalty rate higher?

23 MR. HAND: I think you might be sort of using
24 apples and oranges --

25 THE MODERATOR: Okay.

1 MR. HAND: -- a bit. I think the goal was to
2 arrive at a rate that would again have the
3 incentive structure correct as we move forward to
4 encourage people to work the full 30 years, to
5 give them the opportunity to leave between 25 and
6 30 years, but that number was set and agreed to by
7 both sides in the agreement. And, of course, that
8 floor itself represented a compromise to make sure
9 that, even as people are leaving early, they were
10 not overly incentivized to do so.

11 THE MODERATOR: Well, and I guess what -- I
12 mean, I agree with everything you're saying. What
13 I'm trying to say is that, as I recall the
14 situation -- and, of course, I want to warn both
15 parties against -- much as I want us to stay with
16 things we've agreed to -- is if we stay just with
17 what we agreed to, there's lots of things we've
18 got on the table that we'll never get to. And
19 we're not -- we can't do that.

20 What I am suggesting is -- is that I think
21 about this, and I commend the City to think about
22 this a minute. It seems to me that there is a
23 tremendous -- the incentive against leaving
24 early -- and I don't know the numbers, but I've
25 got to believe that people who have put in their

1 25 are going to stay to 30 because there's so much
2 benefit to staying to 30.

3 A, there's no -- there's no penalty to stay
4 till 30. And, number two, by staying to 30, then
5 you are eligible for the additional benefit that
6 you can get from your potential participation in
7 BACKDROP. So if the idea was that we don't want
8 people leaving at 25, 30 is going to be the normal
9 year. 30 makes -- it is -- I mean, I can't
10 envision -- of course, we won't know this for
11 another 25 or 26, 27 years now, but I cannot
12 imagine that you're going to see people leaving
13 after 25 or 26 or even 27 years because what you
14 give up is you give up the difference between no
15 penalty for the rest of your life -- and you're a
16 young retiree -- and the benefit of being eligible
17 for a BACKDROP, which can be a substantial benefit
18 in and of itself.

19 So I'm just trying to see if there's a middle
20 ground here. If we went to 2.5 percent as the
21 discount rate or penalty rate, which is the
22 accrual rate, John, would 2.5 percent do it for
23 you?

24 MR. KEANE: 2.5 would work.

25 THE MODERATOR: So --

1 MR. HAND: What might be helpful, Senator,
2 just procedurally speaking here, because, again --

3 THE MODERATOR: I know this is awkward
4 because I have to say things in public that I --
5 because I have to get it out --

6 MR. HAND: No, of course. Yeah, I think this
7 is helpful. We can have this back and forth.

8 What would be useful is, again, given that
9 this in itself represents a compromise in last
10 year's agreement and this is where the parties
11 landed, they signed to, they executed, to the
12 extent -- and maybe -- I know Joey's got copies of
13 what he put up there. To the extent Mr. Keane
14 wants to put a new proposal -- if that is the 2.5,
15 if he wants to do that, we can take a break for a
16 couple of minutes. Present us with the math. We
17 can take a look at that and evaluate it. I think
18 that would be --

19 THE MODERATOR: All right.

20 MR. HAND: -- procedurally --

21 THE MODERATOR: Let me just make sure I --
22 I'm fine with that. And what I'd like to do is
23 maybe we can -- we can even put that off. I just
24 want to see this.

25 If it would lead to an agreement, John, what

1 I understand, you're saying you believe it should
2 be two percent like it was before. What I'm
3 saying to you is would your current proposal, for
4 purposes of this, be starting at 75 percent,
5 moving back two and a half per year --

6 MR. KEANE: Exactly.

7 THE MODERATOR: -- to age 25?

8 MR. KEANE: That's our current proposal. And
9 we're happy to present to you right on the
10 board -- it's the first line -- at 25 years, 62
11 and a half percent; 26, 65; 27, 67.50; 28, 70; 29,
12 72 and a half; 30 --

13 THE MODERATOR: Full.

14 MR. KEANE: -- 75.

15 THE MODERATOR: Okay.

16 MR. KEANE: Right there on the board.

17 THE MODERATOR: All right. So --

18 MR. KEANE: Thank you --

19 THE MODERATOR: -- is that your proposal back
20 to the -- is that your proposal back to the other
21 side?

22 MR. KEANE: Yes, sir.

23 THE MODERATOR: You guys, I just -- we're
24 going to leave this subject at that point right
25 now. But the proposal back to you from the Board

1 is that the two and a half percent multiply rate
2 be used as the rate, and that it be -- that it be
3 operated against the beginning point of 75
4 percent. I'm not telling you whether I favor or
5 disfavor. I'm just making sure -- trying to get
6 us moving, that that's the proposal back to you
7 guys.

8 John, if that were to be done as you have
9 suggested it, is that then -- the Board would then
10 accept the early retirement provisions as
11 otherwise agreed to and as recommended by the --
12 by the task force?

13 MR. KEANE: And this would then put the new
14 employee issue completely off the table.

15 THE MODERATOR: Okay. All right.

16 Now, just --

17 MR. BELTON: Mr. Smith?

18 THE MODERATOR: Yes, sir.

19 MR. BELTON: Point of clarification?

20 THE MODERATOR: Yeah.

21 MR. BELTON: Are we talking now -- John, are
22 we talking now that two and a half is the accrual
23 rate and you're not using a penalty rate?

24 MR. KEANE: If you leave early, it's --

25 THE MODERATOR: Two and a half.

1 MR. KEANE: -- reduced, that's right.

2 THE MODERATOR: The accrual rate -- the
3 accrual rate and the leave rate, under his
4 proposal -- that doesn't mean -- I'm not
5 suggesting that anybody has accepted this. I'm
6 just trying to get out there what their proposal
7 from the Board is, that if the two and a half
8 percent rate were used against the 75 percent,
9 that that would take the early retirement issue
10 off the table. And all of the other early
11 retirement provisions as agreed upon -- and I'm
12 not going to recite them -- and as recommended by
13 the task force would be put to bed. I don't
14 really look for you to make a decision on that
15 right now --

16 MR. HAND: May I seek a clarification?

17 THE MODERATOR: Yeah. Yeah. Yeah.

18 MR. HAND: And, John, you'd still be using,
19 in other words -- because if you use that
20 calculation, your farthest out period, 25 years,
21 would be 50 percent. Are you still relying on the
22 53.54 on your proposal? Help me -- walk through
23 that sort of final line item, if you would, in
24 your proposal.

25 MR. KEANE: At 25 years, an individual wanted

1 to leave, he would retire at 62 and a half
2 percent --

3 THE MODERATOR: Right.

4 MR. KEANE: -- of the average of his last
5 five years.

6 MR. HAND: Uh-huh.

7 MR. KEANE: And if he stayed one more year,
8 he'd get 65 percent, and so on, and so on, and so
9 on. And the --

10 MAYOR BROWN: Hold on one second.

11 THE MODERATOR: The minimum would come into
12 play.

13 MAYOR BROWN: So let's go back to -- let's go
14 back to 25 years.

15 MR. KEANE: Uh-huh.

16 MAYOR BROWN: Do that one more time.

17 MR. KEANE: 62 and a half.

18 MAYOR BROWN: Okay. And so no penalty at
19 all?

20 MR. KEANE: He's going to get less money the
21 rest of his life.

22 MAYOR BROWN: Okay. I'm just --

23 MR. KEANE: Yeah.

24 MAYOR BROWN: I want to -- I want to be
25 clear.

1 MR. KEANE: Yeah.

2 MAYOR BROWN: I mean, that's just -- you just
3 can't --

4 MR. KEANE: Yeah.

5 MAYOR BROWN: You're going -- you're going
6 down. I want to be clear what you're saying.

7 MR. KEANE: I want to be clear.

8 THE MODERATOR: What you're saying is the
9 penalty is --

10 MAYOR BROWN: No penalty.

11 MR. KEANE: Yeah.

12 THE MODERATOR: You're saying the penalty is
13 just the loss of the 30 minus the time served?

14 MR. KEANE: There you go.

15 THE MODERATOR: That's the prosecutor in me,
16 time served. It would be the -- you simply want
17 to take it as a pure BACKDROP at that rate of two
18 and a half, two and a half, two and a half, two
19 and a half, two and a half, to five --

20 MR. HAND: Just for total clarity, there's no
21 penalty at all.

22 MR. KEANE: Right. It's back to the accrued
23 rate.

24 MAYOR BROWN: I mean, I just wanted to --

25 MR. KEANE: Easiest way to say that.

1 MAYOR BROWN: John, I just --

2 THE MODERATOR: I got it.

3 MAYOR BROWN: -- wanted to make sure that was
4 clear.

5 MR. KEANE: No problem.

6 MAYOR BROWN: Okay.

7 THE MODERATOR: Okay. I'm going to leave
8 that out there. I want everybody to put on their
9 thinking caps on this. It seems to me, folks, if
10 you will look at the differences here, there's got
11 to be a way to work your way through this, and
12 that will take early retirement off the equation.
13 So retirees and early retirees will no longer be
14 part of our discussions if we can -- if we can
15 handle this one issue.

16 It ought not to be an insurmountable issue
17 because, as I say, the differences -- not only are
18 the differences not that great; I want us to put
19 on our practical experience here. Most people, at
20 Age 47 years old, with 25 years in, unless they've
21 got a pretty good option, they're not going to,
22 for the rest of their life -- which, if we take
23 77 -- which is really now -- but 77 -- another 30
24 years, they're not going to take another 30 years
25 of that kind of a reduction to their benefit,

1 unless they've got an awfully good replacement.

2 The reality is that -- my thinking is you're
3 going to have more people who work -- as the
4 population demographic changes, you're going to
5 have more people staying, not only 30, but staying
6 30 -- because they also have then the option of
7 participating in the BACKDROP. Of course, none of
8 us know that for another 25 years because this is
9 all new employees, but I throw those out for both
10 sides --

11 MAYOR BROWN: I'd like to go on to the next
12 issue.

13 THE MODERATOR: Got it.

14 MR. KEANE: I think you misspoke. If they
15 accept this, it doesn't just take the early
16 retirement off; it takes the entire new employee
17 option --

18 THE MODERATOR: Yes.

19 MR. KEANE: -- the whole new employee
20 option --

21 THE MODERATOR: Is off the table.

22 MR. KEANE: -- solved.

23 THE MODERATOR: I got it.

24 All right. Now, John, you have some
25 proposals. We talked about this morning -- you

1 have -- the City has made a set of proposals. I
2 think you have some proposals that you want to
3 advance back to them addressing some of the same
4 or similar subjects that they raised this morning.

5 MR. KEANE: Governance reform.

6 One for you.

7 My friend, the court reporter.

8 THE COURT REPORTER: Thank you.

9 MR. KEANE: The Board's proposal for
10 governance reform, the creation of a Financial and
11 Investment Advisory Committee, we recommend that
12 the municipal code be amended to authorize the
13 Police and Fire Board to appoint a Financial and
14 Investment Advisory Committee consisting of five
15 persons who will be charged with advising the
16 Board on financial matters, investment strategy,
17 and policy. The committee members will serve in a
18 volunteer capacity and will be financially
19 sophisticated professionals who bring expertise to
20 the investment practices. The criteria for
21 service will include knowledge of and experience
22 and familiarity with portfolio and pension fund
23 management, institutional investment, and
24 fiduciary responsibilities. Members of the
25 advisory committee must be residents of Duval,

1 Nassau, St. Johns, Baker, or Clay County. Members
2 will be nominated for service by the Board and
3 confirmed by a majority vote of the City Council.
4 They will have a term of three years with the
5 possibility of two additional consecutive
6 three-year terms. The initial terms will be
7 staggered, as recommended by the task force, with
8 two persons to serve an additional two years, and
9 three persons an additional three years. The
10 financial advisory committee shall annually elect
11 a chairman and secretary from its members. The
12 Pension Board will provide administrative support
13 to the committee.

14 That's our proposal.

15 THE MODERATOR: Okay. For just purposes of
16 my own reference, I'm looking at Page 4 of the
17 executive summary. And I have not, of course, had
18 an opportunity to do a side-by-side, but --

19 MR. HAND: Mr. Smith, I can probably help
20 with that.

21 THE MODERATOR: Yeah.

22 MR. HAND: Pages 22 and 23 of the full
23 report --

24 THE MODERATOR: Same thing?

25 MR. HAND: -- the number one governance

1 recommendation of the task force was this
2 particular committee. The difference appears to
3 be -- and I'll let anyone conduct their own
4 side-by-side. That was a three-pronged
5 recommendation. This appears to be most -- not
6 all, most of the first paragraph of that
7 three-pronged recommendation as it relates to the
8 Financial and Investment Advisory Committee.

9 THE MODERATOR: Okay. So Paragraph 1 of
10 Financial and Investment Advisory Committee
11 reforms, which is about a quarter of a page on
12 Page 22, John, as far as you know, are there any
13 differences between -- and I know everybody will
14 have to do this, but do your governance reforms
15 adopt the governance reforms reflected in
16 Paragraph 1 of the task force report?

17 MR. KEANE: Chief Hand, you said that was on
18 Page 23?

19 THE MODERATOR: 22.

20 MR. HAND: 22 and 23, John.

21 THE MODERATOR: Yeah, 22's where the
22 paragraph I think you were referencing is. It's
23 about --

24 MR. KEANE: Well, in the second paragraph on
25 Page 22 of the recommendation, they talk about

1 these folks would be fiduciaries and required to
2 undergo periodic fiduciary training and shall
3 submit Form 1's. And it has a lot of things in
4 there that we didn't think a lot of people would
5 like to do, coming down to help you for free, so
6 we left some of that out.

7 MR. HAND: I think --

8 THE MODERATOR: My question was, though, just
9 to be sure -- hold that thought for a second -- is
10 paragraph -- of the governance reform, is your
11 proposal the same as reflected in the task force
12 first paragraph?

13 MR. KEANE: It's the essence of the first
14 paragraph, right.

15 THE MODERATOR: Do you agree with that,
16 Chris?

17 MR. HAND: No. I mean, I think -- I think
18 there are many similarities. I think there are
19 some differences. For example, in the task force
20 recommendation under Paragraph 1, it says that
21 these folks will be charged with advisory
22 oversight to the JPFPP Board on financial matters,
23 actuarial practices, and assumptions, investment
24 strategy and policy, and the selection of outside
25 financial services providers, including investment

1 managers and advisers.

2 So I don't want to mischaracterize this. The
3 scope of this proposal is more limited in terms of
4 the role of this advisory committee than the scope
5 that is recommended by the task force, which is,
6 of course, what we moved as a proposal this
7 morning.

8 THE MODERATOR: Got it.

9 MR. KEANE: Okay.

10 THE MODERATOR: Okay. How about the
11 criteria; are they the same, the criteria for
12 service?

13 MR. HAND: I believe those are also . . .
14 Yes, those are the same.

15 THE MODERATOR: Okay. Then let me back up.
16 I'm trying to hold one finger on one place and
17 look at the other.

18 John, the financial advisory shall be
19 financially sophisticated professionals who bring
20 expertise to the fund's actuarial needs, fiscal
21 operations, investment practices, is your
22 proposal?

23 The language -- excuse me -- is the language
24 that's in the task force. I'm sorry.

25 Yours says, on financial matters, investment

1 strategy, and policy. I'm assuming that you read
2 that, Chris, as that theirs is -- if I can use the
3 term -- more narrow than --

4 MR. HAND: Right.

5 THE MODERATOR: -- the task force?

6 MR. HAND: Correct.

7 THE MODERATOR: In what -- what is not
8 encompassed in theirs that is encompassed in the
9 task force, in your view?

10 MR. HAND: Again, the task force has a
11 broader scope of oversight, also, what appears to
12 be a broader scope of review and expertise in
13 the -- in that -- again, matching up the first
14 paragraph to the first paragraph, the task force
15 requirements or oversight in both of those
16 categories appears to be broad.

17 THE MODERATOR: Okay. The second paragraph
18 is -- which are -- John, as I understand it, the
19 second paragraph, you did not incorporate that in
20 yours because you believe that these are
21 volunteers, and this many restrictions would
22 provide a disincentive to people who would
23 otherwise volunteer for service?

24 MR. KEANE: Correct. And, also, our proposal
25 tracks the language in 215, which created the

1 investment oversight committee for the Florida
2 Retirement System.

3 THE MODERATOR: Florida Statute 215?

4 MR. KEANE: Right. We're looking for
5 financial advisers, not actuaries. That's why I
6 left the actuarial part out. Actuarial
7 requirements are dictated in the Florida Statutes,
8 so we don't need anybody to come and say "The
9 actuary needs to be enrolled."

10 We already know that. We captured the
11 essence, what we believe, of their
12 recommendations, as well as the requirements of
13 the Florida Statute in our proposal here.

14 MR. HAND: And I may be misremembering from
15 the task force, so I want to go back and review
16 that video. My memory was, Mr. Keane, this
17 language in Point No. 1 was language that you and
18 Chairman Scheu had worked on together and agreed
19 to.

20 Again, these are just recommendations the
21 task force was making -- but that you worked
22 collaboratively on the language framing up the
23 Financial and Investment Advisory Committee.
24 Again, I may be misremembering, but that is my
25 memory. Is that memory incorrect?

1 MR. KEANE: His memory is well-served, but I
2 did meet with the chairman, and I recommended the
3 creation of the Financial and Investment Advisory
4 Committee, patterned after the one in Tallahassee.
5 You'll recall at one time they wanted these people
6 to come in and review all the RFPs. And I told
7 them, "The last time we did one, we received 134
8 responses. Now, if you five were serving on this
9 financial advisory committee and you had to come
10 down there and look at those 134 things, we
11 estimate that would take six weeks, eight hours a
12 day, five days a week to do it. You just simply
13 are not going to get people to take that much time
14 away from their business." And so we said, "We
15 want the people to look and see that we're going
16 in the right direction."

17 And that's our proposal.

18 MR. HAND: So the language that's in here
19 is -- because, again, my understanding and memory
20 was that this language was the product of a
21 collaborative effort between you and Chairman
22 Scheu before it was put before the task force.
23 And my memory is that they voted on it sort of
24 based on that background. Again, I entirely could
25 be wrong. And I'll go back and review, but that's

1 my --

2 MR. KEANE: I did speak with him many times
3 about it. And I recommended changes to it. The
4 task force did what they did. And we have now
5 presented an alternate proposal to that.

6 MR. HAND: Just want to make sure I'm clear
7 in my memory.

8 MR. KEANE: No. That's fine. No problem.

9 THE MODERATOR: So tell me why -- they have,
10 financial matters, investment strategy, and policy
11 and -- I mean, you have, John, and they have, who
12 bring expertise to the funds, actuarial needs,
13 fiscal operations, and investment practices. What
14 is the -- as I read both of them -- what is the
15 big difference you see between those two things?
16 What is -- what's the actual difference? That's
17 what I'm getting at here, guys. What --

18 MR. KEANE: We don't see any essential
19 differences, just a little bit cleaner.

20 THE MODERATOR: Okay. I want you to focus on
21 actuarial needs for a minute. I mean, this
22 doesn't -- this certainly does not suggest or tell
23 people they have to be an actuary to be on this
24 thing. And I don't think anybody thinks we're
25 going to get five volunteers that are actuaries.

1 I mean, is there something about the
2 actuarial needs -- fiscal operations and
3 investment practices, does that phrase -- tell me
4 what gives you indigestion about that phrase.

5 MR. KEANE: Actuarial practices and
6 assumptions would require a detailed review of
7 thousands of pages of financial and statistical
8 information. There is one actuary for the pension
9 fund.

10 THE MODERATOR: Absolutely.

11 MR. KEANE: And he has to make his reports in
12 conformity to the rules and regulations of the
13 Society of Actuaries and the regulations of the
14 State of Florida.

15 THE MODERATOR: No question. All right. I
16 don't think anybody here questions any of that.

17 MR. KEANE: That's why we took it out of
18 here.

19 THE MODERATOR: Okay.

20 MR. HAND: And, again, not to speak for the
21 task force, but having some understanding, I think
22 they put that in -- just one of the key
23 educational components of that effort was just
24 kind of a better understanding of the key role
25 that actuaries and actuarial science plays in

1 these pension calculations.

2 I can speak for several of us up here, that
3 we feel like we've earned sort of mini Ph.D.s in
4 actuarial science over the last couple of years.
5 I think the idea being that, again, there are a
6 variety of people from different walks of life who
7 have some background and understanding who can
8 kind of help shape the funds or provide advice to
9 the fund on shaping its actuarial needs.

10 So I don't think -- the intent, as I recall,
11 is not to require any actuarial expertise; it was
12 to provide advice to help the fund shape and
13 direct its actuarial needs. I think that was the
14 intent there.

15 MR. KEANE: Okay.

16 THE MODERATOR: And I don't think anybody's
17 suggesting that this committee is going to be the
18 one that sets the assumptions. The assumptions
19 are going to be set by an actuary according to
20 law.

21 MAYOR BROWN: Right.

22 MR. HAND: Right.

23 THE MODERATOR: Everybody's in agreement. I
24 mean, that's not what would be done by a financial
25 advisory committee. The assumptions are going to

1 be what the assumptions are and the law will
2 require and the actuarial practices --

3 MR. KEANE: Except it says, actuarial
4 assumptions.

5 THE MODERATOR: I said -- again, I don't want
6 to read what's -- who bring expertise to the
7 fund's actuarial needs, fiscal operations, and
8 investment practices.

9 MR. KEANE: Actuarial practices and
10 assumptions, it's right in there.

11 THE MODERATOR: Okay. Tell me --

12 MR. HAND: Where? I'm sorry.

13 MR. KEANE: Fifth line.

14 THE MODERATOR: Just take it on down.

15 MR. KEANE: The line that starts with,
16 financial matters --

17 THE MODERATOR: Oh, up here, advisory
18 oversight on financial matters, actuarial
19 practices, and assumptions, investment strategy
20 and policy --

21 MR. KEANE: Exactly.

22 THE MODERATOR: -- and the selection of
23 outside financial service providers, including
24 investment managers and advisers.

25 Do you agree that that's -- do you think

1 that's too broad powers for them?

2 MR. KEANE: Yeah. We've got everything in
3 there except the actuarial assumptions.

4 THE MODERATOR: Okay. That's the only
5 difference?

6 MR. KEANE: Essentially.

7 THE MODERATOR: All right. Okay. And then
8 the second paragraph I think you've explained.

9 City, your response to why you believe the
10 second paragraph is an important part of the
11 recommendations as it pertains to the -- and what
12 impact do you think it would have on people
13 applying for the Financial Advisory and Investment
14 Committee membership?

15 MR. HAND: Well, again, we approached this
16 with the understanding that this was done
17 collaboratively, but it's all about good
18 governance. I mean, these are -- these were a
19 number of steps that the task force recommended,
20 again, in many cases in collaboration with
21 Mr. Keane to help improve transparency,
22 governance, and have all those beneficial
23 financial impacts that we talked about during our
24 recommendations. So, I mean, again, to the extent
25 that we moved that among the other governance

1 reforms, I mean, the City thinks that's important.

2 THE MODERATOR: Is Form 1 a form that is used
3 by -- for volunteers in other boards?

4 MR. HAND: It is, yeah.

5 THE MODERATOR: I just want to make sure --
6 that's not the one that's the disclosure for
7 employees. This is one -- anybody who belongs to
8 a board --

9 MR. HAND: Certain boards are required --
10 typically elected officials, as you know, file a
11 Form 6.

12 THE MODERATOR: Right.

13 MR. HAND: Most boards -- most folks who are
14 doing Board service and are required to do
15 financial disclosure do a Form 1.

16 THE MODERATOR: And that's the short form
17 disclosure?

18 MR. HAND: Correct. Yeah, that's a little
19 more general than the Form 6.

20 THE MODERATOR: And then the third paragraph
21 for general strategy matters: The financial
22 advisory committee will provide advice and
23 recommendations to the Board, which shall receive
24 and act upon such advice and recommendations as
25 the Board, in its fiduciary capacity, shall

1 determine.

2 I take that to mean that the financial
3 advisory committee can make a recommendation, but
4 the ultimate decision-making is entirely still
5 with the five-member Board?

6 MR. HAND: And that's my understanding of the
7 task force discussion --

8 MR. KEANE: Absolutely.

9 MR. HAND: -- on the subject, as well.

10 MR. KEANE: The Board's responsible.

11 THE MODERATOR: That being the case, as it
12 relates to the third paragraph of the -- of the
13 Financial and Investment Advisory Committee
14 recommendation as set forth in the task force --
15 tell me -- I mean, obviously, they can make
16 whatever recommendations they want, including
17 actuarial recommendations, but the -- but the
18 Board is going to make all the final decisions.
19 So aren't you protected from your concerns of
20 overinvolvement of the Financial Advisory Board?

21 I mean, obviously, you want the Board.
22 You're already working on that.

23 MR. KEANE: Exactly. We've already selected
24 and received three applications, and we're trying
25 to get several more.

1 THE MODERATOR: Okay. So, I mean, is there
2 anything objectionable in your view to that last
3 paragraph, following its review of the
4 financial --

5 MR. KEANE: It's all back in that actuary.
6 We're not going to get into that actuary thing.
7 Actuarial science, it's like the doctor. You
8 know, when you're sick and you need a doctor, do
9 you want a dentist? Do you want a podiatrist? Do
10 you want a medical doctor? Do you need a
11 cardiologist?

12 We're looking for people to give us
13 investment advice. That's where we make the
14 money. That's what we're looking for. And our
15 proposal tracks the language from 215 for the
16 State plan, which the original recommendation was.
17 That's where we're at.

18 THE MODERATOR: But you -- and I'm not -- I'm
19 not arguing, but there's nothing in that provision
20 that locks the Board into doing anything other
21 than accepting the recommendations. They don't
22 have to agree with the recommendations. They
23 don't have to make those recommendations, the
24 action of the Board. They simply receive the
25 recommendations for whatever value the Board

1 ultimately gives them. Am I wrong?

2 MR. KEANE: And what good does it do to
3 recommend that the actuarial assumption be changed
4 back to eight and a half when there's not a
5 Chinaman's chance the State's going to approve it,
6 and all it's going to do is put the Pension Board
7 in conflict with their own advisory committee in
8 an area that they don't have the expertise and
9 shouldn't be over there doing?

10 MR. HAND: Well, just to be clear, there's
11 all sorts of assumptions that go -- I mean, you're
12 speaking to the assumption as to the rate of
13 return, which is sort of an ultimate assumption at
14 the end of the actuarial process.

15 MR. KEANE: Correct.

16 MR. HAND: As you know better than anybody,
17 there are a host of assumptions that go into
18 actually conducting -- and, again, we constantly
19 are -- our very talented finance shop is
20 constantly reviewing those. So, again, my
21 understanding of the -- of what the task force
22 recommended is not to sort of say, "Hey, you
23 really ought to be at," you know, "8.2, as opposed
24 to 7.0."

25 It was to kind of, again, as Senator Smith

1 implied, be a sort of helpful resource to the
2 Board in saying what types of actuarial -- you
3 know, all those different assumptions that go into
4 it. "Do we have any suggestions or advice which
5 you can take or not take?" Just a --

6 MR. KEANE: We can do it with our proposal.
7 We can ask them for that too.

8 THE MODERATOR: Let me ask you this so that
9 we're clear on one thing, and then maybe --
10 because my job is to try to look for ways -- for
11 you guys to consider ways to resolve this. If the
12 language, actuarial practices and assumptions, was
13 taken out of that Financial and Investment
14 Advisory Committee report that's on 22 and 23, if
15 that language on actuary is taken out, do you
16 otherwise agree with that entire proposal?

17 MR. KEANE: Well, let's temporarily pass this
18 and get back to it.

19 THE MODERATOR: Okay. But I'm just -- do you
20 know of anything else, though, that --

21 MR. KEANE: I'm going to look at it again.

22 THE MODERATOR: All right.

23 MR. KEANE: I'm not -- no sense in talking
24 about this anymore.

25 THE MODERATOR: Okay.

1 MR. KEANE: We've got --

2 THE MODERATOR: Gentlemen, we've got a long
3 way to go, but we just can't read things to each
4 other. We've got to start also outlining -- this
5 is -- I just want to know. When you come back on
6 this, John, tell me if there are other areas other
7 than the actuary that bother you. If not --

8 MR. KEANE: I'm going to bring you another
9 written proposal.

10 THE MODERATOR: Thank you.

11 MR. KEANE: So then you --

12 THE MODERATOR: All right.

13 MR. KEANE: -- know where it is.

14 THE MODERATOR: Do you have another
15 proposal --

16 MR. KEANE: We did.

17 THE MODERATOR: -- for the consideration of
18 the team?

19 MR. KEANE: We did. Get them ready.

20 I apologize. I should have been getting them
21 ready while we were talking.

22 THE MODERATOR: Don't worry about it.

23 MR. KEANE: We have many proposals here.

24 We'll have a better filing system tomorrow
25 also.

1 Chief.

2 Seems like selling papers on the street,
3 going house to house. I can't make them slide
4 like they should.

5 THE MODERATOR: This is your provision --
6 proposal for a provision on ethics, certification,
7 and disclosure requirements for investment
8 managers -- if somebody could put that up -- who
9 is putting these up for us? Stick that up there.
10 If somebody could put that up for me . . .

11 MR. KEANE: She's going to put it up on the
12 screen.

13 THE MODERATOR: Once again, I haven't done a
14 side-by-side on this, but it appears to me that
15 what this is, is that the first -- on Page 23, if
16 you will compare that Page 23, this is -- I won't
17 say the same, but it's similar to the language
18 that's found in the first sentence on Page 23 of
19 the task force recommendations. Do you agree with
20 that?

21 MR. HAND: I agree that this proposal appears
22 to be roughly similar to the first sentence on
23 Item 2 on Pages 23 and 24 of the task force
24 governance recommendations. Otherwise, that is
25 the only similarity.

1 THE MODERATOR: John, under No. 2 on the task
2 force recommendation, it says, matters within
3 their engagement, you both have that same
4 language. Then it says, consequently, any
5 investment manager or adviser of the JPFPPF who has
6 discretionary authority for any investment of
7 JPFPPF shall agree to certify or disclose annually
8 to the Financial Advisory and Investment Committee
9 and to the Board, no later than July 31 the
10 following year that -- and then it has a list of
11 certifications. Tell me what your concern was --
12 you didn't include those.

13 MR. KEANE: No.

14 THE MODERATOR: There was a reason for your
15 concerns over those.

16 MR. KEANE: I didn't have any concerns. We
17 just thought that these words were -- captured the
18 concept of it. The task force report goes on
19 to -- paragraph after paragraph, talks about that
20 they certify they are fiduciary to the fund.
21 They've already certified that to us. We only
22 hire people that are fiduciary. So, I mean,
23 there's no new certification to create or to make.

24 And they're required by the SEC and
25 investment oversight authorities to make their

1 decisions in our best interests. I mean, you
2 know, these -- there's a lot of words here that
3 they're required under their license to do.

4 THE MODERATOR: Okay. Again, just trying to
5 probe into this, is there any specific thing
6 required under these certifications that you
7 object to?

8 MR. KEANE: No. It just -- it just is a lot
9 of extra words that are still accomplished by
10 saying that they have to do this.

11 THE MODERATOR: And the same thing on the
12 disclosures, is there anything on the disclosure
13 provision here that's not already required?

14 MR. KEANE: No.

15 THE MODERATOR: Is there anything on the
16 disclosures that you object to?

17 MR. KEANE: They already do all this. You
18 know, all this stuff happens, anyway. Our fund
19 treasurer is sitting right here. He knows that --

20 MAYOR BROWN: So, John, let me just be clear.
21 You just believe that it captures everything?

22 MR. KEANE: Sure.

23 MAYOR BROWN: That's what you're --

24 MR. KEANE: That's what we're saying, yeah.

25 THE MODERATOR: Any response from you-all on

1 that?

2 MR. HAND: Well, I mean, again, this was the
3 product of a lot of expertise from, not only the
4 task force, but also the Pew Charitable Trusts and
5 MAEVA Municipal, which were involved in this
6 effort.

7 And, again, I'll go back and review the task
8 force meetings. But this was the product of sort
9 of best practices at pension funds around the
10 country to make sure that you had sufficient
11 disclosures, transparency, able to avoid any
12 conflicts of interest.

13 Again, this is all intended for the
14 beneficiary for the -- for the fiduciary benefit
15 of the members and, obviously, also for the
16 taxpayers that go in, as well. If these are all
17 practices that are already being done, as
18 Mr. Keane indicates, I can't see any possible harm
19 in memorializing them to make sure that they're
20 done in the future.

21 So, again, I think this is the result of kind
22 of some best practices work that the task force
23 did. And to the extent that people are already
24 doing it, it seems like a good idea to do -- as
25 Ronald Regan would say, trust but verify, and

1 memorialize that in the language.

2 THE MODERATOR: One thing that I noted, a
3 little bit of a difference. In the -- in the
4 recommendations from the task force, it says,
5 we'll meet to report regularly.

6 John, you have, report quarterly. Is there
7 any significance? Is that -- is that just more
8 defining the reporting?

9 MR. KEANE: The "make quarterly reports" --

10 THE MODERATOR: That's already the practice,
11 anyway?

12 MR. KEANE: Right.

13 THE MODERATOR: And the language there about
14 report regularly, is that meant to
15 differentiate -- if you'll just read through it
16 very quickly, you'll note that --

17 MR. HAND: Sure.

18 THE MODERATOR: -- they will report regularly
19 to the Board. This says will report quarterly,
20 the Board. Apparently, the practice is quarterly
21 now?

22 MR. HAND: I don't know that there's a
23 tangible difference between quarterly and
24 regularly.

25 THE MODERATOR: Just want to make sure that

1 everybody understands that.

2 All right. Anything else, John, on this that
3 is basically your -- I think you answered the
4 mayor's question that you see yours as summarizing
5 the essence of it.

6 And you-all see it as just a restatement and
7 kind of a commitment to continue these best
8 practices. Is that the difference right now?

9 MR. HAND: To continue and memorialize these
10 best practices, yeah.

11 THE MODERATOR: Okay. John, do you have
12 another proposal for the --

13 MR. KEANE: Carrying right on down under the
14 next recommendation of the task force, use of the
15 general counsel.

16 No. 3, use of the Office of General Counsel,
17 while the charter gives the Jacksonville Police
18 and Fire Pension Board the authority to employ
19 separate counsel, the Jacksonville Police and Fire
20 Pension Board may consult with the Office of
21 General Counsel should it find that the Board
22 needs additional or separate counsel for specific
23 purposes, including the nature of the work and the
24 fee arrangement.

25 That's our proposal.

1 THE MODERATOR: And that's in response to
2 essentially No. 3 --

3 MR. KEANE: Correct.

4 THE MODERATOR: -- which appears on Page 24?

5 MR. KEANE: Correct.

6 THE MODERATOR: Do you agree with that?

7 MR. HAND: Yes, that's correct.

8 THE MODERATOR: All right. I'm obviously
9 outside the loop on this issue. Tell me what's
10 the -- A, what's the difference, and, B, what's
11 really driving this train?

12 MR. HAND: I think maybe Ms. Laquidara wants
13 to -- may want to speak to this, as well. She's
14 here.

15 Again, just to kind of procedurally -- during
16 the task force process where there were multiple
17 meetings in this room, there was discussion, I
18 know, between Ms. Laquidara, Mr. Klausner, who's
19 the attorney for the Police and Fire Pension Fund,
20 Mr. Scheu -- and that -- my sense was this
21 represented sort of collaborative language. But,
22 again, Ms. Laquidara can speak better to the
23 relationship and kind of how that works.

24 MS. LAQUIDARA: Okay. Thank you.

25 Hi, Rod.

1 THE MODERATOR: Hey, Cindy. How are you?

2 MS. LAQUIDARA: Fine. Thank you.

3 The changes made from the task force, which
4 are bringing the Police and Fire Pension Fund
5 Trust into alignment with every other independent
6 agency and constitutional officers for the City of
7 Jacksonville, when each of these were created,
8 they were created subject to the charter of the
9 consolidated government. And the consolidated
10 government charter sets the City Council and the
11 mayor as running the government, and then creates
12 the equivalent of subsidiary corporations with
13 limited powers. That's how you address these --
14 what people refer to as conflicts.

15 If one -- if Coca-Cola creates a subsidiary,
16 the subsidiary cannot sue Coca-Cola. And
17 Coca-Cola's general counsel is going to win. And
18 it's the same model that's actually used in other
19 businesses.

20 Separate areas of expertise always have
21 outside counsel. These are sophisticated
22 businesses. We had agreed earlier on and,
23 certainly, with the -- with the task force that
24 Mr. Klausner is a very able counsel. We've hired
25 him ourselves before and -- pension-specific

1 counsel. But on day-to-day local government law
2 issues, that should be the consolidated government
3 speaking with one voice on day-to-day consolidated
4 government issues.

5 And the way we read the charter, that is the
6 role of the general counsel. We saw nothing in
7 the language of the PFPF charter that overcame
8 that independent role. They can retain outside
9 counsel as our GEPP does because you need pension
10 counsel.

11 And the first thing I did when I came here,
12 even as chief deputy, was say, "Oh, my gosh. We
13 need outside counsel because we're doing that in
14 house, and we certainly can't maintain the high
15 level of expertise you need for pension matters
16 solely in house." You just can't do that.

17 So we think this is just really to bring the
18 trust in. They're not adversaries. There's one
19 common goal. There's one common -- one party.
20 And, ultimately, the elected officials are
21 responsible.

22 THE MODERATOR: John, tell me what you see as
23 the -- what is the issue that's driving -- I'm --
24 this is not something that's been -- that was
25 discussed -- that I've been around the discussions

1 on, so I'm really looking at this for the first
2 time. Tell me what your -- and I think -- what is
3 the concern that the -- does the Board believe
4 that they -- that they have the independent right
5 to hire independent counsel?

6 MR. KEANE: The Board believes that the
7 charter says that and that Chapters 175 and 185
8 say that.

9 THE MODERATOR: And do you currently use the
10 Office of the General Counsel at all, or does
11 Bob -- I say Bob -- does Mr. Klausner's firm do
12 everything, or is it a mix?

13 MR. KEANE: It's a mix. We just concluded a
14 successful case using one of the assistant general
15 counsels and had a very nice and surprising
16 recovery for assets of the fund. We're also using
17 the Office of the General Counsel on a case I have
18 to give a deposition on tomorrow. So some cases,
19 we use them.

20 THE MODERATOR: So --

21 MS. LAQUIDARA: May I say --

22 THE MODERATOR: Yeah. Go ahead. I'm sorry.

23 MS. LAQUIDARA: Rod, that came out of the
24 task force. After the task force, Mr. Klausner
25 reached out and sent us that first case, which we

1 got recovery. It was practically barking, but we
2 thought, "You know, this is what we do. We" --

3 THE MODERATOR: "Barking" being a legal term?

4 MS. LAQUIDARA: Oh, yes. You know what we
5 mean. I mean, you look at -- are you kidding
6 me --

7 THE MODERATOR: I've had a few barkers.

8 MS. LAQUIDARA: And so we got that in. And
9 then the second -- of course, we're going to
10 defend -- I mean, we feel that sense of obligation
11 towards the Police and Fire Pension Fund, towards
12 Mr. Keane. If someone's taking his deposition, we
13 should be in there defending him. He's part of
14 us.

15 And I think that saves a bunch of money. I
16 think that's why Mr. Klausner sent us a case.
17 We're local. Our fees are half of what other
18 people's are. And we have local government
19 expertise.

20 So once you get out of the expressed pension
21 expertise that Mr. Klausner has, you really
22 financially use it -- and if you look at someone
23 like JTA, who by general law specifically was
24 created -- has outside counsel. We do all of
25 their litigation. We do all of their local

1 government law because it's cheaper for the
2 taxpayers.

3 THE MODERATOR: So, really, folks -- and this
4 is completely as an outsider -- we're really
5 talking about a matter of how to memorialize what
6 appears to be a current practice, which is that
7 you guys use -- and I use -- I know Bob does
8 securities and all that, but I think of it as
9 pension counsel, which is the context I've usually
10 known him in and -- but you also use the General
11 Counsel's Office for run-of-the-mill -- I don't
12 mean that in a pejorative sense -- run-of-the-mill
13 matters. How do we -- how do we -- how do we fix
14 this balance where both sides are satisfied with
15 it?

16 I'm assuming the City is concerned that
17 prices would get out of hand if you could just
18 bring outside counsel all the time. Now, do
19 you -- do you pay, John, for the services of the
20 general counsel?

21 MR. KEANE: We're charged, yes.

22 THE MODERATOR: But you just pay what is a
23 City rate as opposed to --

24 MR. KEANE: Right.

25 THE MODERATOR: But is -- are the rates

1 comparable?

2 MR. KEANE: Let's start at the beginning.

3 THE MODERATOR: Okay.

4 MR. KEANE: Former general counsel and former
5 circuit judge was serving as the general counsel.
6 We went to see him because we had an issue with a
7 department within the City.

8 He wrote us a letter and said that there were
9 too many inherent conflicts, and that he would not
10 represent us because it was contrary to the
11 principles and ethics and tenants of the Florida
12 Bar and said, "Go hire your own lawyer."

13 THE MODERATOR: Now, did he mean on that case
14 or did he mean --

15 MR. KEANE: He said, "Go hire your own
16 lawyer."

17 THE MODERATOR: Okay.

18 MR. KEANE: I was sitting there, and I said,
19 "Judge, the statute says that you're our lawyer
20 unless we want to go somewhere else. It doesn't
21 give you the right to say, 'Go away.'"

22 He said, "Go away." He wrote us a very nice
23 letter.

24 And we went away. Now --

25 THE MODERATOR: So until that time, did you

1 use the General Counsel's Office entirely?

2 MR. KEANE: We had till that time. Now, 25
3 years later -- as we talked about this morning,
4 when you have different people in here, they want
5 to do things different, but that's fine too. In
6 the meantime, the legislature amended general law
7 and provided that we should have our attorney.

8 THE MODERATOR: General law meaning 175
9 and --

10 MR. KEANE: Yes, sir.

11 THE MODERATOR: -- 185?

12 MR. KEANE: Yes, sir. Yes, sir.

13 MS. LAQUIDARA: Well, we're deemed to comply
14 with 175 and 185, so that provision does -- is
15 inapplicable. It's inapplicable to our specific
16 charter. But I think, as you've mentioned
17 previously, the language that came out of the task
18 force was what Mr. Klausner implemented. It was
19 itself a compromise. It doesn't say that you have
20 to use the Office of General Counsel.

21 But I thought that that was the language that
22 we had compromised on and that had recognized and
23 specifically -- the right to independent pension
24 counsel on that -- you'd maintain the expertise,
25 were able to do your fiduciary duty, but it also

1 then said to the extent possible -- the local
2 government law. And that's exactly what Bob
3 started implementing, Mr. Klausner --

4 THE MODERATOR: Yeah. I --

5 MS. LAQUIDARA: -- started doing, so I
6 thought that that was a good -- it made sure that
7 they have that pension expertise and put us in the
8 place of really looking out for them and
9 maintaining savings.

10 THE MODERATOR: It seems to me, guys -- and
11 once again, I'm not -- my job's not to tell you
12 what to do, but it seems to me, listening to this
13 pretty -- and literally as an outsider on this, it
14 seems that this is a fairly simple solution. The
15 solution seems to be one of which the general
16 counsel would be counsel on matters that could be
17 termed as routine matters and that special counsel
18 is required for areas of specialty. The Board is
19 authorized, as it has in the past, to get its own
20 counsel. Is that wrong?

21 MR. KEANE: That's what it said.

22 MR. HAND: Well, I guess what I'm just a
23 little confused about -- and, again, I'm going to
24 go back and review some of those conversations.
25 My understanding is that was the product --

1 certainly, the task force, I think, voted on this,
2 believing it was the product of a collaboration
3 between Mr. Klausner, Ms. Laquidara, and the PFPF
4 in general.

5 So, again, they recommended this, believing
6 that this issue had been settled in the task force
7 process, as with some of the other issues, as
8 well, but this one in particular. Again, I'm
9 going to go back and review the video, but that's
10 my memory of how this ended up in the set of
11 recommendations. It's not true for everything in
12 the governance world, but for several, including
13 this one, they believed this was a collaboration
14 that had -- for which agreement had been reached.

15 THE MODERATOR: All right. Anything else on
16 this subject?

17 Cindy, anything else you want to say?

18 MS. LAQUIDARA: I mean, I can embody that in
19 a letter from the Office of General Counsel, which
20 authorizes the retention of Mr. Klausner and
21 recites back Mr. Klausner's language in that, to
22 put in the usual structure in which it has,
23 without requiring any admission or anything. So
24 there are other things we can put --

25 THE MODERATOR: You-all put on your thinking

1 caps. This doesn't seem to be that hard. It
2 seems to me that -- it seems to be a pretty simple
3 provision. The simple provision is kind of
4 reflected here, which is that you-all recognize
5 the need for special expertise, which a general
6 counsel office would not -- I mean, I'm not being
7 critical of this one. No general counsel's office
8 would --

9 MS. LAQUIDARA: Right. That was --

10 THE MODERATOR: -- retain that --

11 MS. LAQUIDARA: -- to get outside counsel.

12 THE MODERATOR: -- and -- well, on the other
13 hand, matters that are of a course that the
14 general counsel normally handles, there's -- there
15 is both a savings and a continuity. So I think we
16 ought to be able to work this out.

17 I can say that I know that Mr. Klausner has
18 told me that he -- while he wants to do the work
19 that is within the realm of his expertise -- and
20 none of us question that -- I don't think he even
21 intends to do every little thing that comes along.
22 He doesn't want to.

23 So we ought to be able to work that out,
24 folks. And that language should be pretty doable.
25 And I hope both of you-all -- or all of you will

1 come up with something on this so we can get that
2 out of the way.

3 MR. KEANE: Do you want to send us the
4 language?

5 THE MODERATOR: Why don't you try to put
6 something together and see if that'll work?
7 Because I don't think we're disagreeing here very
8 much. I think we're making much more out of this
9 than needs to be. I think the General Counsel's
10 regular lawyers and Bob Klausner or his firm are
11 those -- when you need a specialty lawyer, you're
12 going to be entitled to one within the areas that
13 your Board is -- deals with, which is essentially
14 matters of pension and financial security; all
15 right?

16 MR. KEANE: Well, you notice as we're going
17 through these things -- make it much more briefer
18 than the wordier version that was in the task
19 force report.

20 THE MODERATOR: I got that.

21 All right. Something else for us?

22 MR. KEANE: Selection of the Board members.

23 THE MODERATOR: I know this will be an easy
24 agreement.

25 MR. KEANE: Sure.

1 THE MODERATOR: Can I just ask is this the
2 current practice?

3 MR. KEANE: Yes.

4 THE MODERATOR: I mean, your position is --
5 the Board's position is continue current practice?

6 MR. KEANE: Correct.

7 THE MODERATOR: Do you agree that's current
8 practice?

9 MR. HAND: This is the current practice.

10 THE MODERATOR: What your current proposal,
11 as I saw it -- your current proposal is that the
12 mayor would recommend the fifth member, and the
13 mayor's recommendation would go to the Council for
14 the Council to agree upon?

15 MR. HAND: Correct. That is the task force
16 recommendation.

17 THE MODERATOR: I understand. And that's
18 you're recommendation, is to -- I understand that.

19 Let me ask this -- and I'm not going to spend
20 a great deal of time on this. I think it's pretty
21 straightforward. But does that, in your view,
22 create a three-to-two advantage for the City in
23 the Pension Board?

24 MR. HAND: No. Because I think that that
25 sort of just assumes that a City Council -- or a

1 mayoral City Council appointee won't exercise the
2 independent fiduciary responsibility which is
3 their duty as a member of the Board. I think what
4 it does do is help make sure that the City has an
5 adequate say in the governance of the Police and
6 Fire Pension Fund, given that, at present, it's
7 putting nearly \$150 million annually into the fund
8 and has a number of other financial obligations
9 that it's on the hook for, so --

10 MAYOR BROWN: I think -- I think the intent,
11 Rod, was -- this is one thing I really wanted.
12 You know, I talked to other mayors. And as a
13 matter of fact, last year we had hosted the mayors
14 here, and we talked about pension.

15 And one of the things -- a question came up,
16 "Well, do you have an appointment on the Board?"

17 I said, "No."

18 "Well, that's unusual."

19 I think some of the mayors sit on the Pension
20 Board. Some of them are very engaged.

21 And so the whole goal is to say, "Okay. How
22 do we make it fair and equitable? How do we make
23 sure that" -- you know, "If I'm the CEO of the
24 City and I'm responsible for the budget and we're
25 putting all that money into the pension fund, we

1 should be able to have an appointment."

2 And I didn't see anything wrong with that.
3 So the intent was to have a balanced approach, a
4 fair approach, to this process. And, you know,
5 the task force approved it.

6 THE MODERATOR: From the employees'
7 perspective, do you think they're justified in
8 seeing this as giving the City a three-to-two
9 advantage?

10 MAYOR BROWN: No.

11 THE MODERATOR: Okay. John, do you want to
12 address that? I mean -- I mean, this is where it
13 boils down to, is that -- whether or not this
14 gives the mayor's office the ability to select a
15 fifth member and --

16 MAYOR BROWN: It has to be confirmed by City
17 Council.

18 THE MODERATOR: It has to be confirmed by
19 City Council?

20 MAYOR BROWN: You know, we have to submit a
21 budget every year July 15th. And part of that is
22 we're funding the pension. And, you know, not
23 having an appointed person on that, not even
24 making a recommendation, not even a voice --

25 THE MODERATOR: From the mayor's office?

1 MAYOR BROWN: Just -- yeah, invisible.

2 THE MODERATOR: What problems has the -- if
3 any -- and maybe you guys could -- what problems
4 has the process now of requiring four people to
5 come to agreement on the fifth member, what
6 problems does that create?

7 MR. HAND: I can't speak to that. I mean,
8 Mr. Keane may know the history better.

9 THE MODERATOR: What problems does that
10 create?

11 MR. KEANE: We don't think it creates any.
12 It's a statutory scheme in 400 plans in Florida.
13 That's how they do it. That's how the legislature
14 ordained it be done. The two City Council
15 appointees have always voted and helped select the
16 fifth trustee.

17 We've had a succession of them. Our current
18 fifth trustee is a former sheriff and president of
19 Edward Waters College, Nat Glover. And there's
20 hardly anybody that could say he's not eminently
21 qualified, from good citizenship, elected
22 official, responsible for a large budget in the
23 operation of the sheriff's office, leadership in
24 our community.

25 THE MODERATOR: If the mayor had appointed

1 him, would he be less qualified?

2 MR. KEANE: Not -- not in the least.

3 THE MODERATOR: Well, obviously, this is a
4 major difference between the parties on this
5 governance. What I suggest to the City is I think
6 you -- the City needs to come up with a way to
7 assuage the concerns of the employees, which are
8 that this politicizes it into a position of, "Wait
9 a minute. We're automatically down on every
10 decision three to two."

11 On the other side of the table, I think that
12 the issue here is, if we're going to have
13 governance changes, then this is going to
14 require -- they have put forth a lot of language.
15 And, obviously, this is one component. It's an
16 important component. But it's a vitally important
17 component from your perspective because you wish
18 to maintain the current practice.

19 What I'd like to see is you guys try to be
20 thinking about ways to bring -- meld all these
21 differences now. You see what your differences
22 are.

23 Is there some way in which a -- and I'm
24 just -- I'm throwing out ideas. Is there some
25 ways in which a -- the employees would have a

1 veto? Is that a possibility of somebody that was
2 entirely unacceptable to the employees? I don't
3 know that. I'm just throwing out ways to think
4 about this, or is -- is this, John, of such
5 importance to you that you might accept other
6 governance language that's been proposed that you
7 might not otherwise accept in exchange for this?

8 I'm just -- this is an awkward situation
9 because we're in the Sunshine. These are the
10 conversations we had in the mediation every day
11 all day long. Now, I'm just throwing out ideas.
12 If we're going to get here within four or five
13 days, which I want us to do within two or three,
14 then somebody needs to be talking about -- "I
15 would do this if this was acceptable in an
16 alternative."

17 I hope both sides will be thinking about what
18 is the tradeoff. What are you willing to accept
19 to get this -- if both of you started today
20 saying, "I want an agreement," if both of you
21 said, "I want an agreement on governance," both of
22 you say, "There are some governance things that
23 need to be done. You're already doing some" --
24 this ought not be insurmountable.

25 This requires people just to put on your

1 thinking caps and say, "Okay" -- I hate to say --
2 I never want to use this because it'll come back
3 to haunt me, but every day at my house there's a
4 number of decisions that are made. And an awful
5 lot of them are compromises. After 33 years, they
6 remain compromises, and if there aren't, the
7 consequences aren't any good.

8 So here's where you guys are. Put on your
9 thinking caps here. There seems to me -- I mean,
10 I'm sitting here as an outsider looking -- there
11 seems to be a road here that could work, to some
12 of you getting -- nobody's getting everything they
13 want. We wouldn't be here. But there seems to be
14 a pathway that would work for that.

15 Other proposals?

16 MR. KEANE: Why don't we just stop there,
17 Senator? We've already got so many that we're
18 going to expect a response from the City in
19 following up on your good recommendations. We'll
20 go and review the six or seven we have presented.
21 And if it's important to everybody that they
22 become more wordy, I can put some more words on
23 the paper out of this document.

24 THE MODERATOR: I think there's --

25 MR. KEANE: I was trying to capture the

1 essence of it.

2 THE MODERATOR: John, I'm not -- I'm
3 suggesting they think it's just right wordy.
4 It's -- I mean, maybe we look at what are some of
5 these that we could take and some of these that we
6 don't accept it. I'm just throwing that on both
7 sides.

8 MR. KEANE: All right.

9 THE MODERATOR: Let me tell you what -- kind
10 of for a homework assignment, then. The first
11 thing I want to take up next time is I want to
12 deal with the new employees. I want to get that
13 issue resolved.

14 There are two or three ways that come to
15 mind, and I'm going to give you some thoughts on
16 this because we don't have the time not to. One
17 is: What is the multiplier that we're going to
18 use?

19 John, I think they're suggesting that the
20 multiplier ought to have some penalty attached to
21 it because it is -- it is supposed to dissuade
22 people from taking it.

23 MR. KEANE: Senator Smith, the individual
24 that takes an early retirement is going to have a
25 financial penalty the rest of his life and his

1 surviving spouse's life.

2 THE MODERATOR: I was just about to say
3 that --

4 MR. KEANE: I knew you were.

5 THE MODERATOR: -- that your view -- your
6 view is that there is a penalty inherit in early
7 retirement by the way we --

8 MR. KEANE: Correct.

9 THE MODERATOR: -- do it.

10 MR. KEANE: Correct.

11 THE MODERATOR: But we have three things we
12 can work on. We can also work -- and I throw this
13 to the City. Even if you used the three
14 percent -- and Joey, you're the mathematician on
15 this. And I trust you on this more than I trust
16 myself.

17 But it does make a difference as to the level
18 if we use the penalty figure of three percent, but
19 if you start at the 30 and work backwards, there
20 is a difference.

21 MR. GREIVE: The problem with that is that
22 you start with 30. They didn't work 30. So if
23 they're leaving at 25, you need to use 25.

24 THE MODERATOR: I understand. I understand
25 the -- I'm just saying there's two components to

1 this. One is the multiplier, the penalty
2 multiplier. If we start at -- if we start at --
3 and use a lower penalty number and we start at the
4 base number of 53, that lessens the -- I'm just
5 throwing out for you there are two or three ways
6 you guys can fix this.

7 They're using the multiplier the way that we
8 apply the multiplier, and there's a base number
9 below which we shouldn't go. If you use all of
10 those -- you guys, at 28 years, I find you guys
11 are less than four percent apart.

12 So -- maybe four and a half percent apart,
13 but let's try to get that -- that's Question
14 No. 1. I want that to be the one we deal with
15 first next time.

16 Question No. 2 we deal with next time is I
17 want us to deal with the governance issues and see
18 if we can come up with a package of governance
19 tradeoffs that might work. If everybody says, "I
20 can't trade anything," that's fine. We'll just be
21 stuck on going through the language.

22 And then three is where I want to move next
23 time, is I want us to move to current employees
24 and what we're going to do with current employees.
25 And one of the things that I want you-all to

1 consider is what we did -- if you-all help me with
2 my memory on this, the last time that we met, we
3 talked about that the -- that the Pension Board
4 would put up a percent. I don't remember what it
5 was. It may have been one. It may have been two
6 percent.

7 The Pension Board would put up a percent of
8 money. And the employees would put up a
9 percentage of money. But the employees'
10 percentage of money -- I think it was nine, but --
11 hold me if I'm wrong on that. The percentage of
12 the employees didn't kick in until pay raise.

13 MR. HAND: Correct.

14 THE MODERATOR: If we -- if I remember the
15 conversations last time, the Pension Board's
16 position on that was, essentially, that we'll put
17 in some percentage. Our percentage may dissipate,
18 but we might even go to a higher percentage if
19 that percentage was immediately offset by salary
20 increases that the employees could absorb. Is
21 that still kind of your thoughts on that, John?

22 MR. KEANE: No. That's still generally a
23 viable thought, yes.

24 THE MODERATOR: All right.

25 MR. HAND: May I ask a question --

1 THE MODERATOR: Yeah. Yeah.

2 MR. HAND: -- just while we're -- so we
3 moved -- because we moved the task force, we moved
4 13 governance articles today. Just so I'm clear,
5 are there any additional reactions to -- because
6 we talked about four. Are there any additional
7 reactions to Nos. 5 through -- or responses to 5
8 through 13 --

9 MR. KEANE: Yeah. I have some for all of
10 them.

11 MR. HAND: -- need to be --

12 THE MODERATOR: Yeah.

13 MR. HAND: So is it your intention to present
14 those today, or, since I know we've still got some
15 time left --

16 MR. KEANE: I want to go back and fix these
17 first four or five that we've talked on so we can
18 at least start getting something out of the way.

19 THE MODERATOR: Can I ask you both one thing
20 I want to know about -- is tell me your position
21 on the 30-year agreement language that appears in
22 paragraph -- I think it's 9. Is it 9? It is.

23 MR. KEANE: The 30-year agreement --

24 THE MODERATOR: Yeah.

25 MR. KEANE: -- was enacted by the City

1 Council and amended four times by the City
2 Council. It runs until September 30th of 2030.
3 The task force had recommended consideration of an
4 earlier termination date.

5 THE MODERATOR: That was the 80 percent
6 number?

7 MR. KEANE: Right.

8 THE MODERATOR: What do you see -- if you-all
9 are able to reach an agreement -- and I'm asking
10 this of both sides, and you may not be prepared to
11 answer. What do you see -- does that replace,
12 then, whatever you guys agreed to -- assuming its
13 passage, does that then become a replacement for
14 the 30-year agreement?

15 MR. HAND: Well, and just to be clear, I
16 think the parties have pretty well articulated
17 their positions on the 30-year agreement in the
18 litigation that's pending in federal court right
19 now, so that's a pretty good --

20 THE MODERATOR: Set that aside for a second.

21 MR. HAND: Right.

22 THE MODERATOR: I'm just asking you --

23 MR. HAND: Yeah.

24 THE MODERATOR: -- assume we had an
25 agreement, Chris.

1 MR. HAND: Right. Uh-huh.

2 THE MODERATOR: If we had an agreement, does
3 that agreement, in your mind -- and assuming that
4 we have a -- it's a date certain. It may be every
5 three years. It may be till 80 percent --
6 whatever number you guys agree on because you've
7 got to agree -- if the Board and the City reached
8 an agreement --

9 MR. HAND: From our perspective, I think any
10 agreement would have to sort of subsume and
11 supersede the 30-year agreement.

12 MR. KEANE: We could amend the 30-year
13 agreement, provided we reach agreement on all of
14 these things.

15 THE MODERATOR: Okay.

16 MAYOR BROWN: Well --

17 THE MODERATOR: So that's what I'm saying.
18 Wouldn't it, amended --

19 MAYOR BROWN: Well, because during task
20 force, John alluded to that, that the 30-year
21 agreement has always been amended.

22 MR. KEANE: Uh-huh. Sure.

23 MAYOR BROWN: So it wouldn't be anything new.

24 THE MODERATOR: Four times.

25 MAYOR BROWN: Right, four times. So I would

1 see that as our way of --

2 THE MODERATOR: Okay. I just wanted to make
3 sure that everybody was kind of -- is there
4 anything else today that you guys think we ought
5 to do?

6 MR. KEANE: Well, let me just tell you --

7 THE MODERATOR: And it's your position as to
8 the rest of these -- you're not accepting them;
9 correct?

10 MR. KEANE: No.

11 THE MODERATOR: I didn't think so.

12 MR. KEANE: Let me just tell you for
13 historical accuracy on that last comment, there
14 was a settlement agreement that was voted on by
15 the City Council that was then amended four times.
16 There was a restated settlement agreement, which
17 is the current agreement we have that's amended
18 three times.

19 So in total the whole settlement -- history
20 of the settlement agreement has been voted on nine
21 times by the City Council and signed by three
22 different mayors. And we're looking forward to
23 Mayor Brown being the fourth mayor to sign an
24 amendment to the settlement agreement. That's
25 about as positive as you're going to get today.

1 MAYOR BROWN: I appreciate that.

2 THE MODERATOR: All right. What I think
3 Chris was asking earlier that I'll make
4 sure it's -- is you have -- came back -- you came
5 back today with some counterproposals?

6 MR. KEANE: Uh-huh.

7 THE MODERATOR: You are not suggesting that
8 you accept all of the other governance issues; you
9 will be prepared to address some additional ones,
10 but you think these core issues ought to be
11 resolved --

12 MR. KEANE: Right.

13 THE MODERATOR: -- first?

14 MR. KEANE: Right. But the difference
15 between our office and the City is there's just
16 one of me, as you see. And I have to go back and
17 write these things and get them typed, which we're
18 short of good help. So it'll take me a while to
19 scramble. I'm going to be working late into the
20 evening to get a response from what -- the
21 comments were made here this afternoon.

22 THE MODERATOR: All right. Chris?

23 MR. HAND: Can I make just a request? It
24 might be helpful, and I think in the interest of
25 trying to move things along -- and one of the

1 really positive things about these meetings is we
2 can understand each other's perspectives better.
3 I understand from the minutes of the Board and
4 from some of the meetings that I guess there's
5 been some discussion about governance there.
6 Would some of that information be obtainable just
7 to save you some time, as well, on the line or
8 elsewhere at the PFPF about the nature of those
9 discussions?

10 MR. KEANE: Yeah. The amendments are already
11 online.

12 MR. HAND: Okay. Great. We'll follow up.

13 MR. KEANE: But I'll make sure one's sent
14 over to you tomorrow.

15 MR. HAND: Okay. Thank you.

16 MR. CHATMON: One thought, just in
17 preparation for our next meeting, if we have the
18 proposals for governance that, Mr. Keane, you were
19 thinking about earlier, is there any way we could
20 have those today and we actually have discussions
21 at our next meeting?

22 THE MODERATOR: I don't think --

23 MR. KEANE: You can have them as soon as I
24 get them rewritten, but prior to the next meeting,
25 yes.

1 MR. HAND: Well, just -- I think we need -- I
2 don't know if we need some legal guidance on this.
3 We had agreed to sort of set up a process where we
4 were going to be trading proposals back and forth
5 in this public venue in public view. I just sort
6 of want to --

7 THE MODERATOR: Yeah. Let me --

8 MR. HAND: -- respect the integrity --

9 THE MODERATOR: Let me --

10 MR. HAND: -- of that --

11 THE MODERATOR: Let me --

12 MR. HAND: -- process.

13 THE MODERATOR: Let me -- I kind of want to
14 interject here. I totally agree that that is the
15 better, easier, more productive way in some ways.

16 We have agreed from the outset to be bound by
17 the rules of bargaining for the Sunshine. I do
18 not consider this collective bargaining, but I
19 have to use that as kind of guiding me. Normally,
20 what we do is we make our proposals to one another
21 here.

22 MR. CHATMON: Correct.

23 THE MODERATOR: I can make an argument that
24 you can give it to one another and then we would
25 say each has already -- but I worry about someone

1 misinterpreting that as that we are bargaining
2 offstage.

3 MR. CHATMON: I understand, sir. The intent
4 was to see if we could actually have them here
5 today, but, again, if Mr. Keane doesn't want to,
6 that's fine. I understand.

7 THE MODERATOR: No. I don't think he has
8 the -- they're not all done. I mean, I know that.

9 MAYOR BROWN: They're not done.

10 THE MODERATOR: What I would -- what I would
11 like to do, guys, is to try to make sure all the
12 proposals come across this table.

13 MR. CHATMON: Fair enough.

14 THE MODERATOR: I know that is -- that that
15 is difficult. Somebody asked me today do I think
16 this can work. It absolutely can work. It
17 happens all the time. We make large decisions in
18 the public on very, very difficult subjects all
19 the time. I just want to make sure that someone
20 later -- and transparency has its own value, so I
21 think we should stay away from that.

22 MAYOR BROWN: I agree with that.

23 THE MODERATOR: Okay. You'll -- everything
24 we do to propose -- now, I will have discussions
25 with each of you, but I will not carry offers to

1 each of you. I may talk about your positions, and
2 I may even talk about your proposals, but I will
3 not talk about the other side's proposals in a
4 mediator fashion because that's not my role here.
5 Everybody understand that?

6 MR. CHATMON: Yes, sir.

7 THE MODERATOR: All right. Last thing, if
8 I've said anything today that makes you think that
9 I favored your side, or disfavored your side, or
10 disfavored your side on any subject, I promise
11 you, I do not care. I want you to reach an
12 agreement.

13 That's what I was -- what I worked for last
14 year. That's what I'm working for now. That's
15 what I think the public hopes for out of this
16 process. And I think that's honestly -- from
17 knowing all of you and speaking with all of you
18 privately, I know that all of you would like to
19 see us reach an agreement.

20 To do that, again, you're going to have to go
21 back, take a hard look at some of your positions
22 and say, "What can I do to get this done that gets
23 this over with?"

24 We do things all the time that end up in --
25 at times when we say, "Boy, I could have done

1 better."

2 I hope when this is over with, both of you
3 will say, "You know what? I could have done
4 better."

5 If both of you believe that, that means we
6 got it about right.

7 Now, I also realize that in a larger theater
8 it has to be something that you can go before a
9 commission, and you can go before a commission,
10 and you-all can get counsel approval of so we're
11 not back here or with someone else. But, please,
12 we've got a day now to think this over. You've
13 got some proposals. You've heard from one
14 another. You know one another's concerns.

15 This is not about winning. This is about
16 accommodating within your own principles, and
17 protecting your own interests, I understand, but
18 making this thing work; all right? So let's put
19 on our thinking caps and get this thing done.

20 With that, is there nothing else for the
21 order today?

22 Thank you so much for keeping up with me. I
23 know I talk too rapidly. We'll meet at 10:00 a.m.
24 on Thursday.

25 (The meeting was concluded at 4:37 p.m.)

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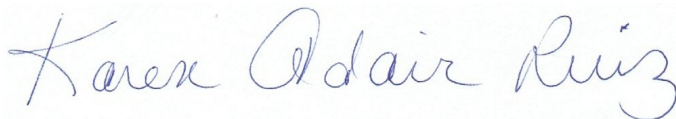
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4 I, Karen Adair Ruiz, Registered Merit
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9 I further certify that I am not a relative,
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14 Dated this 16th day of May, 2014.

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