



JACKSONVILLE CITY COUNCIL

TRUE COMMISSION PERFORMANCE COMMITTEE MEETING MINUTES August 2, 2012 3:00p.m.

City Council Conference Room B
Suite 425, City Hall
117 W. Duval Street

Attendance: Committee Members Ted Wendler (Chair), Joe Andrews, Diane Brown, Marcella Lowe, Tom Martin and Patti Anania

Also: Jeff Clements – Council Research Division; Tony Bates – Concerned Taxpayers of Duval County

The meeting was called to order at 3:08 p.m. by Chairman Wendler.

Chairman Wendler distributed copies of the Police and Fire Pension Fund actuarial report for the period ending September 30, 2011, several charts showing the unfunded liabilities of the City's three pension plans, and a printout of a spreadsheet showing a hypothetical lifetime pension contribution and payout for a typical police officer or firefighter. He has thus far been unable to obtain more than a few years of actual return on investment data for the Police and Fire Pension Fund to insert in the spreadsheet calculations. The spreadsheet should be useful for showing both City Council members and city employees how the finances of the current defined benefit pensions are unsustainable in the long run, with employee contributions and investment returns coming nowhere near meeting the cost of the promised benefits and leaving the City (meaning the taxpayers) on the hook for making up the considerable difference to make the fund whole.

Commissioners Wendler and Andrews had met in July to discuss how best to tackle the pension issue and had divided a number of research tasks between them. Commissioner Andrews stated that the problem is bigger than just the solvency of the pension plans – it's a threat to the solvency of the city government as a whole, as the recent bankruptcy filings of several cities and counties around the United States clearly demonstrate. He suggested looking at the common characteristics of the jurisdictions that have declared bankruptcy and comparing them with Jacksonville. He suspects that we are going down exactly the same path as they did, and face the same result. Jacksonville owes over \$8.5 billion in unfunded liability on the Police and Fire Pension Fund alone over the next 20 years.

The committee discussed the ramifications of changing over from a defined benefit to a defined contribution pension plan for all employees. What happens to the defined benefit plan when all new employees switch over to the defined contribution plan and no longer contribute to the DB pension? Does that undermine its solvency even further if new contributions stop while the payout obligations continue? The committee discussed what constitutes a good funding ratio for a defined benefit plan. Literature suggests that 80% funding is an absolute minimum, 100% is better, and 110-112% is best because such a fund could absorb a substantial stock market downturn and still be adequately funded. The committee questioned what would happen if the City were to declare bankruptcy – who would get

priority in the distribution of the pension fund assets? Does it work on a seniority basis with the most senior retirees getting paid first and younger retirees or current employees getting less or none?

Mr. Wendler stated that City Council Member Gulliford had asked him if the TRUE Commission was interested in exploring ways that Shands Jacksonville might help the City reduce its employee health care costs. Commissioner Andrews said that he had sent Mr. Gulliford some web links to information that was presented to the Charter Revision Commission several years ago regarding on-site employee health clinics which might be relevant to his inquiry.

There being no further business, the meeting was adjourned at 3:58 p.m.

Jeff Clements, Chief
Council Research Division
630-1405

Posted 8.6.12
5:30 p.m.