



JACKSONVILLE CITY COUNCIL

**TRUE COMMISSION
PERFORMANCE COMMITTEE MEETING MINUTES
November 1, 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, Tom Martin, Marcella Lowe, Greg Radlinski, Patti Anania

Also: Danny Becton (commissioner-designate), Jeff Clements – Council Research Division

The meeting was called to order at 3:00 p.m. by Chairman Wendler.

Chairman Wendler reviewed Mayor Alvin Brown's recently released pension reform proposal, noting that the proposal is very far-ranging and covers almost all aspects of benefit levels and contribution rates.

The committee reviewed Mr. Wendler's pension spreadsheet model and discussed its uses. Mr. Wendler reported that he had spoken with researchers at the Center for Pension Research at Boston College who told him that as long as the City continues making its Annual Required Contribution (ARC) to the pension plans, both the normal cost and amortization of the unfunded accrued actuarial liability (UAAL), then the plans will continue to be solvent. While this is true, it doesn't take into account the increasing percentage of City financial resources that will be necessary to sustain the pension plans in their current form. As an ever-increasing percentage of available revenues has to be invested in keeping the pensions solvent, an ever-decreasing percentage is available to fund all other City services.

The group discussed the past practice of "pension holidays" when the City paid its employer contribution out of "pension excess contributions" accrued in years when good returns on the pension plans' assets made employer contributions very small or even non-existent. The drawback of not making level employer contributions every year is that it loses the opportunity of compounding to grow the assets of the funds even greater in good market times, and subjects the funds to greater contribution requirements when stock market returns are poor. Taking "pension holidays" foregoes the opportunity to capitalize on good market conditions to grow the assets to counterbalance the inevitable market slumps.

The committee discussed ways to proceed in making the case for action on pension reform to the City Council and Mayor. Commissioner Radlinski suggested that at present a major stumbling block to any kind of progress on reforming the Police and Fire Pension is the uncertainty over who is the proper party with whom the City should be negotiating potential changes. The police and fire unions are adamant that the 30 year agreement between the City and the Police and Fire Pension Fund Board of Trustees makes that board the negotiator on behalf of both unions, and they refuse to discuss pension issues at the bargaining table with the City. There is already a pending court case that would help decide whether the City should be negotiating with the unions or the pension board, and the consensus was that the City

should be urged to seek a declaratory judgment from the court to finally settle the matter and get the right parties talking.

Commissioner Radlinski suggested two possible amendments to the City's pension plans to make them more financially sustainable: 1) broaden the pension funds' range of investment options to achieve better returns; and 2) adjust the automatic cost of living adjustment (COLA) to do away with the guaranteed 3% annual increase and instead reflect the actual inflation rate, either by using the change in the consumer price index or by matching whatever increase Congress grants annually for Social Security recipients up to a maximum cap. He believes that the police and fire pension needs to be kept more secure and attractive than a simple defined contribution plan in order to hire good quality police officers and firefighters who do a very dangerous job and need a competitive salary and benefits package to hire on with the City.

Commissioner Becton suggested that the Mayor and Council clearly see the need for changes in the pension plans, and perhaps the TRUE Commission adding its voice from an independent citizen perspective will be of assistance to the politicians in dealing with the inevitable challenges that proposing drastic change will bring. Commissioner Martin noted that the City is already sacrificing public safety somewhat by delaying the building of the fire stations called for in the TriData plan due to budget constraints. And when eventually those stations are built, they will require more personnel which will drive up the pension costs further.

The committee discussed Commissioner Wendler's pension illustration spreadsheet and how it could be useful in explaining the pension funding problem in simple terms. It can be illustrative in one of two ways. If the decision is made that the pension plan can't be allowed to fail and contributions will have to be made to keep its ability to pay benefits unimpaired, then the spreadsheet can show how much of an employer contribution will need to be made each year into the future to cover the liability, which will show how much money will have to be diverted away from paying for public services. Alternatively, if the decision is made that there is a maximum amount of employer contribution that the City can afford in any given year (for example a maximum percentage of the City budget), then the spreadsheet can show how much of a funding shortfall for the pension obligations will result from the insufficient contribution. Mr. Wendler will use the current FY12-13 employer contribution as a percent of payroll as a constant in the equations to calculate the future funding shortfall caused by insufficient employer contribution.

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

Jeff Clements, Chief
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630-1405

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