



JACKSONVILLE CITY COUNCIL

**TRUE COMMISSION
PERFORMANCE COMMITTEE MEETING MINUTES
May 2, 2013
10:00 a.m.**

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

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

Excused: Danny Becton

Also: Jeff Clements – Council Research Division

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

The minutes of the March 7, 2013 meeting were approved as distributed.

Chairman Wendler distributed a copy of his first draft of a committee final report for discussion. In response to a question from Commissioner Andrews about how the Police and Fire Pension Fund's unfunded accrued liability has grown so large considering that investment returns have been fairly good in most years, Mr. Wendler stated that very large losses, even in just a few years, are very difficult to overcome. It takes many years of good returns to overcome a few very bad years. Commissioner Martin felt that the PFPF's overall returns are fairly poor and that this is evidence of poor investment management.

Mr. Wendler hoped that the report would be illuminating to readers and would provide an easily understandable factual baseline of information about the PFPF which readers can use to formulate or evaluate potential changes to the system. He envisions that a hybrid defined benefit/defined contribution system will probably have the best chance of being adopted, perhaps being structured as a defined benefit portion offering the same basic benefits as Social Security with a defined contribution element that shifts investment decisions and investment risk from the taxpayers to the individual employee. One difficulty in making a change to any sort of alternative plan is that a reduction of employees paying into the current defined benefit plan will divert their employee contributions from support of the plan, increasing the burden of paying for the growing cost of the unfunded actuarial liability.

The numbers seem to indicate that the City's pension normal cost (the annual cost of benefits earned by current employees) is fairly stable from year to year. The major problem is amortizing the unfunded actuarial liability as the cost of long-term benefits increases. Even though the amortization can be spread out over 30 years, the projections show the cost of that amortization growing at an alarming rate in the coming years, particularly if the returns on investments fail to meet the 7.5% annual assumption.

The committee agreed to meet again on May 8th to refine the draft report document.

There being no further business, the meeting was adjourned at 3:51 p.m.

Jeff Clements, Chief
Council Research Division
630-1405

Posted 5.9.13
5:00 p.m.