

1
2 PUBLIC MEETING BETWEEN

3 CITY OF JACKSONVILLE

4 AND

5 JACKSONVILLE POLICE AND FIRE PENSION FUND
6
7

8
9 MODERATOR,
10 RODNEY WARREN SMITH, Esquire
11 Avera & Smith, LLP
12 2814 Southwest 13th Street
13 Gainesville, Florida 32608

14 DATE TAKEN: May 15, 2014
15 TIME: 1:36 p.m. - 4:48 p.m.
16 PLACE: City Hall
17 St. James Building
18 Lynwood Roberts Room
19 117 West Duval Street
20 Jacksonville, Florida 32202

21 reported by:
22 Karen Adair Ruiz
23 Florida Professional Reporter
24 Registered Merit Reporter
25

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22
23 RILEY REPORTING & ASSOCIATES, INC.
24 1660 Prudential Drive, Suite 210
25 Jacksonville, Florida 32207
(904)358-1615
info@rileyreporting.com

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A P P E A R A N C E S

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3 MAYOR ALVIN BROWN
City Hall
Office of the Mayor
St. James Building
117 West Duval Street
Jacksonville, Florida 32202

6 CHRISTOPHER JOHN HAND, Esquire
Chief of Staff
Office of the Mayor
St. James Building
117 West Duval Street
Jacksonville, Florida 32202

9 CINDY A. LAQUIDARA, Esquire
General Counsel
Office of the General Counsel
117 West Duval Street, Suite 480
Jacksonville, Florida 32202

12 DERREL Q. CHATMON, Esquire
Chief Deputy General Counsel
Office of the General Counsel
117 West Duval Street, Suite 480
Jacksonville, Florida 32202

15 C. RONALD BELTON
Chief Financial Officer, City of Jacksonville
St. James Building
117 West Duval Street, Suite 300
Jacksonville, Florida 32202

18 PATRICK GREIVE
Treasurer, City of Jacksonville
St. James Building
117 West Duval Street, Suite 300
Jacksonville, Florida 32202

21 JOHN KEANE
Executive Director-Administrator
Police and Fire Pension Fund
One West Adams Street, Suite 100
Jacksonville, Florida 32202

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2 THE MODERATOR: We're on the record. And the

3 City's on their way down. They've got a couple of

4 copies that I've asked to be made. Then they will

5 be -- will be here.

6 John, pursuant to our conversations -- and I

7 know you have a proposal that we'll be talking

8 about first this morning, so that'll be the first

9 order of business.

10 So show us in kind of informal recess till

11 their team gets down here.

12 And, John, I need to talk to you on something

13 for a moment.

14 (Recess from 1:36 p.m. to 1:43 p.m.)

15 THE MODERATOR: Guys, thank you for being

16 here. We had a slight rain delay. A couple of

17 things that I think are critically important,

18 first of all, about seven o'clock this morning, I

19 got a call from my son, who is an associate in my

20 law firm, that they were on their way to the

21 hospital for my granddaughter to arrive today. So

22 she's three weeks early. So my other son is

23 currently over there putting together the car seat

24 that they thought they had three weeks to do.

25 So with that, I kind of warn people that

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1 there is some chance -- and I called Chris this

2 morning and I called John this morning and told

3 them I was going to be able to proceed, but I'm

4 going to be kind of following events, and if there

5 would be any -- I don't intend to be here late.

6 And I know, John, you have a confirmation of

7 a granddaughter, and so I understand how important

8 that is too.

9 MR. KEANE: Yeah.

10 THE MODERATOR: So we're going to work today

11 and try to get this thing done in as timely a

12 fashion as possible.

13 A couple of things that I wanted to discuss

14 before I asked you for your proposals, just a

15 couple of ideas I have that I want to bring out

16 there. Number one, I wanted to talk about

17 Paragraph 8 in the proposal, as presented -- I'm

18 sorry. I want to return to governance,

19 Paragraph 8, for just a moment. That's

20 Paragraph 8.

21 If you remember, we had one issue that was

22 still kind of laying out there undone. And I'd

23 like to go back to the language that was contained

24 in the original proposals -- excuse me -- by the

25 City, which really reflected, I believe, the task

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1 force recommendations on that. And I think, guys,

2 if you want to go to the page, I believe that's on

3 Page 27, if you remember the package we had in

4 front of us. And Paragraph 8 was for the future

5 administration of the JPPF.

6 Upon selection of the next administrator/
7 chief investment officer, the aggregate
8 compensation -- et cetera, et cetera. I want to
9 go to the point where -- all that's been agreed
10 to.

11 MR. HAND: And you've actually got some

12 red-line language that -- coming out of some of

13 the last meeting --

14 THE MODERATOR: It came out of --

15 MR. HAND: Yeah.

16 THE MODERATOR: I understand that.

17 MR. HAND: Correct.

18 THE MODERATOR: But I want to go to the

19 principal language we've been discussing for a

20 moment --

21 MR. HAND: Sure.

22 THE MODERATOR: -- and make sure that we're

23 all in the same place. About one-half of the way

24 through the City's proposed language: The JPPF's

25 current Senior Staff Pension Plan will be frozen

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1 as of the close of the pay period immediately
 2 preceding August 15th, 2014. And following that
 3 date, no further benefits will accrue under the
 4 Senior Staff Pension Plan.
 5 Now, is the City's proposal -- and, Chris,
 6 I'll turn this to you because I know you -- is the
 7 City's proposal there that the plan as it applies
 8 will be closed? The plan that now exists would
 9 close on August 15, 2014, and no longer be
 10 available?
 11 MR. HAND: Correct.
 12 THE MODERATOR: The next sentence then says:
 13 Benefits will be distributed to Senior Staff
 14 Pension Plan participants after closure of the
 15 plan as if such participants had been enrolled in
 16 the Florida Retirement System Special Risk Plan,
 17 or by the purchase of annuities as permitted by
 18 law.
 19 That deals with plan participants. Tell me
 20 where we are on that language and how that would
 21 affect --
 22 MR. HAND: Well, that's similar to language
 23 we had during the MSA and is the language the task
 24 force used. We had also, in our last round, added
 25 a sentence that said: For any Senior Staff

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1 Pension Plan beneficiaries who are currently JPPFF
 2 employees, benefits shall be distributed following
 3 the termination of employment.
 4 So you've essentially read the correct
 5 language. That was one addition that was also
 6 sort of mentioned --
 7 THE MODERATOR: What --
 8 MR. HAND: -- the last time we
 9 discussed No. 8 --
 10 THE MODERATOR: What I want to know here is,
 11 if we froze this at the end of the sentence, no
 12 further benefits will accrue under the Senior
 13 Staff Pension Plan; benefits will be distributed
 14 to Senior Staff Pension participants after closure
 15 of the plan, period, what does that do, John?
 16 MR. KEANE: The Board's agreed to close the
 17 plan.
 18 THE MODERATOR: Right.
 19 MR. KEANE: Put a period after -- and the
 20 following date -- no further benefits will accrue
 21 under the Senior Staff Pension Plan -- put a
 22 period, and that's the end of that.
 23 THE MODERATOR: Okay. And to be clear, at
 24 that point in time, then, the plan would no longer
 25 exist, and the parties would be in agreement that

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1 that plan has ceased to exist, and that's the only
 2 thing that accomplishes; is that correct?
 3 MR. KEANE: Closes the plan for accrual of
 4 benefits, yes.
 5 THE MODERATOR: With those questions -- I
 6 throw this kind of to the City's side for a
 7 moment. That accomplishes one of the principal
 8 goals you had from the outset, which was the
 9 closing of the Senior Staff Pension Plan; correct?
 10 MAYOR BROWN: Right.
 11 MR. HAND: That has been a consistent goal in
 12 the MSA and through the task force process.
 13 THE MODERATOR: At least to that point in
 14 time, we have agreement that the Board wants to
 15 close the plan, is willing to close the plan. The
 16 City wants the plan closed. The plan would be
 17 closed.
 18 Do we have to have any further direction
 19 after that for purposes of reaching this
 20 agreement?
 21 MR. HAND: Let me ask a question -- and,
 22 John, you will know this better. Under the
 23 current Senior Staff Plan, what are -- because I
 24 haven't read a plan summary description or
 25 anything like that. What are the provisions for

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1 distribution of the plan benefits? And,
 2 obviously, I know there's three people, two whom
 3 are probably already receiving benefits because
 4 it's Mr. Cohee's widow and one other person. How
 5 does the plan -- what are the -- how do the plan
 6 governing documents sort of manage the process of
 7 distributing benefits?
 8 MR. KEANE: To the -- those two individuals
 9 you spoke of?
 10 MR. HAND: Well, I mean, to -- just in
 11 general, like, how does that -- how does --
 12 MR. KEANE: They pay them every -- they pay
 13 them every two weeks --
 14 MR. HAND: Got you.
 15 MR. KEANE: -- on the regular City pay dates.
 16 MR. HAND: And in your mind, to the extent
 17 the plan were closed, what would that mean for you
 18 as a beneficiary in the plan?
 19 MR. KEANE: That would be up to the Board.
 20 And that's another reason, probably, that you
 21 should -- let's look at this a little bit more.
 22 You may want to take out, the City and the JPPFF
 23 shall ensure that any future executive
 24 director-administrator shall be placed in either
 25 the City or the General Employees' Pension Fund or

<p style="text-align: right;">Page 10</p> <p>1 a defined pension contribution plan, within the 2 limits of federal law, which you --</p> <p>3 THE MODERATOR: That's already been agreed 4 upon.</p> <p>5 MR. KEANE: I know, but you may just want to 6 take that out because that's solely within the 7 province of the Board. The Board may want to say, 8 "We're just going to have Social Security and 9 nothing else."</p> <p>10 THE MODERATOR: I thought that when we 11 discussed that earlier -- and correct me if I'm 12 wrong -- the idea was for future -- that was to 13 give a broad base for the City and --</p> <p>14 MR. KEANE: Uh-huh.</p> <p>15 THE MODERATOR: -- to try to tailor what they 16 thought they needed to be competitive in the 17 field -- because we had raised -- because the City 18 had, and you have agreed to --</p> <p>19 MR. KEANE: And that's fine.</p> <p>20 THE MODERATOR: -- some significant --</p> <p>21 MR. KEANE: And that's fine.</p> <p>22 THE MODERATOR: -- increases in --</p> <p>23 MR. HAND: Well, and to put it --</p> <p>24 THE MODERATOR: -- requirements --</p> <p>25 MR. HAND: To put it mildly, there may be</p>	<p style="text-align: right;">Page 12</p> <p>1 that they'll be no further retirement benefits 2 accruing into the plan, but that the distribution 3 of the plan would be when you retire. That's the 4 intent of the language.</p> <p>5 When they use the word "close," I think to a 6 professional like yourself, John, you see that as 7 a technical closure of a plan that mandates 8 certain things under federal law. And I think 9 what the intent of the parties -- is that no 10 further benefits are accruing, and that when -- 11 and that when -- and that when you retire, you 12 would start drawing the benefits that have accrued 13 to date.</p> <p>14 MR. KEANE: That's what you say on the last 15 sentence.</p> <p>16 MS. LAQUIDARA: Okay. Is that --</p> <p>17 THE MODERATOR: What if we simply --</p> <p>18 MS. LAQUIDARA: I want to make sure we have a 19 meeting of the minds, that we don't walk out of 20 here --</p> <p>21 THE MODERATOR: I want to be very clear --</p> <p>22 MAYOR BROWN: It's -- I don't want to get 23 people -- it's the last sentence.</p> <p>24 MR. HAND: Yes.</p> <p>25 THE MODERATOR: That's the issue?</p>
<p style="text-align: right;">Page 11</p> <p>1 disagreement as to whether or not that is truly 2 solely in the province of the Board. So I just 3 think we want to think carefully about --</p> <p>4 MR. KEANE: Leave it in. Leave it in.</p> <p>5 THE MODERATOR: Okay. I think that language 6 was agreed to. I think that what we all need to 7 do here is, I want to know whether or not the 8 parties could live with this Paragraph 8 ending 9 with, under the Senior Staff Pension Plan, period, 10 which is -- means that the plan would be gone. 11 The future of the incumbent would not be 12 determined by this agreement as it related to 13 retirement.</p> <p>14 MR. HAND: And, again, I'm trying to -- John, 15 is there -- what I'm trying to understand a little 16 better here is, if the plan is closed, in your 17 mind, does that mean benefits are distributed? 18 How does that mean benefits are distributed to 19 you, the benefits that have accrued under the 20 plan?</p> <p>21 MR. KEANE: This doesn't say one way or the 22 other, and I'd have to go back and look at the 23 plan.</p> <p>24 MS. LAQUIDARA: I think -- if I -- if I may, 25 I think the intent of what we were doing is saying</p>	<p style="text-align: right;">Page 13</p> <p>1 MAYOR BROWN: But it's there. It's already 2 there. It's covered.</p> <p>3 THE MODERATOR: No. What I'm saying --</p> <p>4 MS. LAQUIDARA: But it wasn't just in there 5 just now, with --</p> <p>6 THE MODERATOR: No. I'm saying what occurs 7 and could -- would the -- what would the parties 8 do if we were to stop the sentence at, under the 9 Senior Staff Pension Plan, which basically would 10 provide, I guess, that whatever turns out to be 11 the method by which the Senior Staff Pension 12 Plan -- which I claim no expertise, and maybe, 13 Joey, you guys know.</p> <p>14 Whatever the plan for distribution, the fact 15 of the matter is that whoever -- whatever that 16 plan of distribution is, we all know that it 17 actually would only apply to one person. Now, 18 that distribution plan, awkwardly, that we're 19 negotiating here at the table applies to that one 20 person who's here at the table.</p> <p>21 MS. LAQUIDARA: Yes.</p> <p>22 THE MODERATOR: So that being the case, I'm 23 just saying does that question have to be resolved 24 as part of the larger agreement between the 25 parties? My suggestion is that both sides give</p>

<p style="text-align: right;">Page 14</p> <p>1 some consideration to whether or not that has to 2 be resolved in this setting.</p> <p>3 It may be that you believe it has to be. And 4 if you do, then we should. And if it's -- if it's 5 incumbent upon -- on the parties to resolve that, 6 then we have language in there that has not been 7 agreed to yet, which is the last -- the last 8 sentence. If the last sentence -- then there's 9 also -- we had reached an agreement in the MSA, 10 had we not, John?</p> <p>11 MR. KEANE: Yes.</p> <p>12 THE MODERATOR: Would the MSA language that 13 was agreed to be acceptable?</p> <p>14 You may want to take a moment to look at 15 that.</p> <p>16 MR. KEANE: I have it right here.</p> <p>17 THE MODERATOR: But would the MSA -- what I'm 18 saying is, what had previously been agreed to by 19 the parties, would that be acceptable to the 20 parties today as a way to move beyond that issue?</p> <p>21 MR. KEANE: I'll let you know in just a 22 minute, as soon as my --</p> <p>23 THE MODERATOR: Oh, yeah.</p> <p>24 MR. KEANE: -- assistant finds --</p> <p>25 THE MODERATOR: I'm not even requiring that</p>	<p style="text-align: right;">Page 16</p> <p>1 make. I think we can resolve this fairly quickly 2 when we come back from our --</p> <p>3 THE MODERATOR: And I know -- I know that, 4 yeah, we're anxiously waiting -- John, but I have 5 one other issue I want to discuss before we get to 6 that because I think it's also critical. And I 7 will -- I'm sorry. I will tell you that I -- and 8 I'm going to have to do a little more redrafting, 9 but I have looked at the Provision No. 9 that was 10 provided as a task force recommendation.</p> <p>11 Provision No. 9 is one that basically I 12 have -- I'm going -- I'm working on drafting the 13 language on this, and I've got some draft language 14 that -- having considered other things today, I 15 may have to change. But essentially what I think 16 would happen here is that both parties want this 17 to be -- that this would be a revision of the 18 30-year agreement, that these would be considered 19 as amendments.</p> <p>20 All of the things that you have agreed to or 21 do agree to would be considered as amendments to 22 that 30-year agreement, that they would all be in 23 the 30-year agreement. And they would be subject 24 to some -- there's a recommendation in 25 Paragraph 6, and maybe there has to be some backup</p>
<p style="text-align: right;">Page 15</p> <p>1 answer to be immediate. I'm throwing that out 2 there. We had an agreement that was on the MSA. 3 And I'm suggesting could we go back to what you 4 guys had previously agreed to and live with that, 5 since we know we're all talking about one person 6 who just happens to be, you know, you?</p> <p>7 MR. BELTON: Senator, my notes show that we 8 reviewed the MSA language. Is that what you're 9 asking?</p> <p>10 THE MODERATOR: That was a suggestion.</p> <p>11 MR. HAND: That was a suggestion.</p> <p>12 THE MODERATOR: I don't think -- we have 13 not -- we have not done that. I'm -- but I'm just 14 asking, I'm throwing out -- because we are down 15 to --</p> <p>16 MR. KEANE: Do you want to look at the MSA 17 language?</p> <p>18 MR. HAND: Sure.</p> <p>19 THE MODERATOR: And I just want to know 20 whether or not the parties are -- if we -- if it 21 would lead to agreement, whether the parties 22 would -- could agree to the MSA language.</p> <p>23 MR. HAND: It would be my suggestion -- 24 you've given some excellent food for thought here. 25 I know John's got another proposal he wants to</p>	<p style="text-align: right;">Page 17</p> <p>1 language in case the federal judge is not 2 available for that, but that everything, including 3 all of the decisions about the parties, everything 4 would be in the agreement.</p> <p>5 If the -- if the governance is passed by the 6 City and becomes a permanent component of the 7 City, that's fine, but as to these parties, until 8 such time as this expires, you would be bound by 9 the governance provisions that you have -- that 10 you have agreed upon between yourselves, and that 11 those governance provisions would become a part of 12 the 30-year -- would be amended to what has been 13 called the 30-year agreement.</p> <p>14 And if the City chose not to enact those as 15 part of its permanent government program or to 16 modify that or come up with some other -- that's 17 fine, but as for the period of time of this 18 agreement, those provisions agreed to between 19 yourselves would be the governance provisions that 20 would bind us in the future, unless you guys 21 mutually change those.</p> <p>22 MR. HAND: I think we just need to sort of 23 talk about how we're going to label and present 24 this because there are some significant 25 differences to the existing agreement and in terms</p>

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1 of how the particular terms of different
 2 provisions might work. So I think we want to -
 3 need to work on that --
 4 THE MODERATOR: Well, one thing I think we're
 5 operating under is, whatever there is before this,
 6 to the degree it's modified by this, this
 7 supercedes any prior provisions to the contrary,
 8 notwithstanding -- the old language we used to do.
 9 MR. CHATMON: Correct.
 10 THE MODERATOR: Okay. All right. Now, with
 11 that, John, I think it's -- I think I have kind of
 12 covered two things I think we can get worked out,
 13 or I want you guys to give some consideration to.
 14 And that puts us back to the squeeze point of this
 15 thing. And that is, you have received a proposal
 16 yesterday afternoon, which I've called the 5:30
 17 proposal. That means it was 5:30 in the
 18 afternoon. It was 5/14 at 5:30 from the City. Do
 19 you have a response to the City's most recent
 20 proposal?
 21 MR. HAND: I do want to make -- just one
 22 thing that may not have been clear from our
 23 proposal yesterday. One of the changes we made
 24 was to modify or offer on the prospective COLA
 25 cap -- which previously had been 1.5, and then we

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1 moved that to 2 percent.
 2 THE MODERATOR: Right.
 3 MR. HAND: We -- the fact that we did not
 4 address the bifurcation, in other words, the
 5 difference between employees with less than ten
 6 years or greater than ten years means that that
 7 wasn't changed, simply the 1.5 to the 2 in both
 8 portions of those proposals. I just wanted to
 9 make that clear.
 10 THE MODERATOR: So your Age 55 would still be
 11 there for --
 12 MR. HAND: For employees with less than ten.
 13 THE MODERATOR: -- the employees with less
 14 than ten years?
 15 MR. HAND: We're simply, on both pieces of
 16 that proposal, moving the 1.5 to 2 percent.
 17 THE MODERATOR: I understand that.
 18 MR. HAND: Yeah.
 19 THE MODERATOR: Okay. Go ahead. John, your
 20 responses? And I think you have a proposal?
 21 MR. KEANE: Oh, yeah.
 22 Are you going to be the --
 23 MAYOR BROWN: Yeah.
 24 MR. KEANE: -- paper man today?
 25 MAYOR BROWN: Yes, sir.

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1 THE MODERATOR: The longest part of this and
 2 the first part I want to address will be issues
 3 involving enhanced authority, so --
 4 MR. KEANE: You and the court reporter.
 5 MS. LAQUIDARA: Thank you, John.
 6 MR. KEANE: And the senator.
 7 MS. LAQUIDARA: Here, Senator.
 8 MR. KEANE: You, the court reporter, and the
 9 senator, Item 2.
 10 MS. LAQUIDARA: Yes, sir.
 11 MR. KEANE: Me. You. And just a minute.
 12 Mistake.
 13 I think it's -- I don't understand it.
 14 THE MODERATOR: All right.
 15 MR. KEANE: Hold on just a minute, Senator.
 16 Let me make sure we've got the -- this technology
 17 is overcoming us here sometimes.
 18 We've got it going.
 19 What we have here -- handing out today,
 20 labeled Board 5/15, recaps what we talked about
 21 yesterday afternoon. Item 4 talks about the --
 22 clarifies the enhanced investment authority that
 23 the City proposes, and it's the language that is
 24 in the current ordinances pending before the City
 25 Council, starting on paragraph -- on Page 2. It's

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1 Section X, X, X, a lot of Section Xs there. And
 2 this is the language that is currently pending, or
 3 was in 2013-669, I believe, that --
 4 THE MODERATOR: That's the enhanced -- so
 5 what you're saying is your enhanced --
 6 MR. KEANE: We're identifying and describing
 7 the enhanced benefits, yes, sir.
 8 THE MODERATOR: The City came back yesterday
 9 with an enhanced investment authority approach as
 10 part of their overall deal. And this would be the
 11 enhanced authority that you would be seeking, is
 12 that which was stated in that --
 13 MR. KEANE: Yes, sir.
 14 THE MODERATOR: Okay. I'll need to ask you
 15 some questions about your proposal. Under this,
 16 the employee contributions gradually increase from
 17 7 to 10 percent of pay. I'm assuming that what --
 18 what that is, is a repetition of an agreement
 19 we've already reached, which is that the employee
 20 contributions would increase, as we have
 21 previously agreed to, to 8 percent, and would go
 22 to 10 percent immediately upon reinstatement of
 23 the pay cuts; is that correct?
 24 MR. KEANE: Yes, sir.
 25 THE MODERATOR: So that's no change.

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1 All right. The, all current and future
 2 chapter monies and accounts reduce the City's
 3 contribution, the plan you presented yesterday
 4 took all of the -- took all of the current and
 5 future chapter monies -- excuse me -- took all of
 6 the current monies that you have in two identified
 7 accounts to the -- I think we kind of agreed
 8 somewhere in the neighborhood of \$61 plus million.
 9 Those would immediately transfer into the account.
 10 Those are -- I think were the chapter monies
 11 and -- the excess chapter monies and the -- and
 12 the stabilization monies.

13 Additionally, you would be transferring onto
 14 this, instead of the original plan, which was a
 15 four-point -- excuse me -- was a 4 percent plan,
 16 you would be -- under this proposal, you would be
 17 transferring all of the amounts that you receive
 18 except those -- and I'm going to call them the
 19 Christmas bonus. I just think it's semantically
 20 better for our discussion.

21 MR. KEANE: Maybe holiday.

22 THE MODERATOR: Holiday, even better.
 23 Holiday bonus. You would -- you would transfer
 24 all of the monies into the -- to the City in the
 25 future. Under your plan yesterday, you had it

Page 23

1 capped at \$100 million. Do you still perceive
 2 that you would cap it at \$100 million, or would
 3 this be -- you would continue those transfers
 4 until we reached -- I believe the goal in this
 5 agreement was the 80 percent?

6 MR. KEANE: Let me think about that a little
 7 bit more. This No. 2 is the follow-up of the \$100
 8 million. It gets us to the \$100 million level.

9 THE MODERATOR: Well, I'm going to --

10 MR. KEANE: Now I'm going to try to think of
 11 what we could do to continue supplemental funding
 12 till we reach the 80 percent level.

13 THE MODERATOR: We --

14 MR. KEANE: I'm going to have to --

15 THE MODERATOR: The goal has --

16 MR. KEANE: -- study on that a minute.

17 THE MODERATOR: The goal has been from the
 18 outset to get to 80 percent. Both sides have said
 19 that. You talked about your needs for that to
 20 occur and where that would put us in terms of --
 21 the City has talked about that.

22 What I would suggest, John, is that --
 23 yesterday, you -- the moderator would suggest that
 24 you-all just consider the following. Yesterday's
 25 plan, as I analyzed it last night, did the

Page 24

1 following: You went 61 million up front, and you
 2 went approximately 7 million, which is an
 3 additional, roughly, 2 million a year, above what
 4 the rate had been. About \$7 million in chapter
 5 funds would go in there for 5 million -- for --
 6 till -- for not five years, but until such time
 7 as -- yeah, for five years.

8 What that would not do, it would not move us
 9 to 80 percent funding by 2028, which I think the
 10 parties had agreed was the goal. Although,
 11 admittedly, those numbers are -- will always be
 12 somewhat squishy.

13 What I'm asking is, is the -- is this
 14 proposal one that would consider additional
 15 contribution from the chapter monies after the
 16 fifth year and until such time as 80 percent is
 17 reached or some amount of that?

18 MR. KEANE: I'll answer that question in a
 19 few minutes while I --

20 THE MODERATOR: Okay. That's fair.

21 MR. KEANE: -- think of something.

22 MR. HAND: May I ask a quick question?

23 THE MODERATOR: You can. Sure.

24 MR. HAND: So I'm looking at the Board
 25 5/14/14 proposal, and two items were immediately

Page 25

1 eliminated, as we had already agreed to them,
 2 current employees and new member COLA. I just
 3 want to make sure I'm clear, John. This --

4 THE MODERATOR: Wait a minute. I think you
 5 said that -- you said had already been agreed to?

6 MR. HAND: No. In other words, John
 7 included -- or the Board included, on the 5/14 --

8 THE MODERATOR: No. 1 is the same --

9 MR. HAND: No. 1 and 4 --

10 THE MODERATOR: -- as their offer yesterday,
 11 and that has --

12 MR. HAND: So --

13 THE MODERATOR: -- already been agreed to.

14 MR. HAND: -- very quickly -- and to -- those
 15 were eliminated. So that left essentially No. 2,
 16 which is the exact same to No. 2. No. 1 in your
 17 proposal for today, we've already agreed to. Two
 18 is identical to what was on last night's proposal.
 19 Three is identical to what was on last night's
 20 proposal. The established share plan --

21 THE MODERATOR: Then I've misread this. I
 22 misread No. 2. No. 2 here does not, as I read it,
 23 contain the five-year limit. John's saying that
 24 right now he's considered 100 million, but he's
 25 willing to consider the continued -- that this

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1 provision --

2 MR. HAND: Sure.

3 THE MODERATOR: -- could be to continue --

4 MR. HAND: That's all I'm --

5 THE MODERATOR: -- the payment until the 80

6 percent.

7 MR. HAND: That's all I'm trying to

8 clarify --

9 THE MODERATOR: Okay.

10 MR. HAND: -- just because the language is

11 the same. So the meaning might be different, but

12 I'm just trying to clarify --

13 THE MODERATOR: Got it.

14 MR. HAND: -- the language. Because the

15 language was the same. The one new thing here

16 appears to be the enhanced investment authority,

17 which was in our proposal --

18 MR. KEANE: Right.

19 MR. HAND: -- last night.

20 MR. KEANE: We just fleshed it out.

21 MR. HAND: Yeah. There didn't seem to be

22 anything different. And that's why I'm just

23 trying --

24 MR. KEANE: That's correct.

25 MR. HAND: -- to clarify.

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1 MR. KEANE: That's correct.

2 MR. HAND: What Senator Smith is describing

3 would be something different?

4 MR. KEANE: That's right. What he's

5 described is something that he asked me to -- just

6 a minute ago, to think about, and I'm going to

7 think quick. We got criticized for taking too

8 long a break yesterday, so I'm going to think

9 while we're sitting here.

10 THE MODERATOR: All right. Let me go back to

11 the City. The issues that this leaves, then,

12 using kind of your approach yesterday, Chris,

13 which is, you had the COLA issue in front of you.

14 You had the COLA issue, in which what you had

15 proposed to do is, I believe, to raise the cap to

16 2 percent. You had a range that you had narrowed

17 with a base of 2.5 to a cap of 10 on DROP.

18 You wanted current -- excuse me. You wanted

19 the funding to extend in some form until 80

20 percent was achieved from the additional funding

21 from the City's side, which we're trying to

22 address now. You were willing to give enhanced

23 investment authority. Admittedly, this language

24 is language that was -- you have not agreed to.

25 This was language, however, that has been

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1 presented and you guys are at least familiar with,

2 and you can work off of that.

3 The establishing the share plan, so that

4 we're clear on this, John, the share plan, if it

5 were established, in all likelihood, given the

6 commitments that you would be making, that share

7 plan would not be funded until the 80 percent. It

8 would be established, but it wouldn't actually be

9 funded until 80 percent fund status level had been

10 reached; is that correct?

11 MR. KEANE: That's not correct.

12 THE MODERATOR: Okay. Tell me how that would

13 work.

14 MR. KEANE: No. 5 establishes the share plan

15 basically as a shell.

16 THE MODERATOR: That's what I meant, yeah.

17 MR. KEANE: No. 2, if you just add the words,

18 after the period, on the third line there -- and

19 add the words "to the \$100 million level," then

20 it's clear. That's the same thing we were --

21 THE MODERATOR: Yeah.

22 MR. KEANE: -- talking about yesterday --

23 THE MODERATOR: I got it. What I want to

24 know --

25 MR. KEANE: -- so I just want to be clear

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1 about that.

2 THE MODERATOR: We got it.

3 MR. KEANE: Now, we may be able to continue,

4 after that threshold is reached, with a continued

5 supplemental appropriation of a percentage of the

6 chapter funds until the base benefit fund reaches

7 80 percent. We would certainly entertain that as

8 a spirit of continued cooperation. And then there

9 would be some funds that would be available to

10 fund the share plan, but, as you pointed out, it's

11 well after five years from now.

12 THE MODERATOR: Well, following up on this,

13 to be clear, because I'm going to push you guys a

14 little bit today because both of you need a little

15 pushing.

16 MR. KEANE: Thank you.

17 THE MODERATOR: John, the deal here that I'm

18 looking at says \$100 million.

19 MR. KEANE: Uh-huh.

20 THE MODERATOR: You also had a proposal

21 before you put that on the table by which you had

22 a willingness to continue the 4 percent for a

23 period of time. The 4 percent -- and, Joey,

24 correct me if I use the wrong numbers here. If

25 the 4 percent -- if within this five-year

<p style="text-align: right;">Page 30</p> <p>1 period -- and I think that we anticipated that 2 would be the case. If within the five-year period 3 the cuts had been reinstated, then the employee 4 contribution would go to 10 percent under the plan 5 and would remain at 10 percent.</p> <p>6 If the City -- excuse me -- if the Board then 7 was willing to put the additional 4 percent in, 8 they would then be putting in 14 percent between 9 the employee contribution and the Board's 10 contribution until they reached 80 percent.</p> <p>11 Are you willing to do that?</p> <p>12 MR. KEANE: That was on the step-down 13 approach.</p> <p>14 THE MODERATOR: I know that. I'm saying are 15 you willing to do that? Are you willing to put in 16 an additional 4 percent above what you've put on 17 the table now? And if so, if the 4 percent were 18 put in, would you -- I'm going to turn to the 19 City. It's become pretty evident here that the -- 20 that the Board is -- I'm going to use the term as 21 diplomatic as I can -- doesn't seem to be fond of 22 the efforts that you've made thus far on COLA and 23 on the issue of the DROP, although we'll talk 24 about those components separately.</p> <p>25 But if the Board -- if the Board was willing</p>	<p style="text-align: right;">Page 32</p> <p>1 setting that aside for a second, in terms of the 2 unfunded liability payment, yes.</p> <p>3 THE MODERATOR: Okay. Now, let's back off 4 and talk about that for just a moment because that 5 really leaves us down to the COLA. And there's a 6 couple of ways to look at this. One of the 7 problems with the share plan that you have out 8 there, John, is it's a shell?</p> <p>9 MR. KEANE: Right.</p> <p>10 THE MODERATOR: And it would remain a shell 11 for quite some period of time if we were to do 12 what you were suggesting here because it -- there 13 just really -- I mean, I say -- it would -- unless 14 we were to take some other source of money and put 15 that into the share plan, the share plan would 16 remain essentially a shell for current employees 17 for a substantial period of time.</p> <p>18 If the share -- if there was a way to fund 19 the share plan with some additional dollars, we'd 20 have -- I'm just -- I'm just trying to figure out, 21 and I know we've got retirees out there, but is 22 there any way by which the impact of the 2 percent 23 COLA could be offset by funding additional money 24 to the share plan for current employees?</p> <p>25 You gave me a quizzical look. What the --</p>
<p style="text-align: right;">Page 31</p> <p>1 to go forward and add the additional 4 percent 2 after the threshold that was yesterday's 3 suggested -- which I know both of you disagree on 4 how much you're entitled to and you're -- but it's 5 a substantial increase in the funding levels. If 6 they were to get the -- put the additional 4 7 percent in, as they've suggested, would that get 8 us to, 2028, 80 percent?</p> <p>9 MR. HAND: From a -- based on the work the 10 task force did --</p> <p>11 THE MODERATOR: Right. And I'm using that as 12 my reference --</p> <p>13 MR. HAND: Yeah.</p> <p>14 THE MODERATOR: -- point too.</p> <p>15 MR. HAND: If the Board were to put in its 16 additional half of chapter funds, the 4 percent 17 you're referring to, which is about \$5 million, 18 the City were to put in in the neighborhood of 19 about \$40 million, and we were to have a, going 20 forward, normal cost benefit level similar to 21 what's in the task force, yes, that would get you 22 to 80 percent by 2028.</p> <p>23 What we don't know is what any sort of 24 different benefit level than what the task force 25 recommended would do to the time horizon, but</p>	<p style="text-align: right;">Page 33</p> <p>1 the City's proposal right now is a 2 percent COLA; 2 right?</p> <p>3 MR. KEANE: Correct.</p> <p>4 THE MODERATOR: The current plan is a 3 5 percent COLA; correct?</p> <p>6 MR. KEANE: Yes, sir.</p> <p>7 THE MODERATOR: Okay. So the current 8 employees are already going to be taking a bit of 9 a hit immediately on their contribution. And the 10 City's recommendation would take an additional hit 11 on their -- and I was sitting here thinking 12 that -- is it possible that you can -- that -- is 13 there a -- is there a source of funds out there 14 that could be used to fund the share plan to 15 offset any COLA cuts so that employees are, in 16 fact, earning as much as or more money in an 17 immediate share plan as they're giving up in a -- 18 is that a possibility?</p> <p>19 And I haven't asked the City because I know 20 they're going to gripe when I say this. If you 21 guys want your -- want to cut into COLA, do you -- 22 is there a way that we can come up with that 23 would -- that would activate the share plan sooner 24 so the current employees would, on balance, be 25 doing okay?</p>

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1 Would not -- I mean, that -- I'm not --
 2 you're the experts on this, not me. You-all
 3 are -- you-all get paid good money to think about
 4 this all the time. I get -- I get gas money. So
 5 what I want to do is figure out how to get out of
 6 this thing. And it seems to me that you guys
 7 are -- you guys are down to real close.
 8 Now -- or could we do this. And I throw this
 9 back to both of you. Would you pull the share
 10 plan recommendation if they would pull their COLA
 11 and DROP plan recommendation?
 12 MR. KEANE: Okay. We'll do that.
 13 THE MODERATOR: Would the City do that?
 14 MR. HAND: No.
 15 THE MODERATOR: Okay.
 16 MR. HAND: No.
 17 THE MODERATOR: So we've got a share plan on
 18 the table, and we've got a COLA and a DROP plan on
 19 the table.
 20 MAYOR BROWN: Yep.
 21 THE MODERATOR: All right. Those three
 22 things are on the -- on the table. The -- let's
 23 talk about DROP separately for a moment. The
 24 current plan would have a floor of 2.5 percent and
 25 a cap of 10 percent, as offered by the City;

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1 correct?
 2 MAYOR BROWN: Correct.
 3 THE MODERATOR: The current plan has a
 4 guarantee of 8.4 percent, which we know in some
 5 years is a savings for the employees and in some
 6 years is -- the employees would do better under a
 7 higher number.
 8 If we narrowed that gap more closely, if we
 9 could narrow that gap between, say, a guaranteed
 10 floor of 5 percent and a cap of 10 percent, how
 11 much different -- and you guys -- we can't be
 12 talking about very much difference, guys. You
 13 can't be talking about anything other than
 14 somebody wanting to say, "I won this issue." Now,
 15 I'm just being honest. It can't be very much
 16 difference.
 17 I just want you to think about that. There
 18 was an opening yesterday when the City made a
 19 little move, and I started thinking last night --
 20 and, again, I may be dead wrong. I don't -- I
 21 get -- it doesn't matter to me, except both of you
 22 came here telling me you wanted an agreement. I'm
 23 trying to help you facilitate that. I wouldn't
 24 have come over here if you didn't both say you
 25 wanted an agreement. You both have told me that

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1 repeatedly.
 2 Now, if it went to 5 to 10 percent, low of 5
 3 and a high of 10, it cannot be as significantly
 4 different than where we are right now. And
 5 neither one of you are saying you'd do it. I know
 6 that. I want you to think in those ways. Would
 7 that get us off it? And are we talking about
 8 something that's that doggone important when we're
 9 talking about a DROP plan that we know already
 10 exceeds, and has for the last five years, exceeded
 11 the performance that you're locked in to?
 12 Now, I know. I've heard from -- lots of
 13 people in the streets have told me, "Rod, you
 14 wouldn't take it," or -- "You wouldn't take it."
 15 I don't know if I would or wouldn't, but those are
 16 just some ideas I'm throwing out that I want you
 17 to consider.
 18 MR. HAND: And, Rod, one challenge --
 19 THE MODERATOR: Go ahead.
 20 MR. HAND: -- for us, as we've mentioned
 21 before, is that under the current DROP plan people
 22 who DROP have the ability to leave their funding
 23 in the plan after the five-year DROP period
 24 expires, keep it in there, and that -- at that
 25 very long period of time. I don't know if that's

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1 an issue we should discuss, as to whether people
 2 should continue to be allowed to do that or not,
 3 because that may weigh in on these negotiations,
 4 but that obviously has a significant financial
 5 impact for the City. So just -- that's an
 6 operational aspect of the plan right now that's
 7 significant.
 8 THE MODERATOR: But that issue -- would that
 9 be dramatically different, whether the range was 5
 10 to 10 or is at 8.4?
 11 MR. HAND: Well, it would be dramatically
 12 different in the sense that, if somebody can leave
 13 their money in the plan for 25 years as opposed to
 14 five years at a guaranteed rate of return, that's
 15 real money we're talking about.
 16 THE MODERATOR: But your proposal hasn't been
 17 to eliminate that thus far?
 18 MR. HAND: It has not been thus far, no.
 19 THE MODERATOR: That's what I'm saying.
 20 MR. HAND: Yeah.
 21 THE MODERATOR: So, I mean --
 22 MR. HAND: You just --
 23 THE MODERATOR: -- you can always play a
 24 card --
 25 MR. HAND: You just --

<p style="text-align: right;">Page 38</p> <p>1 THE MODERATOR: -- and -- you can always play 2 a card, but I'm just saying -- 3 MR. HAND: I guess -- 4 THE MODERATOR: -- I'm just -- I'm trying to 5 focus -- 6 MR. HAND: You asked -- 7 THE MODERATOR: -- down on where the 8 difference is. 9 MR. HAND: Sure. You asked for issues that 10 we should all think about -- 11 THE MODERATOR: That's one thing. 12 MR. HAND: -- in terms of resolution -- 13 THE MODERATOR: I understand. 14 MR. HAND: -- of the DROP issue. That's the 15 issue that we put out there. 16 The other thing to keep in mind on DROP, of 17 course, is that, look, there are competing plans 18 that don't have a DROP for police and fire 19 employees. Orlando's a good example. They don't 20 have a DROP. The FRS DROP percentage is -- was 21 six and a half percent prior to -- if you entered 22 DROP prior to July 1, '11, it's kind of close to 23 one and a half percent after that period of time. 24 So there are some marketplace issues that we 25 have to be -- we're willing to think outside the</p>	<p style="text-align: right;">Page 40</p> <p>1 continue to pay 2 percent. 2 THE MODERATOR: I understand. 3 MR. KEANE: So, you know -- and the FRS DROP 4 plan, when the member goes in, they quit paying. 5 Our people have paid. And since the inception of 6 the DROP plan, we paid -- active members, while 7 they were in the plan, have paid nearly \$8 8 million. So, you know, hollering about 8.4 looks 9 good, but when you say you're paying 2, it's 10 really 6.4 for while you're in there working. 11 MS. LAQUIDARA: Well, for five years -- and 12 the problem is the Phase 2 for the next 40 years, 13 while it's at 8.4 without any contribution -- so 14 it's a collateral matter, so matching it to what 15 the -- what the City does makes it revenue neutral 16 and doesn't have the present employees subsidized 17 above market rates for former employees. And 18 that's what -- I think the adjustment we're trying 19 to make. 20 THE MODERATOR: Is there -- obviously, you've 21 not addressed the COLA proposal at 2 percent. I'm 22 assuming that that is -- you're rejecting the 23 offer to -- 24 MR. KEANE: Yes, sir. 25 THE MODERATOR: -- reduce the COLA?</p>
<p style="text-align: right;">Page 39</p> <p>1 box and be innovative, but there are some 2 marketplace issues and some operational issues we 3 need to think about like the ones I've mentioned. 4 THE MODERATOR: Well, we're capping it -- 5 under this provision, I'm accepting your cap. I'm 6 just suggesting that there be a raised floor. And 7 that may not be something you think would work, 8 but -- I don't know if that would move us or not. 9 I don't know if that would get -- as I say, I 10 thought maybe the share plan -- if there was a way 11 to fund the share plan immediately or put some 12 monies into the share plan immediately for current 13 employees, maybe that could be seen as an offset 14 for -- because I know that that -- that share 15 plans are attractive and are used in an awful lot 16 of places. 17 And, I know, John, that's why you've 18 suggested a share plan, is that it's a pretty 19 popular thing with employees; correct? 20 MR. KEANE: Correct. And another issue is, 21 since the inception of the DROP plan in 1999, 22 police officers and firefighters have worked 23 collectively, over 7,000 years of service to the 24 City, and the City has not paid a single dime in 25 contribution. The members, on the other hand,</p>	<p style="text-align: right;">Page 41</p> <p>1 MR. KEANE: Yes, sir. 2 THE MODERATOR: Does it make any difference 3 on their COLA proposal if the other language was 4 reduced? And by the other language, it's not 5 stated in the last couple of agreements back and 6 forth, but that is the difference between the Age 7 55. Does that make any difference, the ten years, 8 just treating everybody the same? Is that of any 9 consequence, so that everybody -- their proposal 10 says that if you -- if you are a current employee 11 and you have ten -- their original proposal -- 12 correct me if I'm wrong. If you have ten or 13 greater number of years in at the time of -- then 14 you can -- when you retire, you get the immediate 15 impact of the COLA? 16 MR. HAND: The previous three -- in that 17 case, it's three years after -- 18 THE MODERATOR: It's the three -- I 19 understand, but there's no -- the clock starts 20 running then? 21 MR. HAND: There's not an age floor at 55 -- 22 THE MODERATOR: You have -- 23 MR. HAND: -- as there -- 24 THE MODERATOR: You have, for those under 25 age -- for under ten years in service, you have an</p>

<p style="text-align: right;">Page 42</p> <p>1 age of 55 before that proposal kicks in. All I 2 was asking is, would it make any difference in 3 your deliberations if it was -- if this applied -- 4 2 percent but applied to everybody and there was 5 no age delay? 6 MR. KEANE: Well, wasn't the last proposal 7 uniform for everybody? You took the under -- 8 lower -- 9 MR. HAND: It was not. 10 MR. KEANE: -- out -- 11 MR. HAND: That's what I clarified this 12 morning, that it just affected the number. It 13 doesn't affect the -- sort of the bifurcation. 14 THE MODERATOR: You had a change. That's 15 what I was getting at. 16 MR. HAND: Correct. 17 THE MODERATOR: Yeah. I understand that. 18 Just -- we were talking about -- we focused on the 19 number, not -- and I'm just asking you to focus on 20 the other language for a moment. If they were to 21 take the other language, if the City was willing 22 to say, "Okay. We'll drop the differentiation. 23 We'll treat all current employees the same, and 24 we'll" -- "We have them at 2 percent. We'll treat 25 them all" -- "There won't be any delay," would</p>	<p style="text-align: right;">Page 44</p> <p>1 until they reached 80 percent funding, that's -- 2 would be another good faith effort on our part, 3 and we would certainly consider that -- 4 THE MODERATOR: And that would presumably, by 5 five years from now -- and you guys correct me if 6 I'm wrong. Presumably five years from now, 7 employees would be at the 10 percent rate. And, 8 consequently, that would be that the employee 9 contribution, augmented by the Board, would be at 10 a 14 percent rate until we got the 80 percent; 11 right? 12 MR. KEANE: Well, rather than get it confused 13 with the employee contribution, it'd be just a 14 direct appropriation into the fund, equivalent 4 15 percent. But you could say it -- say, "Yeah, 16 they're paying equivalent 14 percent." 17 THE MODERATOR: The combination of chapter 18 funds and -- 19 MR. HAND: Right. I mean, while we don't 20 necessarily accept that model or structure, I 21 mean, I think we all -- 22 THE MODERATOR: You know what I mean. 23 MR. HAND: -- get your meaning. 24 THE MODERATOR: I'm just talking about the 25 number now, guys.</p>
<p style="text-align: right;">Page 43</p> <p>1 that make any difference in your -- or you would 2 still be opposed to the decrease of the COLA, cost 3 of living? 4 MR. KEANE: In all probability, we would 5 probably still oppose any change from the current 6 because, over and over, officials of the 7 government, as well as in our office, as well as 8 in the mediated settlement last year -- we talked 9 about preserving current employees. And so to 10 continue that theme of preserving the current 11 benefits for current employees is why we came up 12 with the \$100 million, just as a sign of good 13 faith and that we're willing to help do that. 14 THE MODERATOR: And now you're willing to put 15 in the additional 4 percent? 16 MR. KEANE: And I'm still thinking about that 17 4 percent you asked me about. I think good 18 sometimes, but I don't think as fast as I should, 19 but I'm mulling that right this minute. 20 THE MODERATOR: All right. 21 MR. KEANE: Keeping the -- 22 THE MODERATOR: All right. 23 MR. KEANE: -- current 4 percent that we now 24 pay that would have gone away under yesterday's 25 proposal -- if we left that 4 percent in there</p>	<p style="text-align: right;">Page 45</p> <p>1 MR. HAND: Yeah. Right. Well -- 2 THE MODERATOR: You ain't got to love the 3 words. 4 MR. HAND: -- do that as an employee 5 contribution, but we get the amount of money we're 6 talking about. 7 MR. KEANE: Keep the 4 percent going -- 8 THE MODERATOR: All right. 9 MR. KEANE: -- until -- 10 THE MODERATOR: I got it. 11 MR. KEANE: -- they reach the 80 percent -- 12 THE MODERATOR: And that was what -- 13 MR. KEANE: -- threshold. 14 THE MODERATOR: That was the suggested number 15 that the task force had talked about at 14 percent 16 funding. Admittedly, you were right, that the 17 task force talked about reducing some of these 18 other -- because each time you don't make a 19 change, then that has an overall cost, but the 20 task force did not anticipate sweeping all of the 21 money on the front end. 22 If all of the money is swept on the front 23 end, and if they then paid all of the chapter 24 funds except for the holiday reserve funds to the 25 City and they've paid -- they've committed to pay</p>

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1 4 percent till you reach 80 percent funding,
 2 that's a lot of shared sacrifice because I want --
 3 they've also agreed that they'll take an immediate
 4 1 percent increase in their employees, 2 percent
 5 more for the employees upon reinstatement of the
 6 cuts.

7 They've agreed to the -- there was one other
 8 provision. I can't remember what the -- and I'd
 9 have to pull my notes, but there was one other
 10 provision that you had recommended that they have
 11 accepted as it related to current employees, which
 12 they previously had not accepted.

13 MS. LAQUIDARA: Forty-eight months.

14 THE MODERATOR: That's what --

15 MAYOR BROWN: Forty-eight months.

16 THE MODERATOR: -- I was -- it was the 48
 17 month. I'm sorry. I drew a blank.

18 MAYOR BROWN: No worries. Forty-eight
 19 months.

20 THE MODERATOR: It was the 48-month
 21 provision. Now, that proposal, that -- if that
 22 proposal were acceptable to the City, then that
 23 leaves us -- is whether or not the COLA and the
 24 DROP cost, which we know, given your proposed
 25 differences, have got to be minimal on the DROP

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1 cost -- then can we get an agreement?
 2 And I want you guys to think about that
 3 because that's really where you are. I mean,
 4 correct me if I'm wrong. You-all are following
 5 this more closely every day, but I work on it
 6 every night.

7 We're down to this. The shared sacrifice is
 8 what we talked about. And the task force talked
 9 about 14 percent funding, needing to get you to
 10 the 80 percent by 2028. The Board, in conjunction
 11 with the other changes we've made, including the
 12 immediate 1 percent increase in employee
 13 contribution, going to the 10 percent, upon the --
 14 that should get you to that number.

15 If all things that you had asked for had
 16 occurred, it might even get you to that number
 17 sooner because it didn't contemplate that cash
 18 injection on the front end of an additional -- and
 19 I'm going to use your number of an additional 29
 20 million. I won't tell you that -- use the number
 21 because I'm not going to argue about whose
 22 stabilization dollars those are.

23 I'm asking you is the -- is DROP and a 1
 24 percent difference in the COLA from what you
 25 offered -- is DROP and a 1 percent COLA

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1 difference, does that offset now what would be --
 2 at least get you to your 80 percent funding as
 3 rapidly as projected?

4 Now, I'm not an actuary, but I will say I've
 5 made some phone calls. I don't think that these
 6 are big cost items that you're talking about. And
 7 I think those cost items -- we're now talking
 8 about your getting all of the chapter funds for
 9 five years and an additional 4 percent till you
 10 reach 80 percent, and you're sweeping the funds on
 11 the front end, and you're getting the immediate
 12 increase in employee contribution. Is that enough
 13 shared sacrifice for the City?

14 MR. HAND: Well, let me -- the answer is let
 15 me explain why DROP and COLA matter. DROP was
 16 originally described as a program that would be
 17 revenue neutral for the City. It has not been
 18 revenue neutral for the City, largely because of
 19 the guaranteed rate of return over time.

20 COLA is probably the number one cost driver
 21 of the City's normal cost going forward into the
 22 future. So one of the goals of this effort has
 23 been to establish a normal cost that is
 24 financially sustainable for the City.

25 When have you a guaranteed COLA of whatever

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1 amount, in this case, 3 percent, that means that
 2 every year that inflation does not keep up with
 3 that 3 percent level, the City loses money. That
 4 becomes a substantial expense for the City.

5 There have been -- I think it's three
 6 years -- I might be wrong -- two or three years in
 7 the last five that there has been no Social
 8 Security COLA because inflation has not kept up
 9 with that number in this economy. That is a major
 10 cost driver for the City.

11 That is why those two subjects are very
 12 important for us because they have significant
 13 financial implications going forward. In order to
 14 make sure that we have a sustainable benefit
 15 package that the City can afford year in, year
 16 out, we've got to make sure that something like
 17 COLA is revenue neutral, and we need to make sure
 18 that we aren't sort of financially victimized when
 19 inflation does not and the COLA are not kind of at
 20 the same place. Those are the two concerns, just
 21 to help you better understand.

22 THE MODERATOR: I actually go back a long --
 23 I remember back when the COLA was never enough
 24 because -- but it doesn't matter. Where we really
 25 are now is the City is at 2 percent on COLA. The

<p style="text-align: right;">Page 50</p> <p>1 current status is 3 percent on COLA.</p> <p>2 And I'm asking the City to -- and where we</p> <p>3 are on -- from your proposal, where we are on DROP</p> <p>4 is -- not that you're trying to do away with DROP</p> <p>5 at 8.4 percent. What you're saying on DROP is "We</p> <p>6 want actual market performance with a cap at 10</p> <p>7 and a bottom floor of 2.5."</p> <p>8 I've thrown out there a suggestion of 5, so</p> <p>9 the range gets even more narrow, which cannot be</p> <p>10 of a significant financial impact. So we're</p> <p>11 really talking about COLA here. We're really</p> <p>12 talking about COLA, financial impact. And we're 1</p> <p>13 percent apart.</p> <p>14 Now, they've offered a shared plan that --</p> <p>15 maybe the enhanced authority, I don't know what</p> <p>16 will make this go, but that's where you guys are.</p> <p>17 That's -- I mean, that's -- we've got the WD-40</p> <p>18 here. I'm trying to spray it on where we're</p> <p>19 locked. And that's where we're locked. Now --</p> <p>20 MR. HAND: Maybe the thing to do would be --</p> <p>21 we've gotten a proposal.</p> <p>22 THE MODERATOR: Uh-huh.</p> <p>23 MR. HAND: You've given us some items to</p> <p>24 think about.</p> <p>25 THE MODERATOR: Yep.</p>	<p style="text-align: right;">Page 52</p> <p>1 MR. KEANE: That's just introductory language</p> <p>2 on Page 1. Page 2, Section X -- because whatever</p> <p>3 section is going to wind up in the ordinance --</p> <p>4 says the Board's authorized to reinvest the assets</p> <p>5 of the fund in -- and it lists a whole lot of</p> <p>6 statutory provisions that authorize investments by</p> <p>7 Police and Fire Pension Fund, as well as other</p> <p>8 public pension funds, and alternative investments,</p> <p>9 as defined as -- and all of those next words</p> <p>10 there, going all the way down to the (e) -- I'm</p> <p>11 not at the optometrist -- all the way down to the</p> <p>12 end of (e) are straight out of the Florida</p> <p>13 Statute, which is permissible for the -- thank</p> <p>14 you -- permissible for the Florida Retirement</p> <p>15 System.</p> <p>16 There's no hedge funds in here. Our friends</p> <p>17 from Q talked about -- we're too small and not</p> <p>18 important enough to be involved in hedge funds.</p> <p>19 No hedge funds in here. One of the City's general</p> <p>20 employees great moneymaker recently has been</p> <p>21 international bonds. And we haven't been able to</p> <p>22 invest in them, but with these alternative</p> <p>23 investment vehicles and these other statutory</p> <p>24 changes, we can get there.</p> <p>25 And that's what it is. Like I say, this same</p>
<p style="text-align: right;">Page 51</p> <p>1 MR. HAND: I think what might be appropriate</p> <p>2 is to break for a few minutes --</p> <p>3 THE MODERATOR: We will.</p> <p>4 MR. HAND: -- have the City talk. See if we</p> <p>5 can come back with --</p> <p>6 THE MODERATOR: It's your turn.</p> <p>7 MR. HAND: -- something that would help move</p> <p>8 the ball forward.</p> <p>9 THE MODERATOR: And would you address, when</p> <p>10 you come back, your concerns over --</p> <p>11 MR. HAND: Sure. And --</p> <p>12 THE MODERATOR: -- enhanced authority?</p> <p>13 MR. HAND: John, I think we started to do</p> <p>14 this and we just got into discussing -- I think</p> <p>15 you were just going to -- maybe right before we</p> <p>16 break -- you were going to provide a little</p> <p>17 additional information about what's in this, and</p> <p>18 then we got into something else. Do you just want</p> <p>19 to sort of summarize the investment authority</p> <p>20 changes again? I know they're in a bill, but --</p> <p>21 MR. KEANE: Yes, sir. The proposal on the</p> <p>22 top of Page 2.</p> <p>23 Carol, Page 2.</p> <p>24 I'm going to wait till --</p> <p>25 MR. HAND: Sure.</p>	<p style="text-align: right;">Page 53</p> <p>1 language is in 2013, I believe it's 669, is the</p> <p>2 bill filed by Council Member Schellenberg last</p> <p>3 fall.</p> <p>4 MR. HAND: So this is identical to what's in</p> <p>5 that bill?</p> <p>6 MR. KEANE: Taken from there.</p> <p>7 MR. HAND: And consistent largely with the</p> <p>8 investment authority that the FRS has; is that --</p> <p>9 MR. KEANE: Yes. Straight out of the</p> <p>10 statute.</p> <p>11 THE MODERATOR: All right. I'm going to</p> <p>12 request a 20-minute break for the teams to go</p> <p>13 consider some of this stuff. I hope nobody --</p> <p>14 well, I hope I'm -- with both of you, I'm</p> <p>15 available to talk to either one of you about ideas</p> <p>16 to move this thing. I'm going to push both of you</p> <p>17 until you think it doesn't do any good.</p> <p>18 But I am telling you my goal here is for you</p> <p>19 to realize how close you are because you are very</p> <p>20 close. You are very close. These are important</p> <p>21 issues, and important issues, I understand, for</p> <p>22 both sides. And I want both of you to be thinking</p> <p>23 about ways that we can handle these.</p> <p>24 And I'm looking, John, at your side because I</p> <p>25 think I've been yelling at their side here a</p>

<p style="text-align: right;">Page 54</p> <p>1 little more in the last minutes, so I'm going to 2 kind of focus back on you. This is a very narrow 3 difference. 4 Can we -- can we make this thing go? Is it 5 worth it to both of you to get this thing to go? 6 If it's not, that's fine, but we're not that far 7 apart. So please be thinking of ways, creative 8 ways, to make this thing happen. 9 Twenty minutes. 10 Madam Court Reporter, the time is? 11 THE COURT REPORTER: 2:37. 12 THE MODERATOR: We will convene back here 13 at -- 14 MR. HAND: Right at three o'clock? 15 THE MODERATOR: -- three o'clock. 16 (Recess from 2:37 p.m. to 3:02 p.m.) 17 THE MODERATOR: Madam Court Reporter, I'm 18 going to extend the current break for an 19 additional 15 minutes as I try to put together a 20 moderator's proposal. 21 (Recess from 3:02 p.m. to 3:28 p.m.) 22 THE MODERATOR: Show that we're going to be 23 back on. We're just waiting for a couple of folks 24 to be here. Thank you, both sides, for working, 25 continuing to work.</p>	<p style="text-align: right;">Page 56</p> <p>1 Participants in the current Senior Staff Pension 2 Plan will receive the same plan -- will receive 3 the plan benefits which the parties have 4 determined are comparable to those as if they had 5 been enrolled in the FRS Special Risk Plan, unless 6 the JPFPF Board sets a lesser benefit level. 7 All that does is, again, take the MSA -- and 8 John, you'd mentioned sort of the Board's 9 discretion here. We just didn't want to preempt 10 the Board if they wanted to do something 11 different, and so -- different and of a smaller 12 amount. And so that's what we would propose to 13 resolve No. 8. 14 MR. KEANE: Agreed. 15 MS. LAQUIDARA: Thank you, John. 16 THE MODERATOR: Okay. Further by the -- 17 MR. HAND: So just -- 18 THE MODERATOR: Anything further? 19 MR. HAND: So just all that means is we have 20 now -- let me just sort of reiterate. We have now 21 agreed on the governance piece, with the typical 22 caveat that everything is -- but the -- one 23 second. 24 MR. KEANE: Four and nine. 25 MR. HAND: Well, that just means -- four and</p>
<p style="text-align: right;">Page 55</p> <p>1 (Pause.) 2 THE MODERATOR: Okay. With everybody back, 3 what I'd like to do is I'm going to turn it, 4 Chris, to you for a moment -- 5 MR. HAND: Sure. 6 THE MODERATOR: -- and see if you could -- 7 you have some responses or even maybe some 8 questions and whatever. 9 MR. HAND: Well, I think -- 10 THE MODERATOR: Let's see if we can move this 11 thing forward. 12 MR. HAND: One matter we wanted to try and 13 put to rest was No. 8, which is the outstanding 14 governance matter. 15 THE MODERATOR: Yes. 16 MR. HAND: And we have some language on that, 17 which is very similar to the MSA. Let me 18 distribute that. 19 THE MODERATOR: Okay. 20 MR. HAND: So essentially what we have done 21 is removed the -- everything that's in black ink 22 here is language that's already been agreed to. 23 The rest is simply the language of the mediated 24 settlement agreement with one slight addition. We 25 now insert a final sentence that says:</p>	<p style="text-align: right;">Page 57</p> <p>1 nine, correct, are the only ones. And if we're 2 able to reach overall agreement, that would 3 obviously impact four. So, otherwise, we're 4 agreed on the governance provisions. 5 I think Mr. Greive had some questions on the 6 investment authority, if you're ready to move 7 on -- 8 THE MODERATOR: Yes. I know -- I know that 9 you guys just had a chance to see this plan for 10 the first time today, and I know you had some 11 questions. So I'm going to address ourselves now 12 to the enhanced investment authority proposal that 13 was made by the Board. And I think it's based on 14 an ordinance proposal that was before the Council 15 at some point in time. 16 Joey, go ahead. 17 MR. GREIVE: Sure. Thanks, Rod. 18 So, John, in reading this -- you know, I 19 pulled up 2013-669. I've reviewed that in the 20 past, as well. It doesn't look exact, but that's 21 fine. 22 As to the current proposal, the only 23 questions that I have are 112-661, 175, 185, and 24 215-47, understanding that that would largely put 25 the fund in line with the Florida Retirement</p>

<p style="text-align: right;">Page 58</p> <p>1 System.</p> <p>2 Just one -- couple of -- couple of quick</p> <p>3 comments. I would suggest -- well, I would like</p> <p>4 to see a Letter F, if possible. It would say -- I</p> <p>5 know -- and I know you confirmed this earlier as</p> <p>6 being your intent, but I just want it to be, you</p> <p>7 know, expressed on paper that investments and</p> <p>8 hedge funds shall be expressly prohibited. I</p> <p>9 think we're all on the same page there.</p> <p>10 And then, in addition, as far as alternatives</p> <p>11 go, you know, private equity would basically be</p> <p>12 what's left on the table. And I know you've added</p> <p>13 some definitions below.</p> <p>14 The Florida Retirement System, 215-47, is</p> <p>15 allowed to invest up to 20 percent, by my read.</p> <p>16 And, again, this was just in the last, you know,</p> <p>17 15 minutes that I read that.</p> <p>18 From my time working with private clients,</p> <p>19 you know, what was good for a client that had</p> <p>20 5 million was not always good for a client with</p> <p>21 50,000 in their account. I would just be a little</p> <p>22 worried about 20 percent of client assets in</p> <p>23 alternatives.</p> <p>24 And I know that having permissibility and</p> <p>25 using permissibility are two separate things. And</p>	<p style="text-align: right;">Page 60</p> <p>1 not strong in this area, so I want to ask</p> <p>2 questions, if I could. This one outlines the</p> <p>3 limits. It gives certain definitions that arise</p> <p>4 under the proviso that any lawful investment as</p> <p>5 provided in the applicable revisions of 112, 175,</p> <p>6 185, and 215, and then -- and alternatives.</p> <p>7 So what is the difference between what you</p> <p>8 want to see here and what 215 currently permits?</p> <p>9 That's what I'm not catching, Joey.</p> <p>10 This is me. John, you may know this right</p> <p>11 off the top of your head, but I don't know this.</p> <p>12 MR. GREIVE: I think I would like to see a</p> <p>13 cap less than 20 percent to alternatives.</p> <p>14 THE MODERATOR: And 215 provides for 20</p> <p>15 percent; is that what you're saying?</p> <p>16 MR. GREIVE: Correct.</p> <p>17 MAYOR BROWN: Yes.</p> <p>18 THE MODERATOR: Okay. I got it now. I'm</p> <p>19 being particularly dense, I guess.</p> <p>20 I'll turn it over to you to react to that,</p> <p>21 John.</p> <p>22 MR. KEANE: Even though the statute provides</p> <p>23 for 20 percent, FRS doesn't do 20 percent. And as</p> <p>24 Joey pointed out with the private clients, you</p> <p>25 know, when you have less money, you're going to</p>
<p style="text-align: right;">Page 59</p> <p>1 in here you talk about how you would file</p> <p>2 investment policies with the City Council for</p> <p>3 pending review. I would like to see a cap</p> <p>4 initially on those alternative investments.</p> <p>5 THE MODERATOR: Do the caps under 215-47 not</p> <p>6 apply now?</p> <p>7 MR. GREIVE: If you're just taking 215-47 --</p> <p>8 THE MODERATOR: Right.</p> <p>9 MR. GREIVE: -- there would be a cap --</p> <p>10 THE MODERATOR: Right.</p> <p>11 MR. GREIVE: -- but it's 20 percent. Twenty</p> <p>12 percent of plan assets in alternatives is a lot.</p> <p>13 That's a lot of money. And there's a lot of</p> <p>14 liquidity concerns that you have with alternative</p> <p>15 investments. Sometimes you have lockup periods</p> <p>16 where you can't touch your money for five, seven,</p> <p>17 ten years.</p> <p>18 And understanding we have a financial</p> <p>19 investment advisory committee -- the investment</p> <p>20 policy would be reviewed by City Council prior to</p> <p>21 any changes taking place. We have some controls</p> <p>22 there --</p> <p>23 THE MODERATOR: So --</p> <p>24 MR. GREIVE: -- but 20 percent's a lot.</p> <p>25 THE MODERATOR: So I'm -- and I know that I'm</p>	<p style="text-align: right;">Page 61</p> <p>1 put even a lesser amount in there.</p> <p>2 If you're going to replicate the FRS</p> <p>3 guidelines, you replicate the FRS guidelines.</p> <p>4 You've got a board of trustees who are fiduciaries</p> <p>5 to the fund. We created a financial investment</p> <p>6 advisory committee that's going to look it over.</p> <p>7 There's no way that we're anywhere near the max on</p> <p>8 some of our other investments, with the exception</p> <p>9 of fixed income, which we'd like to get out of to</p> <p>10 a greater extent, but --</p> <p>11 THE MODERATOR: How about -- so am I getting</p> <p>12 it right, that your response is, "We've put</p> <p>13 together additional protections to guard against</p> <p>14 excessive investment because we've done that</p> <p>15 through the use of the new" -- well, "We will be</p> <p>16 doing that through the use of the new financial</p> <p>17 advisory board, as well as the Board, which is</p> <p>18 limited by law to its fiduciary responsibilities";</p> <p>19 is that right?</p> <p>20 MR. KEANE: Correct. And as Joey points out,</p> <p>21 we also have our friends from Summit Strategy, who</p> <p>22 make recommendations on the overall portfolio, not</p> <p>23 only the alternative investments, but the overall,</p> <p>24 to keep them in balance.</p> <p>25 THE MODERATOR: Okay. And you had said that</p>

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1 you didn't -- I think -- I think Joey just is
 2 saying, "I'd like to codify as one of the things
 3 in here for the future that" -- "the statement
 4 that investments in hedge funds would be expressly
 5 prohibited from this enhanced authority."
 6 MR. KEANE: Well, I think -- you know more
 7 about this than I do, but isn't the law pretty
 8 clear, what is not permitted is prohibited?
 9 THE MODERATOR: Well --
 10 MR. KEANE: Would you go to Page 2?
 11 THE MODERATOR: -- you know -- go to
 12 Page 2 --
 13 MR. KEANE: No. No. No. I'm -- Carol.
 14 She's bringing up the other page so the folks can
 15 read along with us.
 16 THE MODERATOR: All right. This is --
 17 MR. KEANE: One more.
 18 THE MODERATOR: Am I on the wrong page?
 19 MR. KEANE: There you go.
 20 THE MODERATOR: Under Section Roman Numeral
 21 10?
 22 MR. KEANE: Right.
 23 MS. LAQUIDARA: Yes.
 24 THE MODERATOR: Got it.
 25 MR. KEANE: But in the effort to reach

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1 agreement and in the spirit of harmony and
 2 cooperation, we'd like to amend this proposal to
 3 add a parentheses, little f, closed parentheses,
 4 period: Investments in hedge funds are
 5 prohibited, period.
 6 THE MODERATOR: Back to you, Joey. Does that
 7 satisfy you; is that what you would have done
 8 there?
 9 MR. GREIVE: Uh-huh. Yes.
 10 MR. KEANE: Nobody in the world easier to get
 11 along with than me.
 12 THE MODERATOR: There we go. All right. I
 13 know that this is not acceptance, but the response
 14 that I've gotten back is they will accept your
 15 proposed language regarding investments and hedge
 16 funds being expressly prohibited in the plan, but
 17 their response on the other is that, essentially,
 18 rather than set a lower number, they believe that
 19 there's sufficient protections built in by --
 20 that's one of the very reasons that we created the
 21 financial oversight that you-all have already
 22 created and agreed to and is in the process of
 23 being implemented.
 24 So -- but I -- but we're open to -- if you
 25 have a specific number that you think should be

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1 the reduced number, or do you trust that the kind
 2 of complex that we've put together works or will
 3 work?
 4 MR. HAND: Why don't we ponder that as we --
 5 THE MODERATOR: Okay. I got it.
 6 MR. HAND: -- consider other issues --
 7 THE MODERATOR: I'm just --
 8 MR. HAND: -- because, obviously --
 9 THE MODERATOR: But that's the only thing --
 10 MR. HAND: -- we agreed --
 11 THE MODERATOR: I got it.
 12 MR. HAND: We offered the investment
 13 authority in exchange for some other priorities --
 14 THE MODERATOR: I got it.
 15 MR. HAND: -- for the City --
 16 THE MODERATOR: I got it.
 17 MR. HAND: -- so -- yeah.
 18 THE MODERATOR: I got that. But I -- and I'm
 19 understanding that's not put to bed. I'm just
 20 saying that, if we pass that, we now have your
 21 language that you've suggested, if you accept it.
 22 MAYOR BROWN: Okay. One more -- go ahead,
 23 Joey.
 24 MR. GREIVE: Sure. Thanks, Mr. Mayor.
 25 MAYOR BROWN: Yeah.

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1 MR. GREIVE: Mr. Moderator, the only other --
 2 it's more of a question to John.
 3 THE MODERATOR: Okay.
 4 MR. GREIVE: You talked about earlier how 175
 5 and 185 restricts you in the area of the higher
 6 yielding bond-type investments.
 7 MR. KEANE: Uh-huh.
 8 MR. GREIVE: And I agree with you that that's
 9 been one of the better areas of performance in the
 10 market over the last three to five years.
 11 MR. KEANE: Uh-huh.
 12 MR. GREIVE: Are you -- so are you saying
 13 that this language that you proposed allows you to
 14 invest in those? As I was reading this while we
 15 were away, I just didn't see specifically where it
 16 talks about the permissibility --
 17 MR. KEANE: I believe the -- elsewhere in
 18 215-47 --
 19 MR. GREIVE: 215-47?
 20 MR. KEANE: -- it has the other bond rating,
 21 talking about B-bonds.
 22 MR. GREIVE: Okay.
 23 THE MODERATOR: Okay. Does that answer you?
 24 MR. GREIVE: Yeah. Thank you.
 25 THE MODERATOR: Okay. Anything further from

<p style="text-align: right;">Page 66</p> <p>1 the City at this point?</p> <p>2 MR. HAND: No.</p> <p>3 MAYOR BROWN: No.</p> <p>4 THE MODERATOR: Okay. Anything, John, that</p> <p>5 you have that you wish to propose at this point in</p> <p>6 response to anything they've given?</p> <p>7 I have some thoughts I'd like to put out</p> <p>8 here, if you -- and I think we've actually taken</p> <p>9 care of one of them right now. I'd like you guys</p> <p>10 to ponder -- well, first of all, before I go to</p> <p>11 that, I want to make sure that we don't have a</p> <p>12 nonmeeting of the mind that is genuinely</p> <p>13 misunderstanding.</p> <p>14 The proposal that I suggested today, and I</p> <p>15 know you haven't -- you haven't agreed to, was the</p> <p>16 following: That you would take the proposal that</p> <p>17 you made of the first \$61 plus million. You would</p> <p>18 make that transfer. You would pay those amounts</p> <p>19 for the first five years, which constituted the</p> <p>20 entire 175, 185 monies, less the holiday bonus; is</p> <p>21 that correct?</p> <p>22 MR. KEANE: Correct.</p> <p>23 THE MODERATOR: Then what I --</p> <p>24 MR. KEANE: Till we reach the 100 million --</p> <p>25 THE MODERATOR: To --</p>	<p style="text-align: right;">Page 68</p> <p>1 zero level funding after the fifth year because</p> <p>2 you would have believed the enhanced benefit</p> <p>3 number -- because the new employees don't get</p> <p>4 them.</p> <p>5 What you're now saying is, "I would retain</p> <p>6 the 4 percent funding continuously until" -- "the</p> <p>7 14 percent funding," or "the 4 percent to the" --</p> <p>8 "14 would be maintained as long as it took to</p> <p>9 reach 80 percent of funding." Have I got that</p> <p>10 right?</p> <p>11 MR. KEANE: In addition to the 100 million,</p> <p>12 we would continue to maintain a 4 percent</p> <p>13 contribution until the 80 percent funding level</p> <p>14 was achieved by the fund.</p> <p>15 THE MODERATOR: I got it.</p> <p>16 MR. KEANE: Yes.</p> <p>17 THE MODERATOR: All right.</p> <p>18 MR. KEANE: Yes.</p> <p>19 MR. HAND: So just --</p> <p>20 THE MODERATOR: So question that --</p> <p>21 MR. HAND: Sure.</p> <p>22 THE MODERATOR: -- so everybody --</p> <p>23 MR. HAND: Just to clarify --</p> <p>24 THE MODERATOR: -- follows up. I don't want</p> <p>25 to -- I think there was some misunderstanding --</p>
<p style="text-align: right;">Page 67</p> <p>1 MR. KEANE: -- threshold.</p> <p>2 THE MODERATOR: Capped at 100 million.</p> <p>3 What I said today is that, at that point in</p> <p>4 time, you would then go to the -- you would</p> <p>5 maintain the 4 percent that you would have</p> <p>6 otherwise discontinued. You would maintain that 4</p> <p>7 percent from chapter funds, added to employee</p> <p>8 benefits at 10 percent, maintain that 14 percent</p> <p>9 funding until we got to 80 percent.</p> <p>10 What then happened, as I began to -- because</p> <p>11 I began to phase in my understanding, and I want</p> <p>12 to make sure that nobody on this side</p> <p>13 misunderstands or your side misunderstands the way</p> <p>14 I'm reading it. That 4 percent would be the 4</p> <p>15 percent that you would have otherwise withdrawn</p> <p>16 because you do not believe it would have</p> <p>17 constituted enhanced benefits because there would</p> <p>18 not be an additional 4 percent above that 4</p> <p>19 percent if you were, in fact, holding back the</p> <p>20 City's holiday -- the monies wouldn't be there.</p> <p>21 And what happened is, as I was listening to</p> <p>22 you guys, I was sitting here -- wait a minute. I</p> <p>23 know you wouldn't be offering money you don't</p> <p>24 have. And that's what made sense to me, then, is</p> <p>25 what you're saying is you would have gone to a</p>	<p style="text-align: right;">Page 69</p> <p>1 MR. HAND: Right.</p> <p>2 THE MODERATOR: -- because I knew the math</p> <p>3 wouldn't work, is what happened.</p> <p>4 MR. HAND: So, John, right now there's 4</p> <p>5 percent or respectively half of the chapter funds</p> <p>6 going into the base benefits plan. What you're</p> <p>7 saying is you would agree to continue that</p> <p>8 additional 4 percent beyond that until the plan</p> <p>9 reaches 80 percent funding?</p> <p>10 MR. KEANE: No. I'm saying that 4 percent we</p> <p>11 would maintain until we reached 80 percent.</p> <p>12 MR. HAND: Four percent you're already</p> <p>13 putting into base payments --</p> <p>14 MR. KEANE: Right.</p> <p>15 MR. HAND: -- so there's nothing additional</p> <p>16 you're offering in that --</p> <p>17 MR. KEANE: In our first proposal</p> <p>18 yesterday --</p> <p>19 MR. HAND: Right.</p> <p>20 MR. KEANE: -- we talked about 4 percent, 3,</p> <p>21 2, 1 --</p> <p>22 MAYOR BROWN: Steps.</p> <p>23 MR. KEANE: -- and then the reduction.</p> <p>24 MR. HAND: The way you presented that was</p> <p>25 that that was additional money over and above the</p>

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1 4 percent you were currently --

2 MR. KEANE: Exactly. And if you continue

3 down the chart, you would see that in 2017 or '18

4 2 percent of the current 4 percent would be

5 reduced, and then the final year, the second 4

6 percent.

7 MR. HAND: So the City would have -- under

8 your proposal, the City would actually have less

9 than it receives now under the current -- under

10 the proposal, is what you're suggesting?

11 MR. KEANE: No.

12 MR. HAND: Or the plan would receive less

13 than it does now?

14 MR. KEANE: No. Our proposal, as we just

15 amended it, in addition to the 100 million that we

16 already kind of -- everybody understands that

17 part. We would maintain the current 4 percent

18 commitment until the fund reaches 80 percent.

19 THE MODERATOR: And let me tell how I thought

20 this misunderstanding came about. Because I did

21 the math, and the math wouldn't work because I had

22 already put in my proposal that that was to be --

23 you were also retaining that portion, what we've

24 been calling the holiday fund, the holiday bonus,

25 or whatever you want to use.

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1 So I knew the math wouldn't work. And I

2 think, as actually counsel was saying -- wait a

3 minute. The math doesn't work. And then I

4 realized what you had been suggesting before is

5 that you would have cut off your 4 percent at the

6 end of the five-year period?

7 MR. KEANE: Correct.

8 THE MODERATOR: And you would have -- the

9 Board would not have funded -- the employee

10 contribution would be at 10 --

11 MR. KEANE: 10 percent.

12 THE MODERATOR: -- but you would not have

13 funded?

14 MR. KEANE: Correct.

15 THE MODERATOR: What you're now saying is --

16 because we believed that that funding was in -- it

17 was based on enhanced benefits, and we believed

18 the enhanced benefits had been reduced. What

19 you're now saying is that you would maintain the

20 14 percent funding between the two until such time

21 as 80 percent is reached?

22 MR. KEANE: That's correct.

23 THE MODERATOR: What you are saying was

24 that -- "Wait a minute. I was thinking we had the

25 4 percent, and this was an additional 4 percent

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1 above the 4 percent, which would have gone to 18

2 percent."

3 And the math won't -- I mean, it just

4 wouldn't work. And I -- and I think I am the

5 source of some of that misunderstanding. So I

6 want to make sure. Does everybody now understand

7 the proposal? Nobody's accepted it.

8 MR. HAND: Sure. No. It just --

9 THE MODERATOR: That's the proposal?

10 MR. HAND: It just doesn't mean any

11 additional money going into the unfunded

12 liability. I mean, he's -- no -- I mean no

13 disrespect by this. What John's offer is saying,

14 "I'm going to give you what you already have for

15 an additional period of time."

16 So that's just my source of confusion here --

17 THE MODERATOR: Well --

18 MR. HAND: -- is that there's nothing --

19 there's nothing additional that would go --

20 THE MODERATOR: In --

21 MR. HAND: -- to pay down unfunded liability.

22 THE MODERATOR: In fairness --

23 MR. HAND: I'm just trying to make sure I --

24 THE MODERATOR: In fairness, what is being

25 proposed here is that, "Wait a second. The

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1 chapter funds that we were going to" -- "not going

2 to continue after a point in time," which I think

3 first was a rollback and then the next proposal

4 was a cap number of 100 million. There's no cap

5 number. "We'll continue that funding after we

6 have already" -- "once all that money has already

7 been given, we'll continue our current funding

8 rate," which I didn't understand your question.

9 They're currently funding -- well, they currently

10 are funding at 4 percent.

11 MR. HAND: Right. Currently about --

12 THE MODERATOR: Right.

13 MR. HAND: -- 4 percent goes to the base

14 benefit --

15 THE MODERATOR: That's right.

16 MR. HAND: -- so the plan 4 percent goes to

17 enhanced benefits.

18 THE MODERATOR: Right. That's correct.

19 MR. HAND: Right.

20 THE MODERATOR: And what he's saying is --

21 what he's saying is, as I understand it -- and I

22 know the math on this wouldn't work. You were

23 using a number of either 9 million -- well, let's

24 say you rolled back 2 million that you call the

25 holiday number. If you rolled back the holiday

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1 number -- I knew that there was a misunderstanding
 2 because the math doesn't work. There's not enough
 3 money there. All the money would be gone.
 4 So you can't -- I mean, there's not a third
 5 half of this thing. So that's -- I just want to
 6 make sure. Now, you can disagree with it and --
 7 MR. HAND: Sure.
 8 THE MODERATOR: I just didn't want any
 9 misunderstanding because you were actually -- your
 10 side was the one that made me think, "Wait a
 11 minute. That's absolutely right. That can't
 12 be" -- and I -- then I remembered your proposal
 13 had no additional money after the fifth year.
 14 So what would happen is, you would put all
 15 the money that you were committed on the front
 16 end, all the chapter money, except for that which
 17 was the holiday reserve. And then you would
 18 maintain current funding until 80 percent is met,
 19 even though your position might be of the Board --
 20 or that you might have argued to the contrary
 21 that -- "We no longer have an obligation because
 22 we believe that there are no further benefits,"
 23 et cetera, et cetera, et cetera.
 24 But I'm not going to remake arguments you-all
 25 have heard many times. I just want to make sure

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1 everybody's at the same point in understanding
 2 what the proposal was because it couldn't have
 3 been as I was thinking at one point in time
 4 because the number wouldn't work.
 5 MR. HAND: Right. So it would be to maintain
 6 the current 4 percent going to the plan until such
 7 time as 80 percent is funded, which right now,
 8 under the existing agreement, is going to the plan
 9 until 2030?
 10 THE MODERATOR: Well, except that for the
 11 first five years after the agreement --
 12 MR. HAND: Uh-huh.
 13 THE MODERATOR: -- all of the chapter money
 14 except --
 15 MR. KEANE: What the chief said, under the
 16 current agreement, that 4 percent would go until
 17 2030. He is absolutely correct on that --
 18 THE MODERATOR: Yes.
 19 MR. KEANE: -- but our proposal was to change
 20 that.
 21 THE MODERATOR: Yes. And to the first five
 22 years, all of the chapter money except that money
 23 reserved would go to you -- to the plan?
 24 MR. HAND: Is that accurate? Because, John,
 25 I'm not --

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1 THE MODERATOR: I want to make sure I'm right
 2 on this. Let me -- during the first five years of
 3 your proposal, you're going to put up the upfront
 4 money of 60 million. In five years you would give
 5 all of the money except the reserve money, and
 6 after the fifth year, all of the reserve money
 7 except the money you reserve for holiday, then you
 8 would continue what is the status quo until 80
 9 percent is reached; is that accurate?
 10 MR. KEANE: It's close to accurate. I'd
 11 rather use the term "100 million" rather than
 12 "fifth year" because if there's a drop in money,
 13 it may take six years. You know, all the money --
 14 THE MODERATOR: Till you reach 100 --
 15 MR. KEANE: All the money --
 16 THE MODERATOR: Till you reach 100 million?
 17 MR. KEANE: -- minus the holiday requirements
 18 would be -- go in to the fund --
 19 THE MODERATOR: Until it reaches 100 million?
 20 MR. KEANE: -- until we reach the 100 million
 21 threshold.
 22 THE MODERATOR: Okay. That may be more
 23 accurate, yes.
 24 MS. LAQUIDARA: So is the difference -- just
 25 so I understand the difference, is the difference

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1 between the 100 million and the 80 percent funding
 2 because -- put in all of the money until 100
 3 million, and we're asking for all of the money
 4 until 80 percent funding, I think --
 5 THE MODERATOR: Right.
 6 MS. LAQUIDARA: Is that -- so that's --
 7 THE MODERATOR: Right. And what he's --
 8 MS. LAQUIDARA: That's the difference. And
 9 this is, again, another one of those issues -- for
 10 the other municipalities is done between the City
 11 and the employees, and which does have flex in it.
 12 And it's because the existing you're looking at in
 13 paying the enhanced benefits -- so the City has an
 14 actuarial obligation to pay the enhanced benefits.
 15 It's paid for.
 16 These funds would normally go to the City.
 17 And the City would be having this argument over
 18 whether they're properly used when they're paying
 19 for past funds.
 20 Hence, the awkward position Mr. Keane's in,
 21 in having to negotiate against the corpus itself.
 22 And so I -- and I just wanted to highlight, 80
 23 percent, I think, is a mutual benefit. I mean,
 24 everybody wants that 80 percent.
 25 And the 100 million is -- you know, we

<p style="text-align: right;">Page 78</p> <p>1 have -- we presently have a \$700 million unfunded 2 liability?</p> <p>3 1.7.</p> <p>4 MR. HAND: 1.7 billion.</p> <p>5 MS. LAQUIDARA: And so the 100 million, I 6 think, really does -- it's a lot of money, but 7 those enhanced benefits, we're still paying for 8 those. And we just don't have the money to make 9 up the other \$1.6 billion.</p> <p>10 THE MODERATOR: Well, my role is not to tell 11 you what to accept --</p> <p>12 MR. HAND: Trying to clear it up.</p> <p>13 THE MODERATOR: -- or not accept.</p> <p>14 MS. LAQUIDARA: Yeah.</p> <p>15 THE MODERATOR: I just wanted to make sure 16 that people didn't leave the table in good 17 faith --</p> <p>18 MAYOR BROWN: No. It's good to clarify. 19 It's good to clarify.</p> <p>20 THE MODERATOR: I didn't want to make 21 people -- because I knew the math doesn't work.</p> <p>22 MAYOR BROWN: Right.</p> <p>23 THE MODERATOR: You can't -- there wouldn't 24 be 4 percent left.</p> <p>25 MS. LAQUIDARA: Correct.</p>	<p style="text-align: right;">Page 80</p> <p>1 could not exceed 10 percent. The Board would be 2 given the agreed-upon enhanced investment 3 authority as set forth in its plan as amended 4 today by the hedge fund language, that Paragraph 8 5 of the plan now -- now I'm going to withdraw that 6 language because Paragraph 8 has now been agreed 7 upon.</p> <p>8 MAYOR BROWN: Yes.</p> <p>9 THE MODERATOR: So we're -- so we're fine. I 10 had a Paragraph 8 proposal. So I will -- let me 11 mark through that.</p> <p>12 All of the obligations of the plan, including 13 the obligations addressing governance, will remain 14 in effect between the parties for the entire term 15 of the agreement, that the only provision that 16 would -- that would -- the only provisions that 17 would extinguish earlier than the expiration of 18 the agreement would be the funding provisions if 19 they were reached first; in other words, if you 20 reached the 80 percent threshold, then the 21 additional 40 million and the additional 4 22 percent, upon reaching the threshold, would no 23 longer bind the parties if you got there before 24 the expiration of the current 30-year agreement, 25 that the COLA would remain as set forth under</p>
<p style="text-align: right;">Page 79</p> <p>1 THE MODERATOR: And I knew that math wouldn't 2 work. And then that's what made me do that.</p> <p>3 So I have something I want to throw out here 4 to see if we can get the conversation moving on 5 these last few issues because we are really down 6 to the last few, albeit important.</p> <p>7 I would like the parties to consider the 8 following: That the agreed-upon funding set forth 9 in the Board's second proposal of 5/14 -- and just 10 to be clear so you don't have to go back and look 11 at your notes -- that was the proposal of 12 yesterday afternoon of the 100 million -- that the 13 annual payments of all Chapter 175 and 185 funds, 14 except the retiree bonus, that all of those monies 15 would be paid until such time as the \$100 million 16 was reached, that the Board would continue, after 17 that \$100 million threshold, to pay into the 18 retirement fund at the rate of 4 percent of its -- 19 4 percent of the chapter funds, which I think is 20 one-half, if I recall right, until the fund 21 reaches the 80 percent funding level. The DROP 22 plan for all current employees would be determined 23 by use of the CPI employed by the Social Security 24 Administration for actual performance, provided 25 that the rate would not fall below 5 percent and</p>	<p style="text-align: right;">Page 81</p> <p>1 current practices, and that language -- that 2 Paragraph 9 language would be agreed upon between 3 the Office of the General Counsel and the special 4 counsel for the Board, as assisted by me.</p> <p>5 And the reason for that on Paragraph 9 is 6 there is some specific language there about the 7 use of the magistrate, the use of a master, the 8 use of a current judge, that I think that you guys 9 have a generalized agreement upon, but I'm not 10 prepared to do that. Although, we can stay -- we 11 can do nine and bring it back after you guys have 12 agreed to it for one last look at it by everybody, 13 but that's my thought on Paragraph 9, that being 14 the one, if you will, that's kind of the 15 wraparound of how it's to be refereed in the 16 future.</p> <p>17 Now, I throw that out knowing that neither of 18 you have agreed to those provisions, and both of 19 you will disagree to some of those provisions. 20 You may come back with a -- with a better plan, 21 but, essentially, I want to repeat the heart of 22 this. The heart of it is that --</p> <p>23 MR. HAND: Would you run through those 24 just --</p> <p>25 THE MODERATOR: I'm going to go through it</p>

<p style="text-align: right;">Page 82</p> <p>1 again.</p> <p>2 MR. HAND: -- to be crystal clear, one more</p> <p>3 time?</p> <p>4 THE MODERATOR: Yep. The Board's second</p> <p>5 proposal of 5/14, as modified, would be accepted.</p> <p>6 The modification would be that, after the five</p> <p>7 years -- and I -- strike that. After the \$100</p> <p>8 million threshold has been reached, the Board will</p> <p>9 continue to fund the plan by paying the 4 percent,</p> <p>10 which with -- which -- so, parenthetically, which,</p> <p>11 when added to the employee contribution at that</p> <p>12 rate should be 14 percent. The DROP plan for all</p> <p>13 current employees would use the CPI of the Social</p> <p>14 Security Administration for actual performance,</p> <p>15 provided that the rate would not fall below 5</p> <p>16 percent and provided that it was capped at 10</p> <p>17 percent. All obligations of this plan, including</p> <p>18 the governance provisions, would remain in effect</p> <p>19 between the parties for the term of this</p> <p>20 agreement, that's whether or not they became part</p> <p>21 of City ordinance or not, whether or not they --</p> <p>22 except for those provisions which are based upon</p> <p>23 reaching the 80 percent threshold, meaning your</p> <p>24 respective funding obligations, were they reached</p> <p>25 earlier, would no longer bind the parties. And</p>	<p style="text-align: right;">Page 84</p> <p>1 to have a final get-together for everybody to</p> <p>2 review all proposed language. I understand that.</p> <p>3 But that -- this is a proposal that would wrap it</p> <p>4 up.</p> <p>5 The COLA would be preserved. There is not a</p> <p>6 shared plan in this. There is not -- there is a</p> <p>7 change in the DROP plan. If you want to know</p> <p>8 where I came up with five years, I will refer you</p> <p>9 to -- if you would look at the task force</p> <p>10 recommendations, there is a Pew provision in the</p> <p>11 task force recommendation that says, with 75</p> <p>12 percent predictive accuracy, the number -- the</p> <p>13 earning would be 5.47, or something like that,</p> <p>14 five and a half. It doesn't matter. You may have</p> <p>15 other numbers. That's where mine -- I didn't just</p> <p>16 pull one out of a hat, so that you understand</p> <p>17 that.</p> <p>18 That meant that there is predictive -- in the</p> <p>19 task force performance data such that Pew found</p> <p>20 that to be a number that -- a greater number than</p> <p>21 that was likely, with a 75 percent accuracy. I</p> <p>22 think a number not far below that was found to be</p> <p>23 accurate with something in excess of -- I mean, I</p> <p>24 know all people predict with it -- on the other</p> <p>25 hand, but it was pretty preclusive.</p>
<p style="text-align: right;">Page 83</p> <p>1 the COLA would remain unchanged for current</p> <p>2 employees. Paragraph 9 would be agreed upon by</p> <p>3 the Office of the General Counsel and the special</p> <p>4 counsel for the Board, who is Mr. Klausner, as</p> <p>5 refereed by me.</p> <p>6 That's moderator's proposal of about 3:30 in</p> <p>7 the afternoon on Thursday. I know it will be</p> <p>8 accepted by both of you almost immediately, or</p> <p>9 not, but it is -- it is my effort to get you to</p> <p>10 focus now on where we really are because that's</p> <p>11 really what's at -- everything else is off.</p> <p>12 That's where we are.</p> <p>13 Now, you-all may say, "Nope. I can't do it."</p> <p>14 And you may say, "Nope. I can't do it."</p> <p>15 Well, if you can't do it -- there's a</p> <p>16 difference between can't and won't. Maybe you</p> <p>17 won't do it.</p> <p>18 Maybe you won't do it.</p> <p>19 Maybe you can't do it.</p> <p>20 Maybe you can't do it.</p> <p>21 Come up with something else, but that's where</p> <p>22 we are. It's down to this. If you guys want this</p> <p>23 agreement that both of you have told me you wanted</p> <p>24 for a long period of time, this would wrap it up,</p> <p>25 realizing there would be work for -- we would have</p>	<p style="text-align: right;">Page 85</p> <p>1 So that's where we are, folks. That's a</p> <p>2 proposal. I would like both parties to take a few</p> <p>3 minutes to look at that. I will be available, if</p> <p>4 I made any -- if I didn't make anything clear.</p> <p>5 It is a proposal that you're not going to</p> <p>6 like on COLA.</p> <p>7 You're not going to like on . . .</p> <p>8 MR. KEANE: DROP.</p> <p>9 THE MODERATOR: DROP.</p> <p>10 You're not going to like entirely on funding.</p> <p>11 You're not going to like on funding because</p> <p>12 it's more than you put on the table, until I</p> <p>13 pushed it.</p> <p>14 You're saying, "Wait a minute. It's no more</p> <p>15 money than we're receiving now."</p> <p>16 You're saying, "Wait a minute. I'm</p> <p>17 continuing, after I give a \$100 million, to fund</p> <p>18 at a new level till" -- "that I didn't think I had</p> <p>19 to do."</p> <p>20 So if you-all can come up with a better idea,</p> <p>21 come up with it.</p> <p>22 MR. KEANE: Now, before we go off to think of</p> <p>23 those ideas --</p> <p>24 THE MODERATOR: Yes, sir.</p> <p>25 MR. KEANE: -- the task force was very clear</p>

<p style="text-align: right;">Page 86</p> <p>1 that they wanted an enforcement mechanism to 2 require the City Council to -- 3 THE MODERATOR: That was -- 4 MR. KEANE: -- budget -- 5 THE MODERATOR: -- already agreed to on 6 Paragraph 6 of No. 9. That's already been agreed 7 to. Paragraph 6 has a provision. I'm just 8 suggesting -- the only problem with Paragraph 6 is 9 that it took a federal judge, an appointed federal 10 judge. I think there needs to be an alternative 11 there in case the federal judge either can't or 12 won't accept that assignment. So I've suggested 13 both to your counsel and -- 14 MR. HAND: Is that -- John, is that what you 15 were referring to, the federal judge provision, or 16 do you mean -- 17 MR. KEANE: No. 18 MR. HAND: -- the investment of additional 19 money? 20 MR. KEANE: The compelling -- last year in 21 pension reform in New Jersey the employees were 22 assessed an additional contribution. And the 23 State was going to raise their contribution this 24 year. Well, the legislature decided not to do it. 25 The same thing happened in Pennsylvania.</p>	<p style="text-align: right;">Page 88</p> <p>1 MR. HAND: No. 2 THE MODERATOR: Is canceled, is that not 3 right? 4 MR. HAND: That is not right. What we talked 5 about -- the enforcement mechanism we talked about 6 is, to the extent -- and our proposal was the City 7 would put in \$40 million. The fund -- 8 THE MODERATOR: Got it. 9 MR. HAND: -- would put an additional -- to 10 the extent the City does not meet its target, the 11 fund would be able to reduce its contribution 12 proportional to whatever the City's -- 13 THE MODERATOR: Okay. 14 MR. HAND: -- reduction would be. So it -- 15 THE MODERATOR: So -- 16 MR. HAND: That was -- that was the 17 enforcement -- 18 THE MODERATOR: -- if you gave nothing -- 19 MR. HAND: Right. 20 THE MODERATOR: -- if they didn't appropriate 21 \$40 million -- 22 MR. HAND: Right. 23 THE MODERATOR: -- what you're saying is, if 24 they appropriate \$30 million that year -- 25 MR. HAND: Right.</p>
<p style="text-align: right;">Page 87</p> <p>1 And Mr. Cannon, distinguished member of the 2 task force, he said -- in this room, said many 3 times, as you-all heard him say -- "We need a 4 mechanism in the" -- "going forward to hold the 5 feet to the fire so that it will be funded." 6 It's not -- 7 THE MODERATOR: Are you talking about if the 8 40 million wasn't forthcoming? 9 MR. KEANE: Right. In the City's original 10 proposal, they talked about 40 million, subject 11 to -- 12 THE MODERATOR: Appropriations. 13 MR. KEANE: -- appropriations. 14 THE MODERATOR: I thought we already 15 understood that, if the City did not reach its 16 funded level -- that's already in there, but I'll 17 double-check for it -- if the City does not meet 18 their funded level -- I thought you were talking 19 about -- you also have a -- you have a method for 20 regularly seeing that it happens. 21 MR. KEANE: Right. 22 THE MODERATOR: But if it does not happen and 23 the City was to not fund it at the \$40 million 24 level, then your obligation within that year, 25 whatever that obligation will be, is not --</p>	<p style="text-align: right;">Page 89</p> <p>1 THE MODERATOR: -- your obligation is reduced 2 commensurately; is that correct? 3 MR. HAND: Correct. 4 MAYOR BROWN: Correct. 5 THE MODERATOR: If they didn't give any money 6 that year -- 7 MR. HAND: Right. 8 THE MODERATOR: -- the Board has no 9 obligation -- 10 MR. HAND: The additional monies -- 11 THE MODERATOR: -- in the same year to -- 12 MR. HAND: -- the Board would be putting in 13 would not be required under that. So it ties the 14 two -- 15 THE MODERATOR: Is that what you were talking 16 about? 17 MR. KEANE: Right. 18 THE MODERATOR: Okay. I don't think there's 19 a disagreement on how to do that. 20 MAYOR BROWN: Oh, we talked about that. 21 MS. LAQUIDARA: We initialed that one. 22 THE MODERATOR: I thought we had agreed -- 23 MAYOR BROWN: We agreed to that. 24 THE MODERATOR: -- to that. I thought -- 25 MAYOR BROWN: That's --</p>

<p style="text-align: right;">Page 90</p> <p>1 THE MODERATOR: -- you were talking about -- 2 on Paragraph 9, there's also a provision for -- I 3 think it's quarterly and annual oversight. 4 MR. KEANE: Right. 5 THE MODERATOR: All I suggested -- and I know 6 your attorney, as well as their attorney, has some 7 question about, "Well, what if the federal 8 judge" -- you guys put in there a federal judge 9 and -- highly respected. But what if, A, he's not 10 there, B, he can't do it, whatever the case may 11 be, some alternatives. 12 There's also some language in there that flat 13 doesn't apply any longer because you guys have 14 really already -- my suggestion on Paragraph 9 was 15 to allow the respective counsels to draft that 16 wraparound language with my refereeing. We would 17 provide that to both sides through -- there is no 18 substantive change in Paragraph 9. I just know 19 that it was important to you guys -- 20 MAYOR BROWN: Yeah. 21 THE MODERATOR: It was important to you guys 22 that there be something that says "We're checking 23 regularly that everybody's doing what they're 24 supposed to be doing," both sides. 25 MAYOR BROWN: No. I agree with that.</p>	<p style="text-align: right;">Page 92</p> <p>1 I mean, I know it's easy to nitpick and say, "I'll 2 take one and not take two." And I know you're -- 3 the both of you are going to say that to me. 4 But I want you to understand, we don't get an 5 agreement until we have an entire agreement. So 6 if you have to swallow something you don't like on 7 either side, your answer is now to put it against 8 the weight of no agreement versus an agreement 9 that doesn't have everything I like, but has some 10 things I do like and some things I don't, which I 11 have found in my life to be most agreements I've 12 ever entered into. 13 In case my wife is listening, it's not that. 14 All right. 15 MS. LAQUIDARA: Senator -- 16 THE MODERATOR: Take a few minutes. 17 MS. LAQUIDARA: Senator Smith, could I just 18 check -- to John's point that he just raised, all 19 of the matters that we've previously agreed on, 20 that -- those -- nothing was intended to be 21 changed by this language? 22 THE MODERATOR: No. 23 MS. LAQUIDARA: This is just the outstanding 24 issues? 25 THE MODERATOR: This is -- I'm not changing</p>
<p style="text-align: right;">Page 91</p> <p>1 THE MODERATOR: All right. That's not an 2 issue. That was my provision -- 3 MAYOR BROWN: John? 4 THE MODERATOR: -- as to Paragraph 9. 5 MR. KEANE: That's resolved in Paragraph 9. 6 THE MODERATOR: Yeah. Okay. 7 MAYOR BROWN: Do you agree with that? 8 THE MODERATOR: In Paragraph 9, you already 9 agree with -- 10 MR. KEANE: I agree with these 11 representations -- 12 MAYOR BROWN: Sure. 13 MR. KEANE: -- that are given here. 14 MAYOR BROWN: Sure. Okay. 15 THE MODERATOR: That language has to do that. 16 And I'll be the referee to see that that language 17 does it. But the attorneys, they both are 18 generally in accordance on the concept of having 19 oversight and how it should work, but having kind 20 of a fallback position, if A won't work, then 21 what's B; okay? 22 MR. KEANE: All right. 23 THE MODERATOR: All right. You guys take a 24 few minutes to consider the mediator's proposal, 25 and let's see if we can -- and I would tell you --</p>	<p style="text-align: right;">Page 93</p> <p>1 anything you guys -- 2 MS. LAQUIDARA: That's what I thought. I 3 just -- 4 THE MODERATOR: I just -- I actually 5 scratched eight off of my proposal because when 6 you guys walked in -- 7 MAYOR BROWN: Right. Yeah, we -- 8 THE MODERATOR: You got that out. 9 MAYOR BROWN: Yes. 10 MS. LAQUIDARA: Yes, sir. 11 THE MODERATOR: So go talk about it. Come 12 back to me in 15 minutes. 13 (Recess from 4:04 p.m. 4:36 p.m.) 14 THE MODERATOR: Speaking of going through 15 labor, can we return to this issue for just a 16 moment? 17 MAYOR BROWN: Issue? 18 THE MODERATOR: Issues for just a moment. 19 MAYOR BROWN: Only one? 20 THE MODERATOR: I think I have made a 21 proposal that both of you have in front of you. 22 And I know that both of you are equally enamored 23 with it. But I'll let the City go first, and then 24 John go. And both of you can tell me the things 25 that you believe that I have gotten wrong here or</p>

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1 that we need to perhaps approach in a different
 2 way or that you have a more creative approach to.
 3 Chris, why don't you --
 4 MR. HAND: Sure.
 5 THE MODERATOR: -- respond to the moderator's
 6 proposal of this afternoon.
 7 MR. HAND: You bet. So we would -- we would
 8 propose the following, in an effort to try and
 9 resolve the outstanding issues: We would
 10 propose -- obviously, some issues we've already
 11 taken care of, governance, Section 10 as it
 12 relates to the negotiation of benefits, how those
 13 will be handled in the future.
 14 We would propose an agreement that is
 15 effective October 1st, 2014, through September
 16 30th, 2024, so for a ten-year period. During
 17 those ten years, the City will commit to putting
 18 at least an additional \$40 million each year over
 19 and above ARC to help pay down the unfunded
 20 liability.
 21 During that time, that ten-year period, the
 22 fund would pay an additional 4 percent. This is
 23 above and beyond the amount it already pays toward
 24 base benefits, so approximately \$5 million a year
 25 toward paying down the unfunded liability. This

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1 would also include the transfer of the 61 million
 2 in the enhanced benefit account and the CBSA to
 3 the City for the benefit of the plan.
 4 For DROP, we would have DROP pegged to the
 5 actual rate of return, with a floor of 3.9
 6 percent, and a cap of 10 percent.
 7 For COLA, it would be a cap of 2 percent,
 8 with the COLA being the -- either 2 percent --
 9 either lesser of 2 percent or the Social Security
 10 COLA. That would apply to all current employees,
 11 so there would no longer be any bifurcation. That
 12 would apply to all current employees.
 13 We agree with the -- we would agree with the
 14 language on the investment authority, with the one
 15 change that was made earlier, explicitly --
 16 THE MODERATOR: Hedge funds.
 17 MR. HAND: -- as to hedge funds.
 18 And, again, we've already agreed to the
 19 governance language, including Section 10.
 20 As I said, the term of the agreement would be
 21 through September 30th, 2024.
 22 We'd obviously have to work out Section 9 as
 23 to the enforcement of the agreement and the
 24 disposition of the pending lawsuit and some of
 25 those other matters.

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1 THE MODERATOR: Would you agree with the
 2 method that I had proposed on that, which is --
 3 MAYOR BROWN: Yes.
 4 MR. HAND: Yes.
 5 THE MODERATOR: -- to have their special
 6 counsel and your general counsel work it out with
 7 my refereeing, and help them towards getting
 8 that -- what I think --
 9 MR. HAND: Correct.
 10 THE MODERATOR: -- reflects the --
 11 MR. HAND: I think we feel good about the
 12 consent. We just need to work out --
 13 THE MODERATOR: I got it.
 14 MR. HAND: -- the language.
 15 THE MODERATOR: Okay.
 16 MR. HAND: So in a -- I believe that's
 17 covered all outstanding issues. And that would be
 18 the -- that would be the City's proposal.
 19 THE MODERATOR: John, your reaction to the
 20 moderator's proposal, and then any reaction you
 21 have to the City's proposal?
 22 MR. KEANE: I just need to get a
 23 clarification, Chief --
 24 MR. HAND: Sure.
 25 MR. KEANE: -- if you would tell me that --

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1 our proposal for the 100 million would continue;
 2 correct?
 3 MR. HAND: Correct.
 4 MR. KEANE: And then tell me about the
 5 continued --
 6 MR. HAND: Sure. So --
 7 MR. KEANE: -- requirement of money.
 8 MR. HAND: So as I understood your -- in
 9 addition to that proposal, as I understood your
 10 proposal, as part of that, the additional 4
 11 percent, again, beyond base benefits, would be
 12 paid for five years. That's as I understood your
 13 proposal.
 14 This would extend it for an additional five
 15 years, so that it would end after ten years.
 16 During that ten-year period, the City would also
 17 be putting in at least \$40 million extra to pay
 18 down the unfunded liability.
 19 MR. KEANE: Now, let's make sure we're not
 20 counting this 4 percent three times. It's the
 21 current 4 percent, plus 4 percent, or a total of 4
 22 percent?
 23 MR. HAND: It is the current 4 percent, plus
 24 4 percent.
 25 MR. KEANE: Okay.

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1 MR. HAND: So over that ten-year period, the
 2 City would pay at least \$40 million above and
 3 beyond the ARC to help pay down the unfunded
 4 liability. The fund would pay the current 4
 5 percent, plus an additional 4 percent for that
 6 ten-year period.
 7 DROP would be -- DROP would earn interest of
 8 the actual rate of return on the plan with a floor
 9 of 3.9 percent and a cap of 10 percent. As I
 10 said, we would include the \$61 million in the
 11 other two accounts to be transferred to the City
 12 for the benefit of the plan.
 13 COLA would be -- we would end the bifurcation
 14 on the COLA, so, instead, it would just now be a
 15 cap of 2 percent or the lesser -- a cap of 2
 16 percent, with the COLA being the lesser of 2
 17 percent or the Social Security COLA. But the
 18 bifurcation language about Age 55 would cease.
 19 We would agree to the investment authority,
 20 again, with the caveat about hedge funds that
 21 we've agreed to. We've already agreed to
 22 governance, those different provisions.
 23 The term of an agreement would be through
 24 September 30th, 2024, on the provisions to which
 25 that applies.

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1 MR. KEANE: Are you waiting on a response
 2 from me?
 3 THE MODERATOR: I am.
 4 MR. KEANE: Oh.
 5 THE MODERATOR: I mean, I know this is a new
 6 proposal and you can take --
 7 MR. KEANE: It's new.
 8 THE MODERATOR: -- all the time you want.
 9 MR. KEANE: No. We're not going to take no
 10 time. You and I have got to leave.
 11 THE MODERATOR: I understand that. We're not
 12 doing it now --
 13 MR. KEANE: No. No. No.
 14 How about if we continue the current 4
 15 percent and increase it by 2 percent, which would
 16 mean a commitment of 6 percent from the base -- to
 17 the base benefit fund for the period ending
 18 September 30th of '24 and increase the --
 19 MR. HAND: 2024.
 20 MR. KEANE: 2024, I'm sorry.
 21 THE MODERATOR: Yeah. I just -- I
 22 misunderstood. 2024.
 23 MR. KEANE: And increase the DROP. I'm
 24 willing to come down from the guaranteed 8.4 to a
 25 floating rate. How about a -- instead of 3.9, 5,

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1 5 is the floor, 10 is the max?
 2 THE MODERATOR: Go ahead.
 3 MR. KEANE: And if we do those two things, we
 4 can even leave early.
 5 MR. HAND: So --
 6 THE MODERATOR: Let me -- let me see --
 7 MR. HAND: Yeah. Go ahead.
 8 THE MODERATOR: I want to make sure --
 9 because I was trying to read theirs and your -- so
 10 that we're clear -- and I'm asking both of you
 11 some things here. 2024 would be the length of the
 12 funding obligations; is that correct?
 13 MR. HAND: Be ten years, right.
 14 MAYOR BROWN: Ten years.
 15 THE MODERATOR: Okay. Now, I know there's an
 16 agreement out there that is longer than that, but
 17 this would modify that agreement, and as to these
 18 provisions, meaning the funding obligations, it's
 19 2024?
 20 MR. HAND: Right. In other words, this
 21 agreement would -- this agreement would terminate
 22 on September 30th, 2024. The current agreement
 23 terminates on September 30th, 2030. This
 24 agreement would terminate on September 30th, 2024.
 25 THE MODERATOR: Including all of the

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1 provisions --
 2 MR. HAND: Right.
 3 THE MODERATOR: -- and so you would be
 4 shortening the 30-year agreement that is out
 5 there -- I'm not going to argue the merits of it,
 6 but the argument of -- the 30-year was 2030; is
 7 that correct?
 8 MS. LAQUIDARA: Yes.
 9 MAYOR BROWN: Yes.
 10 MR. HAND: Ends on 2030. This --
 11 THE MODERATOR: Yeah.
 12 MR. HAND: This agreement would terminate as
 13 of September 30th, 2024.
 14 THE MODERATOR: Okay.
 15 MR. KEANE: This is an inside agreement
 16 inside of the current agreement.
 17 THE MODERATOR: I understand. I just want to
 18 be clear on my thoughts.
 19 MR. HAND: Now --
 20 THE MODERATOR: You're saying -- because I
 21 don't want any misunderstanding --
 22 MR. HAND: Yeah.
 23 THE MODERATOR: -- you're saying that the
 24 agreement, the larger agreement, would terminate
 25 at 2024?

<p style="text-align: right;">Page 102</p> <p>1 MR. HAND: Correct.</p> <p>2 THE MODERATOR: You're saying that your</p> <p>3 position would be that the agreement stays in</p> <p>4 effect, including governance and everything else</p> <p>5 and any other provisions that haven't been</p> <p>6 modified by this amendment -- these amendments,</p> <p>7 but that the funding levels would end? I'm not</p> <p>8 saying you agree with this, but I just want to</p> <p>9 make sure that I understand the difference.</p> <p>10 You're saying you would agree to a ten-year</p> <p>11 agreement on funding levels?</p> <p>12 MR. KEANE: Correct.</p> <p>13 THE MODERATOR: And your recommendation is</p> <p>14 that you would -- you would transfer the --</p> <p>15 MR. KEANE: The 100 million.</p> <p>16 THE MODERATOR: You would transfer the 100</p> <p>17 million, and then after the transfer of the 100</p> <p>18 million, would you stay at a 16 percent for the</p> <p>19 remainder of the ten years? You would stay at a 6</p> <p>20 percent. I'm sorry.</p> <p>21 MR. KEANE: Yeah, 6 percent --</p> <p>22 THE MODERATOR: I'm --</p> <p>23 MR. KEANE: -- until we get -- you're</p> <p>24 counting the employees' ten?</p> <p>25 THE MODERATOR: I was, yes.</p>	<p style="text-align: right;">Page 104</p> <p>1 MR. HAND: Yeah.</p> <p>2 MR. KEANE: Something like that, yeah.</p> <p>3 THE MODERATOR: And --</p> <p>4 MR. KEANE: And the DROP interest would be --</p> <p>5 THE MODERATOR: Would be 5 --</p> <p>6 MR. KEANE: -- floor of 5 and a --</p> <p>7 THE MODERATOR: 5 to 10.</p> <p>8 MR. KEANE: -- 5 to 10.</p> <p>9 THE MODERATOR: And if I could ask this,</p> <p>10 guys -- and I --</p> <p>11 MR. KEANE: 6.</p> <p>12 THE MODERATOR: -- recognize the number --</p> <p>13 the number you came up with, 3.9 -- and I don't</p> <p>14 know, Joey, if that's you or --</p> <p>15 MAYOR BROWN: Yeah.</p> <p>16 THE MODERATOR: That 3.9, was that the task</p> <p>17 force number 100 percent accuracy or close to 100</p> <p>18 percent accuracy?</p> <p>19 MAYOR BROWN: 90 percent.</p> <p>20 THE MODERATOR: 90 percent.</p> <p>21 MAYOR BROWN: 90 percent.</p> <p>22 THE MODERATOR: That's what I thought it was,</p> <p>23 yeah. Okay. I understand. I understand. And</p> <p>24 the one I came up with was the one that had 75</p> <p>25 percent accuracy -- was a little bit more.</p>
<p style="text-align: right;">Page 103</p> <p>1 MR. KEANE: Let's talk about the money we're</p> <p>2 going to be spending.</p> <p>3 THE MODERATOR: 6 percent.</p> <p>4 MR. KEANE: 6 percent.</p> <p>5 THE MODERATOR: You would stay at 6 percent</p> <p>6 for the remainder of the period of the ten years,</p> <p>7 so it would be -- it would be 100 million paid in</p> <p>8 the method of 61 million upfront --</p> <p>9 MR. KEANE: That we've already talked about.</p> <p>10 THE MODERATOR: -- the full chapter funds for</p> <p>11 the first five years, or whatever it takes to</p> <p>12 reach 100 million, and then 6 percent additional</p> <p>13 money from the Board until the expiration date of</p> <p>14 ten -- of the ten years.</p> <p>15 MR. KEANE: 6 percent total money, not --</p> <p>16 THE MODERATOR: 6 percent --</p> <p>17 MR. KEANE: -- 6 percent in addition --</p> <p>18 THE MODERATOR: -- total. I'm sorry, 6</p> <p>19 percent total -- I understood that -- for the</p> <p>20 remaining years between the 100 million and the</p> <p>21 2024 year; is that accurate?</p> <p>22 MR. KEANE: That's accurate.</p> <p>23 MR. HAND: So an additional \$2.5 million a</p> <p>24 year is roughly what we're talking about?</p> <p>25 MR. KEANE: Something like that.</p>	<p style="text-align: right;">Page 105</p> <p>1 Okay. But you're going to want -- you want</p> <p>2 the agreement in its entirety to expire in 2024?</p> <p>3 MR. HAND: Correct.</p> <p>4 THE MODERATOR: Okay. They've made a</p> <p>5 proposal.</p> <p>6 You've made a reaction to it.</p> <p>7 I think we are very close, but I know you</p> <p>8 have to leave at five o'clock.</p> <p>9 MR. KEANE: Correct.</p> <p>10 THE MODERATOR: I know I'm leaving --</p> <p>11 MR. KEANE: At the same time or before --</p> <p>12 THE MODERATOR: -- just as soon as I finish</p> <p>13 telling the court reporter to take this thing off.</p> <p>14 We are very close. What I would recommend --</p> <p>15 and, Cindy, I know that you and Bob could work on</p> <p>16 the nine language pretty quickly.</p> <p>17 MS. LAQUIDARA: Oh, sure. I already drafted</p> <p>18 it.</p> <p>19 THE MODERATOR: If you could fire something</p> <p>20 down to Bob --</p> <p>21 MS. LAQUIDARA: Sure.</p> <p>22 THE MODERATOR: -- to look at and --</p> <p>23 MS. LAQUIDARA: Uh-huh.</p> <p>24 THE MODERATOR: And Bob could -- you guys</p> <p>25 could be working on that so we might have</p>

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1 something back in front of us.

2 I will commit to you-all that I have blocked

3 out all this time that I've used, which you know

4 was the time you gave me --

5 MR. HAND: Sure.

6 THE MODERATOR: I will find additional time

7 to get back here next week. Hopefully, Tuesday.

8 I just don't know. I have to cancel some things

9 and get some coverages, but I will work with you

10 over the weekend, and you over the weekend, to

11 work on our calendars to get us back to this

12 table.

13 Right now, gentlemen and ladies, I see the

14 only difference now would be length of term -- I

15 know your respective positions -- for -- whether

16 it's for the contract or the financials, I know

17 that's a difference, but, otherwise, I know that

18 you're both now talking about a ten-year funding

19 commitment.

20 You've made a new proposal back at six, tied

21 to five and ten.

22 You've made a COLA proposal.

23 You've not reacted to it, but your position

24 on COLA is you want it unchanged; is that correct?

25 MR. KEANE: Correct.

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1 THE MODERATOR: We're down to those three

2 little areas. I want everybody to work hard as

3 they can. We're so close. We cannot leave this

4 thing undone.

5 In the old days, I would make everybody go

6 out to dinner and come back, and we'd work till

7 midnight tonight, but we're not able to do that.

8 And I'm not able to do that for things I couldn't

9 possibly have predicted. My plan was to be here

10 until eight tonight.

11 But I know, John, you had a commitment too.

12 In fairness, we tried to change it and, because of

13 notice requirements, we can't. I know we have a

14 24-hour notice requirement. So if we get

15 something noticed Monday morning, we could go as

16 early as Tuesday morning, if that will work for

17 everybody, but, I mean, if it's Monday afternoon,

18 we could go Tuesday afternoon; correct?

19 MR. HAND: Sure. We can --

20 THE MODERATOR: All right. I commit with

21 that.

22 And with that, Madam Court Reporter, show we

23 are off the record and that we are done for the

24 day.

25 (The meeting was concluded at 4:48 p.m.)

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CERTIFICATE

1

2 STATE OF FLORIDA)

3 COUNTY OF ST JOHNS)

4

5 I, Karen Adair Ruiz, Registered Merit

6 Reporter, Florida Professional Reporter, certify that I

7 was authorized to and did stenographically report the

8 foregoing meeting and that the transcript is a true and

9 complete record of my stenographic notes.

10 I further certify that I am not a relative,

11 employee, attorney, or counsel of any of the parties,

12 nor am I a relative or employee of any of the parties'

13 attorneys or counsel connected with the action, nor am

14 I financially interested in the action.

15 Dated this 29th day of May, 2014.

16 *Karen Adair Ruiz*

17 KAREN ADAIR RUIZ

18 Registered Merit Reporter

19 Florida Professional Reporter

20

21

22

23

24

25

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