PUBLIC MEETING BETWEEN

CITY OF JACKSONVILLE

AND

JACKSONVILLE POLICE AND FIRE PENSION FUND

MODERATOR,
RODNEY WARREN SMITH, Esquire
Avera & Smith, LLP
2814 Southwest 13th Street
Gainesville, Florida 32608

DATE TAKEN: May 21, 2014
TIME: 1:34 p.m. - 5:38 p.m.
PLACE: City Hall
St. James Building
Lynwood Roberts Room
117 West Duval Street
Jacksonville, Florida 32202

reported by:
Karen Adair Ruiz
Florida Professional Reporter
Registered Merit Reporter

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

A P P E A R A N C E S

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

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

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

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

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

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

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THE MODERATOR: Folks, if we could get started, this is one of those things where sometimes I think they say time is of the essence. I want to make our time very valuable together today.

As a starting point, what I'd like to do -- last week on Thursday afternoon at four o'clock -- and realizing we left shortly thereafter -- the City made a proposal, and we had some conversation about that, but it was my understanding that you guys were going to flesh that proposal out again and kind of give us -- not that we aren't at the point of giving skeletal proposals. We are.

So we'll count this as the one that was given last week. And as I review it, I just want to kind of -- I've got to do a little side-by-side of the two.

MR. HAND: Yeah. This is -- just to --

THE MODERATOR: Why don't you go ahead and explain --

MR. HAND: We made a verbal -- we made a proposal last Thursday. This is memorialization of this. And I already sent John a copy of this version. There was just -- I highlighted a couple

of points I wanted to clarify that I think we're clear from what we said on the record last Thursday but perhaps they weren't. Everything here is identical to what was said last Thursday and memorialized the next day in writing.

Just to be clear, on our proposal for the continuing police and fire contribution, that would be over and above the amount of money that currently goes to base benefits, so that would be an additional -- half would continue to go to base benefits. The other half would go to unfunded liability. So I think that was clear, but I just -- I think everyone understood that, but I just wanted to make sure they did.

Also, on the issue of COLA, in terms of when beneficiaries would start receiving COLA, we said the third January after retirement. Sometimes these terms are -- go back and forth a little bit. I just wanted to make sure that was clear. That means when an employee either exits DROP or terminates City employment without entering DROP. The key element being the period does not begin when they enter DROP, but begins either when they exit DROP or when they terminate City employment without entering DROP ever, so just wanted to

clarify that. Again, I think that was understood, but always useful to make sure that there isn't confusion.

And then the last really isn't anything different. We had had some language in the other one about how it was -- the language the PFPF proposed yesterday. Clearly, we're several days beyond yesterday. So this just clarifies that the parties would agree to the investment authority changes proposed by the PFPF, the language that Mr. Keane gave us, again, just with the agreed-upon restriction on hedge fund investments. So anyway, just clarifying and reiterating what we already put forward last Thursday.

THE MODERATOR: Okay. A couple of quick questions on this, just so that I'm clear. And I think I am. Under your proposal the -- what has been sometimes called the holiday bonus pay would not be reserved. It would be all part of that 4 percent because it would be required to be from the City's --

MR. HAND: Correct. Yeah.

THE MODERATOR: Just wanted to make sure I was clear on that.

Folks, before we go -- John, and I know this is generally the same proposal that you've had, and I know you have a response, but I want to raise an issue that has been raised directly and indirectly to me through various conversations because I need to get some more clarity on this because I think it's critical to our moving forward.

I'd like to back up for just a moment. And I want us to be where I think we're going to be at the end of the day today. Optimism is my -- hope, aspiration -- let's assume we get this agreement and that it is of the type that is somehow fashioned in this way, that the City has a contribution of $40 million for a period of time. I think that period of time will be linked either to a specific date, as it has been in yours one or more times, or it's been linked to a status level on the funding at 80 percent, whatever we end up arriving at.

MR. HAND: Uh-huh.

THE MODERATOR: Let's assume that we also start off with a transfer of enhanced monies, as well as stabilization monies, which I think we've all agreed somewhere north of $61 million. Let's assume that there's also an additional payment of

some form for a period of time from the Board, either linked to a specific date, which could happen, or linked to a status --

MR. KEANE: Amount.

THE MODERATOR: A period of time to an amount, or to a status of the fund, all of which are kind of on the table. What I want to know from you guys -- and I think it's really critical because I think it's got everybody balking just a little bit.

What happens in your view -- and I'm going to turn to you guys, but, Cindy, you certainly may be the one who wants to get involved in this too.

And, John, from your view -- because I know this is a concern that people -- both employees and people who speak on board issues have actually asked me, and that's what led to this -- this is not something that I brought up with either one of you before today.

What happens -- we have some language in there, and I'm going to call it "if appropriated," I think, was the language. What would happen in the event that the Council, at some point in the future, for whatever reason, or the mayor's -- however this would work, if the City's monies

were, in whole or in part, not paid for a period of a -- one of the years, or I guess it could be more than that, but that -- and I'll give some history on this.

What was raised to me has been some issues that happened in other places where deals were made and then monies were not appropriated. Now, this may make everybody at the table a little uncomfortable. I'm not accusing anybody of anything. I'm commending good faith. But I think it was Regan who said, "Trust but verify." This is on the verify thing.

What happens if, for whatever reason, after you're gone or I'm gone or they're gone, whatever, somebody doesn't come up with their $40 million? Let's start off with they don't pay it at all, and then let's talk about they pay 20.

MR. HAND: So, Rod, this subject came up last week. And, you know, as we thought about it -- and the concern John raised -- we thought it might be helpful to talk about some what I'll call confidence-building measures going forward. So I have -- we have some ideas we want to sort of distribute.

So this is -- and Carol's going to pass

around this document to everybody that's in the audience so everyone has a copy, but we've labeled it "Provisions to Ensure Compliance with Additional Funding Commitment." Some of it, you've already seen before, that for the term of this agreement, which is for ten years, the City shall contribute not less than 40 million annually in additional unfunded liability payments. For the term of this agreement, the Police and Fire Pension Fund shall contribute half of the chapter funds to the base benefits, and then contribute the additional half of chapter funds as additional unfunded liability payments. So that would be in the neighborhood of $4.5 to $5 million a year.

And we've indicated here that, if either party fails to fulfill its annual funding commitment as set forth in Paragraphs 1 and 2 above, the other party is relieved of its additional funding commitment on a proportional basis. In other words, if the City of Jacksonville only provided $30 million in a given year, the Jacksonville Police and Fire Pension Fund would be relieved of its commitment by 25 percent for that year.

We've also -- we also thought a lot, Senator

Smith, about process, and how do we make sure, on a year-in-year-out basis, the City is making eye contact with its additional funding obligations. So what we propose is, as part of the agreement, to have a new ordinance code provision that establishes what we call an additional unfunded liability payment committee.

And, again, what this says is, upon receipt of the Duval County property appraiser's initial ad valorem revenue estimate, which is currently due on June 1st, the chief financial officer shall convene an additional unfunded liability payment committee, subject to the Sunshine requirements of Chapter 286 Florida Statutes, and consisting of the following persons, in addition to the CFO: The Council auditor, the chief administrative officer, the treasurer, the budget officer, the JEA Chief financial officer, and the chairman of the Jacksonville Retirement Task Force, or, at his discretion or inability to serve, the chairman of the Task Force Plan Funding Subcommittee.

Their job would be to review available funding sources for the required $40 million additional unfunded liability payment. And this sort of lists here, not to be comprehensive, but

as examples, the types of funding sources that they would review. No later than June the 30th, they would make a recommendation to the mayor and to the Council president for their consideration in proposing and adopting the next fiscal year's budget.

The idea is to require in the ordinance code, in a public Sunshine noticed fashion -- force the City to make eye contact each year with that 40 million obligation, and make a recommendation to the mayor and the Council president at the end of that -- at the end of that committee process, again, trying to establish a process so that the City can't simply forget in a given year or ignore its responsibilities. Under this, it would have to make public eye contact with its commitment and offer recommendations on how to address it.

THE MODERATOR: John?

MR. KEANE: Well, the first -- the first reading of this, Chief, the committee could meet and say, "We don't have the money this year," and "Tell them we're not going to pay" and "Tell them not to send" -- or "We're only going to pay 50 percent. Tell them to only send their 50 percent"; is that right?

MR. HAND: No. I think, John, you're misreading it. Where it says there's a required $40 million unfunded liability payment --

MR. KEANE: Uh-huh.

MR. HAND: -- okay, they look at different funding sources, which there are a number the City has at its disposal --

MR. KEANE: Sure.

MR. HAND: -- and they tell the Council -- the mayor and the Council president, "Here's how we recommend you fund that 440 million this year." So it's not an -- it's not an if. It's a here's how.

MR. KEANE: Okay. So that would, then, replace No. 3 above here, when it says if the City didn't make it. That No. 3 is very --

MR. HAND: This was -- and I think the way to think of this, John, is more of kind of a belt-and-suspenders approach.

MR. KEANE: Sure.

MR. HAND: Yeah.

MR. KEANE: Sure.

MR. HAND: Yeah.

MR. KEANE: Sure. And --

MS. LAQUIDARA: If I could, Senator, two

things. We always like to plan for the eventuality that -- what happens if people don't honor the agreement? And that's the damages clause. That says, "Well, if they don't pay, you don't pay." And I think that's one way to address -- and a fair way to address it.

We have to recall, under the first part of the settlement, the plan is in far better financial shape because you have reformed and diminished the expenses of retirements going in. So you -- so both sides have gotten something. They've gotten a healthier plan.

The second part is, let's make it even healthier faster. And so there is a commitment to do it, but when people do business with the City of Jacksonville, they have to do it subject to annual appropriation. City Council has got to -- when this agreement goes in front of them has got to have an opportunity to identify those resources and to place them in the -- in line for payment. So it will be an obligation for payment with a clause that says, "If you don't meet it, this is what happens. We both go." But it's a very -- it is nonetheless a clause that City Council will be asked to approve to obligate themselves to pay,

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each year, $40 million.
THE MODERATOR: Cindy, I want you to assume with me for a moment, just for purposes of this discussion, that, for whatever reason, the City determines, three years hence, to not fund or to partially fund. The way I read this plan, you have a committee. The committee has a requirement. They identify a source. Assuming they can do so, they do so. They identify a source.
MS. LAQUIDARA: Or several.
THE MODERATOR: And the -- or several sources, sure, or several -- or composite sources --
MS. LAQUIDARA: Whatever it takes, right.
THE MODERATOR: -- doesn't matter.
MS. LAQUIDARA: Right.
THE MODERATOR: But the Council, as you say -- because I'm listening to you --
MS. LAQUIDARA: Right.
THE MODERATOR: -- on this issue -- the Council, for whatever reason, does not make that appropriation. If the answer to that is that, "Well, we don't make a payment, you don't have to make a payment," the problem is that, from my

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perspective, A, the whole system has gone backwards because you don't make a payment and you don't make a payment, we've just undone some things that we tried to do. And second of all, I don't want to speak for the Board, but the Board's going to be -- position is going to be, whether you consider it 27 million or 61 million, or however you allocate this money -- "Wait a minute. I fronted a bunch of money. And now I'm" -- so what I'm looking for is -- go ahead.
MS. LAQUIDARA: I mean -- and that's because we're kind of bollocksed up in each other's positions. The fund's position is to get a healthy fund. Under the law, all the fund can compel the City to do is pay the ARC; right? That's all they can do.
THE MODERATOR: Okay.
MS. LAQUIDARA: So what the City has given them in the settlement is saying, "I'm going to give you the ARC plus 40 million. And if I don't, here's some of the ways" -- "number one, you can make me do it because I'm going to have a Sunshine meeting with a public showing of what our revenues are, so we have the buy-in of 'This is what we want to do.'"

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And, you know, our police officers and fire safety people are public people too. You know, they have a right to be put in that process. It's a public process.
So what we've done is gone from saying, "We'll give you the ARC and we'll just fund this ourselves our own way. We'll come up every year. We'll do separate legislation," no agreement with you to fund it more, to giving you something more for the fund -- now, if the position is that what you can legally give us isn't good enough, so instead I'll take the fund all the way back to a more precarious financial position, that just doesn't make any sense. You know, "I won't" -- "I won't make the fund healthier because some day perhaps you won't be able to make your 40 million."
So what we're tempted to do is make it really uncomfortable for the elected officials to not give the 40 million. And that has worked historically. It's what we did when we substituted sales tax for a toll revenue. We had the problem of the mass transit riders saying, "Well, wait a minute. I'm not going to have any funding" -- "my mass transit." And what we did is

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we made each year a commitment for ten years. The City Council had to pay that. And they did, even though there was no legal requirement. So it was a very public promise, and there was a public method for doing it.
So I don't want to diminish the fact that it will be painful for people to not do what they're supposed to do. And we will have the work done for the City Council so each year they can make those difficult decisions.
THE MODERATOR: I think -- I think in part what drives this --
MS. LAQUIDARA: Uh-huh.
THE MODERATOR: -- concern, a concern I've been thinking about since we all talked last week off and on -- I won't say continuously, but for billing purposes, I'll probably claim continuously. But the reality is -- the reality is that there have been places where agreements were reached in the last few years, New Jersey and Maryland being two examples that have been brought to mind. And I don't claim to be an expert. And I realize neither is a municipality.
But what I will say is that people reached an agreement, and then the second year or the third

year of the agreement -- I think in one case it was the third year and -- I don't remember. But after a couple of years, it becomes less attractive to do certain things because there's always -- the people who made the deal, they are -- now they're kind of out of it. They're kind of gone. And for whatever reason, decisions were made, and the idea was, "Well, we're not paying, so you don't have to" -- well, I mean, that's fine. That may work. I was looking for -- and I'd like you-all to think about conceptually -- what about some sort of a -- sometimes in contracts we have liquidated damages.

MS. LAQUIDARA: Well, that's what this is.

THE MODERATOR: And -- but sometimes, I mean, we state them. Sometimes we give them -- I had a thought like this. And I just want you to think about it for a minute.

What would happen if we simply say the following: That if in any year the City fails in whole or in part to make their -- not their required payment. That's not -- this payment that they've agreed to make. And I'm going to use for math purposes that they don't make it at all.

MS. LAQUIDARA: Okay.

THE MODERATOR: They don't make it. The way I understand it under some of the proposals, including one of yours, basically what happens is you're putting up 40 million annually against somewhere north of 4.5 million from them. Just accept that for a moment. Do you agree with that for our purposes? So basically $45 million would be due that year.

MS. LAQUIDARA: Uh-huh.

THE MODERATOR: What happens if the City is then required -- if they choose -- or do not make that contribution, that their contribution the next -- the following time they make the contribution, they have to make up the shortfall, meaning that they have to pay their 40 million, plus, they have to pay the Board's 4.5 million because they didn't make their payment on time?

MR. HAND: So, Rod, just so I can clarify what your proposal is, in other words, if in a given year, the City didn't make its $40 million payment, there would be a total --

THE MODERATOR: Zero.

MR. HAND: -- payment amount, right, say, zero --

THE MODERATOR: It'd be zero --

MR. HAND: -- but there would have been a total goal at that point --

THE MODERATOR: Of 45 million.

MR. HAND: Well, right, but at some point -- at that point, we'd now be 40 million behind on the overall unfunded liability payment goal.

THE MODERATOR: That's correct.

MR. HAND: Right. And at that point, we'd almost be re-amortizing and having the City now be responsible for, in a subsequent year, coming up with that $45 million.

THE MODERATOR: Making up the shortfall.

MR. HAND: Yeah.

THE MODERATOR: The catch-up would be on the -- on the City if the City -- and the reason I say that is because -- and I don't want to speak for those of you who know -- but I know that one of the things is that, when people are making this situation in the future, if that decision -- and I know this sounds like I'm -- I'm not dreaming this up because I'm not smart enough to come up with this. Others are concerned with it. And I think others that have raised this concern, once I looked at it, I thought, "Well, wait a minute. If I don't pay" -- "If I don't pay and, therefore,

you're not paying because your payment was based on my payment, then, wait a second. I'm the one that caused the shortfall."

Now, I could simply say, "Well, we'll catch it up because you'll make your money when I make my money." Well, the flip side of it is that those who are decision-makers are going to have to know that there is a penalty. The penalty is that you're going to pay the shortfall. The catch-up money is going to be on your dime because you were the one who initiates every year that decision.

If you make your $40 million commitment under the plan or some form of plan which has an annual matching commitment from them, whatever that amount should be and whatever year it should occur, then their requirement is automatic. Their money goes to you because you made your payment.

Flip side, if you didn't make your payment, then theirs stalls and the plan suffers. The employees -- I understand the argument from the City's point of view. The City's point of view would be, "Well, wait a minute, the employees' additional 3 percent, by that point in time, if we're at 10" -- the employee's additional percentage is based on cost factors for the -- the base operation of benefits. I got that.

But the additional money coming from the Board is totally being committed for unfunded liability. The unfunded liability commitment on the City's -- I think that that allows a general counsel to remind them, "Folks, you can make this decision, but I must tell you, that decision comes with a price tag. And that price tag is we have to make up the entire shortfall that we caused."

MS. LAQUIDARA: And, now, two things. I think that's an intriguing idea. I really do. Liquidated damages provision is a great clause and that's a creative thing that we should think about. There's two principles -- because I really am trying to get people back in their boxes.

I want it clear that there's no prohibition for the Police and Fire Pension Fund to apply their funds to reduce the unfunded liability because, again, I'm trying to put people in their box. I can't be reaching an agreement that puts Mr. Keane in the position of going against what he's supposed to be doing, which is reducing unfunded liability.

So I think if we left that to the Board -- they're not prohibited. He's not -- this isn't an

automatic -- but it then becomes a board decision on the application of those -- I think that's more consistent with both the Board's authority and keeping consistent with the fiduciary obligations. I think --

THE MODERATOR: So your answer would be that they should go ahead and make their payment when the City did not?

MS. LAQUIDARA: I can understand, because of this really odd place where we are here, negotiating against the -- I mean, it's -- to me, it's to the beneficiaries' interests for anybody to pay down the unfunded liability, and that's what the trustee should be doing; okay?

MR. HAND: Well, and the way --

MS. LAQUIDARA: But -- but -- let me finish. But I'm not saying, no, they should make it, anyway. I'm saying that's their decision. I don't want this agreement -- for us to be stepping into the Board and telling the Board what to do with it. They could very well do exactly what we're planning today, but I think that's the Board's decision. I'd like to put it back to the Board, which is a big deal because, in every other City, that's a City decision, not a Board

decision.

THE MODERATOR: I understand.

MS. LAQUIDARA: But I -- so I think --

THE MODERATOR: We deal with what we have.

MS. LAQUIDARA: Right.

MR. HAND: Well, and it's --

MS. LAQUIDARA: Right. So I think that's what we can give them --

MR. HAND: And it's why we crafted it --

MS. LAQUIDARA: -- give them their power back on that.

MR. HAND: -- as a relief of obligation. In other words, the Board, if it wanted to, would still have the ability to put that money in. They're just relieved from their obligation to do so.

THE MODERATOR: Okay.

MS. LAQUIDARA: Right. It's --

THE MODERATOR: All right.

MS. LAQUIDARA: -- giving them the power that they --

THE MODERATOR: Okay. John, any further -- any -- I'm not -- I'm speaking as an outsider --

MR. HAND: Sure.

THE MODERATOR: -- on this thing, talking

about ways that -- what my goal is, whatever we agree to, you're going to pay your 40 million bucks, and you're going to pay your money, and that's going to be the deal. And anything that leaves that with a shoelace that somebody can --

MS. LAQUIDARA: Uh-huh.

THE MODERATOR: And I know that everybody at this table is in the maximum good faith, but I will tell you, somewhere, four or five years from now, it may not be as attractive to fund this particular thing in a year, and that has happened in the past in lots of places that somehow -- and the task reform people, I think, comment on that in their -- in their study.

All I'm suggesting is -- you have a plan here. John, you've just now seen this. I want you to consider it.

I want you guys to think about what I've said --

MR. HAND: Of course.

THE MODERATOR: -- which is, wait a minute, I think deterrence goes a long way, deterrence meaning there is a -- and I won't use -- I won't call it a penalty, but there is a cost if you don't do what you've -- what you're supposed to do. Therefore, people in the future are going to be much more disinclined to not make that decision because they're going to have to pay additional money.

Now, you're right. I don't care if the Board goes ahead and makes their contribution or not.

MS. LAQUIDARA: It's up to them.

THE MODERATOR: If you guys caused the shortfall, and they went ahead and made theirs, they're up on you. You still have to catch up. And I think your catch-up should be the amount that was caused --

MS. LAQUIDARA: Uh-huh.

THE MODERATOR: -- if you will, the loss that was incurred.

MR. HAND: Uh-huh.

THE MODERATOR: And I think that loss is -- because are you going to say, if you -- if they make a payment one year and you don't make a payment next year, the next year you make their payment, but they don't get to make their -- it makes no sense. We have to have these tied to one another. You guys have got to be in the same boat together, if you will. So those are my thoughts on this.

John, I think they've made a proposal that you have in front of you. And I want to kind of cut to the chase. I want to set aside this issue just briefly because it ties into any final agreement we reach here, I know.

Their last proposal as of today is the following: Their proposal is a COLA at 2 percent, a DROP of -- let me make sure I get my right number in front of me. Their DROP is -- let me get my --

MR. HAND: 3.9 to 10.

THE MODERATOR: 3.9 -- yeah, I had the number. It was 3.9 to 10.

Madam Court Reporter, can I steal this again? Because I can lose them quicker than anyone -- that the 61 million we've talked about, it would be a $40 million contribution on their rate. The DROP would be 3.9 to 10. Their COLA provision would be 2 -- would be Social Security CPI, or 2 percent, whichever is the lesser. And the dates on that would be -- I think that the issue is the third January. And then they would give the enhanced authority to the PFPF with that agreed-upon restriction on the hedge fund investment, which we really -- I think that we're

all in agreement with, anyway.

So that being their proposal that's on the table right now, do you have a response to that proposal?

MR. KEANE: Yes, sir.

THE MODERATOR: Okay. Let's see what you have.

MR. KEANE: We're not going to talk about this first issue --

THE MODERATOR: Oh, no.

MR. KEANE: -- temporarily?

THE MODERATOR: I didn't mean to cut anybody off. Go ahead.

MR. KEANE: Well, let me just make one minor correction to your statement of how soon people forget what they agreed to. In Maryland, it took two years for the State to decide they wasn't going to pay. They reduced the benefits for the employees, increased the contribution, and then decided they wasn't going to make the payment.

Now, in New Jersey, they reached an agreement last year, and the payment's due this year. And yesterday Governor Christie said, "We're not going to pay," no talk about reversing the pension reductions, no talk about giving the employees

back their increased contribution, just, "We're not going to do our part."

That's one of the strong concerns that Mr. Cannon had. And I -- do you remember him from your time in public office? Mr. Cannon is the former publisher of the newspaper here, the Times-Union. He was appointed by Mayor Brown to be on the task force. And he said it many times. There has to be a mechanism to require future councils to appropriate these funds.

Now, what is that mechanism? There's got -- there's got to be one somewhere. There's a mechanism when they issue bonds that they have to make the bond payment. There's a mechanism for other things they owe.

Well, so there should be a way to take this unfunded and somehow recognize it as a City debt, a hard debt, have an amortization schedule, and they just have to pay it.

THE MODERATOR: What I --

MR. KEANE: So that's a -- that's a legal thing that --

MR. HAND: Well, let's --

THE MODERATOR: This does say the required 40 million additional. I mean, it says "required."

I mean, "required" means "required." I think what this plan -- if I -- if I read it right, what you you're saying is, "We've got to go in the public. We've got to identify one or more sources. We identify those sources, and those sources have to be used to pay the $40 million because that's what they're for because the $40 million is required, and we found the source for it."

MR. HAND: Correct.

THE MODERATOR: Is that correct?

MR. HAND: It forces the City to address the issue every year.

THE MODERATOR: And so, I mean, I'm -- I don't think that -- I think the plan, as you have outlined it here, is not an unreasonable plan, and I hope the parties don't, but what -- I kind of would like to read those -- I still would like both -- I know that the people -- and I know that this is -- that people are -- everybody's talking to everybody. I'm not new at this.

I'm just trying to figure out a way that makes sure that employees who are being affected by this, the decisions that are made in here, of which there are several changes already, make sure that they believe that this is a two-way street

all the way and that shared sacrifice means shared sacrifice and it means paying $40 million when you don't want to or may not even be very easy to come up with.

So I just want the parties to think about this plan, which I think is -- I want to commend you guys for coming up with this as rapidly as you did, by the way. And I also want you to think about some sort of -- and I'll call it a catch clause, which basically says, "Okay. But if all this doesn't work and the $40 million is not forthcoming, there is a deterrent. And that deterrent is the following." Now, the City may still choose to do that, but the City's going to make up the payments to get back to where the parties should have been to start with.

Hopefully, none of this is ever -- now, with that, John, and you having made your point and our having discussed this, what about the proposal the City has just given us Thursday, given to you-all, and you're giving back to us -- you meaning -- I say "us" on both sides here. I guess that's a slip -- you're giving back to the City and giving back to you.

Now it's your turn. What's your response to

their proposal? Their last proposal is a ten-year -- a ten-year plan.

MR. HAND: Correct.

THE MODERATOR: It's a ten-year plan, of which, essentially, is you're paying -- we're sweeping the funds on the front end, and then you're paying the -- I think it's 4.5 million or almost 5 million for the remainder of that period of time and that the -- that the plan terminates at the end of 2024.

That's the plan they've got on the table. They've still got a COLA on the table. They have a DROP that's a little movement on their part on the DROP. I think before they were at 2.5. They've now moved to 3.9. I think Joey explained that the 3.9 was based on a confidence factor from -- that the task force used. And I think I had told people when I had proposed a five point, that was based on a different confidence factor. I think it's 75.

That's where we are. I want to get us moving here. What's your comeback?

MR. KEANE: Okay.

THE MODERATOR: There we go.

MR. KEANE: We have one.

Three for this way.

Chief.

Mayor.

Counselor.

Senator.

While you're studying that, let me assist Carol in getting the right exhibit up so our friends in the audience can see what we're talking about.

I brought a number of copies that Carol is going to be passing out.

THE MODERATOR: Okay. This will -- this will be to -- the Board's proposal back to the City.

MR. KEANE: Yes.

THE MODERATOR: This is the board's proposal of today.

John, please explain your proposal.

MR. KEANE: Okay.

THE MODERATOR: And then I have some questions -- oh, I'm going to then allow Chris to have some questions, but I have some questions before --

MR. KEANE: Right.

THE MODERATOR: -- we even get there.

MR. KEANE: Right. Because of time

constraints, we weren't able to address all the issues, but before the day is over, we will. From a historical standpoint, it's important to remember that, since the inception of the settlement agreement, members of the Police and Fire Pension Fund have contributed hundreds of millions of dollars into the base benefit fund to pay for the benefits that are outlined Ordinance 2003-1338 and codified as the second amendment to restated settlement agreement.

So a substantial amount of cash, similar to the 60 million we're talking about, going forward, has been done on two different occasions previously, as well as the member contribution from the chapter fund. Under the current proposal that was agreed to previously, employee contributions are going to increase gradually from 7 to 10 percent, 1 percent effective October the 1st, and subsequent increases in accordance with the provisions of the mediated settlement agreement.

We're proposing this -- for lack of a better term -- that we call it -- a City current contribution assistance. The Board will transfer $60 million on October the 1st of 2014. And,

also, current chapter fund allocation will cease, but only for one day. All future chapter funds, the current 4 percent, plus the additional chapter funds, will be transferred into the additional assistance until it totals $100 million. And those contributions will occur on October 1st of the succeeding years. However, chapter funds in the amount required to fund the annual holiday bonus will be annually retained.

As previously discussed here, the City will identify the source of additional contributions and pledge the payment as recommended by the Retirement Task Force. All current employee benefits remain unchanged, the enhanced investment authority, as amended here the other day -- we now have a second little amendment for clarification that we'll put up in just a second -- establish the share plan as a shell to use in the future, provide for review in five years under the provision of Paragraph 32 of the restated agreement. And, also, the City would consider resumption of the program to transfer surplus City property to provide additional supplemental contributions.

That's the Board's response.

THE MODERATOR: All right. Obviously, some of these are -- and I know that, because things -- there are some of these things that are -- appear to be steps away from things that we had previously agreed to do. And I understand the longer this goes on, the more that's going to happen, I'm sure, on both sides.

But I will tell you that my role here today, folks, is to get a deal done if it can be done. I'm going to let the City respond to this. I already know their response, and you already know their response. Now --

MR. KEANE: What part?

THE MODERATOR: To some parts.

MR. KEANE: Okay.

THE MODERATOR: What I want to say -- and I'm not being any more critical of you than I am of some of the proposals they keep advancing, which appears not to get us anywhere. Now we've got to get down to what's going to get us over the line.

And all I will say to both of you is this. There's that -- what's that -- "Dancing with the Stars"? Some of you are dancing the foxtrot, and some of you are doing the quickstep. Now, we need to be dancing the same dance here and we're not.

We're dancing right by each other.

Let's get this thing down to where we -- this is a step back in a number of areas, but that's fine. You can do that. They're not going to accept it. Then they're going to come back, and if they start backing up, you're not going to accept it, and we're going to unwind this ball of twine.

Now, on the employee contributions, we had an employee contribution that has been several times reiterated under this plan that was different than the MSA. And the plan was it would go to 8 percent, and then it would go to 10 percent upon reinstatement of the employee rollbacks or --

MR. HAND: Pay cuts.

THE MODERATOR: -- pay cuts or whatever term --

MAYOR BROWN: Pay cuts.

THE MODERATOR: -- you-all have been using. I don't care.

MR. KEANE: That's the MSA formula, Senator.

THE MODERATOR: I know. I know that. I know this is the MSA formula.

MR. KEANE: With the exception of the 1 percent --

THE MODERATOR: The 1 percent was not the MSA formula.

MR. KEANE: Right.

MR. HAND: The MSA formula was 7 percent to 9 percent --

THE MODERATOR: On a half.

MR. HAND: -- following for -- linked to pay increases subsequent to the initial restoration. What we've been -- what I thought we'd agreed to here is not the MSA formula.

MS. LAQUIDARA: Well --

MR. KEANE: Only after the first 1 percent. We agreed to go from 7 to 8 effective October the 1st.

MR. HAND: Correct.

THE MODERATOR: So this would go to October --

MS. LAQUIDARA: And that's still in here.

THE MODERATOR: -- 1?

MR. KEANE: It says that.

MS. LAQUIDARA: Yes.

MR. KEANE: It says that.

MS. LAQUIDARA: That's what it says.

THE MODERATOR: I misread this, then --

MS. LAQUIDARA: Yeah.

THE MODERATOR: -- because I thought you were saying --

MS. LAQUIDARA: That's what it says.

MR. HAND: I'm more --

THE MODERATOR: I thought you were talking about the MSA.

MR. HAND: I'm curious about the following phrase --

THE MODERATOR: Right.

MR. HAND: -- it says subsequent -- because the way we had agreed to it here was we would immediately go from 7 to 8, and then upon the restoration of that pay cut, in other words, simultaneous with that restoration, it would then go from 8 to 10.

MR. KEANE: Well, that was the MSA formula.

MR. HAND: No. The MSA is a different formula. Sir, are you saying the formula that I just articulated is the formula you're agreeing to?

MR. KEANE: That's what I thought we --

THE MODERATOR: Okay.

MR. KEANE: -- were saying here.

THE MODERATOR: John, I apologize.

MR. KEANE: That's what I thought we were

saying, yes.

THE MODERATOR: The MSA agreement was slightly different in the way we did the increments.

MR. KEANE: Uh-huh.

THE MODERATOR: All I want to make sure we're now in agreement is -- it's going up a percent, and then it's going up 2 percent above that when the rollbacks are --

MAYOR BROWN: Restored.

THE MODERATOR: -- reinstated, and that's it. Everybody in agreement on that?

MR. HAND: They're tied together. It's the same --

MAYOR BROWN: Yes.

THE MODERATOR: All right. Now, this plan is one in which -- I think this is not different than -- I mean, we've had different reiterations from both sides. What you're saying is that you would pay -- you will transfer the 60 million into the fund. I'm assuming that that 60 million is the enhanced benefits fund and the stabilization. Whatever that number is, that number is. I think we've been using a little bit higher number. But whatever it is, it is. It'd be transferred in,

and that you guys would continue to pay until you put in $100 million, the difference being that you would hold back the holiday bonus. You would retain the holiday bonus money, which would take you longer to get the 100 -- to the 100 million, but it's still $100 million proposal on your part; correct?

MR. KEANE: Yes, sir.

THE MODERATOR: I think No. 3 is not unlike something that the City advanced today, which is the -- your plan, which I'm going to call the additional funding compliance. That's the one you gave today, meaning it's -- it may not be the same plan, but it's the same idea. You-all are -- got a meeting of the mind there.

MR. KEANE: It's in the neighborhood.

THE MODERATOR: Yep. All current employee benefits remain unchanged. This is -- we had a -- I think you had made a DROP proposal at one time of 6 to 10, but this would be -- you would want DROP to remain the same and COLA to remain the same as it currently is.

MR. KEANE: Correct. Now --

THE MODERATOR: Enhanced investment --

MR. KEANE: -- I just responded -- I just

responded to --
THE MODERATOR: I got it. I got it.
MR. KEANE: To what they said the other day in casual -- that wasn't a --
THE MODERATOR: I got it. I got it.
MR. KEANE: Okay. Good. Good.
THE MODERATOR: I understand. Enhanced investment authority, you have one more amendment?
MR. KEANE: Would you put the next one up, please, Carol.
THE MODERATOR: Because I thought the amended was the hedge fund thing.
MR. KEANE: No. No.
MR. HAND: This is beyond the hedge fund --
MR. KEANE: Yeah.
THE MODERATOR: Tell me what --
MR. KEANE: I talked to Dan Holmes, and the bolded language there in A is -- he thought was a clarifying language, but if you look down at F, there is -- the investment hedge funds are not authorized, and just to make sure we have caught everything, investments authorized for the general employees' pension and the correctional officers pension.
So whatever they can invest in, we can invest

in. Neither invests in hedge funds. And if anything was left out -- I know Joey mentioned the other day about the international bonds. If one of those don't cover it, they're covered in G, which is what the general employees and correctional officers already have. And that's the only change in that investment authority, with those clarification words up there in A.
THE MODERATOR: I claim no expertise in that, so I'm going to kind of defer to you for you guys --
MR. GREIVE: Yes. Senator Smith, what I brought up last week and what I'll just bring up again, the general employees and corrections fund don't always need to look at 175, 185 --
MR. KEANE: Right.
MR. GREIVE: -- the way you do.
MR. KEANE: Right.
MR. GREIVE: For Item G, are you saying that, where otherwise permitted by 175, 185 --
MR. KEANE: Uh-huh.
MR. GREIVE: -- or would this supercede 175, 185?
MR. KEANE: It supercedes it. We already have the restrictions around 175, 185 in the

amendment to the charter that the legislature adopted in 2005. So we already got that.
MR. GREIVE: And your intent is not to violate Sections 175 and 185 by adopting this language, so --
MR. KEANE: No.
MR. GREIVE: That's the only concern I would have. I wouldn't want to jeopardize your Chapter 175 --
THE MODERATOR: Just because we're making a record for the future, that is not your intent?
MR. KEANE: Neither would I, no, sir. It's not the intent to violate 175, or 185, or 112.
THE MODERATOR: Okay.
MR. GREIVE: As long as --
THE MODERATOR: So --
MR. GREIVE: As long as the attorneys sign off that that's not going to happen, which -- you know, I'm sure you ran this by Klausner or your counsel --
THE MODERATOR: The share plan, again, that you're proposing here would be a share plan that would be established, but the funding --
MR. KEANE: Not funded.
THE MODERATOR: The funding of that would not

be until such time as all obligations under this agreement have been reached?
MR. KEANE: Correct.
THE MODERATOR: You have a review in five years of the provisions in Paragraph 32 of the restated agreement -- 32, tell me why I'm missing -- what was --
MR. KEANE: That's the paragraph that we're meeting under now that says that we should --
THE MODERATOR: Oh, okay.
MR. KEANE: -- meet and discuss.
THE MODERATOR: Okay. Okay. So just under that provision, of the 30-year deal that has this meet and discuss, you'd like to have a commitment that you guys would meet and discuss this again in five years?
MR. KEANE: If the City wants to.
THE MODERATOR: If the City wants to. And then you're saying that the City would consider resumption of the program to transfer surplus City -- I know we discussed that in the context of the MSA --
MR. KEANE: Right.
THE MODERATOR: -- but that is not something the City is committed to doing; they would just

consider it?
     MR. KEANE: Nor is it required. It just says consider.
     THE MODERATOR: Okay.
     MR. KEANE: They can consider it all for three seconds and say, "We considered it and we're not," or they can give it lengthy consideration and think it's a good idea.
     THE MODERATOR: All right. Then here's where I see -- and you-all help me. Correct me if I'm wrong. Where I see the differences right now are on current employee as to COLA and DROP, the amount to be transferred and how it's to be transferred and the matching fund circumstance, which is your 40 million and theirs and how long, et cetera. There is no commitment thus far to establish a share plan. The review in five years has not been agreed upon. You guys can make whatever decision you want on that. And then, obviously, this would be that you would consider resumption of the transfer of surplus City property, but, again, no requirement that you do so.
     So it seems to me that we're down to the money and the current employees. And this other

stuff is not -- now, your Paragraph 3 that you've put in, and, Chris, your paragraphs that you have included in your provisions to ensure compliance, they address the same issue.
     So, John, what I would say is that you guys are on the same page, as you want compliance. And I think that's a good place to be. Their provision is they think -- put this council together -- I call it council. It's a committee -- put this committee together for the purpose of identifying sources and requiring the 40 million to be paid from those sources, realizing the City still has some ability to do whatever it chooses, but the reality of it is that this would be, I think in your word, in the Sunshine and transparent, that this is the purpose of outsiders and insiders finding the money, identifying the money, and then their being committed to pay it.
     They don't have the holiday benefit. You do have the holiday benefit. By that, I mean, you hold the holiday benefit back. They would require the holiday benefit to be part of the payment. Those are the differences that we have. Am I correct there?

     MR. HAND: Yeah. And I just have one follow-up question.
     John, if memory serves, and according to my notes, on Thursday, you had advanced a counterproposal on DROP that would set a floor of 5 and a cap of 10. Is that -- have you now receded from that position?
     MR. KEANE: No. I actually didn't --
     MR. HAND: Okay.
     MR. KEANE: -- offer that as a counterproposal. When you said 3.9 to 10 --
     MR. HAND: Right.
     MR. KEANE: -- I said, "5 would be better."
     MR. HAND: Right.
     MR. KEANE: What do you think of 5?
     MR. HAND: Well, I mean, I'm trying to find out if that's your proposal. It's not --
     THE MODERATOR: I think that 5 to 10 was my proposal.
     MR. HAND: No. No. I mean, it came out of John's mouth, so --
     MR. KEANE: I said -- I said 5.
     MR. HAND: Yeah.
     THE MODERATOR: And then he said --
     MR. KEANE: I said 5.

     THE MODERATOR: -- "Yeah. What about 5?" in response. I just want to be sure.
     MR. HAND: Okay.
     MR. KEANE: Yeah.
     THE MODERATOR: Well, I'm not -- let me just -- let me get to the point. I've already told people where the 5 came from. It was -- I already told you --
     MAYOR BROWN: Trust fund.
     THE MODERATOR: -- 5.4.
     MAYOR BROWN: Yep.
     THE MODERATOR: Okay. Go ahead.
     MS. LAQUIDARA: And, Senator, it seems we're all hung up in -- on the language, "annually appropriated." And perhaps it's because most people don't do what I do for a living, which is put that language in a multiplicity of contracts with the City.
     The City does not breach its contracts because it can because that provision's in it. There are ramifications to the City if it's guaranteeing $40 million and then it just doesn't do it; okay? That's a disclosable event on their bonds and things of that nature. We routinely put this in because, under local government law, if

you don't have the money in an account or an available pledge source that you can legally pledge, you have to make it subject to annual appropriation.

We don't have -- the legislature has not seen fit to give a dedicated source of revenue that the City could pledge to bonds to pay this. So unlike a sales tax that pays an infrastructure for a bridge, you can say that, even though we do have escape clauses, as you know, in those too --

THE MODERATOR: Uh-huh.

MS. LAQUIDARA: -- because the legislature said, "Here's a half penny," and the bondholders then can force us to take that half penny. The only source the City has for something like this requires a referendum. It's a general obligation pledge. And that's a very complicated process.

So my saying this on there is to ensure that there is something like this process that doesn't have Council members read this as, "Oh, I really don't have to pay attention."

And I think I've been quite clear, as I meet with people, about, "This is legal language you see all the time. Don't give it any more import today than you give it on any other deal." It's

to make people, like, realize it's work. You've got to think about this. And I have to protect the City from violating, you know, State law and agreeing to something that -- where they can't -- to an income stream of an equal amount dedicated for this. So --

THE MODERATOR: I just want you to remember, Cindy --

MS. LAQUIDARA: -- they will pay.

THE MODERATOR: -- though, what's driving this to a certain degree is the task force --

MS. LAQUIDARA: Yes.

THE MODERATOR: -- recommendation. The mayor's task force wanted to make sure that this money was paid. That's at the heart -- you can't read that opinion -- not opinion --

MS. LAQUIDARA: Right.

THE MODERATOR: You can't read their recommendations and not know that the heart of it was they expect the City to meet its obligation. I know you do too.

MS. LAQUIDARA: Yes.

THE MODERATOR: Again, I think that -- Chris, I think you have brought to the table something that was aimed at confidence enhancement.

And, John, I think that what you said in No. 3 is that you wanted them to identify an additional source -- what they're saying is, "We're not going to be able to do this" -- "We don't necessarily do the same source every year, but we have a methodology that will be annually for the identifying of that source or sources for that period of time for that $40 million."

Is that correct, Chris?

MR. HAND: That's -- you've correctly described --

MAYOR BROWN: Yes.

MR. HAND: -- what we're trying to do there.

THE MODERATOR: And that's what you want, John, is a -- is you want -- you want an actual -- if not a pledged source, you want to know that they're going to find that money from a source that they can reveal to you that says, "This is where the 40 million is coming from this year." And if that money is identified at -- that $40 million source is made, then that is, according to their language, required to be paid.

MS. LAQUIDARA: This is ahead of -- it's important to look at the structure. This is ahead of the budget, so this says ahead of the time the

mayor submits his budget. This has a very open process in which people say, "Now that we have preliminary property tax and revenues, real properties in here" -- John, as you'd asked -- so that we really have to put that first.

It's a priority within the City to look at this. And that was the plan, to put it up, to spotlight it and to say, "Guys, this isn't something you can walk away from." And, certainly, it's been my legal advice -- significant ramifications, if you -- if you don't.

MR. HAND: Well, and here's the bottom line. We want both sides to feel confidence that both sides are going to feel their obligations. We don't want anyone to be on the receiving end of a bait and switch in this process.

So I think, Senator Smith, you suggested a proposal for us to look at. We'll take that back and see if we can't, between all of us, come up with something that instills that confidence because it is important. I don't think it would be fair to anybody if there's a bait and switch in this proposal that goes in either direction.

I wanted to get back, if we could, to the subject we had a second ago --

THE MODERATOR: I want to go to the DROP for a second.

MR. HAND: Yeah, DROP, that's where you were. That's --

THE MODERATOR: That's where -- I want to go back because I've got a little list I'm working down here. And I'm now down to the point where -- I want to know if the City -- and I don't care who responds first.

John, if the DROP was 5 to 10 and that 5 to 10 was part of the deal, would you accept 5 to 10 for the DROP range, CPI by Social Security -- well, however it would be computed by the Social Security --

MR. HAND: No. You're --

THE MODERATOR: -- with a floor and a roof; is that right?

MAYOR BROWN: No.

MR. KEANE: That's something else.

MR. HAND: You're mixing up issues.

THE MODERATOR: Oh, another matter?

MR. KEANE: That's something else.

MR. HAND: You're mixing up issues.

THE MODERATOR: I'm getting confused at this point.

MR. HAND: Yeah. Don't get --

THE MODERATOR: It's just that --

MAYOR BROWN: That's the COLA.

THE MODERATOR: You've got a 4 and a 5, and you've got a roof at 10, and actual performance is what it does, rather than 8.4. Has everybody got that?

MAYOR BROWN: Yes.

THE MODERATOR: Apparently, I didn't.

MR. KEANE: We understand that's --

THE MODERATOR: I'm getting --

MR. KEANE: -- the City's proposal.

THE MODERATOR: All right.

MR. HAND: Uh-huh.

MS. LAQUIDARA: Well, the City's --

THE MODERATOR: Now, what I want to know is if -- and I know we've got other things here --

MR. KEANE: Well, the City's proposal actually was --

THE MODERATOR: The City's at 3.9 --

MAYOR BROWN: 3.9 would be the floor; 10 would be the cap; 3.9, we got that number --

THE MODERATOR: And I know that the other day you toyed around with an idea of 6 to 10. And then I came up with 5 to 10. And then the other

day you threw 5 out here, said, "5 would be better."

Let's assume for a moment -- if they say 5, it's 5 at the bottom, 10 at the top, would that work?

MR. KEANE: It would work if we would let the people have an option. Now, because of the length of service of some of these people -- that would be good for our very young people, people with ten years or less. People with over ten, they should either have the option of the guaranteed 8.4, or they can take the option. This is America. It's all about choices.

THE MODERATOR: I understand, but I just want to remind you that, throughout these negotiations, you have been fairly consistent that you did not, on some other proposals -- and I know a foolish consistency is the hobgoblin of small minds, or whatever that statement is. Remember the ten-year split's something you didn't really want. Now you're suggesting we do have a ten-year split, the ten-year split being that, if you have more than ten years in, you get to choose whether it's 5 to 10 or 8.4.

And I'm just saying, well, there have been

some proposals on your side of the table which drew a ten-year distinction. I just -- I'm saying I thought the idea we were trying to get to on current employees is to eliminate differences, that current employees, whatever we arrive at, they are going to be treated -- current employees are going to be treated the same. So I just wanted you to consider that.

MR. KEANE: I'm certainly --

THE MODERATOR: All right.

MR. KEANE: -- going to consider it.

THE MODERATOR: All right. Then back to the City. I want you to consider 5. I want you to consider 5 because I think a 5 to 10 has got to be -- guys, it would be favorable for current employees at the 10 level. It would be a favorable change for current employees. Now, that doesn't -- I don't know how long that'll last, but I promise you, current employees and those here, in the last five years, if that -- this proposal is favorable. And I want those who are in this audience talking about it to recognize that. It would be a favorable change right now for them.

That doesn't mean that in the future there's not a risk that it could go as low as 5, but historically -- and we've looked at this data, but all but a handful of years, the number would have been better. And under this -- the IRS says it can go to zero. This says it never goes to zero. It never drops below 5 if we do this. And that's you-all's decision, but it seems to me that that's getting down to a very small difference.

MR. HAND: Well --

THE MODERATOR: On the COLA -- I'm sorry.

MR. HAND: Let me say one other thing on the DROP.

First of all, John, to those people nearest retirement you're talking about, I think the phenomena that Senator Smith is referring to is right. Those are the people most likely to benefit from the higher floor right now.

The second point I'd make is, we've made several good-faith moves on the COLA. We started at zero. We went to 2.5. Now we've gone to 3.9. We can't continue to negotiate against --

MAYOR BROWN: No. You meant on DROP.

MR. HAND: I mean, on -- I'm sorry. On DROP. Yes. Thank you, Mayor. We're all --

MR. KEANE: You thought --

MR. HAND: We're all --

MR. KEANE: -- I was going to jump on that 3.9 COLA, didn't you?

MR. HAND: We're all confusing --

THE MODERATOR: I tell you --

MR. HAND: -- each other.

THE MODERATOR: I tell you what --

MS. LAQUIDARA: -- point 4 on the COLA.

THE MODERATOR: I saw --

MAYOR BROWN: We're a team up here.

THE MODERATOR: I saw two firefighters jump up and go, "Amen."

MR. HAND: That's Randy Wyse --

THE MODERATOR: Randy Wyse is drooling.

MR. HAND: Yeah. Right.

THE MODERATOR: Go ahead.

MR. HAND: Yeah.

MAYOR BROWN: We're a team.

MR. HAND: On DROP.

MAYOR BROWN: We're a team.

MR. HAND: We've got -- we've got too many acronyms flying around.

THE MODERATOR: I agree. I understand.

MR. HAND: So we can just abolish both. That'll take care of that problem.

THE MODERATOR: I don't think that's

happening. Go ahead.

MR. HAND: But, you know, we've moved from zero to 2.5 to 3.9.

THE MODERATOR: I got it.

MR. HAND: The City's made a couple of --

THE MODERATOR: I got it.

MR. HAND: -- good-faith moves. Yeah, we can't make -- we can't be the only ones making good-faith moves on that issue.

THE MODERATOR: Well, along those lines . . .

Madam Court Reporter.

I came over here today to see if we can get some work done and get it done. And I think under the legal theory of fish or cut bait, which I think is the first year of law --

MR. KEANE: Cindy needs one.

THE MODERATOR: Did I miss you?

MS. LAQUIDARA: One more. Thank you, Senator.

THE MODERATOR: Let me give you --

MS. LAQUIDARA: Thank you.

THE MODERATOR: -- a little background because I didn't include everything in there and didn't intend to. This would kind of be an overlay to everything we've currently agreed upon.

The moderator's proposal would be the following. Now, this is understanding, so that everybody knows, that when I left the table, the 8 percent and the 10 percent was agreed upon and it still is.

I believe I have identified the areas of difference. Under this proposal, the PFPF, the Board, would transfer the excess monies, which are approximately 61 -- I used, but it doesn't matter. Whatever it is, it is. During the term that -- these would be the 2014 amendments to the plan.

The City of Jacksonville would contribute at least 40 million annually to reduce the unfunded liability for the length of this plan. During the first five years, the Board would pay all chapter funds, less the holiday bonus funds into the fund. Thereafter, you would pay 6 percent, which would be the 4 percent base, plus 2 percent, which is half of the remaining amount, which should allow the holiday bonus to be retained by the Board from the chapter funds into the fund until the fund reaches the 80 percent status, at which time, the parties, when it reaches the 80 percent, you have met your unfunded liability obligation. And it ceases for both of you because you've reached your status level at 80 percent.

The enhanced investment authority would be granted -- I'm sorry. I skipped one. The current DROP would earn at the actual rate of return. And I -- and I used the wrong terms here, I know, because I confused two things. It doesn't matter. Actual rate of return would be -- so just strike that middle language. And I don't know why I confused those -- with a floor of 5 and a cap of 10.

The enhanced investment authority would be granted to the PFF as amended last Thursday, and unless, Joey, you have some objection, as amended today with that additional language. I know you'll go talk to your people, but I -- as long as that's --

MAYOR BROWN: I think we're fine on that.

THE MODERATOR: So it would be -- I just didn't know that we were there.

The COLA would remain as it is for all current members. In the event the City should fail to appropriate -- I did not have your proposal. When I have it in front of -- so I would -- I would suggest to the -- to the parties that I would recommend the adoption of the

provisions to ensure compliance with additional funding with a provision added to it that does the following: If the City should fail to appropriate the required funds in whole or in part, the obligation of the PF will be commensurately reduced and should remain frozen until appropriation is made.

For any period, when the City fails to fund any amount of the annual requirement, 40 million, the Board's contribution for such interim shall not be required to catch up, meaning the Board doesn't have to catch it up. You have to catch it up. The City does.

Now, I know that's not the final language we would have to come up with, but you know the concept. I'm recommending that your proposal be adopted with an additional clause.

MR. HAND: You're incorporating that into this?

THE MODERATOR: Yes.

MR. HAND: Okay.

THE MODERATOR: With an additional clause, and I'll call it a penalty -- I don't care what you call it -- which simply says that, in the event, after all this is done, you don't

appropriate the money, the catch-up is on the City to catch it up.

Now, it doesn't mean that the Board can't continue to make their obligation and build up -- they can do all that they want to, but the obligation is still on the City to make up the shortfall caused by their contribution, shortfall meaning your 40, plus whatever -- this figure, if it happened in Year 8, would be a different number than if it happened in Year 5 because the first five years they pay a greater amount than they do thereafter, until you reach the 80 percent clause. So I didn't tie it to a specific link because under this plan, after five years, you would go to 4 percent plus 2 percent until 80 percent funding was reached.

This plan doesn't -- only thing it doesn't address is what I'll call the Paragraph 9 wraparound, which we know we already have some agreement for oversight to be made. This plan would be an amendment to the 30-year agreement, rather than -- in other words, it would be an amendment to an agreement. It will not supplant the agreement. It would be the amendments to the agreement, which would be the latest amendments,

which would be the 2014, and I think they are -- it doesn't matter to me. It would actually be Amendment Set No. 4, but it would supplant, in every other way, the existing 30-year proposal that is in -- and anything in contravention with this, this supplants it because this is the amendment.

That is my -- that is my proposal. I know neither one of you is going to like all of it, but here's what I want you to know. We've got to do something here. You guys have made two or three back-and-forths. You've made two or three passes. Neither -- I know -- because we're in the Sunshine -- somebody's got to be the bad guy and make both of you move a little bit because it -- I know how this works.

If you will look at this package, everybody's getting something out of it. Everybody's getting -- I think it would get us to an agreement. It would get us to an agreement. It's not exactly what you've proposed, John, because the difference is you have a number of 100 million. This could exceed 100 million, but it would do so at a rate which would be, as stated, the first five years you make a payment, and after that, you would make -- but your additional commitment to unfunded would be 2, which would leave the remaining monies to you.

This DROP would be 5 to 10, which isn't what either one of you necessarily wants. The City does not want the COLA to remain unchanged. I know that. I know how strongly you take a different position.

So you're paying more money. The COLA is remaining unchanged. The DROP is being changed, but not dramatically, in a way that I think there is a provision that makes it stronger. The City has put here an annual identification process, with a, if you will, penalty clause. This should get you guys to an agreement.

I'm going to direct the parties -- I know this is new. I've not discussed this. I'm not allowed to. Neither one's ever seen this before. Neither one has had this discussed with them before.

This is my proposal. I'd like both of you to take 15 minutes, and we'll come back and discuss this proposal.

MR. HAND: Can I suggest we come back at three o'clock? It's 2:38.

THE MODERATOR: Three o'clock's fine.

MR. HAND: Yeah.

THE MODERATOR: We'll break until three.

The only additional proposal, guys, is Paragraph 9. I'm not going to do anything on that because, ultimately, that's going to be Klausner and the General Counsel's Office refereeing, which is really just to wrap around the language.

MS. LAQUIDARA: Oh, yeah. Yeah. I don't think we have --

THE MODERATOR: Some oversight --

MR. HAND: Come up with a monitoring method, yeah.

THE MODERATOR: The monitoring?

MS. LAQUIDARA: Derrel sent that language to Bob. I don't think we'll have any --

THE MODERATOR: Okay.

MS. LAQUIDARA: -- problems at all.

THE MODERATOR: Okay.

(Recess from 2:39 p.m. to 3:05 p.m.)

THE MODERATOR: Madam Court Reporter, show that I've spoken with the City, and the City has requested additional time. We're going to reconvene at 3:25.

(Recess from 3:15 p.m. to 3:34 p.m.)

THE MODERATOR: While we're waiting, I was asking questions -- I'm just going to clarify something because it was brought up to me. I want you -- so that both sides know this -- that some people have asked me -- this amendment is not linked. This proposal that I have advanced is neither linked to a specific date of conclusion or a specific amount of money paid.

By that I mean that under this it is likely that this proposal will take more than ten years to reach completion. And it is likely that -- and it is likely that the money paid from the Board will exceed the 100 -- it's not linked to either. It is linked to a funding status because, if you roll back, gentlemen -- and ladies when she gets -- if you roll back to where we started all this, one of the things that started this entire process was a concern of how we got unfunded liability to a certain status. And the status that I think the parties have worked on is a status of getting to an 80 percent.

The City has an obligation to reduce the unfunded. The Board does not have that obligation, but the Board, in its fiduciary responsibility, has recognized its absolute

obligation to try to make sure that we get there because it's in the overall health of the fund. So I've linked this plan, not to a day certain or to an amount certain, but to a status level, at which time that the funding obligations at 80 percent cease.

Now, the rest of what you have agreed to will bind you because this would be an amendment to the 30-year agreement. And so those benefits of it do not cease, or those benefits for either side and the requirements do not cease. The funding would cease, although it is likely that the 30-year agreement and the payment to the 80-year -- 80 percent status will be very close in time.

MR. KEANE: Uh-huh.

THE MODERATOR: I think that somebody -- Joey, I think you at one point gave me some numbers that made me think that this would take at least till 2028. And I think that the -- that the 30-year agreement expires, as is, 2030; is that right? I think that was the date?

So I just don't want anybody to -- this doesn't expire in 2028. It doesn't expire -- the 30-year agreement expires in 2030. The funding proposal is linked, is the only one that expires, and that expires when somebody comes in here and says, "You've now reached 80 percent funding." And the magistrate, or whoever you should choose to moderate this in the future, will say, "Yes, it has reached the 80 percent level and, therefore, the funding requirements have been met."

I just say that by way of clarifications from some questions that I received from both sides, making sure that I understood. And I want to make sure you understand that I knew that this was not linked to either money or to a date certain.

MR. KEANE: Right.

THE MODERATOR: Okay.

MR. KEANE: And you also understand, Senator, we did not agree to that.

THE MODERATOR: I understand that neither side has agreed to it. If you'll read the top of it in bold type, it says, "Moderator's Proposal." Is that what --

MR. KEANE: It's generally a pretty good proposal, too, I might add.

THE MODERATOR: Well, it was designed because I know under the unique circumstances of this somebody's got to be the guy to start putting something out here and get it done. And I'm going

to be that guy until you tell me, either we can't do it, which is silly because we can, or we won't do it, which would be a shame, or we shake hands.

MR. CHATMON: We did that when we walked in, so that's a good start.

THE MODERATOR: Yes.

MR. KEANE: Omen.

THE MODERATOR: Yeah. Good.

Are we still waiting for Chris --

MAYOR BROWN: Yeah. We're trying to get a legal --

THE MODERATOR: -- and the general counsel --

MAYOR BROWN: -- question --

THE MODERATOR: I got it. I got it. I'm waiting.

(Pause).

THE MODERATOR: All right. John, while we're waiting -- and I know this is just to -- waiting for some people to get here. If the provisions to ensure compliance had some sort of additional provision -- and I think there's some other ideas -- oh, there they are. Does this procedure that's outlined in the provisions to ensure compliance, if it was linked to some -- at least one or more other provisions about their

obligations -- and you know the one I've proposed is that they have to make up your shortfall, but it doesn't matter. They may have some other idea. You may have some other idea.

But if the procedure they've outlined here was linked to an additional consequence, does this address the concerns that you had, as stated in, I think, Paragraph 3 of your most recent response, which was identification of a --

MR. KEANE: Right. Senator, as you are well aware and we discussed earlier, there have been a number of jurisdictions that embarked on pension reform, only to reduce the benefits for the employees --

THE MODERATOR: Right.

MR. KEANE: -- increase their contribution, and then dash down the road to some other important project and not put in their contribution. We don't expect our good City fathers and mothers here in Jacksonville to get on that path, but at the same time, and as I've said before, one of our most distinguished citizens, Mr. Cannon --

THE MODERATOR: Yeah.

MR. KEANE: -- over and over said there's got

to be a mechanism to hold the City Council's feet to the fire to appropriate the money.

THE MODERATOR: Yeah.

MR. KEANE: And that's all we were --

THE MODERATOR: Yeah. And --

MR. KEANE: -- talking about --

THE MODERATOR: -- all I was saying is --

MR. KEANE: -- here. We're not making anybody --

THE MODERATOR: I'm not --

MR. KEANE: -- the bad guy.

THE MODERATOR: I know you guys may have some ideas.

You have some ideas for the next -- but I'm talking about the procedure that the City has outlined here. It seems like, if it was linked to some other consequence, in case it didn't happen, that the procedure here addresses your concerns, which is identification of the money, finding the money, and requirement that those resources be funded.

MR. KEANE: Yes, sir.

THE MODERATOR: Okay. I just wanted to clarify that.

MR. HAND: Sure. And, Senator, would you

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reiterate your proposal again. It was --
THE MODERATOR: Yeah. And --
MR. HAND: -- No. 5 on your --
THE MODERATOR: -- my idea was this. My idea was that, in the event that you-all, meaning the City, didn't fund your contribution rate, that whatever the contribution rate would have been for that amount that was not funded, which would have been the Board's obligation, becomes your obligation before the next round of --
MR. HAND: Uh-huh.
THE MODERATOR: So if you don't -- for easy math, if it happened in Year 2, and their obligation was $5 million, and you didn't come up with your 40 million, you have to pay their 5 million. They don't have to pay it that year. You have to pay their 5 million. And then, of course, you still owe the 40 million. It'll just be on the back end, if you will, because you're going to take longer to get to the 80 percent. But you've got to pay their shortfall.
That's just an idea I had, which meant that, ultimately, you're going to pay 40 million plus the 5 million or 45 million for that year because the years -- now, that was an idea --

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MR. HAND: It amounts to a nonpayment penalty of $5 million in that scenario.
THE MODERATOR: That's what it would -- now, I don't care about that. I'm not wedded to that. I'm looking for something that says this is a -- this is a penalty for nonpayment and it -- now, there are some other ideas I've heard floated. I like some other ideas I've heard floated. I'm open to anything you guys are open to.
I just think that what John has said -- I think you guys came back with a good procedure if you added one more thing, and that is that there be some hook in there that says, "Wait a minute." So before you even can make your next $40 million payment, you've got to make your $5 million payment.
MR. HAND: Uh-huh.
THE MODERATOR: And then the next year you owe your 40, but you have to pay the 5 before you even get to that.
MR. HAND: So what I would tell you is the proposal we made earlier, which is entitled "Provisions to Ensure Compliance," if we took those four and we added the proposal that you made, Senator Smith, about this nonpayment penalty

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that the City would have, that -- those five provisions -- and we'd need to obviously write it up --
THE MODERATOR: I know.
MR. HAND: -- so both sides could see it, but those five provisions would be acceptable to the City as a compliance mechanism.
THE MODERATOR: Now, let me add one thought to this that I -- that I wanted to think about. If -- since John and the Board would not have to make their contribution that year, if a shared plan was established, then they could make -- in any year you didn't make your payment, in addition to that, they would have their money left for that year because it would not be required to be contributed because you have to contribute it. They would be able to then fund the share plan from that. Would that be feasible?
MR. HAND: I think the way to maybe put it would be, if we were to agree to that -- which we haven't yet, but just to flesh out the idea a little more, if we were to agree to that, since they would not be making their $5 million contribution, that the Board would have the discretion to either fund the share plan, or if it

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wanted to pay --
THE MODERATOR: Put in the --
MR. HAND: -- down the unfunded, they could continue to do that.
THE MODERATOR: That's up to the Board.
MR. HAND: But that would be a discretionary item.
THE MODERATOR: Okay.
MR. HAND: That would be one way to flesh that out.
THE MODERATOR: Okay. There's some ideas there, John, I just threw out. That would establish a share plan. That would allow for a share plan to be there. That would allow that, if that share plan -- if there was a year in which you were not required to fund because they hadn't funded, you would still have the option that you could take that money that you would have otherwise funded, and you could put that in.
And I think that for the employees that's probably -- every time you're allowed to do that, it's probably somewhere between a $1500 and $2,000 benefit if we do $5 million and 3200 employees. I haven't done the math exactly, but isn't that about right?

MR. KEANE: It's a nice number.
So the current status is the City's proposal, opening proposal, is going to be amended by taking the Moderator's Proposal No. 5 --
THE MODERATOR: Yeah. I --
MR. KEANE: -- at the bottom?
THE MODERATOR: And fleshing that out --
MR. KEANE: Is that the way to say it?
THE MODERATOR: Yes.
MR. HAND: Yeah. We'd have to just work out --
MAYOR BROWN: Yes.
MR. HAND: -- the wording, but, yes.
MR. KEANE: Okay. Okay.
THE MODERATOR: All right.
MR. KEANE: So let me make myself a note, plus Moderator's 5, as the four o'clock plan.
THE MODERATOR: Okay.
MR. KEANE: Now, can I continue?
THE MODERATOR: You can. Yes, sir.
MR. KEANE: Back to Moderator's 1(c).
THE MODERATOR: Yes, sir.
MR. KEANE: We had previously committed $100 million in the funding formula. That's well-known. No. C could have a substantial

increase in that amount of money, especially if, off in the distance, another administration went into a prolonged period of not making the payments, just putting it on the back end, back end, and back end. That's not -- that's not reasonable in our view. So we would like to suggest an amendment to your C --
THE MODERATOR: Uh-huh.
MR. KEANE: -- taking the years out. We know the mechanism of how we're going to get to 100 million, and we will sweeten that to 105 million. And the way we will do that is, using your second sentence, we will pay 6 percent and -- of the covered payroll into the chapter funds.
THE MODERATOR: Up to a cap of --
MR. KEANE: 105 million, at which time, our obligation for the chapter fund would terminate.
THE MODERATOR: Okay. Anything else? John, since you've got the floor, how about reacting to No. 2, which is a current DROP would earn the actual rate of return, as computed, with a floor of 5 and a cap of 10. And you notice I scratched through that mistake that I am the author of.
What's your reaction to that? I've had you close several times. You've looked like you were

going to, but you've never quite taken the deal.
MR. KEANE: That's exactly right. But we are close. Strike the period after the percent sign.
THE MODERATOR: Uh-huh.
MR. KEANE: And insert, "effective for DROP classes beginning after January 5th, 2015."
THE MODERATOR: All right. So that I'm clear, you would make this not apply to people who DROP this year?
MR. KEANE: Correct. And after January 5th --
THE MODERATOR: Of 2015?
MR. KEANE: -- of 2015.
THE MODERATOR: Okay. If you got the after January 5th, 2015, will you take the 5 to 10?
MR. KEANE: Like 6 to 10, but 5 to 10, in the spirit of harmony, we could take that.
THE MODERATOR: All right.
MR. KEANE: That's if we agree on all these other things.
THE MODERATOR: I understand. We don't need to repeat to everybody that -- everybody's got to get -- but -- so your answer is that you would take it, effective January 2015, at the 5 to 10 on DROP?

MR. KEANE: Uh-huh.
THE MODERATOR: All right?
MR. KEANE: Yes, sir.
THE MODERATOR: Okay. The investment authority, I think we're all okay on that; right?
MR. KEANE: Yes, sir.
THE MODERATOR: All right. Of course, you're not going to have a problem with the COLA remaining. That's what you want.
MR. KEANE: The COLA will remain as it is.
THE MODERATOR: Right.
MR. KEANE: Yes, sir.
THE MODERATOR: And then we've talked about we have to draw up some language on --
MR. KEANE: We'll do 5.
THE MODERATOR: -- No. 5, but 5 would essentially be added to -- added to -- Mr. Hand's -- or the City's proposal this morning of ensuring compliance. Okay.
MR. KEANE: You've got the most things approved today. Everybody came in here with a list and --
THE MODERATOR: I understand.
MR. KEANE: -- you've got yours done.
THE MODERATOR: But so that we're clear, you

want to cap your obligation of 105 million?

MR. KEANE: Correct.

THE MODERATOR: Okay. Now, I'm going to go over to you, Mr. Hand.

MR. HAND: Sure.

THE MODERATOR: Let's start at the top of the moderator's proposal.

MR. HAND: Of course.

THE MODERATOR: Let's kind of work our way down. A, B, C, all the way down to the floor and see where we have agreement and where we don't.

MR. HAND: We agree to A.

THE MODERATOR: Okay. Then A is good.

MR. HAND: We -- for B, we would agree with a slight funding change, which would be to say: Until such time as the PFPF reaches an 80 percent funded status, comma, the City of Jacksonville will contribute at least 40 million annually to reduce unfunded liability.

THE MODERATOR: What you're saying is you agree that you're on the hook till 80 percent and then you're done --

MR. HAND: Correct.

THE MODERATOR: -- with the funding provision of this -- of these amendments?

MR. HAND: Correct.

THE MODERATOR: I got it.

MR. HAND: So rather than tying it to a particular year, it would tie it to a funded status.

THE MODERATOR: I got it.

MR. HAND: For C, we would propose similar language, which we'd say, until -- we basically would strike the second sentence and modify the first sentence to say: Until such time as the PFPF reaches an 80 percent funded status, comma, the PFPF will pay all chapter funds less the holiday bonus funds into the fund.

We'd also want to make clear that the Board would have the discretion to allocate what are now classified as the holiday bonus funds to either the holiday bonus or to a share plan or to pay down the unfunded liability.

THE MODERATOR: I take it by that, then, you are -- you are willing to accept -- realizing it would be unfunded initially, but you are willing to establish and accept a share plan as part of the deal if we were able to get a deal?

MR. HAND: We're willing to give the Board that discretion, correct.

THE MODERATOR: Okay.

MR. HAND: That would be a Board decision. But, again, just to be clear, we previously had said that all -- 100 percent of the chapter funds --

THE MODERATOR: I got it.

MR. HAND: -- should go. We are now agreeing that we can subtract out those holiday bonus funds, but want to give the Board discretion to decide to use those on either the holiday bonus or a share plan or to pay the unfunded liability.

THE MODERATOR: And in any year in which the City did not make its obligation and, therefore, the Board would not be required to make their obligation, and you would have to actually make up that shortfall --

MR. HAND: Uh-huh.

THE MODERATOR: -- under our proposal, then what would occur is that the Board could choose to use any monies that year, either to put into the unfunded liability, as --

MR. HAND: Right.

THE MODERATOR: -- was suggested by your general counsel, or --

MS. LAQUIDARA: Or any of these --

THE MODERATOR: -- they could put it into a share plan for that particular year.

MR. HAND: Right.

THE MODERATOR: You would agree with that?

MR. HAND: That would -- and that would also help -- the establishment of a share plan would also help to balance out for current employees because, obviously, we're asking for changes both in DROP and in COLA here. The establishment of a share plan helps to balance that out to some extent, as well. But let me go down the list.

THE MODERATOR: Okay. So now we're on two?

MR. HAND: On Item 2, we would agree to -- because we thought the proposal had been made on Friday by Mr. Keane for a floor of 5 and a cap of 10. We'd agree to split the difference between 3.9 and 5 and set it at 4.5.

Now, I have a question about John's proposal as it relates to after January 5th. How many members are eligible to DROP between now and the -- and the -- January 5, 2015?

MR. KEANE: Generally, we have 25 people in each class, so, you know, we don't know. We only know afterwards, but the total number of people that are eligible to DROP right now --

MR. HAND: Uh-huh.
MR. KEANE: -- is 150. Lots of people are -- have high appointed positions, and they're not going to dash for the door.
MR. HAND: Uh-huh. Well, we'll consider for the moment --
THE MODERATOR: January 5?
MR. HAND: We'll just set that aside, the January --
THE MODERATOR: I'm saying -- that's a new thing on the table.
MR. HAND: We'll consider that for a moment, but we propose to split the difference between 5 and 3.9. We would do 4.5.
On No. 3, we're agreed on that, provided that that comports with Florida law. I think that'd just be important for Ms. Laquidara and Mr. Klausner --
THE MODERATOR: Put something in there providing --
MR. HAND: Yeah. That it's --
THE MODERATOR: It has to comply with general law.
MR. HAND: Yeah.
THE MODERATOR: Okay. All right.

MR. HAND: On COLA, we would agree -- again, in the spirit of good faith and trying to move toward an agreement, we would agree to move from 2 to 2.25 percent as the cap on COLA.
We've already -- we've already addressed No. 5 and incorporated that. Obviously, it needs to be written up into our --
THE MODERATOR: I got it.
MR. HAND: -- compliance provisions.
THE MODERATOR: Correct. All right. Let me go down this thing and see if I've got the score right. For those of you scoring at home, let's go over this.
On No. 1, we're in agreement, if we get a deal.
On No. 2, we're in agreement, except that the Board wants to clarify that -- excuse me. The City wants to clarify that their obligation ends at the 80 percent status level.
John, you agree with that, that their obligation on the unfunded liability provision would end at the 80 percent figure?
MR. KEANE: You're talking about 1(b)?
THE MODERATOR: 1(b).
MR. KEANE: Yes, sir.

THE MODERATOR: Yes. The differences now are on C. The Board would -- John's provision would be that he would follow C, provided that there was a cap of 105 million.
Chris, your position would be that you would strike the last provision of -- last sentence of C, and what you would do is you would say during the first five -- during -- you would say during the first five years, they would pay all chapter funds --
MR. HAND: No. No. We would -- we would strike --
THE MODERATOR: You would just take out five?
MR. HAND: We would -- we would strike out the phrase, "during the first five years," and substitute, "Until such time as the PFPF reaches an 80 percent funded status" --
THE MODERATOR: Okay.
MR. HAND: -- comma, "the PFPF will pay all chapter funds less the holiday bonus funds into the fund."
THE MODERATOR: Yes.
MR. HAND: We would then add a second sentence that gives the Board discretion to use the -- what we're now calling the holiday bonus

funds for either a holiday bonus or for -- into a share plan, or toward the unfunded liability at the discretion of the Board.
THE MODERATOR: And to be clear, by doing that, you agree that you're now allowing the Board, and you would do whatever is required to permit the Board to establish, even though it may be unfunded for some period of time -- a share plan for current employees would be established?
MR. HAND: I think that's inherent in that proposal.
THE MODERATOR: Okay. I just -- okay.
John, so you understand that that -- that their proposal back to you would include the establishment of the share plan that you've been wanting to do?
MR. KEANE: Yes, sir.
THE MODERATOR: Okay. You want -- you want to think about the January 5th because you need the implications of that --
MR. HAND: We just -- I just -- we need to check on something --
THE MODERATOR: And your proposal back is 4.5?
MR. HAND: To split the difference between

3.9 and 5.

THE MODERATOR: All right. Investment authority, I think, is kind of okay as long as there's some language saying it'll comply with general law and nobody --

MS. LAQUIDARA: Nobody --

THE MODERATOR: And your proposal on COLA is 2.25 as a cap. So we're at a little difference on the total amount and how long and how it's to be paid on C, a little bit of a difference on DROP, and a significant difference on COLA because, John, your position on COLA for all employees -- all current employees is --

MR. KEANE: Unchanged.

THE MODERATOR: -- as is, or unchanged, yes. All right.

MR. HAND: And, John, can I just ask a question?

MR. KEANE: Yes, sir.

MR. HAND: What's the significance of the January 5th date? Why that, as opposed to -- I can sort of see the logic of -- we just want to make sure everyone who could DROP this year has a -- why January the 5th --

MR. KEANE: That's when it takes effect.

MR. HAND: Got you.

MR. KEANE: People that DROP in December --

MR. HAND: Uh-huh.

MR. KEANE: -- it takes effect in January.

MR. HAND: I see.

THE MODERATOR: January 4th.

MR. KEANE: This takes care of everybody in --

MR. HAND: Okay. Got you. So you wouldn't have a split between someone in September and someone in December. Got you.

THE MODERATOR: This is -- so that we're clear, this means that those who were going to enter DROP or decided to enter DROP in the year 2014 would be eligible to do so --

MR. KEANE: Correct.

THE MODERATOR: -- otherwise -- under the current plan. Otherwise, they would be -- everybody else beyond the 2014 DROP would be under the 5 to 10 number?

MR. KEANE: Correct.

THE MODERATOR: Okay.

MR. KEANE: Although, the City hasn't agreed to that 5 to 10 number.

THE MODERATOR: I know. I know. But I'm --

you know, I'm feeling it.

MR. KEANE: They're getting close. I know.

THE MODERATOR: I'm feeling it.

MR. KEANE: I know they are.

THE MODERATOR: A haircut is a good sign. I'm going to tell you, we know we're so close, guys.

We've got to deal with -- we've got to deal with, I think, three things on here. C, 2, and 3 -- I mean, 2 and 4, is that right, C, 2, and 4?

MR. HAND: I think you've identified the -- of course, with the added kind of how do we --

THE MODERATOR: Yeah.

MR. HAND: -- do the monitoring going forward and that sort of thing.

THE MODERATOR: That's nine.

MR. HAND: Yeah. That's sort of the No. 9, but --

THE MODERATOR: And that is -- is everybody in agreement, what we're going to do on 9, is that will be left to the general counsel and the special counsel for them, with me refereeing that for the monitoring provision?

MR. HAND: Right. And then we just need to sort of discuss how that will work, plus, kind of,

of course, what happens to the pending litigation because I'm assuming that, as part of all this, there'd be a dismissal and resolution of pending litigation, as well.

THE MODERATOR: I don't know the answer to that. I don't know who -- because I -- I don't -- I think we should throw that out there. I don't know the litigants. You-all tell me your kind of understanding of that.

MS. LAQUIDARA: The litigants aren't here, but it would be difficult for them to do anything but dismiss with the -- if an agreement is approved by City Council and the Board. There's all kinds of issues, legal issues. So we would -- I would expect their counsel to understand that.

THE MODERATOR: Yeah. I started saying Klausner would probably -- and I guess they also have other lawyers --

MS. LAQUIDARA: Klausner and I --

THE MODERATOR: -- involved.

MS. LAQUIDARA: -- are fine. And the other is Mr. Donnelly --

THE MODERATOR: Donnelly.

MS. LAQUIDARA: -- who is an, you know, excellent attorney in his field. So I'm sure he would not have any difficulty understanding this.

MR. HAND: He's extremely well-trained, exactly. We'd need to just address that, I think, in whatever the final agreement is.

THE MODERATOR: You agree with that?

MS. LAQUIDARA: Yes.

THE MODERATOR: Okay. Does it -- do you see that as an impediment, John?

MR. KEANE: No, sir.

THE MODERATOR: Cindy?

MS. LAQUIDARA: No. No.

THE MODERATOR: Okay. Then I'm going to have to trust you guys on that. That language will be -- I suggest you and Klausner --

MS. LAQUIDARA: Regarding --

THE MODERATOR: -- get as close as you can.

MS. LAQUIDARA: Yes.

THE MODERATOR: Get it to me and I'll referee the differences.

MS. LAQUIDARA: Yes. I would think we would be able to work it out --

THE MODERATOR: All right.

MS. LAQUIDARA: -- ourselves.

THE MODERATOR: Because that's really only about the monitoring, which I think, you guys,

what you want is you want someone to monitor, A, when this is -- when -- that everything here being done is -- that is being required to do --

MS. LAQUIDARA: Uh-huh.

THE MODERATOR: -- is being done. And second of all, somebody's got to be the one at the end who says, "Okay. You've reached 80 percent. Your obligation is over, and your obligation is over."

MS. LAQUIDARA: Yes. And so we'll tender language to Mr. Klausner. And I don't anticipate any --

THE MODERATOR: All right.

MS. LAQUIDARA: -- trouble wrapping up that language or the language on the dismissal.

THE MODERATOR: And we'll try to draft --

MR. HAND: We just need to handle all those --

THE MODERATOR: We'll try to -- and you -- and we will try to draft more artfully the language we want for the obligation of the City if they do not pay. And what I suggest is you draw that up. And that should be that they pay -- the contribution that would have been required by the Board becomes a responsibility of the City for any year in which they do not make the payment.

I want -- I believe through this procedure, though, that as I read Paragraph 4 of your provisions, Chris, Paragraph 4, as I get down to the bottom section, this plan is so that they will find the funds --

MR. HAND: Correct.

THE MODERATOR: -- identify the funds --

MR. HAND: Correct.

THE MODERATOR: -- and that the -- that your language -- your language is for the required $40 million additional unfunded liability payment.

MR. HAND: That committee's job would be to recommend to the mayor and the Council president, "Here's your bill this year. Here's how we recommend you pay it."

THE MODERATOR: And other than -- as you suggested, unless they would go do something very atypical, that's what would be the process by which it would work and the money would be paid, and that would trigger your obligation for that year. Every time they make their payment, your obligation is automatic. You agree, John?

MR. KEANE: Correct.

THE MODERATOR: Whatever --

MR. KEANE: To the amount we agree to pay.

THE MODERATOR: To whatever amount we've agreed to pay. All right.

MR. KEANE: Is that going to give you-all enough time, June 30?

MS. LAQUIDARA: Well, we'll be doing it ahead of time. All of the people will be doing -- we'll be having a plan, but that's the -- that's when the property appraisal bill comes out, on June 1, so it's a good time to true up the additional resources.

THE MODERATOR: John, are we now where you will take 5 to 10 effective January 5?

MR. KEANE: Yes, sir.

THE MODERATOR: Okay. Chris, that's in your ballpark, then, on that. Their offer is 5 to 10. Your response back is 4.5.

MR. HAND: We offered to split the difference between the two.

THE MODERATOR: You're offering a difference between 3.9 and -- okay.

The COLA -- and, now, tell me again where we are apart -- and where we are apart up here. John, under their proposal now -- let me make sure I understand. Their current proposal would be, after the 61 million, your requirement would be to pay the chapter funds less the holiday pay until such time as it reached 80 percent. What is your reaction to that?

MR. KEANE: We reject that.

THE MODERATOR: Because it was just beyond what you can pay?

MR. KEANE: Exactly. We offered --

THE MODERATOR: Would you do that --

MR. KEANE: We offered --

THE MODERATOR: -- if they agreed to cap it at some number?

MR. KEANE: We offered an extra $5 million.

THE MODERATOR: No. I'm -- let me -- let me -- I'm just trying to explore this. Let's assume that we follow their procedure for a moment. Their procedure says that you would pay all the chapter funds less the holiday pay --

MR. HAND: Uh-huh.

THE MODERATOR: -- until such time as the fund reaches a status of 80 percent. Would you pay all of the funds less the holiday pay until it reached 105 million?

MR. KEANE: Yeah. We do -- we commit to that.

THE MODERATOR: Okay. But you want a cap of

your contribution?

MR. KEANE: Exactly.

THE MODERATOR: Now, after you made your 105 million, what would be the way in which the unfunded liability would be further reduced, only by the City's payment?

MR. KEANE: Yes, sir. As everybody pointed out, it's the City's obligation. We're coming forward with $105 million to help because every dollar we put in strengthens the pension fund for our members. So we're willing to do that. This is extra sacrifice the members are making.

THE MODERATOR: Okay. Okay. So that's really where we are, is that you want to cap it at 105. You want the 80 -- you want it till it goes to 80 percent. And you want it -- but you're willing to pay if there's a cap, your cap being 105 right now. You're willing to pay, with a cap, the money on the front end, meaning you'll pay all the money less the holiday pay until such time as it reaches whatever cap you have?

MR. KEANE: Yes, sir.

THE MODERATOR: All right. And your proposal on current employees is 2.25.

And your answer is zero.

So we really are down to a very small difference here, ladies and gentlemen. Now, it's millions of dollars. I'm not unmindful of that. How do we get there, guys?

How do we get there?

I'm looking at both sides of the table and everybody's looking back at me.

Do you want me to draw up something I think may work here?

MR. KEANE: Well, there's nothing going to work on 4, other than the current.

THE MODERATOR: I understand your position on COLA is where it is.

MR. KEANE: And --

THE MODERATOR: So --

MR. KEANE: No need to draw nothing up on that --

THE MODERATOR: Okay.

MR. KEANE: -- for us.

THE MODERATOR: I got you.

MR. KEANE: I mean --

THE MODERATOR: All right.

MR. KEANE: -- people that are going to be retiring in the next three years because of the payroll freeze and the rollback are effectively

retiring at ten-year salary assumptions. So we're not --

THE MODERATOR: John --

MR. KEANE: We're not going to change it.

THE MODERATOR: -- I understand, but if you're going to use that argument -- and I'm -- I want you --

MR. KEANE: We withdraw all arguments. We're not going to change it.

THE MODERATOR: I got you.

MR. KEANE: That way you don't have to talk about it.

MR. HAND: Everybody's come here in a --

THE MODERATOR: Okay.

MR. HAND: -- spirit of compromise, but, yeah.

THE MODERATOR: Okay.

MR. HAND: Yeah.

THE MODERATOR: Can I say from this that COLA is a really hard position for you right now; you are not moving on COLA?

MR. KEANE: Correct.

THE MODERATOR: Would you move on COLA for the people in the first ten years?

MR. KEANE: Nope.

THE MODERATOR: Okay. I'm just -- I'm just exploring. Because if it was for people in their first ten years, then some of the arguments you -- I mean, I'm not --

MR. KEANE: That's right. Some of the arguments wouldn't hold water 25 years from now.

THE MODERATOR: Right. But your answer is still COLA for current employees remains as is?

MR. KEANE: My answer for right now is that, yes.

THE MODERATOR: Okay. Would you consider moving for the first ten years?

MR. KEANE: I would consider that.

THE MODERATOR: All right. They would consider that; all right. Now --

MR. HAND: Peace is breaking out all over the Lynwood Roberts room; right?

THE MODERATOR: This is -- this is -- all right. Now where we are is they have come up with now $105 million. They will pay it in the method that you've subscribed. Can you take that deal?

MR. HAND: Which by my calculations would be -- if you -- because that 105 includes -- and just to be clear, John, in your mind, that includes the 60 million? That's not over and

above? Because it's over and above the 60 million, that might be --

MR. KEANE: No. No. It's the first 60 --

MR. HAND: Okay. So you'd --

MR. KEANE: -- plus --

MR. HAND: -- subtract that from the 105.

MR. KEANE: Right. So --

MR. HAND: So that gets you down to 45. So if you take that amount, which after you take out the holiday bonus funds, because those are about --

THE MODERATOR: About 7 million.

MR. HAND: Maybe about 7 million a year. That's -- so that's about between six and seven years --

THE MODERATOR: Right.

MR. HAND: -- of that payment. Whereas, the City, just based on now what we know in terms of the 80 percent status, the City would be paying in for 14 -- roughly 14 years. The fund would be paying in for six years. Did I get that math right?

MR. KEANE: You got that math right. But let me also point out to you, prior to your arrival here, your predecessors in office did not pay,

which they left the bill for you-all. Our members always paid their contribution.

When the City paid the unrealistic 3.2 percent contribution, did not pay for the people in DROP, where our members continued to pay in DROP -- since 1999, the City has enjoyed the services, the protection offered by police officers and firefighters, with 7,000 accumulated years of service.

That's like coming over to our place and having 300 people out there with 20 years, waiting to retire, and the City hadn't put one dime in. That's the translation of it.

MR. HAND: Well, look, I don't know that we need to -- there's plenty of blame to go around. I'm sure we could -- we could talk for days about investment practices and a variety of other things. I don't know that that's productive to do that. We can certainly do it. I just don't know that it's productive.

THE MODERATOR: So under your proposal, it would take -- and I'm not trying to cut this -- I'm just trying to find -- under your proposal, you guys would pay -- you, meaning the Board. You guys would pay almost seven -- seven years.

MR. HAND: Six or seven, yeah.

THE MODERATOR: It would take seven years, roughly, to pay off -- by paying everything, all of your chapter funds, except the holiday bonus?

MR. KEANE: Correct.

THE MODERATOR: Okay. And you would be willing to do that?

MR. KEANE: To the $105 million total.

THE MODERATOR: All right. Well, yeah, whatever it takes to get to 105.

My proposal is one that would have you pay a little less during that seven-year period of time, but would expand your liability over time to more than 105 million --

MR. KEANE: Exactly.

THE MODERATOR: -- correct?

MR. KEANE: Exactly.

THE MODERATOR: Are you better off paying longer and less to a higher amount overall, or shorter and a higher amount on the front end -- I mean, I guess that's kind of a philosophical question for you, as well as a finance question.

MR. KEANE: It's as simple as looking at your credit card bill you get every month. Pay the minimum payment, you're going to be paying six, eight years.

THE MODERATOR: Okay.

MR. KEANE: Pay more than the minimum, pay quicker, save the interest. If we have $105 million obligation under the terms of this agreement, we want to pay it as fast as we can.

THE MODERATOR: All right.

MR. KEANE: But we're not going to sacrifice the widows' and orphans' Christmas bonus.

THE MODERATOR: All right.

MR. KEANE: We just can't do that.

THE MODERATOR: Let me come back to one thing, then. Let me just throw this out, see if you guys -- would the City accept John's proposal on DROP, John's proposal on DROP, 5 to 10, January 5 -- it's the moderator's proposal, as accepted and amended by John -- 5 to 10, starting January 5?

If they would accept that, John, would you do the COLA at 3 percent for all current employees, except those with less than ten years at 2.25?

MR. KEANE: I'm going to have to think about that.

THE MODERATOR: Okay. I'm just throwing something out there.

And I want you to know, on the other side, is there -- if John wants to work against a cap so that his successors know the total liability they have out there, do you have a number? If 105 million is not enough, what is enough?

MR. HAND: $1.7 billion. No, I'm kidding. That was a joke. Yeah.

MR. KEANE: I'll write the check. What color would you like? We've got yellow and blue checks. It doesn't matter.

MR. HAND: That's the number --

THE MODERATOR: I do bad check --

MR. HAND: -- that keeps us up at night.

THE MODERATOR: -- defense on the side.

MR. HAND: Yeah. Yeah. Yeah.

THE MODERATOR: Okay. Let's take a 15-minute break.

MR. HAND: Just to be clear, is it your intention, Mr. Moderator, to come up with a proposal for both sides --

THE MODERATOR: I am.

MR. HAND: Okay. Okay.

THE MODERATOR: I'm going to do that.

MR. HAND: Okay.

THE MODERATOR: I'm going to go -- I need

about 15 minutes.

MR. HAND: Okay.

THE MODERATOR: Is there anything else? I know nine.

MS. LAQUIDARA: No, nine is easy.

THE MODERATOR: I have a confidence level -- can I have a confidence level of 75 or better?

MS. LAQUIDARA: Yes.

THE MODERATOR: Okay. With that, is there anything else, guys, out here -- if we can work -- we've got the COLA. We've got the DROP, and we've got the -- either the way we're going to pay it or the amount capped. Is that all that's keeping us apart?

MR. KEANE: What do your records show as the final resolution of No. 4?

THE MODERATOR: I said -- I'm sorry. I said we've got the COLA issue out there right now.

MR. KEANE: No. I'm talking about No. 4 in the original list of things, the fifth trustee selection.

THE MODERATOR: Oh, no.

MR. KEANE: It's been pushed off till --

THE MODERATOR: No. No. No.

MR. KEANE: -- the final resolution --

THE MODERATOR: The fifth trustee -- the fifth trustee is --

MR. HAND: Well, no. What we agreed is, if we're able to --

THE MODERATOR: If we're able to reach an agreement --

MR. HAND: -- overall agreement --

THE MODERATOR: To make it clear, if we're able to reach an agreement, John, to put it -- on that issue, you prevailed. You've got what you want.

MR. HAND: City's agreed to every other governance provision. That's sort of in abeyance, if we're able to reach final agreement --

THE MODERATOR: And you know it affects five, but only because the language --

MR. HAND: Yeah.

THE MODERATOR: -- of five --

MR. HAND: Right.

THE MODERATOR: -- affects four.

MR. HAND: We threw in the continued, too.

THE MODERATOR: Now, you're going -- you scared me to death when you started going back. I want to take a --

MR. KEANE: I'm not going back. I've got me a careful list here and good notes.

THE MODERATOR: Okay.

MR. KEANE: And I have four is unnoted.

THE MODERATOR: Okay. Four --

MR. KEANE: But I know that -- I know it was left --

THE MODERATOR: If we get --

MR. KEANE: -- till the very end.

THE MODERATOR: -- an agreement -- if we get an agreement for the term of these amendments, four remains unchanged. Is that understood?

MR. KEANE: I understand that.

THE MODERATOR: If we get an agreement. And five is only changed to comport with what the language would be of four. Is that understood?

MR. KEANE: Right.

THE MODERATOR: Okay. With that, we're going to take a 15-minute break and I'm going to try to work on this.

(Recess from 4:14 p.m. to 5:07 p.m.)

THE MODERATOR: Okay. Folks, first of all, thanks for both sides talking to me. I know this is a unique and different kind of procedure that we've been going through. And I have to tell you that my conversations with all of you privately

have helped me formulate proposals throughout this process. And I know the odd situation is each of you doesn't know what the other one's position is because of the unique status that we have here.

So what I try to do when I put together my proposals, I try to synthesize what I think the parties have each said to me. And I realize that each time what you guys have looked for aren't necessarily the same thing, but both of you have shown tremendous movement in this.

I have what I'd like to be my final proposal, final proposal in that I don't have any other ideas. And I think that this proposal is made in an effort to close the matters between the parties.

I also, just by the way that we've been going through, have not been able to reduce this all to the kind of written proposals that I like to bring with me, but you know at the end this doesn't happen. I mean, I would remind both sides there's an old country song that says, "They all get prettier at closing time."

MR. KEANE: Is that at the church?

THE MODERATOR: That's what this provision is about. Each side's proposals -- it's getting

closing time, folks. And in the words of that old country song, "I've done the best I can here."

So my final proposal today would be that all matters as previously agreed upon would be reduced to writing and agreed upon by the parties after review for language, that all language would be submitted to the -- to me, the moderator, for final approval after each -- counsel for each side has looked them over, that the outstanding issues -- and that, in that language -- and this is for the parties -- the provision to ensure compliance which was given today, which is Paragraphs 1 through 4, and the language which would be Paragraph 5, although we would have to do that from the moderator's language, would be incorporated in a way in which there is a commitment to permit the Board to have whatever it needs to do to establish -- approval to establish an employee share plan in the future under the limits that we've talked about on funding thus far, which means it wouldn't be funded until all other obligations have been met or complied with, except in the circumstance that there was money available to the Board because of noncompliance by the City in some year. That should all be agreed

upon.

I propose that the City's proposal as to Subject No. 2, which was rendered approximately four o'clock today -- that the City's proposal would be modified in the following way, that a current employee DROP will earn at the actual rate of return as computed by a floor of 4.5 percent and a cap of 10 percent, which will become effective on or -- on January 5th, 2015. I didn't know if that was supposed to be after January 5.

John, is it on or after?

MR. KEANE: After.

THE MODERATOR: After January 5, 2015, that the union's Proposal No. 4, which is that the COLA, cost of living adjustment, will remain as is for all current members, be accepted.

That the -- that the Board would agree to pay all chapter monies less the holiday pay money for a period of eight years or an amount of 107 million, whichever is reached first, meaning that the obligation of the Board is 107 million. If we computed that at eight times seven, if that number is 56, if that's exactly the number of 56 when added to the 61 million -- I think is the number I'm using -- if it's off a little -- the total commitment is $107 million from the Board.

That the -- that the general counsel and special counsel, by Friday of this week, would present me with the proposed language for Paragraph 9, which is the wraparound and monitoring language, which you've told me that the parties can do.

MS. LAQUIDARA: Yes.

THE MODERATOR: That all language be given to each -- would be exchanged with one another by next Tuesday and would be submitted to me by next Wednesday.

That we would schedule a formal signing the week of -- the first week of June, meaning that the week after next would be our formal signing week of the agreement, and that all matters that are required would be commenced thereafter.

That gives us very short turnaround time to get final language together and to the mayor and to the Board chairman. And I know you have to --

MS. LAQUIDARA: That's fine.

THE MODERATOR: But it should be very doable. That should all be in the bag by now.

So, basically, it is today's language, all previous agreements agreed upon, City's No. --

City's amounts, as set forth in No. 2, John's provision on No. 2 as it relates to the effective dates, after January 5th, 2015, the union's proposal on COLA be accepted -- union's proposal --

MR. KEANE: Fund.

THE MODERATOR: The fund's proposal, which I know is the position of the respective organizations from the MSA, so the Board's position -- I said that wrong. The Board's position on No. 4, and the -- and an eight-year commitment to the chapter funds less the holiday pay to an amount of 107 million, whichever occurs first, the 107 million being the target number of the combined transfer and the annual payments, which I have loosely computed at eight years at $7 million, realizing that that may be up or down a little bit.

All right. That's my proposal.

MR. HAND: Can we ask questions?

THE MODERATOR: You can ask me questions.

MR. HAND: Can I just do a couple -- do a couple of housekeeping things first?

THE MODERATOR: Oh, yeah. Absolutely.

MR. HAND: Because we're down -- we're down

to a few issues. And I don't want to lose sight of all the things --

THE MODERATOR: I'm hoping --

MR. HAND: -- we have agreed to so far.

THE MODERATOR: -- we're down to none.

MR. HAND: First, I'm just going to distribute -- these are all the governance provisions we've already agreed to.

John, I just wanted you to have a copy. This includes everything except for four, which will not be --

THE MODERATOR: And five.

MR. HAND: -- an issue if we reach final agreement, and nine.

THE MODERATOR: And five.

MR. HAND: Well, I'm sorry. And four is the -- and four is the one with the fifth member of the Board.

THE MODERATOR: Yes. Yeah, as long as five --

MR. HAND: Five is here, but has been changed.

THE MODERATOR: Has been changed. I got you.

MR. HAND: Yeah, to reflect that.

THE MODERATOR: Okay.

MR. HAND: And, Carol, can you distribute these.

So this is all the governance provisions we've agreed to as far -- if we're able to reach final agreement. That is the establishment of the Financial and Investment Advisory Committee. That's the provision of ethics, certification, and disclosure requirements for investment managers and advisers. That's the use of the Office of General Counsel. Those are qualifications for counsel-appointed trustees and the fifth trustee. Those are actuarial standards, transparency, and disclosure. The selection of an executive director-administrator, future administration of the JPFPF, negotiation of pension benefits, consultation among parties, and expression by charter and ordinance.

So those are all of the governance provisions. These have not changed one iota from what we've previously agreed to.

THE MODERATOR: Okay.

MR. HAND: I just wanted to make sure that was established for the record.

Also established for the record is the fact that we have agreed to a new pension design for

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future employees, employees who start as of October 1st, 2014. These are identical to the agreements we made during the mediated settlement agreement and were endorsed by the task force, with the only change being that slight change as to the early retirement penalty that we agreed to previously. That has been memorialized here.

And it's front and back side. And as soon as Carol comes back, I will have her distribute those too --

THE MODERATOR: Remind me, guys, because I know I should remember this. Remind me of the change -- the little change you just referenced, Chris --

MR. HAND: That's under pension start date. It says: Employees may take early retirement between 25 and 30 years with a 2.5 percent accrual rate penalty for years short of 30, subject to a floor of 52.5.

THE MODERATOR: Got it.

MR. HAND: That's the compromise --

THE MODERATOR: I remember that language, yes.

MR. HAND: -- the moderator proposed.

THE MODERATOR: I just wanted to make sure I knew what you were talking about.

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MR. HAND: Carol, if you'll pass those out.

So that's what we've agreed to as to governance and to employees who start on October 1st, 2014.

For current employees, we have agreed on two provisions right now. One is an increase in the employee contribution from 7 percent to 10 percent, an increase that will occur in two stages. Stage one would be: Upon implementation of the agreement on October 1st, 2014, the employee contribution will increase from 7 percent to 8 percent. And then, two, when the City restores the 2 percent pay cut implemented for fire employees in 2010 and police employees in 2012, the employee contribution will simultaneously increase from 8 percent to 10 percent. So we've agreed on that mechanism for increasing the employee contribution.

We've also agreed to change the final average compensation period for current employees with less than ten years of service. So for current employees with less than ten years of service, the final average compensation period will be based on the last 48 months of service, subject to the floor of whatever the 24-month amount would be as of October 1st, 2014, to be in compliance with Florida law. So we've reached agreement on those two provisions for current employees, employee contributions and the final average compensation period.

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And then, finally, as it relates to compliance with the funding commitment, I believe -- and I don't want to speak for John, but I just want to be clear that we've reached agreement on the four provisions that the City recommended this morning with Senator Smith's proposal, which needs to be reduced to writing --

THE MODERATOR: I will get that done.

MR. HAND: -- as No. 5, those five provisions to ensure compliance with the City's additional funding commitment.

Does that -- Mr. Keane, does that accurately reflect -- does that -- does that -- do you agree with what I've just said in terms of --

MR. KEANE: Yes, sir.

MR. HAND: -- where we've reached agreement?

MR. KEANE: Yes, sir.

MR. HAND: Okay. We've reached agreement on quite a bit. I just wanted to make sure that we had distributed those --

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THE MODERATOR: Right.

MR. HAND: -- for the -- for the record.

THE MODERATOR: Right.

MR. HAND: I've got a couple of questions on your proposal, Senator Smith.

THE MODERATOR: Okay.

MR. HAND: Then I'm just going to ask -- and I know Mr. Keane probably -- I just want to ask can we just take an absolutely no more than five-minute break just to have -- I need to have a conversation before we respond.

THE MODERATOR: Okay.

MR. HAND: Your proposal has the Board agreeing to pay all of the chapter funds minus the $2 million for a period of approximately eight years, up to a cap of $7 million. It does not, it sounds like, address the issue of chapter funds after that date.

THE MODERATOR: It does not.

MR. HAND: Okay.

THE MODERATOR: It is up to 107 million.

MR. HAND: 107.

THE MODERATOR: And that 107 million is reached by the combination of the transferred funds and the annual payments at an estimated rate of 7 million --

MR. HAND: Uh-huh.

THE MODERATOR: -- for eight years. If I took 61 million and 56 million, if that were to be the number, that's how I arrived at it. Whenever 107 million is expended, that's the --

MR. HAND: Well, that would be --

MS. LAQUIDARA: 46.

MR. HAND: That would be 117, so you'd be --

MS. LAQUIDARA: Right. 46.

THE MODERATOR: 46, yeah. So it's whichever reached -- yeah, that's what it is. You're correct. My math is, as usual, pitiful, but that's what it -- 107 million is the -- is the amount I planned to pay -- that I had planned for them to pay under this proposal. And all math will be adjusted for the fact that I barely got through college on that, so . . .

MR. HAND: And then I take it in your proposal the City's commitment -- so that would have a commitment of roughly seven or eight years for the Board. The City's commitment would be pegged to what under your proposal, the reaching of the 80 percent --

THE MODERATOR: 80 percent.

MR. HAND: -- funded status?

THE MODERATOR: Yes.

MR. HAND: Yes.

THE MODERATOR: Yeah. The 80 percent language -- I'm sorry.

MR. HAND: Uh-huh.

THE MODERATOR: The contributions -- obligations of this agreement, the contributions sections of these amendments to the 30-year agreement, would expire upon the 80 percent funding. Whatever the City's obligation will be expires when the 80 percent -- whatever the -- whatever the Board's obligation is expires on the payment of the 107 million in the way in which I outlined it, which is the annual payments, plus the transfer until 107 million.

MR. HAND: So I'm just curious about your math here because you -- and I know you didn't go to law school because math was your favorite subject. You've indicated that it would be up to a maximum of 107 million.

THE MODERATOR: Uh-huh.

MR. HAND: If the amount of chapter funds minus the holiday bonus money -- right now is

between, say, $7 and $8 million --

THE MODERATOR: Okay.

MR. HAND: -- that would seem to be short of eight years --

THE MODERATOR: Yes.

MR. HAND: -- as the number.

THE MODERATOR: I didn't -- I couldn't remember if the number was -- I think it was 9 million, less approximately 2 million --

MR. HAND: Uh-huh.

THE MODERATOR: -- is that right? So I had them transferring -- see if I have it right. I had them then paying 7 million, approximately, a year. The original transfer is going to be about 61 million; do we agree on that?

MR. HAND: Well, that is the enhanced benefits, plus the City's --

THE MODERATOR: Yeah. Yeah. I understand. I got -- but that upfront money that comes over --

MR. HAND: The value of that is 61 million.

THE MODERATOR: Is 61 million.

MR. HAND: Correct.

THE MODERATOR: So, then, 107 less 61 -- you're right. It probably doesn't take eight years to get there. You're right. But what I did

was I took -- the number that I came up with is a number that I believed that made -- it is more than they are willing -- were willing to pay. And I added some additional money in there in an effort to try to get them to accept a number that I believe they're willing to accept, which is $107 million. If they will accept 107 million, which is more than they put on the table, if you guys will accept that as their commitment, then you're right.

After that, then those -- that's perhaps when the shared plan that comes of some benefit to them or whatever else -- so that's where -- that's where the number comes from. There's no magic. It is greater than they've offered. It is not going to take, in likelihood, eight years, but if the money falls short in any year for any reason, you still have -- their commitment is to pay the maximum amount of the chapter funds less the holiday pay until they have a total of 107 million. And as I say, my math may be wrong on that, but that is my proposal.

MR. HAND: Do you have any objection to us taking a no more than five-minute break?

THE MODERATOR: Well, John, before I leave, I want to be fair to you. Do you have any questions about -- it would be City's No. 2, Board's No. 4 -- City's No. 2 in the sense of it's 4.5 to 10, your language as after January 5th, Board's No. 4, and 107 million is your total commitment. Do you understand that's my proposal?

MR. KEANE: We understand your proposal. We came in here today offering 100 million, and we then increased it during these sessions by 5 percent to 105 million. And during the break, it cost us another 2 percent.

THE MODERATOR: Well, the key here, then, is -- if you see the pattern this is going, you need to agree soon because it goes up $2 million a break. We need to agree.

MR. KEANE: Should have agreed last year.

THE MODERATOR: All right.

MR. KEANE: I understand that.

THE MODERATOR: Five minutes. That's it, folks. Five minutes.

(Recess from 5:24 p.m. to 5:35 p.m.)

THE MODERATOR: All right. After conferring with the parties, the moderator is going to make one last try at this. I will change that the City will accept 5 to 10 on the DROP, effective January

5th, but that the Board will agree that all the provisions of this agreement -- including No. 2, No. 4, and 107 million being your total commitment, and after that, it reverts back to the Board's decision. There is no commitment beyond the 107 million.

With that understanding -- and I'm putting this on your general counsel and special counsel that No. 9 be to me by Thursday of this week.

MS. LAQUIDARA: By tomorrow?

THE MODERATOR: The day after tomorrow.

MS. LAQUIDARA: Tomorrow is --

THE MODERATOR: Oh, yeah. Friday of this week. Yeah, Friday of this week.

MS. LAQUIDARA: Okay. Friday I can do. Tomorrow I'm in court all day.

THE MODERATOR: Friday of -- Friday of this week.

MS. LAQUIDARA: No problem.

THE MODERATOR: And that the final language, and this means the Board's final language, will be agreed upon Tuesday and, therefore, will be subject to meeting the City's now proposed time frames --

MR. HAND: So prepare --

THE MODERATOR: -- will accept the City's time frames. You'll agree to 5 to 10, January 5.

You'll agree to 107 million, paid in the methods we've outlined.

And you'll agree -- and they'll agree to maintain COLA for current employees.

Folks, I got no more. Will you take that deal, John?

MR. KEANE: We take that deal, subject to the Board's final approval --

THE MODERATOR: Can you get that --

MR. KEANE: And we'll call --

THE MODERATOR: -- approval by Tuesday --

MR. KEANE: We'll call a --

THE MODERATOR: -- John?

MR. KEANE: We'll call a special meeting for either Monday or Tuesday.

THE MODERATOR: We need it Tuesday.

MS. LAQUIDARA: Monday's a holiday.

THE MODERATOR: We need it Tuesday.

MR. KEANE: Monday's a --

THE MODERATOR: Monday's a holiday, I know.

MR. KEANE: -- holiday. We're going to have it Tuesday.

THE MODERATOR: Well, you take --

MR. KEANE: We'll be down at the veteran's parade and have the meeting right after that.

MS. LAQUIDARA: Right.

THE MODERATOR: Mr. Mayor, I'm going to look at you. Will your side take that deal?

MAYOR BROWN: Yes.

THE MODERATOR: We've got a deal.

MR. KEANE: It's all over.

THE MODERATOR: Congratulations.

MR. KEANE: We knew we could get there. We knew we could get there.

THE MODERATOR: I want to say this. Thank you, to both sides. We've got some serious work to do, Cindy. I know that's on you, and, Chris, on you.

And I'll get -- John, would you do me a favor and call Bob and bring him up to date and have Bob call me, either tonight or in the morning, and I'll bring him abreast?

MS. LAQUIDARA: Yeah.

THE MODERATOR: You guys talk.

MS. LAQUIDARA: Yeah. He has all the numbers.

THE MODERATOR: I know he's on his cell phone now.

I want to congratulate everybody.

John, I want you -- and I know this was important. I want you -- I want to thank you because I know that there's some confidence here that the $40 million commitment by the City is going to be met every year, and that this is designed to do this.

And, Mayor, I understand that you're going to move heaven and earth to make sure that that $40 million annual contribution requirement -- that we get this unfunded liability in hand; is that right?

MAYOR BROWN: That's correct.

THE MODERATOR: John, is that right?

MR. KEANE: That's correct.

THE MODERATOR: And you've got every confidence that will happen?

And, Mayor, you have --

MR. KEANE: Absolutely.

THE MODERATOR: -- every confidence it'll happen?

MR. KEANE: Absolutely.

MAYOR BROWN: Yes.

THE MODERATOR: All right. Let's get it done. Thank you very much.

(The meeting was concluded at 5:38 p.m.)

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CERTIFICATE

STATE OF FLORIDA)
COUNTY OF ST JOHNS)

I, Karen Adair Ruiz, Registered Merit Reporter, Florida Professional Reporter, certify that I was authorized to and did stenographically report the foregoing meeting and that the transcript is a true and complete record of my stenographic notes.

I further certify that I am not a relative, employee, attorney, or counsel of any of the parties, nor am I a relative or employee of any of the parties' attorneys or counsel connected with the action, nor am I financially interested in the action.

Dated this 29th day of May, 2014.

Karen Adair Ruiz

KAREN ADAIR RUIZ
Registered Merit Reporter
Florida Professional Reporter

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