

1
2 PUBLIC MEETING BETWEEN

3 CITY OF JACKSONVILLE

4 AND

5 JACKSONVILLE POLICE AND FIRE PENSION FUND
6
7

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

14 DATE TAKEN: May 21, 2014
15 TIME: 1:34 p.m. - 5:38 p.m.
16 PLACE: City Hall
17 St. James Building
18 Lynwood Roberts Room
19 117 West Duval Street
20 Jacksonville, Florida 32202

21 reported by:
22 Karen Adair Ruiz
23 Florida Professional Reporter
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25 - - -

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 Executive Director-Administrator

 Police and Fire Pension Fund

 One West Adams Street, Suite 100

 Jacksonville, Florida 32202

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1 - - -

2 THE MODERATOR: Folks, if we could get

3 started, this is one of those things where

4 sometimes I think they say time is of the essence.

5 I want to make our time very valuable together

6 today.

7 As a starting point, what I'd like to do --

8 last week on Thursday afternoon at four o'clock --

9 and realizing we left shortly thereafter -- the

10 City made a proposal, and we had some conversation

11 about that, but it was my understanding that you

12 guys were going to flesh that proposal out again

13 and kind of give us -- not that we aren't at the

14 point of giving skeletal proposals. We are.

15 So we'll count this as the one that was given

16 last week. And as I review it, I just want to

17 kind of -- I've got to do a little side-by-side of

18 the two.

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

20 THE MODERATOR: Why don't you go ahead and

21 explain --

22 MR. HAND: We made a verbal -- we made a

23 proposal last Thursday. This is memorialization

24 of this. And I already sent John a copy of this

25 version. There was just -- I highlighted a couple

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1 of points I wanted to clarify that I think we're

2 clear from what we said on the record last

3 Thursday but perhaps they weren't. Everything

4 here is identical to what was said last Thursday

5 and memorialized the next day in writing.

6 Just to be clear, on our proposal for the

7 continuing police and fire contribution, that

8 would be over and above the amount of money that

9 currently goes to base benefits, so that would be

10 an additional -- half would continue to go to base

11 benefits. The other half would go to unfunded

12 liability. So I think that was clear, but I

13 just -- I think everyone understood that, but I

14 just wanted to make sure they did.

15 Also, on the issue of COLA, in terms of when

16 beneficiaries would start receiving COLA, we said

17 the third January after retirement. Sometimes

18 these terms are -- go back and forth a little bit.

19 I just wanted to make sure that was clear. That

20 means when an employee either exits DROP or

21 terminates City employment without entering DROP.

22 The key element being the period does not begin

23 when they enter DROP, but begins either when they

24 exit DROP or when they terminate City employment

25 without entering DROP ever, so just wanted to

Page 5

1 clarify that. Again, I think that was understood,

2 but always useful to make sure that there isn't

3 confusion.

4 And then the last really isn't anything

5 different. We had had some language in the other

6 one about how it was -- the language the PFPF

7 proposed yesterday. Clearly, we're several days

8 beyond yesterday. So this just clarifies that the

9 parties would agree to the investment authority

10 changes proposed by the PFPF, the language that

11 Mr. Keane gave us, again, just with the

12 agreed-upon restriction on hedge fund investments.

13 So anyway, just clarifying and reiterating what we

14 already put forward last Thursday.

15 THE MODERATOR: Okay. A couple of quick

16 questions on this, just so that I'm clear. And I

17 think I am. Under your proposal the -- what has

18 been sometimes called the holiday bonus pay would

19 not be reserved. It would be all part of that 4

20 percent because it would be required to be from

21 the City's --

22 MR. HAND: Correct. Yeah.

23 THE MODERATOR: Just wanted to make sure I

24 was clear on that.

25 Folks, before we go -- John, and I know this

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1 is generally the same proposal that you've had,
 2 and I know you have a response, but I want to
 3 raise an issue that has been raised directly and
 4 indirectly to me through various conversations
 5 because I need to get some more clarity on this
 6 because I think it's critical to our moving
 7 forward.

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

20 MR. HAND: Uh-huh.

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

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

4 MR. KEANE: Amount.

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

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

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

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

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

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

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

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

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

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

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

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

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1 Smith, about process, and how do we make sure, on
 2 a year-in-year-out basis, the City is making eye
 3 contact with its additional funding obligations.
 4 So what we propose is, as part of the agreement,
 5 to have a new ordinance code provision that
 6 establishes what we call an additional unfunded
 7 liability payment committee.
 8 And, again, what this says is, upon receipt
 9 of the Duval County property appraiser's initial
 10 ad valorem revenue estimate, which is currently
 11 due on June 1st, the chief financial officer shall
 12 convene an additional unfunded liability payment
 13 committee, subject to the Sunshine requirements of
 14 Chapter 286 Florida Statutes, and consisting of
 15 the following persons, in addition to the CFO:
 16 The Council auditor, the chief administrative
 17 officer, the treasurer, the budget officer, the
 18 JEA Chief financial officer, and the chairman of
 19 the Jacksonville Retirement Task Force, or, at his
 20 discretion or inability to serve, the chairman of
 21 the Task Force Plan Funding Subcommittee.
 22 Their job would be to review available
 23 funding sources for the required \$40 million
 24 additional unfunded liability payment. And this
 25 sort of lists here, not to be comprehensive, but

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1 as examples, the types of funding sources that
 2 they would review. No later than June the 30th,
 3 they would make a recommendation to the mayor and
 4 to the Council president for their consideration
 5 in proposing and adopting the next fiscal year's
 6 budget.
 7 The idea is to require in the ordinance code,
 8 in a public Sunshine noticed fashion -- force the
 9 City to make eye contact each year with that 40
 10 million obligation, and make a recommendation to
 11 the mayor and the Council president at the end of
 12 that -- at the end of that committee process,
 13 again, trying to establish a process so that the
 14 City can't simply forget in a given year or ignore
 15 its responsibilities. Under this, it would have
 16 to make public eye contact with its commitment and
 17 offer recommendations on how to address it.
 18 THE MODERATOR: John?
 19 MR. KEANE: Well, the first -- the first
 20 reading of this, Chief, the committee could meet
 21 and say, "We don't have the money this year," and
 22 "Tell them we're not going to pay" and "Tell them
 23 not to send" -- or "We're only going to pay 50
 24 percent. Tell them to only send their 50
 25 percent"; is that right?

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1 MR. HAND: No. I think, John, you're
 2 misreading it. Where it says there's a required
 3 \$40 million unfunded liability payment --
 4 MR. KEANE: Uh-huh.
 5 MR. HAND: -- okay, they look at different
 6 funding sources, which there are a number the City
 7 has at its disposal --
 8 MR. KEANE: Sure.
 9 MR. HAND: -- and they tell the Council --
 10 the mayor and the Council president, "Here's how
 11 we recommend you fund that 440 million this year."
 12 So it's not an -- it's not an if. It's a here's
 13 how.
 14 MR. KEANE: Okay. So that would, then,
 15 replace No. 3 above here, when it says if the City
 16 didn't make it. That No. 3 is very --
 17 MR. HAND: This was -- and I think the way to
 18 think of this, John, is more of kind of a
 19 belt-and-suspenders approach.
 20 MR. KEANE: Sure.
 21 MR. HAND: Yeah.
 22 MR. KEANE: Sure.
 23 MR. HAND: Yeah.
 24 MR. KEANE: Sure. And --
 25 MS. LAQUIDARA: If I could, Senator, two

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1 things. We always like to plan for the
 2 eventuality that -- what happens if people don't
 3 honor the agreement? And that's the damages
 4 clause. That says, "Well, if they don't pay, you
 5 don't pay." And I think that's one way to
 6 address -- and a fair way to address it.
 7 We have to recall, under the first part of
 8 the settlement, the plan is in far better
 9 financial shape because you have reformed and
 10 diminished the expenses of retirements going in.
 11 So you -- so both sides have gotten something.
 12 They've gotten a healthier plan.
 13 The second part is, let's make it even
 14 healthier faster. And so there is a commitment to
 15 do it, but when people do business with the City
 16 of Jacksonville, they have to do it subject to
 17 annual appropriation. City Council has got to --
 18 when this agreement goes in front of them has got
 19 to have an opportunity to identify those resources
 20 and to place them in the -- in line for payment.
 21 So it will be an obligation for payment with a
 22 clause that says, "If you don't meet it, this is
 23 what happens. We both go." But it's a very -- it
 24 is nonetheless a clause that City Council will be
 25 asked to approve to obligate themselves to pay,

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1 each year, \$40 million.

2 THE MODERATOR: Cindy, I want you to assume

3 with me for a moment, just for purposes of this

4 discussion, that, for whatever reason, the City

5 determines, three years hence, to not fund or to

6 partially fund. The way I read this plan, you

7 have a committee. The committee has a

8 requirement. They identify a source. Assuming

9 they can do so, they do so. They identify a

10 source.

11 MS. LAQUIDARA: Or several.

12 THE MODERATOR: And the -- or several

13 sources, sure, or several -- or composite

14 sources --

15 MS. LAQUIDARA: Whatever it takes, right.

16 THE MODERATOR: -- doesn't matter.

17 MS. LAQUIDARA: Right.

18 THE MODERATOR: But the Council, as you

19 say -- because I'm listening to you --

20 MS. LAQUIDARA: Right.

21 THE MODERATOR: -- on this issue -- the

22 Council, for whatever reason, does not make that

23 appropriation. If the answer to that is that,

24 "Well, we don't make a payment, you don't have to

25 make a payment," the problem is that, from my

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1 perspective, A, the whole system has gone

2 backwards because you don't make a payment and you

3 don't make a payment, we've just undone some

4 things that we tried to do. And second of all, I

5 don't want to speak for the Board, but the Board's

6 going to be -- position is going to be, whether

7 you consider it 27 million or 61 million, or

8 however you allocate this money -- "Wait a minute.

9 I fronted a bunch of money. And now I'm" -- so

10 what I'm looking for is -- go ahead.

11 MS. LAQUIDARA: I mean -- and that's because

12 we're kind of bollocksed up in each other's

13 positions. The fund's position is to get a

14 healthy fund. Under the law, all the fund can

15 compel the City to do is pay the ARC; right?

16 That's all they can do.

17 THE MODERATOR: Okay.

18 MS. LAQUIDARA: So what the City has given

19 them in the settlement is saying, "I'm going to

20 give you the ARC plus 40 million. And if I don't,

21 here's some of the ways" -- "number one, you can

22 make me do it because I'm going to have a Sunshine

23 meeting with a public showing of what our revenues

24 are, so we have the buy-in of 'This is what we

25 want to do.'"

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1 And, you know, our police officers and fire

2 safety people are public people too. You know,

3 they have a right to be put in that process. It's

4 a public process.

5 So what we've done is gone from saying,

6 "We'll give you the ARC and we'll just fund this

7 ourselves our own way. We'll come up every year.

8 We'll do separate legislation," no agreement with

9 you to fund it more, to giving you something more

10 for the fund -- now, if the position is that what

11 you can legally give us isn't good enough, so

12 instead I'll take the fund all the way back to a

13 more precarious financial position, that just

14 doesn't make any sense. You know, "I won't" -- "I

15 won't make the fund healthier because some day

16 perhaps you won't be able to make your 40

17 million."

18 So what we're tempted to do is make it really

19 uncomfortable for the elected officials to not

20 give the 40 million. And that has worked

21 historically. It's what we did when we

22 substituted sales tax for a toll revenue. We had

23 the problem of the mass transit riders saying,

24 "Well, wait a minute. I'm not going to have any

25 funding" -- "my mass transit." And what we did is

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1 we made each year a commitment for ten years. The

2 City Council had to pay that. And they did, even

3 though there was no legal requirement. So it was

4 a very public promise, and there was a public

5 method for doing it.

6 So I don't want to diminish the fact that it

7 will be painful for people to not do what they're

8 supposed to do. And we will have the work done

9 for the City Council so each year they can make

10 those difficult decisions.

11 THE MODERATOR: I think -- I think in part

12 what drives this --

13 MS. LAQUIDARA: Uh-huh.

14 THE MODERATOR: -- concern, a concern I've

15 been thinking about since we all talked last week

16 off and on -- I won't say continuously, but for

17 billing purposes, I'll probably claim

18 continuously. But the reality is -- the reality

19 is that there have been places where agreements

20 were reached in the last few years, New Jersey and

21 Maryland being two examples that have been brought

22 to mind. And I don't claim to be an expert. And

23 I realize neither is a municipality.

24 But what I will say is that people reached an

25 agreement, and then the second year or the third

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1 year of the agreement -- I think in one case it
 2 was the third year and -- I don't remember. But
 3 after a couple of years, it becomes less
 4 attractive to do certain things because there's
 5 always -- the people who made the deal, they
 6 are -- now they're kind of out of it. They're
 7 kind of gone. And for whatever reason, decisions
 8 were made, and the idea was, "Well, we're not
 9 paying, so you don't have to" -- well, I mean,
 10 that's fine. That may work. I was looking for --
 11 and I'd like you-all to think about
 12 conceptually -- what about some sort of a --
 13 sometimes in contracts we have liquidated damages.
 14 MS. LAQUIDARA: Well, that's what this is.
 15 THE MODERATOR: And -- but sometimes, I mean,
 16 we state them. Sometimes we give them -- I had a
 17 thought like this. And I just want you to think
 18 about it for a minute.
 19 What would happen if we simply say the
 20 following: That if in any year the City fails in
 21 whole or in part to make their -- not their
 22 required payment. That's not -- this payment that
 23 they've agreed to make. And I'm going to use for
 24 math purposes that they don't make it at all.
 25 MS. LAQUIDARA: Okay.

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1 THE MODERATOR: They don't make it. The way
 2 I understand it under some of the proposals,
 3 including one of yours, basically what happens is
 4 you're putting up 40 million annually against
 5 somewhere north of 4.5 million from them. Just
 6 accept that for a moment. Do you agree with that
 7 for our purposes? So basically \$45 million would
 8 be due that year.
 9 MS. LAQUIDARA: Uh-huh.
 10 THE MODERATOR: What happens if the City is
 11 then required -- if they choose -- or do not make
 12 that contribution, that their contribution the
 13 next -- the following time they make the
 14 contribution, they have to make up the shortfall,
 15 meaning that they have to pay their 40 million,
 16 plus, they have to pay the Board's 4.5 million
 17 because they didn't make their payment on time?
 18 MR. HAND: So, Rod, just so I can clarify
 19 what your proposal is, in other words, if in a
 20 given year, the City didn't make its \$40 million
 21 payment, there would be a total --
 22 THE MODERATOR: Zero.
 23 MR. HAND: -- payment amount, right, say,
 24 zero --
 25 THE MODERATOR: It'd be zero --

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1 MR. HAND: -- but there would have been a
 2 total goal at that point --
 3 THE MODERATOR: Of 45 million.
 4 MR. HAND: Well, right, but at some point --
 5 at that point, we'd now be 40 million behind on
 6 the overall unfunded liability payment goal.
 7 THE MODERATOR: That's correct.
 8 MR. HAND: Right. And at that point, we'd
 9 almost be re-amortizing and having the City now be
 10 responsible for, in a subsequent year, coming up
 11 with that \$45 million.
 12 THE MODERATOR: Making up the shortfall.
 13 MR. HAND: Yeah.
 14 THE MODERATOR: The catch-up would be on
 15 the -- on the City if the City -- and the reason I
 16 say that is because -- and I don't want to speak
 17 for those of you who know -- but I know that one
 18 of the things is that, when people are making this
 19 situation in the future, if that decision -- and I
 20 know this sounds like I'm -- I'm not dreaming this
 21 up because I'm not smart enough to come up with
 22 this. Others are concerned with it. And I think
 23 others that have raised this concern, once I
 24 looked at it, I thought, "Well, wait a minute. If
 25 I don't pay" -- "If I don't pay and, therefore,

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1 you're not paying because your payment was based
 2 on my payment, then, wait a second. I'm the one
 3 that caused the shortfall."
 4 Now, I could simply say, "Well, we'll catch
 5 it up because you'll make your money when I make
 6 my money." Well, the flip side of it is that
 7 those who are decision-makers are going to have to
 8 know that there is a penalty. The penalty is that
 9 you're going to pay the shortfall. The catch-up
 10 money is going to be on your dime because you were
 11 the one who initiates every year that decision.
 12 If you make your \$40 million commitment under
 13 the plan or some form of plan which has an annual
 14 matching commitment from them, whatever that
 15 amount should be and whatever year it should
 16 occur, then their requirement is automatic. Their
 17 money goes to you because you made your payment.
 18 Flip side, if you didn't make your payment,
 19 then theirs stalls and the plan suffers. The
 20 employees -- I understand the argument from the
 21 City's point of view. The City's point of view
 22 would be, "Well, wait a minute, the employees'
 23 additional 3 percent, by that point in time, if
 24 we're at 10" -- the employee's additional
 25 percentage is based on cost factors for the -- the

<p style="text-align: right;">Page 22</p> <p>1 base operation of benefits. I got that. 2 But the additional money coming from the 3 Board is totally being committed for unfunded 4 liability. The unfunded liability commitment on 5 the City's -- I think that that allows a general 6 counsel to remind them, "Folks, you can make this 7 decision, but I must tell you, that decision comes 8 with a price tag. And that price tag is we have 9 to make up the entire shortfall that we caused." 10 MS. LAQUIDARA: And, now, two things. I 11 think that's an intriguing idea. I really do. 12 Liquidated damages provision is a great clause and 13 that's a creative thing that we should think 14 about. There's two principles -- because I really 15 am trying to get people back in their boxes. 16 I want it clear that there's no prohibition 17 for the Police and Fire Pension Fund to apply 18 their funds to reduce the unfunded liability 19 because, again, I'm trying to put people in their 20 box. I can't be reaching an agreement that puts 21 Mr. Keane in the position of going against what 22 he's supposed to be doing, which is reducing 23 unfunded liability. 24 So I think if we left that to the Board -- 25 they're not prohibited. He's not -- this isn't an</p>	<p style="text-align: right;">Page 24</p> <p>1 decision. 2 THE MODERATOR: I understand. 3 MS. LAQUIDARA: But I -- so I think -- 4 THE MODERATOR: We deal with what we have. 5 MS. LAQUIDARA: Right. 6 MR. HAND: Well, and it's -- 7 MS. LAQUIDARA: Right. So I think that's 8 what we can give them -- 9 MR. HAND: And it's why we crafted it -- 10 MS. LAQUIDARA: -- give them their power back 11 on that. 12 MR. HAND: -- as a relief of obligation. In 13 other words, the Board, if it wanted to, would 14 still have the ability to put that money in. 15 They're just relieved from their obligation to do 16 so. 17 THE MODERATOR: Okay. 18 MS. LAQUIDARA: Right. It's -- 19 THE MODERATOR: All right. 20 MS. LAQUIDARA: -- giving them the power that 21 they -- 22 THE MODERATOR: Okay. John, any further -- 23 any -- I'm not -- I'm speaking as an outsider -- 24 MR. HAND: Sure. 25 THE MODERATOR: -- on this thing, talking</p>
<p style="text-align: right;">Page 23</p> <p>1 automatic -- but it then becomes a board decision 2 on the application of those -- I think that's more 3 consistent with both the Board's authority and 4 keeping consistent with the fiduciary obligations. 5 I think -- 6 THE MODERATOR: So your answer would be that 7 they should go ahead and make their payment when 8 the City did not? 9 MS. LAQUIDARA: I can understand, because of 10 this really odd place where we are here, 11 negotiating against the -- I mean, it's -- to me, 12 it's to the beneficiaries' interests for anybody 13 to pay down the unfunded liability, and that's 14 what the trustee should be doing; okay? 15 MR. HAND: Well, and the way -- 16 MS. LAQUIDARA: But -- but -- let me finish. 17 But I'm not saying, no, they should make it, 18 anyway. I'm saying that's their decision. I 19 don't want this agreement -- for us to be stepping 20 into the Board and telling the Board what to do 21 with it. They could very well do exactly what 22 we're planning today, but I think that's the 23 Board's decision. I'd like to put it back to the 24 Board, which is a big deal because, in every other 25 City, that's a City decision, not a Board</p>	<p style="text-align: right;">Page 25</p> <p>1 about ways that -- what my goal is, whatever we 2 agree to, you're going to pay your 40 million 3 bucks, and you're going to pay your money, and 4 that's going to be the deal. And anything that 5 leaves that with a shoelace that somebody can -- 6 MS. LAQUIDARA: Uh-huh. 7 THE MODERATOR: And I know that everybody at 8 this table is in the maximum good faith, but I 9 will tell you, somewhere, four or five years from 10 now, it may not be as attractive to fund this 11 particular thing in a year, and that has happened 12 in the past in lots of places that somehow -- and 13 the task reform people, I think, comment on that 14 in their -- in their study. 15 All I'm suggesting is -- you have a plan 16 here. John, you've just now seen this. I want 17 you to consider it. 18 I want you guys to think about what I've 19 said -- 20 MR. HAND: Of course. 21 THE MODERATOR: -- which is, wait a minute, I 22 think deterrence goes a long way, deterrence 23 meaning there is a -- and I won't use -- I won't 24 call it a penalty, but there is a cost if you 25 don't do what you've -- what you're supposed to</p>

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1 do. Therefore, people in the future are going to
 2 be much more disinclined to not make that decision
 3 because they're going to have to pay additional
 4 money.
 5 Now, you're right. I don't care if the Board
 6 goes ahead and makes their contribution or not.
 7 MS. LAQUIDARA: It's up to them.
 8 THE MODERATOR: If you guys caused the
 9 shortfall, and they went ahead and made theirs,
 10 they're up on you. You still have to catch up.
 11 And I think your catch-up should be the amount
 12 that was caused --
 13 MS. LAQUIDARA: Uh-huh.
 14 THE MODERATOR: -- if you will, the loss that
 15 was incurred.
 16 MR. HAND: Uh-huh.
 17 THE MODERATOR: And I think that loss is --
 18 because are you going to say, if you -- if they
 19 make a payment one year and you don't make a
 20 payment next year, the next year you make their
 21 payment, but they don't get to make their -- it
 22 makes no sense. We have to have these tied to one
 23 another. You guys have got to be in the same boat
 24 together, if you will. So those are my thoughts
 25 on this.

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1 John, I think they've made a proposal that
 2 you have in front of you. And I want to kind of
 3 cut to the chase. I want to set aside this issue
 4 just briefly because it ties into any final
 5 agreement we reach here, I know.
 6 Their last proposal as of today is the
 7 following: Their proposal is a COLA at 2 percent,
 8 a DROP of -- let me make sure I get my right
 9 number in front of me. Their DROP is -- let me
 10 get my --
 11 MR. HAND: 3.9 to 10.
 12 THE MODERATOR: 3.9 -- yeah, I had the
 13 number. It was 3.9 to 10.
 14 Madam Court Reporter, can I steal this again?
 15 Because I can lose them quicker than anyone --
 16 that the 61 million we've talked about, it would
 17 be a \$40 million contribution on their rate. The
 18 DROP would be 3.9 to 10. Their COLA provision
 19 would be 2 -- would be Social Security CPI, or 2
 20 percent, whichever is the lesser. And the dates
 21 on that would be -- I think that the issue is the
 22 third January. And then they would give the
 23 enhanced authority to the PFPF with that
 24 agreed-upon restriction on the hedge fund
 25 investment, which we really -- I think that we're

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1 all in agreement with, anyway.
 2 So that being their proposal that's on the
 3 table right now, do you have a response to that
 4 proposal?
 5 MR. KEANE: Yes, sir.
 6 THE MODERATOR: Okay. Let's see what you
 7 have.
 8 MR. KEANE: We're not going to talk about
 9 this first issue --
 10 THE MODERATOR: Oh, no.
 11 MR. KEANE: -- temporarily?
 12 THE MODERATOR: I didn't mean to cut anybody
 13 off. Go ahead.
 14 MR. KEANE: Well, let me just make one minor
 15 correction to your statement of how soon people
 16 forget what they agreed to. In Maryland, it took
 17 two years for the State to decide they wasn't
 18 going to pay. They reduced the benefits for the
 19 employees, increased the contribution, and then
 20 decided they wasn't going to make the payment.
 21 Now, in New Jersey, they reached an agreement
 22 last year, and the payment's due this year. And
 23 yesterday Governor Christie said, "We're not going
 24 to pay," no talk about reversing the pension
 25 reductions, no talk about giving the employees

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1 back their increased contribution, just, "We're
 2 not going to do our part."
 3 That's one of the strong concerns that
 4 Mr. Cannon had. And I -- do you remember him from
 5 your time in public office? Mr. Cannon is the
 6 former publisher of the newspaper here, the
 7 Times-Union. He was appointed by Mayor Brown to
 8 be on the task force. And he said it many times.
 9 There has to be a mechanism to require future
 10 councils to appropriate these funds.
 11 Now, what is that mechanism? There's got --
 12 there's got to be one somewhere. There's a
 13 mechanism when they issue bonds that they have to
 14 make the bond payment. There's a mechanism for
 15 other things they owe.
 16 Well, so there should be a way to take this
 17 unfunded and somehow recognize it as a City debt,
 18 a hard debt, have an amortization schedule, and
 19 they just have to pay it.
 20 THE MODERATOR: What I --
 21 MR. KEANE: So that's a -- that's a legal
 22 thing that --
 23 MR. HAND: Well, let's --
 24 THE MODERATOR: This does say the required 40
 25 million additional. I mean, it says "required."

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1 I mean, "required" means "required." I think what
 2 this plan -- if I -- if I read it right, what you
 3 you're saying is, "We've got to go in the public.
 4 We've got to identify one or more sources. We
 5 identify those sources, and those sources have to
 6 be used to pay the \$40 million because that's what
 7 they're for because the \$40 million is required,
 8 and we found the source for it."
 9 MR. HAND: Correct.
 10 THE MODERATOR: Is that correct?
 11 MR. HAND: It forces the City to address the
 12 issue every year.
 13 THE MODERATOR: And so, I mean, I'm -- I
 14 don't think that -- I think the plan, as you have
 15 outlined it here, is not an unreasonable plan, and
 16 I hope the parties don't, but what -- I kind of
 17 would like to read those -- I still would like
 18 both -- I know that the people -- and I know that
 19 this is -- that people are -- everybody's talking
 20 to everybody. I'm not new at this.
 21 I'm just trying to figure out a way that
 22 makes sure that employees who are being affected
 23 by this, the decisions that are made in here, of
 24 which there are several changes already, make sure
 25 that they believe that this is a two-way street

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1 all the way and that shared sacrifice means shared
 2 sacrifice and it means paying \$40 million when you
 3 don't want to or may not even be very easy to come
 4 up with.
 5 So I just want the parties to think about
 6 this plan, which I think is -- I want to commend
 7 you guys for coming up with this as rapidly as you
 8 did, by the way. And I also want you to think
 9 about some sort of -- and I'll call it a catch
 10 clause, which basically says, "Okay. But if all
 11 this doesn't work and the \$40 million is not
 12 forthcoming, there is a deterrent. And that
 13 deterrent is the following." Now, the City may
 14 still choose to do that, but the City's going to
 15 make up the payments to get back to where the
 16 parties should have been to start with.
 17 Hopefully, none of this is ever -- now, with
 18 that, John, and you having made your point and our
 19 having discussed this, what about the proposal the
 20 City has just given us Thursday, given to you-all,
 21 and you're giving back to us -- you meaning -- I
 22 say "us" on both sides here. I guess that's a
 23 slip -- you're giving back to the City and giving
 24 back to you.
 25 Now it's your turn. What's your response to

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1 their proposal? Their last proposal is a
 2 ten-year -- a ten-year plan.
 3 MR. HAND: Correct.
 4 THE MODERATOR: It's a ten-year plan, of
 5 which, essentially, is you're paying -- we're
 6 sweeping the funds on the front end, and then
 7 you're paying the -- I think it's 4.5 million or
 8 almost 5 million for the remainder of that period
 9 of time and that the -- that the plan terminates
 10 at the end of 2024.
 11 That's the plan they've got on the table.
 12 They've still got a COLA on the table. They have
 13 a DROP that's a little movement on their part on
 14 the DROP. I think before they were at 2.5.
 15 They've now moved to 3.9. I think Joey explained
 16 that the 3.9 was based on a confidence factor
 17 from -- that the task force used. And I think I
 18 had told people when I had proposed a five point,
 19 that was based on a different confidence factor.
 20 I think it's 75.
 21 That's where we are. I want to get us moving
 22 here. What's your comeback?
 23 MR. KEANE: Okay.
 24 THE MODERATOR: There we go.
 25 MR. KEANE: We have one.

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1 Three for this way.
 2 Chief.
 3 Mayor.
 4 Counselor.
 5 Senator.
 6 While you're studying that, let me assist
 7 Carol in getting the right exhibit up so our
 8 friends in the audience can see what we're talking
 9 about.
 10 I brought a number of copies that Carol is
 11 going to be passing out.
 12 THE MODERATOR: Okay. This will -- this will
 13 be to -- the Board's proposal back to the City.
 14 MR. KEANE: Yes.
 15 THE MODERATOR: This is the board's proposal
 16 of today.
 17 John, please explain your proposal.
 18 MR. KEANE: Okay.
 19 THE MODERATOR: And then I have some
 20 questions -- oh, I'm going to then allow Chris to
 21 have some questions, but I have some questions
 22 before --
 23 MR. KEANE: Right.
 24 THE MODERATOR: -- we even get there.
 25 MR. KEANE: Right. Because of time

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1 constraints, we weren't able to address all the
 2 issues, but before the day is over, we will. From
 3 a historical standpoint, it's important to
 4 remember that, since the inception of the
 5 settlement agreement, members of the Police and
 6 Fire Pension Fund have contributed hundreds of
 7 millions of dollars into the base benefit fund to
 8 pay for the benefits that are outlined Ordinance
 9 2003-1338 and codified as the second amendment to
 10 restated settlement agreement.

11 So a substantial amount of cash, similar to
 12 the 60 million we're talking about, going forward,
 13 has been done on two different occasions
 14 previously, as well as the member contribution
 15 from the chapter fund. Under the current proposal
 16 that was agreed to previously, employee
 17 contributions are going to increase gradually from
 18 7 to 10 percent, 1 percent effective October the
 19 1st, and subsequent increases in accordance with
 20 the provisions of the mediated settlement
 21 agreement.

22 We're proposing this -- for lack of a better
 23 term -- that we call it -- a City current
 24 contribution assistance. The Board will transfer
 25 \$60 million on October the 1st of 2014. And,

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

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

25 That's the Board's response.

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

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

13 MR. KEANE: What part?
 14 THE MODERATOR: To some parts.
 15 MR. KEANE: Okay.

16 THE MODERATOR: What I want to say -- and I'm
 17 not being any more critical of you than I am of
 18 some of the proposals they keep advancing, which
 19 appears not to get us anywhere. Now we've got to
 20 get down to what's going to get us over the line.
 21 And all I will say to both of you is this.
 22 There's that -- what's that -- "Dancing with the
 23 Stars"? Some of you are dancing the foxtrot, and
 24 some of you are doing the quickstep. Now, we need
 25 to be dancing the same dance here and we're not.

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1 We're dancing right by each other.

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

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

15 MR. HAND: Pay cuts.
 16 THE MODERATOR: -- pay cuts or whatever
 17 term --

18 MAYOR BROWN: Pay cuts.
 19 THE MODERATOR: -- you-all have been using.
 20 I don't care.

21 MR. KEANE: That's the MSA formula, Senator.
 22 THE MODERATOR: I know. I know that. I know
 23 this is the MSA formula.
 24 MR. KEANE: With the exception of the 1
 25 percent --

<p style="text-align: right;">Page 38</p> <p>1 THE MODERATOR: The 1 percent was not the MSA 2 formula. 3 MR. KEANE: Right. 4 MR. HAND: The MSA formula was 7 percent to 9 5 percent -- 6 THE MODERATOR: On a half. 7 MR. HAND: -- following for -- linked to pay 8 increases subsequent to the initial restoration. 9 What we've been -- what I thought we'd agreed to 10 here is not the MSA formula. 11 MS. LAQUIDARA: Well -- 12 MR. KEANE: Only after the first 1 percent. 13 We agreed to go from 7 to 8 effective October the 14 1st. 15 MR. HAND: Correct. 16 THE MODERATOR: So this would go to 17 October -- 18 MS. LAQUIDARA: And that's still in here. 19 THE MODERATOR: -- 1? 20 MR. KEANE: It says that. 21 MS. LAQUIDARA: Yes. 22 MR. KEANE: It says that. 23 MS. LAQUIDARA: That's what it says. 24 THE MODERATOR: I misread this, then -- 25 MS. LAQUIDARA: Yeah.</p>	<p style="text-align: right;">Page 40</p> <p>1 saying, yes. 2 THE MODERATOR: The MSA agreement was 3 slightly different in the way we did the 4 increments. 5 MR. KEANE: Uh-huh. 6 THE MODERATOR: All I want to make sure we're 7 now in agreement is -- it's going up a percent, 8 and then it's going up 2 percent above that when 9 the rollbacks are -- 10 MAYOR BROWN: Restored. 11 THE MODERATOR: -- reinstated, and that's it. 12 Everybody in agreement on that? 13 MR. HAND: They're tied together. It's the 14 same -- 15 MAYOR BROWN: Yes. 16 THE MODERATOR: All right. Now, this plan is 17 one in which -- I think this is not different 18 than -- I mean, we've had different reiterations 19 from both sides. What you're saying is that you 20 would pay -- you will transfer the 60 million into 21 the fund. I'm assuming that that 60 million is 22 the enhanced benefits fund and the stabilization. 23 Whatever that number is, that number is. I think 24 we've been using a little bit higher number. But 25 whatever it is, it is. It'd be transferred in,</p>
<p style="text-align: right;">Page 39</p> <p>1 THE MODERATOR: -- because I thought you were 2 saying -- 3 MS. LAQUIDARA: That's what it says. 4 MR. HAND: I'm more -- 5 THE MODERATOR: I thought you were talking 6 about the MSA. 7 MR. HAND: I'm curious about the following 8 phrase -- 9 THE MODERATOR: Right. 10 MR. HAND: -- it says subsequent -- because 11 the way we had agreed to it here was we would 12 immediately go from 7 to 8, and then upon the 13 restoration of that pay cut, in other words, 14 simultaneous with that restoration, it would then 15 go from 8 to 10. 16 MR. KEANE: Well, that was the MSA formula. 17 MR. HAND: No. The MSA is a different 18 formula. Sir, are you saying the formula that I 19 just articulated is the formula you're agreeing 20 to? 21 MR. KEANE: That's what I thought we -- 22 THE MODERATOR: Okay. 23 MR. KEANE: -- were saying here. 24 THE MODERATOR: John, I apologize. 25 MR. KEANE: That's what I thought we were</p>	<p style="text-align: right;">Page 41</p> <p>1 and that you guys would continue to pay until you 2 put in \$100 million, the difference being that you 3 would hold back the holiday bonus. You would 4 retain the holiday bonus money, which would take 5 you longer to get the 100 -- to the 100 million, 6 but it's still \$100 million proposal on your part; 7 correct? 8 MR. KEANE: Yes, sir. 9 THE MODERATOR: I think No. 3 is not unlike 10 something that the City advanced today, which is 11 the -- your plan, which I'm going to call the 12 additional funding compliance. That's the one you 13 gave today, meaning it's -- it may not be the same 14 plan, but it's the same idea. You-all are -- got 15 a meeting of the mind there. 16 MR. KEANE: It's in the neighborhood. 17 THE MODERATOR: Yep. All current employee 18 benefits remain unchanged. This is -- we had a -- 19 I think you had made a DROP proposal at one time 20 of 6 to 10, but this would be -- you would want 21 DROP to remain the same and COLA to remain the 22 same as it currently is. 23 MR. KEANE: Correct. Now -- 24 THE MODERATOR: Enhanced investment -- 25 MR. KEANE: -- I just responded -- I just</p>

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1 responded to --

2 THE MODERATOR: I got it. I got it.

3 MR. KEANE: To what they said the other day

4 in casual -- that wasn't a --

5 THE MODERATOR: I got it. I got it.

6 MR. KEANE: Okay. Good. Good.

7 THE MODERATOR: I understand. Enhanced

8 investment authority, you have one more amendment?

9 MR. KEANE: Would you put the next one up,

10 please, Carol.

11 THE MODERATOR: Because I thought the amended

12 was the hedge fund thing.

13 MR. KEANE: No. No.

14 MR. HAND: This is beyond the hedge fund --

15 MR. KEANE: Yeah.

16 THE MODERATOR: Tell me what --

17 MR. KEANE: I talked to Dan Holmes, and the

18 bolded language there in A is -- he thought was a

19 clarifying language, but if you look down at F,

20 there is -- the investment hedge funds are not

21 authorized, and just to make sure we have caught

22 everything, investments authorized for the general

23 employees' pension and the correctional officers

24 pension.

25 So whatever they can invest in, we can invest

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1 in. Neither invests in hedge funds. And if

2 anything was left out -- I know Joey mentioned the

3 other day about the international bonds. If one

4 of those don't cover it, they're covered in G,

5 which is what the general employees and

6 correctional officers already have. And that's

7 the only change in that investment authority, with

8 those clarification words up there in A.

9 THE MODERATOR: I claim no expertise in that,

10 so I'm going to kind of defer to you for you

11 guys --

12 MR. GREIVE: Yes. Senator Smith, what I

13 brought up last week and what I'll just bring up

14 again, the general employees and corrections fund

15 don't always need to look at 175, 185 --

16 MR. KEANE: Right.

17 MR. GREIVE: -- the way you do.

18 MR. KEANE: Right.

19 MR. GREIVE: For Item G, are you saying that,

20 where otherwise permitted by 175, 185 --

21 MR. KEANE: Uh-huh.

22 MR. GREIVE: -- or would this supercede 175,

23 185?

24 MR. KEANE: It supercedes it. We already

25 have the restrictions around 175, 185 in the

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1 amendment to the charter that the legislature

2 adopted in 2005. So we already got that.

3 MR. GREIVE: And your intent is not to

4 violate Sections 175 and 185 by adopting this

5 language, so --

6 MR. KEANE: No.

7 MR. GREIVE: That's the only concern I would

8 have. I wouldn't want to jeopardize your Chapter

9 175 --

10 THE MODERATOR: Just because we're making a

11 record for the future, that is not your intent?

12 MR. KEANE: Neither would I, no, sir. It's

13 not the intent to violate 175, or 185, or 112.

14 THE MODERATOR: Okay.

15 MR. GREIVE: As long as --

16 THE MODERATOR: So --

17 MR. GREIVE: As long as the attorneys sign

18 off that that's not going to happen, which -- you

19 know, I'm sure you ran this by Klausner or your

20 counsel --

21 THE MODERATOR: The share plan, again, that

22 you're proposing here would be a share plan that

23 would be established, but the funding --

24 MR. KEANE: Not funded.

25 THE MODERATOR: The funding of that would not

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1 be until such time as all obligations under this

2 agreement have been reached?

3 MR. KEANE: Correct.

4 THE MODERATOR: You have a review in five

5 years of the provisions in Paragraph 32 of the

6 restated agreement -- 32, tell me why I'm

7 missing -- what was --

8 MR. KEANE: That's the paragraph that we're

9 meeting under now that says that we should --

10 THE MODERATOR: Oh, okay.

11 MR. KEANE: -- meet and discuss.

12 THE MODERATOR: Okay. Okay. So just under

13 that provision, of the 30-year deal that has this

14 meet and discuss, you'd like to have a commitment

15 that you guys would meet and discuss this again in

16 five years?

17 MR. KEANE: If the City wants to.

18 THE MODERATOR: If the City wants to. And

19 then you're saying that the City would consider

20 resumption of the program to transfer surplus

21 City -- I know we discussed that in the context of

22 the MSA --

23 MR. KEANE: Right.

24 THE MODERATOR: -- but that is not something

25 the City is committed to doing; they would just

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1 consider it?

2 MR. KEANE: Nor is it required. It just says

3 consider.

4 THE MODERATOR: Okay.

5 MR. KEANE: They can consider it all for

6 three seconds and say, "We considered it and we're

7 not," or they can give it lengthy consideration

8 and think it's a good idea.

9 THE MODERATOR: All right. Then here's where

10 I see -- and you-all help me. Correct me if I'm

11 wrong. Where I see the differences right now are

12 on current employee as to COLA and DROP, the

13 amount to be transferred and how it's to be

14 transferred and the matching fund circumstance,

15 which is your 40 million and theirs and how long,

16 et cetera. There is no commitment thus far to

17 establish a share plan. The review in five years

18 has not been agreed upon. You guys can make

19 whatever decision you want on that. And then,

20 obviously, this would be that you would consider

21 resumption of the transfer of surplus City

22 property, but, again, no requirement that you do

23 so.

24 So it seems to me that we're down to the

25 money and the current employees. And this other

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1 stuff is not -- now, your Paragraph 3 that you've

2 put in, and, Chris, your paragraphs that you have

3 included in your provisions to ensure compliance,

4 they address the same issue.

5 So, John, what I would say is that you guys

6 are on the same page, as you want compliance. And

7 I think that's a good place to be. Their

8 provision is they think -- put this council

9 together -- I call it council. It's a

10 committee -- put this committee together for the

11 purpose of identifying sources and requiring the

12 40 million to be paid from those sources,

13 realizing the City still has some ability to do

14 whatever it chooses, but the reality of it is that

15 this would be, I think in your word, in the

16 Sunshine and transparent, that this is the purpose

17 of outsiders and insiders finding the money,

18 identifying the money, and then their being

19 committed to pay it.

20 They don't have the holiday benefit. You do

21 have the holiday benefit. By that, I mean, you

22 hold the holiday benefit back. They would require

23 the holiday benefit to be part of the payment.

24 Those are the differences that we have. Am I

25 correct there?

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1 MR. HAND: Yeah. And I just have one

2 follow-up question.

3 John, if memory serves, and according to my

4 notes, on Thursday, you had advanced a

5 counterproposal on DROP that would set a floor of

6 5 and a cap of 10. Is that -- have you now

7 receded from that position?

8 MR. KEANE: No. I actually didn't --

9 MR. HAND: Okay.

10 MR. KEANE: -- offer that as a

11 counterproposal. When you said 3.9 to 10 --

12 MR. HAND: Right.

13 MR. KEANE: -- I said, "5 would be better."

14 MR. HAND: Right.

15 MR. KEANE: What do you think of 5?

16 MR. HAND: Well, I mean, I'm trying to find

17 out if that's your proposal. It's not --

18 THE MODERATOR: I think that 5 to 10 was my

19 proposal.

20 MR. HAND: No. No. I mean, it came out of

21 John's mouth, so --

22 MR. KEANE: I said -- I said 5.

23 MR. HAND: Yeah.

24 THE MODERATOR: And then he said --

25 MR. KEANE: I said 5.

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1 THE MODERATOR: -- "Yeah. What about 5?" in

2 response. I just want to be sure.

3 MR. HAND: Okay.

4 MR. KEANE: Yeah.

5 THE MODERATOR: Well, I'm not -- let me

6 just -- let me get to the point. I've already

7 told people where the 5 came from. It was -- I

8 already told you --

9 MAYOR BROWN: Trust fund.

10 THE MODERATOR: -- 5.4.

11 MAYOR BROWN: Yep.

12 THE MODERATOR: Okay. Go ahead.

13 MS. LAQUIDARA: And, Senator, it seems we're

14 all hung up in -- on the language, "annually

15 appropriated." And perhaps it's because most

16 people don't do what I do for a living, which is

17 put that language in a multiplicity of contracts

18 with the City.

19 The City does not breach its contracts

20 because it can because that provision's in it.

21 There are ramifications to the City if it's

22 guaranteeing \$40 million and then it just doesn't

23 do it; okay? That's a disclosable event on their

24 bonds and things of that nature. We routinely put

25 this in because, under local government law, if

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

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

11 THE MODERATOR: Uh-huh.

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

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

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

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

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

9 MS. LAQUIDARA: -- they will pay.

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

12 MS. LAQUIDARA: Yes.

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

17 MS. LAQUIDARA: Right.

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

22 MS. LAQUIDARA: Yes.

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

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

9 Is that correct, Chris?

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

12 MAYOR BROWN: Yes.

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

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

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

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

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

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

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

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

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1 THE MODERATOR: I want to go to the DROP for
 2 a second.
 3 MR. HAND: Yeah, DROP, that's where you were.
 4 That's --
 5 THE MODERATOR: That's where -- I want to go
 6 back because I've got a little list I'm working
 7 down here. And I'm now down to the point where --
 8 I want to know if the City -- and I don't care who
 9 responds first.
 10 John, if the DROP was 5 to 10 and that 5 to
 11 10 was part of the deal, would you accept 5 to 10
 12 for the DROP range, CPI by Social Security --
 13 well, however it would be computed by the Social
 14 Security --
 15 MR. HAND: No. You're --
 16 THE MODERATOR: -- with a floor and a roof;
 17 is that right?
 18 MAYOR BROWN: No.
 19 MR. KEANE: That's something else.
 20 MR. HAND: You're mixing up issues.
 21 THE MODERATOR: Oh, another matter?
 22 MR. KEANE: That's something else.
 23 MR. HAND: You're mixing up issues.
 24 THE MODERATOR: I'm getting confused at this
 25 point.

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1 MR. HAND: Yeah. Don't get --
 2 THE MODERATOR: It's just that --
 3 MAYOR BROWN: That's the COLA.
 4 THE MODERATOR: You've got a 4 and a 5, and
 5 you've got a roof at 10, and actual performance is
 6 what it does, rather than 8.4. Has everybody got
 7 that?
 8 MAYOR BROWN: Yes.
 9 THE MODERATOR: Apparently, I didn't.
 10 MR. KEANE: We understand that's --
 11 THE MODERATOR: I'm getting --
 12 MR. KEANE: -- the City's proposal.
 13 THE MODERATOR: All right.
 14 MR. HAND: Uh-huh.
 15 MS. LAQUIDARA: Well, the City's --
 16 THE MODERATOR: Now, what I want to know is
 17 if -- and I know we've got other things here --
 18 MR. KEANE: Well, the City's proposal
 19 actually was --
 20 THE MODERATOR: The City's at 3.9 --
 21 MAYOR BROWN: 3.9 would be the floor; 10
 22 would be the cap; 3.9, we got that number --
 23 THE MODERATOR: And I know that the other day
 24 you toyed around with an idea of 6 to 10. And
 25 then I came up with 5 to 10. And then the other

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1 day you threw 5 out here, said, "5 would be
 2 better."
 3 Let's assume for a moment -- if they say 5,
 4 it's 5 at the bottom, 10 at the top, would that
 5 work?
 6 MR. KEANE: It would work if we would let the
 7 people have an option. Now, because of the length
 8 of service of some of these people -- that would
 9 be good for our very young people, people with ten
 10 years or less. People with over ten, they should
 11 either have the option of the guaranteed 8.4, or
 12 they can take the option. This is America. It's
 13 all about choices.
 14 THE MODERATOR: I understand, but I just want
 15 to remind you that, throughout these negotiations,
 16 you have been fairly consistent that you did not,
 17 on some other proposals -- and I know a foolish
 18 consistency is the hobgoblin of small minds, or
 19 whatever that statement is. Remember the ten-year
 20 split's something you didn't really want. Now
 21 you're suggesting we do have a ten-year split, the
 22 ten-year split being that, if you have more than
 23 ten years in, you get to choose whether it's 5 to
 24 10 or 8.4.
 25 And I'm just saying, well, there have been

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1 some proposals on your side of the table which
 2 drew a ten-year distinction. I just -- I'm saying
 3 I thought the idea we were trying to get to on
 4 current employees is to eliminate differences,
 5 that current employees, whatever we arrive at,
 6 they are going to be treated -- current employees
 7 are going to be treated the same. So I just
 8 wanted you to consider that.
 9 MR. KEANE: I'm certainly --
 10 THE MODERATOR: All right.
 11 MR. KEANE: -- going to consider it.
 12 THE MODERATOR: All right. Then back to the
 13 City. I want you to consider 5. I want you to
 14 consider 5 because I think a 5 to 10 has got to
 15 be -- guys, it would be favorable for current
 16 employees at the 10 level. It would be a
 17 favorable change for current employees. Now, that
 18 doesn't -- I don't know how long that'll last, but
 19 I promise you, current employees and those here,
 20 in the last five years, if that -- this proposal
 21 is favorable. And I want those who are in this
 22 audience talking about it to recognize that. It
 23 would be a favorable change right now for them.
 24 That doesn't mean that in the future there's
 25 not a risk that it could go as low as 5, but

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1 historically -- and we've looked at this data, but
 2 all but a handful of years, the number would have
 3 been better. And under this -- the IRS says it
 4 can go to zero. This says it never goes to zero.
 5 It never drops below 5 if we do this. And that's
 6 you-all's decision, but it seems to me that that's
 7 getting down to a very small difference.
 8 MR. HAND: Well --
 9 THE MODERATOR: On the COLA -- I'm sorry.
 10 MR. HAND: Let me say one other thing on the
 11 DROP.
 12 First of all, John, to those people nearest
 13 retirement you're talking about, I think the
 14 phenomena that Senator Smith is referring to is
 15 right. Those are the people most likely to
 16 benefit from the higher floor right now.
 17 The second point I'd make is, we've made
 18 several good-faith moves on the COLA. We started
 19 at zero. We went to 2.5. Now we've gone to 3.9.
 20 We can't continue to negotiate against --
 21 MAYOR BROWN: No. You meant on DROP.
 22 MR. HAND: I mean, on -- I'm sorry. On DROP.
 23 Yes. Thank you, Mayor. We're all --
 24 MR. KEANE: You thought --
 25 MR. HAND: We're all --

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1 MR. KEANE: -- I was going to jump on that
 2 3.9 COLA, didn't you?
 3 MR. HAND: We're all confusing --
 4 THE MODERATOR: I tell you --
 5 MR. HAND: -- each other.
 6 THE MODERATOR: I tell you what --
 7 MS. LAQUIDARA: -- point 4 on the COLA.
 8 THE MODERATOR: I saw --
 9 MAYOR BROWN: We're a team up here.
 10 THE MODERATOR: I saw two firefighters jump
 11 up and go, "Amen."
 12 MR. HAND: That's Randy Wyse --
 13 THE MODERATOR: Randy Wyse is drooling.
 14 MR. HAND: Yeah. Right.
 15 THE MODERATOR: Go ahead.
 16 MR. HAND: Yeah.
 17 MAYOR BROWN: We're a team.
 18 MR. HAND: On DROP.
 19 MAYOR BROWN: We're a team.
 20 MR. HAND: We've got -- we've got too many
 21 acronyms flying around.
 22 THE MODERATOR: I agree. I understand.
 23 MR. HAND: So we can just abolish both.
 24 That'll take care of that problem.
 25 THE MODERATOR: I don't think that's

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1 happening. Go ahead.
 2 MR. HAND: But, you know, we've moved from
 3 zero to 2.5 to 3.9.
 4 THE MODERATOR: I got it.
 5 MR. HAND: The City's made a couple of --
 6 THE MODERATOR: I got it.
 7 MR. HAND: -- good-faith moves. Yeah, we
 8 can't make -- we can't be the only ones making
 9 good-faith moves on that issue.
 10 THE MODERATOR: Well, along those lines . . .
 11 Madam Court Reporter.
 12 I came over here today to see if we can get
 13 some work done and get it done. And I think under
 14 the legal theory of fish or cut bait, which I
 15 think is the first year of law --
 16 MR. KEANE: Cindy needs one.
 17 THE MODERATOR: Did I miss you?
 18 MS. LAQUIDARA: One more. Thank you,
 19 Senator.
 20 THE MODERATOR: Let me give you --
 21 MS. LAQUIDARA: Thank you.
 22 THE MODERATOR: -- a little background
 23 because I didn't include everything in there and
 24 didn't intend to. This would kind of be an
 25 overlay to everything we've currently agreed upon.

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1 The moderator's proposal would be the
 2 following. Now, this is understanding, so that
 3 everybody knows, that when I left the table, the 8
 4 percent and the 10 percent was agreed upon and it
 5 still is.
 6 I believe I have identified the areas of
 7 difference. Under this proposal, the PFPF, the
 8 Board, would transfer the excess monies, which are
 9 approximately 61 -- I used, but it doesn't matter.
 10 Whatever it is, it is. During the term that --
 11 these would be the 2014 amendments to the plan.
 12 The City of Jacksonville would contribute at
 13 least 40 million annually to reduce the unfunded
 14 liability for the length of this plan. During the
 15 first five years, the Board would pay all chapter
 16 funds, less the holiday bonus funds into the fund.
 17 Thereafter, you would pay 6 percent, which would
 18 be the 4 percent base, plus 2 percent, which is
 19 half of the remaining amount, which should allow
 20 the holiday bonus to be retained by the Board from
 21 the chapter funds into the fund until the fund
 22 reaches the 80 percent status, at which time, the
 23 parties, when it reaches the 80 percent, you have
 24 met your unfunded liability obligation. And it
 25 ceases for both of you because you've reached your

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1 status level at 80 percent.

2 The enhanced investment authority would be

3 granted -- I'm sorry. I skipped one. The current

4 DROP would earn at the actual rate of return. And

5 I -- and I used the wrong terms here, I know,

6 because I confused two things. It doesn't matter.

7 Actual rate of return would be -- so just strike

8 that middle language. And I don't know why I

9 confused those -- with a floor of 5 and a cap of

10 10.

11 The enhanced investment authority would be

12 granted to the PFF as amended last Thursday, and

13 unless, Joey, you have some objection, as amended

14 today with that additional language. I know

15 you'll go talk to your people, but I -- as long as

16 that's --

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

18 THE MODERATOR: So it would be -- I just

19 didn't know that we were there.

20 The COLA would remain as it is for all

21 current members. In the event the City should

22 fail to appropriate -- I did not have your

23 proposal. When I have it in front of -- so I

24 would -- I would suggest to the -- to the parties

25 that I would recommend the adoption of the

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1 provisions to ensure compliance with additional

2 funding with a provision added to it that does the

3 following: If the City should fail to appropriate

4 the required funds in whole or in part, the

5 obligation of the PF will be commensurately

6 reduced and should remain frozen until

7 appropriation is made.

8 For any period, when the City fails to fund

9 any amount of the annual requirement, 40 million,

10 the Board's contribution for such interim shall

11 not be required to catch up, meaning the Board

12 doesn't have to catch it up. You have to catch it

13 up. The City does.

14 Now, I know that's not the final language we

15 would have to come up with, but you know the

16 concept. I'm recommending that your proposal be

17 adopted with an additional clause.

18 MR. HAND: You're incorporating that into

19 this?

20 THE MODERATOR: Yes.

21 MR. HAND: Okay.

22 THE MODERATOR: With an additional clause,

23 and I'll call it a penalty -- I don't care what

24 you call it -- which simply says that, in the

25 event, after all this is done, you don't

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1 appropriate the money, the catch-up is on the City

2 to catch it up.

3 Now, it doesn't mean that the Board can't

4 continue to make their obligation and build up --

5 they can do all that they want to, but the

6 obligation is still on the City to make up the

7 shortfall caused by their contribution, shortfall

8 meaning your 40, plus whatever -- this figure, if

9 it happened in Year 8, would be a different number

10 than if it happened in Year 5 because the first

11 five years they pay a greater amount than they do

12 thereafter, until you reach the 80 percent clause.

13 So I didn't tie it to a specific link because

14 under this plan, after five years, you would go to

15 4 percent plus 2 percent until 80 percent funding

16 was reached.

17 This plan doesn't -- only thing it doesn't

18 address is what I'll call the Paragraph 9

19 wraparound, which we know we already have some

20 agreement for oversight to be made. This plan

21 would be an amendment to the 30-year agreement,

22 rather than -- in other words, it would be an

23 amendment to an agreement. It will not supplant

24 the agreement. It would be the amendments to the

25 agreement, which would be the latest amendments,

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1 which would be the 2014, and I think they are --

2 it doesn't matter to me. It would actually be

3 Amendment Set No. 4, but it would supplant, in

4 every other way, the existing 30-year proposal

5 that is in -- and anything in contravention with

6 this, this supplants it because this is the

7 amendment.

8 That is my -- that is my proposal. I know

9 neither one of you is going to like all of it, but

10 here's what I want you to know. We've got to do

11 something here. You guys have made two or three

12 back-and-forths. You've made two or three passes.

13 Neither -- I know -- because we're in the

14 Sunshine -- somebody's got to be the bad guy and

15 make both of you move a little bit because it -- I

16 know how this works.

17 If you will look at this package, everybody's

18 getting something out of it. Everybody's

19 getting -- I think it would get us to an

20 agreement. It would get us to an agreement. It's

21 not exactly what you've proposed, John, because

22 the difference is you have a number of 100

23 million. This could exceed 100 million, but it

24 would do so at a rate which would be, as stated,

25 the first five years you make a payment, and after

<p style="text-align: right;">Page 66</p> <p>1 that, you would make -- but your additional 2 commitment to unfunded would be 2, which would 3 leave the remaining monies to you. 4 This DROP would be 5 to 10, which isn't what 5 either one of you necessarily wants. The City 6 does not want the COLA to remain unchanged. I 7 know that. I know how strongly you take a 8 different position. 9 So you're paying more money. The COLA is 10 remaining unchanged. The DROP is being changed, 11 but not dramatically, in a way that I think there 12 is a provision that makes it stronger. The City 13 has put here an annual identification process, 14 with a, if you will, penalty clause. This should 15 get you guys to an agreement. 16 I'm going to direct the parties -- I know 17 this is new. I've not discussed this. I'm not 18 allowed to. Neither one's ever seen this before. 19 Neither one has had this discussed with them 20 before. 21 This is my proposal. I'd like both of you to 22 take 15 minutes, and we'll come back and discuss 23 this proposal. 24 MR. HAND: Can I suggest we come back at 25 three o'clock? It's 2:38.</p>	<p style="text-align: right;">Page 68</p> <p>1 THE MODERATOR: While we're waiting, I was 2 asking questions -- I'm just going to clarify 3 something because it was brought up to me. I want 4 you -- so that both sides know this -- that some 5 people have asked me -- this amendment is not 6 linked. This proposal that I have advanced is 7 neither linked to a specific date of conclusion or 8 a specific amount of money paid. 9 By that I mean that under this it is likely 10 that this proposal will take more than ten years 11 to reach completion. And it is likely that -- and 12 it is likely that the money paid from the Board 13 will exceed the 100 -- it's not linked to either. 14 It is linked to a funding status because, if you 15 roll back, gentlemen -- and ladies when she 16 gets -- if you roll back to where we started all 17 this, one of the things that started this entire 18 process was a concern of how we got unfunded 19 liability to a certain status. And the status 20 that I think the parties have worked on is a 21 status of getting to an 80 percent. 22 The City has an obligation to reduce the 23 unfunded. The Board does not have that 24 obligation, but the Board, in its fiduciary 25 responsibility, has recognized its absolute</p>
<p style="text-align: right;">Page 67</p> <p>1 THE MODERATOR: Three o'clock's fine. 2 MR. HAND: Yeah. 3 THE MODERATOR: We'll break until three. 4 The only additional proposal, guys, is 5 Paragraph 9. I'm not going to do anything on that 6 because, ultimately, that's going to be Klausner 7 and the General Counsel's Office refereeing, which 8 is really just to wrap around the language. 9 MS. LAQUIDARA: Oh, yeah. Yeah. I don't 10 think we have -- 11 THE MODERATOR: Some oversight -- 12 MR. HAND: Come up with a monitoring method, 13 yeah. 14 THE MODERATOR: The monitoring? 15 MS. LAQUIDARA: Derrel sent that language to 16 Bob. I don't think we'll have any -- 17 THE MODERATOR: Okay. 18 MS. LAQUIDARA: -- problems at all. 19 THE MODERATOR: Okay. 20 (Recess from 2:39 p.m. to 3:05 p.m.) 21 THE MODERATOR: Madam Court Reporter, show 22 that I've spoken with the City, and the City has 23 requested additional time. We're going to 24 reconvene at 3:25. 25 (Recess from 3:15 p.m. to 3:34 p.m.)</p>	<p style="text-align: right;">Page 69</p> <p>1 obligation to try to make sure that we get there 2 because it's in the overall health of the fund. 3 So I've linked this plan, not to a day certain or 4 to an amount certain, but to a status level, at 5 which time that the funding obligations at 80 6 percent cease. 7 Now, the rest of what you have agreed to will 8 bind you because this would be an amendment to the 9 30-year agreement. And so those benefits of it do 10 not cease, or those benefits for either side and 11 the requirements do not cease. The funding would 12 cease, although it is likely that the 30-year 13 agreement and the payment to the 80-year -- 80 14 percent status will be very close in time. 15 MR. KEANE: Uh-huh. 16 THE MODERATOR: I think that somebody -- 17 Joey, I think you at one point gave me some 18 numbers that made me think that this would take at 19 least till 2028. And I think that the -- that the 20 30-year agreement expires, as is, 2030; is that 21 right? I think that was the date? 22 So I just don't want anybody to -- this 23 doesn't expire in 2028. It doesn't expire -- the 24 30-year agreement expires in 2030. The funding 25 proposal is linked, is the only one that expires,</p>

<p style="text-align: right;">Page 70</p> <p>1 and that expires when somebody comes in here and 2 says, "You've now reached 80 percent funding." 3 And the magistrate, or whoever you should choose 4 to moderate this in the future, will say, "Yes, it 5 has reached the 80 percent level and, therefore, 6 the funding requirements have been met." 7 I just say that by way of clarifications from 8 some questions that I received from both sides, 9 making sure that I understood. And I want to make 10 sure you understand that I knew that this was not 11 linked to either money or to a date certain. 12 MR. KEANE: Right. 13 THE MODERATOR: Okay. 14 MR. KEANE: And you also understand, Senator, 15 we did not agree to that. 16 THE MODERATOR: I understand that neither 17 side has agreed to it. If you'll read the top of 18 it in bold type, it says, "Moderator's Proposal." 19 Is that what -- 20 MR. KEANE: It's generally a pretty good 21 proposal, too, I might add. 22 THE MODERATOR: Well, it was designed because 23 I know under the unique circumstances of this 24 somebody's got to be the guy to start putting 25 something out here and get it done. And I'm going</p>	<p style="text-align: right;">Page 72</p> <p>1 obligations -- and you know the one I've proposed 2 is that they have to make up your shortfall, but 3 it doesn't matter. They may have some other idea. 4 You may have some other idea. 5 But if the procedure they've outlined here 6 was linked to an additional consequence, does this 7 address the concerns that you had, as stated in, I 8 think, Paragraph 3 of your most recent response, 9 which was identification of a -- 10 MR. KEANE: Right. Senator, as you are well 11 aware and we discussed earlier, there have been a 12 number of jurisdictions that embarked on pension 13 reform, only to reduce the benefits for the 14 employees -- 15 THE MODERATOR: Right. 16 MR. KEANE: -- increase their contribution, 17 and then dash down the road to some other 18 important project and not put in their 19 contribution. We don't expect our good City 20 fathers and mothers here in Jacksonville to get on 21 that path, but at the same time, and as I've said 22 before, one of our most distinguished citizens, 23 Mr. Cannon -- 24 THE MODERATOR: Yeah. 25 MR. KEANE: -- over and over said there's got</p>
<p style="text-align: right;">Page 71</p> <p>1 to be that guy until you tell me, either we can't 2 do it, which is silly because we can, or we won't 3 do it, which would be a shame, or we shake hands. 4 MR. CHATMON: We did that when we walked in, 5 so that's a good start. 6 THE MODERATOR: Yes. 7 MR. KEANE: Omen. 8 THE MODERATOR: Yeah. Good. 9 Are we still waiting for Chris -- 10 MAYOR BROWN: Yeah. We're trying to get a 11 legal -- 12 THE MODERATOR: -- and the general counsel -- 13 MAYOR BROWN: -- question -- 14 THE MODERATOR: I got it. I got it. I'm 15 waiting. 16 (Pause). 17 THE MODERATOR: All right. John, while we're 18 waiting -- and I know this is just to -- waiting 19 for some people to get here. If the provisions to 20 ensure compliance had some sort of additional 21 provision -- and I think there's some other 22 ideas -- oh, there they are. Does this procedure 23 that's outlined in the provisions to ensure 24 compliance, if it was linked to some -- at least 25 one or more other provisions about their</p>	<p style="text-align: right;">Page 73</p> <p>1 to be a mechanism to hold the City Council's feet 2 to the fire to appropriate the money. 3 THE MODERATOR: Yeah. 4 MR. KEANE: And that's all we were -- 5 THE MODERATOR: Yeah. And -- 6 MR. KEANE: -- talking about -- 7 THE MODERATOR: -- all I was saying is -- 8 MR. KEANE: -- here. We're not making 9 anybody -- 10 THE MODERATOR: I'm not -- 11 MR. KEANE: -- the bad guy. 12 THE MODERATOR: I know you guys may have some 13 ideas. 14 You have some ideas for the next -- but I'm 15 talking about the procedure that the City has 16 outlined here. It seems like, if it was linked to 17 some other consequence, in case it didn't happen, 18 that the procedure here addresses your concerns, 19 which is identification of the money, finding the 20 money, and requirement that those resources be 21 funded. 22 MR. KEANE: Yes, sir. 23 THE MODERATOR: Okay. I just wanted to 24 clarify that. 25 MR. HAND: Sure. And, Senator, would you</p>

1 reiterate your proposal again. It was --
 2 THE MODERATOR: Yeah. And --
 3 MR. HAND: -- No. 5 on your --
 4 THE MODERATOR: -- my idea was this. My idea
 5 was that, in the event that you-all, meaning the
 6 City, didn't fund your contribution rate, that
 7 whatever the contribution rate would have been for
 8 that amount that was not funded, which would have
 9 been the Board's obligation, becomes your
 10 obligation before the next round of --
 11 MR. HAND: Uh-huh.
 12 THE MODERATOR: So if you don't -- for easy
 13 math, if it happened in Year 2, and their
 14 obligation was \$5 million, and you didn't come up
 15 with your 40 million, you have to pay their
 16 5 million. They don't have to pay it that year.
 17 You have to pay their 5 million. And then, of
 18 course, you still owe the 40 million. It'll just
 19 be on the back end, if you will, because you're
 20 going to take longer to get to the 80 percent.
 21 But you've got to pay their shortfall.
 22 That's just an idea I had, which meant that,
 23 ultimately, you're going to pay 40 million plus
 24 the 5 million or 45 million for that year because
 25 the years -- now, that was an idea --

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

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

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

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

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

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1 going to, but you've never quite taken the deal.
 2 MR. KEANE: That's exactly right. But we are
 3 close. Strike the period after the percent sign.
 4 THE MODERATOR: Uh-huh.
 5 MR. KEANE: And insert, "effective for DROP
 6 classes beginning after January 5th, 2015."
 7 THE MODERATOR: All right. So that I'm
 8 clear, you would make this not apply to people who
 9 DROP this year?
 10 MR. KEANE: Correct. And after January
 11 5th --
 12 THE MODERATOR: Of 2015?
 13 MR. KEANE: -- of 2015.
 14 THE MODERATOR: Okay. If you got the after
 15 January 5th, 2015, will you take the 5 to 10?
 16 MR. KEANE: Like 6 to 10, but 5 to 10, in the
 17 spirit of harmony, we could take that.
 18 THE MODERATOR: All right.
 19 MR. KEANE: That's if we agree on all these
 20 other things.
 21 THE MODERATOR: I understand. We don't need
 22 to repeat to everybody that -- everybody's got to
 23 get -- but -- so your answer is that you would
 24 take it, effective January 2015, at the 5 to 10 on
 25 DROP?

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

<p style="text-align: right;">Page 82</p> <p>1 want to cap your obligation of 105 million?</p> <p>2 MR. KEANE: Correct.</p> <p>3 THE MODERATOR: Okay. Now, I'm going to go</p> <p>4 over to you, Mr. Hand.</p> <p>5 MR. HAND: Sure.</p> <p>6 THE MODERATOR: Let's start at the top of the</p> <p>7 moderator's proposal.</p> <p>8 MR. HAND: Of course.</p> <p>9 THE MODERATOR: Let's kind of work our way</p> <p>10 down. A, B, C, all the way down to the floor and</p> <p>11 see where we have agreement and where we don't.</p> <p>12 MR. HAND: We agree to A.</p> <p>13 THE MODERATOR: Okay. Then A is good.</p> <p>14 MR. HAND: We -- for B, we would agree with a</p> <p>15 slight funding change, which would be to say:</p> <p>16 Until such time as the PFPF reaches an 80 percent</p> <p>17 funded status, comma, the City of Jacksonville</p> <p>18 will contribute at least 40 million annually to</p> <p>19 reduce unfunded liability.</p> <p>20 THE MODERATOR: What you're saying is you</p> <p>21 agree that you're on the hook till 80 percent and</p> <p>22 then you're done --</p> <p>23 MR. HAND: Correct.</p> <p>24 THE MODERATOR: -- with the funding provision</p> <p>25 of this -- of these amendments?</p>	<p style="text-align: right;">Page 84</p> <p>1 THE MODERATOR: Okay.</p> <p>2 MR. HAND: That would be a Board decision.</p> <p>3 But, again, just to be clear, we previously had</p> <p>4 said that all -- 100 percent of the chapter</p> <p>5 funds --</p> <p>6 THE MODERATOR: I got it.</p> <p>7 MR. HAND: -- should go. We are now agreeing</p> <p>8 that we can subtract out those holiday bonus</p> <p>9 funds, but want to give the Board discretion to</p> <p>10 decide to use those on either the holiday bonus or</p> <p>11 a share plan or to pay the unfunded liability.</p> <p>12 THE MODERATOR: And in any year in which the</p> <p>13 City did not make its obligation and, therefore,</p> <p>14 the Board would not be required to make their</p> <p>15 obligation, and you would have to actually make up</p> <p>16 that shortfall --</p> <p>17 MR. HAND: Uh-huh.</p> <p>18 THE MODERATOR: -- under our proposal, then</p> <p>19 what would occur is that the Board could choose to</p> <p>20 use any monies that year, either to put into the</p> <p>21 unfunded liability, as --</p> <p>22 MR. HAND: Right.</p> <p>23 THE MODERATOR: -- was suggested by your</p> <p>24 general counsel, or --</p> <p>25 MS. LAQUIDARA: Or any of these --</p>
<p style="text-align: right;">Page 83</p> <p>1 MR. HAND: Correct.</p> <p>2 THE MODERATOR: I got it.</p> <p>3 MR. HAND: So rather than tying it to a</p> <p>4 particular year, it would tie it to a funded</p> <p>5 status.</p> <p>6 THE MODERATOR: I got it.</p> <p>7 MR. HAND: For C, we would propose similar</p> <p>8 language, which we'd say, until -- we basically</p> <p>9 would strike the second sentence and modify the</p> <p>10 first sentence to say: Until such time as the</p> <p>11 PFPF reaches an 80 percent funded status, comma,</p> <p>12 the PFPF will pay all chapter funds less the</p> <p>13 holiday bonus funds into the fund.</p> <p>14 We'd also want to make clear that the Board</p> <p>15 would have the discretion to allocate what are now</p> <p>16 classified as the holiday bonus funds to either</p> <p>17 the holiday bonus or to a share plan or to pay</p> <p>18 down the unfunded liability.</p> <p>19 THE MODERATOR: I take it by that, then, you</p> <p>20 are -- you are willing to accept -- realizing it</p> <p>21 would be unfunded initially, but you are willing</p> <p>22 to establish and accept a share plan as part of</p> <p>23 the deal if we were able to get a deal?</p> <p>24 MR. HAND: We're willing to give the Board</p> <p>25 that discretion, correct.</p>	<p style="text-align: right;">Page 85</p> <p>1 THE MODERATOR: -- they could put it into a</p> <p>2 share plan for that particular year.</p> <p>3 MR. HAND: Right.</p> <p>4 THE MODERATOR: You would agree with that?</p> <p>5 MR. HAND: That would -- and that would also</p> <p>6 help -- the establishment of a share plan would</p> <p>7 also help to balance out for current employees</p> <p>8 because, obviously, we're asking for changes both</p> <p>9 in DROP and in COLA here. The establishment of a</p> <p>10 share plan helps to balance that out to some</p> <p>11 extent, as well. But let me go down the list.</p> <p>12 THE MODERATOR: Okay. So now we're on two?</p> <p>13 MR. HAND: On Item 2, we would agree to --</p> <p>14 because we thought the proposal had been made on</p> <p>15 Friday by Mr. Keane for a floor of 5 and a cap of</p> <p>16 10. We'd agree to split the difference between</p> <p>17 3.9 and 5 and set it at 4.5.</p> <p>18 Now, I have a question about John's proposal</p> <p>19 as it relates to after January 5th. How many</p> <p>20 members are eligible to DROP between now and</p> <p>21 the -- and the -- January 5, 2015?</p> <p>22 MR. KEANE: Generally, we have 25 people in</p> <p>23 each class, so, you know, we don't know. We only</p> <p>24 know afterwards, but the total number of people</p> <p>25 that are eligible to DROP right now --</p>

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1 MR. HAND: Uh-huh.

2 MR. KEANE: -- is 150. Lots of people are --

3 have high appointed positions, and they're not

4 going to dash for the door.

5 MR. HAND: Uh-huh. Well, we'll consider for

6 the moment --

7 THE MODERATOR: January 5?

8 MR. HAND: We'll just set that aside, the

9 January --

10 THE MODERATOR: I'm saying -- that's a new

11 thing on the table.

12 MR. HAND: We'll consider that for a moment,

13 but we propose to split the difference between 5

14 and 3.9. We would do 4.5.

15 On No. 3, we're agreed on that, provided that

16 that comports with Florida law. I think that'd

17 just be important for Ms. Laquidara and

18 Mr. Klausner --

19 THE MODERATOR: Put something in there

20 providing --

21 MR. HAND: Yeah. That it's --

22 THE MODERATOR: It has to comply with general

23 law.

24 MR. HAND: Yeah.

25 THE MODERATOR: Okay. All right.

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1 MR. HAND: On COLA, we would agree -- again,

2 in the spirit of good faith and trying to move

3 toward an agreement, we would agree to move from 2

4 to 2.25 percent as the cap on COLA.

5 We've already -- we've already addressed

6 No. 5 and incorporated that. Obviously, it needs

7 to be written up into our --

8 THE MODERATOR: I got it.

9 MR. HAND: -- compliance provisions.

10 THE MODERATOR: Correct. All right. Let me

11 go down this thing and see if I've got the score

12 right. For those of you scoring at home, let's go

13 over this.

14 On No. 1, we're in agreement, if we get a

15 deal.

16 On No. 2, we're in agreement, except that the

17 Board wants to clarify that -- excuse me. The

18 City wants to clarify that their obligation ends

19 at the 80 percent status level.

20 John, you agree with that, that their

21 obligation on the unfunded liability provision

22 would end at the 80 percent figure?

23 MR. KEANE: You're talking about 1(b)?

24 THE MODERATOR: 1(b).

25 MR. KEANE: Yes, sir.

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1 THE MODERATOR: Yes. The differences now are

2 on C. The Board would -- John's provision would

3 be that he would follow C, provided that there was

4 a cap of 105 million.

5 Chris, your position would be that you would

6 strike the last provision of -- last sentence of

7 C, and what you would do is you would say during

8 the first five -- during -- you would say during

9 the first five years, they would pay all chapter

10 funds --

11 MR. HAND: No. No. We would -- we would

12 strike --

13 THE MODERATOR: You would just take out five?

14 MR. HAND: We would -- we would strike out

15 the phrase, "during the first five years," and

16 substitute, "Until such time as the PFPF reaches

17 an 80 percent funded status" --

18 THE MODERATOR: Okay.

19 MR. HAND: -- comma, "the PFPF will pay all

20 chapter funds less the holiday bonus funds into

21 the fund."

22 THE MODERATOR: Yes.

23 MR. HAND: We would then add a second

24 sentence that gives the Board discretion to use

25 the -- what we're now calling the holiday bonus

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1 funds for either a holiday bonus or for -- into a

2 share plan, or toward the unfunded liability at

3 the discretion of the Board.

4 THE MODERATOR: And to be clear, by doing

5 that, you agree that you're now allowing the

6 Board, and you would do whatever is required to

7 permit the Board to establish, even though it may

8 be unfunded for some period of time -- a share

9 plan for current employees would be established?

10 MR. HAND: I think that's inherent in that

11 proposal.

12 THE MODERATOR: Okay. I just -- okay.

13 John, so you understand that that -- that

14 their proposal back to you would include the

15 establishment of the share plan that you've been

16 wanting to do?

17 MR. KEANE: Yes, sir.

18 THE MODERATOR: Okay. You want -- you want

19 to think about the January 5th because you need

20 the implications of that --

21 MR. HAND: We just -- I just -- we need to

22 check on something --

23 THE MODERATOR: And your proposal back is

24 4.5?

25 MR. HAND: To split the difference between

<p style="text-align: right;">Page 90</p> <p>1 3.9 and 5.</p> <p>2 THE MODERATOR: All right. Investment</p> <p>3 authority, I think, is kind of okay as long as</p> <p>4 there's some language saying it'll comply with</p> <p>5 general law and nobody --</p> <p>6 MS. LAQUIDARA: Nobody --</p> <p>7 THE MODERATOR: And your proposal on COLA is</p> <p>8 2.25 as a cap. So we're at a little difference on</p> <p>9 the total amount and how long and how it's to be</p> <p>10 paid on C, a little bit of a difference on DROP,</p> <p>11 and a significant difference on COLA because,</p> <p>12 John, your position on COLA for all employees --</p> <p>13 all current employees is --</p> <p>14 MR. KEANE: Unchanged.</p> <p>15 THE MODERATOR: -- as is, or unchanged, yes.</p> <p>16 All right.</p> <p>17 MR. HAND: And, John, can I just ask a</p> <p>18 question?</p> <p>19 MR. KEANE: Yes, sir.</p> <p>20 MR. HAND: What's the significance of the</p> <p>21 January 5th date? Why that, as opposed to -- I</p> <p>22 can sort of see the logic of -- we just want to</p> <p>23 make sure everyone who could DROP this year has</p> <p>24 a -- why January the 5th --</p> <p>25 MR. KEANE: That's when it takes effect.</p>	<p style="text-align: right;">Page 92</p> <p>1 you know, I'm feeling it.</p> <p>2 MR. KEANE: They're getting close. I know.</p> <p>3 THE MODERATOR: I'm feeling it.</p> <p>4 MR. KEANE: I know they are.</p> <p>5 THE MODERATOR: A haircut is a good sign.</p> <p>6 I'm going to tell you, we know we're so close,</p> <p>7 guys.</p> <p>8 We've got to deal with -- we've got to deal</p> <p>9 with, I think, three things on here. C, 2, and</p> <p>10 3 -- I mean, 2 and 4, is that right, C, 2, and 4?</p> <p>11 MR. HAND: I think you've identified the --</p> <p>12 of course, with the added kind of how do we --</p> <p>13 THE MODERATOR: Yeah.</p> <p>14 MR. HAND: -- do the monitoring going forward</p> <p>15 and that sort of thing.</p> <p>16 THE MODERATOR: That's nine.</p> <p>17 MR. HAND: Yeah. That's sort of the No. 9,</p> <p>18 but --</p> <p>19 THE MODERATOR: And that is -- is everybody</p> <p>20 in agreement, what we're going to do on 9, is that</p> <p>21 will be left to the general counsel and the</p> <p>22 special counsel for them, with me refereeing that</p> <p>23 for the monitoring provision?</p> <p>24 MR. HAND: Right. And then we just need to</p> <p>25 sort of discuss how that will work, plus, kind of,</p>
<p style="text-align: right;">Page 91</p> <p>1 MR. HAND: Got you.</p> <p>2 MR. KEANE: People that DROP in December --</p> <p>3 MR. HAND: Uh-huh.</p> <p>4 MR. KEANE: -- it takes effect in January.</p> <p>5 MR. HAND: I see.</p> <p>6 THE MODERATOR: January 4th.</p> <p>7 MR. KEANE: This takes care of everybody</p> <p>8 in --</p> <p>9 MR. HAND: Okay. Got you. So you wouldn't</p> <p>10 have a split between someone in September and</p> <p>11 someone in December. Got you.</p> <p>12 THE MODERATOR: This is -- so that we're</p> <p>13 clear, this means that those who were going to</p> <p>14 enter DROP or decided to enter DROP in the year</p> <p>15 2014 would be eligible to do so --</p> <p>16 MR. KEANE: Correct.</p> <p>17 THE MODERATOR: -- otherwise -- under the</p> <p>18 current plan. Otherwise, they would be --</p> <p>19 everybody else beyond the 2014 DROP would be under</p> <p>20 the 5 to 10 number?</p> <p>21 MR. KEANE: Correct.</p> <p>22 THE MODERATOR: Okay.</p> <p>23 MR. KEANE: Although, the City hasn't agreed</p> <p>24 to that 5 to 10 number.</p> <p>25 THE MODERATOR: I know. I know. But I'm --</p>	<p style="text-align: right;">Page 93</p> <p>1 of course, what happens to the pending litigation</p> <p>2 because I'm assuming that, as part of all this,</p> <p>3 there'd be a dismissal and resolution of pending</p> <p>4 litigation, as well.</p> <p>5 THE MODERATOR: I don't know the answer to</p> <p>6 that. I don't know who -- because I -- I don't --</p> <p>7 I think we should throw that out there. I don't</p> <p>8 know the litigants. You-all tell me your kind of</p> <p>9 understanding of that.</p> <p>10 MS. LAQUIDARA: The litigants aren't here,</p> <p>11 but it would be difficult for them to do anything</p> <p>12 but dismiss with the -- if an agreement is</p> <p>13 approved by City Council and the Board. There's</p> <p>14 all kinds of issues, legal issues. So we would --</p> <p>15 I would expect their counsel to understand that.</p> <p>16 THE MODERATOR: Yeah. I started saying</p> <p>17 Klausner would probably -- and I guess they also</p> <p>18 have other lawyers --</p> <p>19 MS. LAQUIDARA: Klausner and I --</p> <p>20 THE MODERATOR: -- involved.</p> <p>21 MS. LAQUIDARA: -- are fine. And the other</p> <p>22 is Mr. Donnelly --</p> <p>23 THE MODERATOR: Donnelly.</p> <p>24 MS. LAQUIDARA: -- who is an, you know,</p> <p>25 excellent attorney in his field. So I'm sure he</p>

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1 would not have any difficulty understanding this.

2 MR. HAND: He's extremely well-trained,

3 exactly. We'd need to just address that, I think,

4 in whatever the final agreement is.

5 THE MODERATOR: You agree with that?

6 MS. LAQUIDARA: Yes.

7 THE MODERATOR: Okay. Does it -- do you see

8 that as an impediment, John?

9 MR. KEANE: No, sir.

10 THE MODERATOR: Cindy?

11 MS. LAQUIDARA: No. No.

12 THE MODERATOR: Okay. Then I'm going to have

13 to trust you guys on that. That language will

14 be -- I suggest you and Klausner --

15 MS. LAQUIDARA: Regarding --

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

17 MS. LAQUIDARA: Yes.

18 THE MODERATOR: Get it to me and I'll referee

19 the differences.

20 MS. LAQUIDARA: Yes. I would think we would

21 be able to work it out --

22 THE MODERATOR: All right.

23 MS. LAQUIDARA: -- ourselves.

24 THE MODERATOR: Because that's really only

25 about the monitoring, which I think, you guys,

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1 what you want is you want someone to monitor, A,

2 when this is -- when -- that everything here being

3 done is -- that is being required to do --

4 MS. LAQUIDARA: Uh-huh.

5 THE MODERATOR: -- is being done. And second

6 of all, somebody's got to be the one at the end

7 who says, "Okay. You've reached 80 percent. Your

8 obligation is over, and your obligation is over."

9 MS. LAQUIDARA: Yes. And so we'll tender

10 language to Mr. Klausner. And I don't anticipate

11 any --

12 THE MODERATOR: All right.

13 MS. LAQUIDARA: -- trouble wrapping up that

14 language or the language on the dismissal.

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

16 MR. HAND: We just need to handle all

17 those --

18 THE MODERATOR: We'll try to -- and you --

19 and we will try to draft more artfully the

20 language we want for the obligation of the City if

21 they do not pay. And what I suggest is you draw

22 that up. And that should be that they pay -- the

23 contribution that would have been required by the

24 Board becomes a responsibility of the City for any

25 year in which they do not make the payment.

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1 I want -- I believe through this procedure,

2 though, that as I read Paragraph 4 of your

3 provisions, Chris, Paragraph 4, as I get down to

4 the bottom section, this plan is so that they will

5 find the funds --

6 MR. HAND: Correct.

7 THE MODERATOR: -- identify the funds --

8 MR. HAND: Correct.

9 THE MODERATOR: -- and that the -- that your

10 language -- your language is for the required \$40

11 million additional unfunded liability payment.

12 MR. HAND: That committee's job would be to

13 recommend to the mayor and the Council president,

14 "Here's your bill this year. Here's how we

15 recommend you pay it."

16 THE MODERATOR: And other than -- as you

17 suggested, unless they would go do something very

18 atypical, that's what would be the process by

19 which it would work and the money would be paid,

20 and that would trigger your obligation for that

21 year. Every time they make their payment, your

22 obligation is automatic. You agree, John?

23 MR. KEANE: Correct.

24 THE MODERATOR: Whatever --

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

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1 THE MODERATOR: To whatever amount we've

2 agreed to pay. All right.

3 MR. KEANE: Is that going to give you-all

4 enough time, June 30?

5 MS. LAQUIDARA: Well, we'll be doing it ahead

6 of time. All of the people will be doing -- we'll

7 be having a plan, but that's the -- that's when

8 the property appraisal bill comes out, on June 1,

9 so it's a good time to true up the additional

10 resources.

11 THE MODERATOR: John, are we now where you

12 will take 5 to 10 effective January 5?

13 MR. KEANE: Yes, sir.

14 THE MODERATOR: Okay. Chris, that's in your

15 ballpark, then, on that. Their offer is 5 to 10.

16 Your response back is 4.5.

17 MR. HAND: We offered to split the difference

18 between the two.

19 THE MODERATOR: You're offering a difference

20 between 3.9 and -- okay.

21 The COLA -- and, now, tell me again where we

22 are apart -- and where we are apart here.

23 John, under their proposal now -- let me make sure

24 I understand. Their current proposal would be,

25 after the 61 million, your requirement would be to

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1 pay the chapter funds less the holiday pay until
 2 such time as it reached 80 percent. What is your
 3 reaction to that?
 4 MR. KEANE: We reject that.
 5 THE MODERATOR: Because it was just beyond
 6 what you can pay?
 7 MR. KEANE: Exactly. We offered --
 8 THE MODERATOR: Would you do that --
 9 MR. KEANE: We offered --
 10 THE MODERATOR: -- if they agreed to cap it
 11 at some number?
 12 MR. KEANE: We offered an extra \$5 million.
 13 THE MODERATOR: No. I'm -- let me -- let
 14 me -- I'm just trying to explore this. Let's
 15 assume that we follow their procedure for a
 16 moment. Their procedure says that you would pay
 17 all the chapter funds less the holiday pay --
 18 MR. HAND: Uh-huh.
 19 THE MODERATOR: -- until such time as the
 20 fund reaches a status of 80 percent. Would you
 21 pay all of the funds less the holiday pay until it
 22 reached 105 million?
 23 MR. KEANE: Yeah. We do -- we commit to
 24 that.
 25 THE MODERATOR: Okay. But you want a cap of

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1 your contribution?
 2 MR. KEANE: Exactly.
 3 THE MODERATOR: Now, after you made your 105
 4 million, what would be the way in which the
 5 unfunded liability would be further reduced, only
 6 by the City's payment?
 7 MR. KEANE: Yes, sir. As everybody pointed
 8 out, it's the City's obligation. We're coming
 9 forward with \$105 million to help because every
 10 dollar we put in strengthens the pension fund for
 11 our members. So we're willing to do that. This
 12 is extra sacrifice the members are making.
 13 THE MODERATOR: Okay. Okay. So that's
 14 really where we are, is that you want to cap it at
 15 105. You want the 80 -- you want it till it goes
 16 to 80 percent. And you want it -- but you're
 17 willing to pay if there's a cap, your cap being
 18 105 right now. You're willing to pay, with a cap,
 19 the money on the front end, meaning you'll pay all
 20 the money less the holiday pay until such time as
 21 it reaches whatever cap you have?
 22 MR. KEANE: Yes, sir.
 23 THE MODERATOR: All right. And your proposal
 24 on current employees is 2.25.
 25 And your answer is zero.

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1 So we really are down to a very small
 2 difference here, ladies and gentlemen. Now, it's
 3 millions of dollars. I'm not unmindful of that.
 4 How do we get there, guys?
 5 How do we get there?
 6 I'm looking at both sides of the table and
 7 everybody's looking back at me.
 8 Do you want me to draw up something I think
 9 may work here?
 10 MR. KEANE: Well, there's nothing going to
 11 work on 4, other than the current.
 12 THE MODERATOR: I understand your position on
 13 COLA is where it is.
 14 MR. KEANE: And --
 15 THE MODERATOR: So --
 16 MR. KEANE: No need to draw nothing up on
 17 that --
 18 THE MODERATOR: Okay.
 19 MR. KEANE: -- for us.
 20 THE MODERATOR: I got you.
 21 MR. KEANE: I mean --
 22 THE MODERATOR: All right.
 23 MR. KEANE: -- people that are going to be
 24 retiring in the next three years because of the
 25 payroll freeze and the rollback are effectively

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1 retiring at ten-year salary assumptions. So we're
 2 not --
 3 THE MODERATOR: John --
 4 MR. KEANE: We're not going to change it.
 5 THE MODERATOR: -- I understand, but if
 6 you're going to use that argument -- and I'm -- I
 7 want you --
 8 MR. KEANE: We withdraw all arguments. We're
 9 not going to change it.
 10 THE MODERATOR: I got you.
 11 MR. KEANE: That way you don't have to talk
 12 about it.
 13 MR. HAND: Everybody's come here in a --
 14 THE MODERATOR: Okay.
 15 MR. HAND: -- spirit of compromise, but,
 16 yeah.
 17 THE MODERATOR: Okay.
 18 MR. HAND: Yeah.
 19 THE MODERATOR: Can I say from this that COLA
 20 is a really hard position for you right now; you
 21 are not moving on COLA?
 22 MR. KEANE: Correct.
 23 THE MODERATOR: Would you move on COLA for
 24 the people in the first ten years?
 25 MR. KEANE: Nope.

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1 THE MODERATOR: Okay. I'm just -- I'm just
 2 exploring. Because if it was for people in their
 3 first ten years, then some of the arguments you --
 4 I mean, I'm not --
 5 MR. KEANE: That's right. Some of the
 6 arguments wouldn't hold water 25 years from now.
 7 THE MODERATOR: Right. But your answer is
 8 still COLA for current employees remains as is?
 9 MR. KEANE: My answer for right now is that,
 10 yes.
 11 THE MODERATOR: Okay. Would you consider
 12 moving for the first ten years?
 13 MR. KEANE: I would consider that.
 14 THE MODERATOR: All right. They would
 15 consider that; all right. Now --
 16 MR. HAND: Peace is breaking out all over the
 17 Lynwood Roberts room; right?
 18 THE MODERATOR: This is -- this is -- all
 19 right. Now where we are is they have come up with
 20 now \$105 million. They will pay it in the method
 21 that you've subscribed. Can you take that deal?
 22 MR. HAND: Which by my calculations would
 23 be -- if you -- because that 105 includes -- and
 24 just to be clear, John, in your mind, that
 25 includes the 60 million? That's not over and

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1 above? Because it's over and above the 60
 2 million, that might be --
 3 MR. KEANE: No. No. It's the first 60 --
 4 MR. HAND: Okay. So you'd --
 5 MR. KEANE: -- plus --
 6 MR. HAND: -- subtract that from the 105.
 7 MR. KEANE: Right. So --
 8 MR. HAND: So that gets you down to 45. So
 9 if you take that amount, which after you take out
 10 the holiday bonus funds, because those are
 11 about --
 12 THE MODERATOR: About 7 million.
 13 MR. HAND: Maybe about 7 million a year.
 14 That's -- so that's about between six and seven
 15 years --
 16 THE MODERATOR: Right.
 17 MR. HAND: -- of that payment. Whereas, the
 18 City, just based on now what we know in terms of
 19 the 80 percent status, the City would be paying in
 20 for 14 -- roughly 14 years. The fund would be
 21 paying in for six years. Did I get that math
 22 right?
 23 MR. KEANE: You got that math right. But let
 24 me also point out to you, prior to your arrival
 25 here, your predecessors in office did not pay,

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1 which they left the bill for you-all. Our members
 2 always paid their contribution.
 3 When the City paid the unrealistic 3.2
 4 percent contribution, did not pay for the people
 5 in DROP, where our members continued to pay in
 6 DROP -- since 1999, the City has enjoyed the
 7 services, the protection offered by police
 8 officers and firefighters, with 7,000 accumulated
 9 years of service.
 10 That's like coming over to our place and
 11 having 300 people out there with 20 years, waiting
 12 to retire, and the City hadn't put one dime in.
 13 That's the translation of it.
 14 MR. HAND: Well, look, I don't know that we
 15 need to -- there's plenty of blame to go around.
 16 I'm sure we could -- we could talk for days about
 17 investment practices and a variety of other
 18 things. I don't know that that's productive to do
 19 that. We can certainly do it. I just don't know
 20 that it's productive.
 21 THE MODERATOR: So under your proposal, it
 22 would take -- and I'm not trying to cut this --
 23 I'm just trying to find -- under your proposal,
 24 you guys would pay -- you, meaning the Board. You
 25 guys would pay almost seven -- seven years.

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1 MR. HAND: Six or seven, yeah.
 2 THE MODERATOR: It would take seven years,
 3 roughly, to pay off -- by paying everything, all
 4 of your chapter funds, except the holiday bonus?
 5 MR. KEANE: Correct.
 6 THE MODERATOR: Okay. And you would be
 7 willing to do that?
 8 MR. KEANE: To the \$105 million total.
 9 THE MODERATOR: All right. Well, yeah,
 10 whatever it takes to get to 105.
 11 My proposal is one that would have you pay a
 12 little less during that seven-year period of time,
 13 but would expand your liability over time to more
 14 than 105 million --
 15 MR. KEANE: Exactly.
 16 THE MODERATOR: -- correct?
 17 MR. KEANE: Exactly.
 18 THE MODERATOR: Are you better off paying
 19 longer and less to a higher amount overall, or
 20 shorter and a higher amount on the front end -- I
 21 mean, I guess that's kind of a philosophical
 22 question for you, as well as a finance question.
 23 MR. KEANE: It's as simple as looking at your
 24 credit card bill you get every month. Pay the
 25 minimum payment, you're going to be paying six,

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1 eight years.

2 THE MODERATOR: Okay.

3 MR. KEANE: Pay more than the minimum, pay

4 quicker, save the interest. If we have \$105

5 million obligation under the terms of this

6 agreement, we want to pay it as fast as we can.

7 THE MODERATOR: All right.

8 MR. KEANE: But we're not going to sacrifice

9 the widows' and orphans' Christmas bonus.

10 THE MODERATOR: All right.

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

12 THE MODERATOR: Let me come back to one

13 thing, then. Let me just throw this out, see if

14 you guys -- would the City accept John's proposal

15 on DROP, John's proposal on DROP, 5 to 10, January

16 5 -- it's the moderator's proposal, as accepted

17 and amended by John -- 5 to 10, starting January

18 5?

19 If they would accept that, John, would you do

20 the COLA at 3 percent for all current employees,

21 except those with less than ten years at 2.25?

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

23 that.

24 THE MODERATOR: Okay. I'm just throwing

25 something out there.

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1 And I want you to know, on the other side, is

2 there -- if John wants to work against a cap so

3 that his successors know the total liability they

4 have out there, do you have a number? If 105

5 million is not enough, what is enough?

6 MR. HAND: \$1.7 billion. No, I'm kidding.

7 That was a joke. Yeah.

8 MR. KEANE: I'll write the check. What color

9 would you like? We've got yellow and blue checks.

10 It doesn't matter.

11 MR. HAND: That's the number --

12 THE MODERATOR: I do bad check --

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

14 THE MODERATOR: -- defense on the side.

15 MR. HAND: Yeah. Yeah. Yeah.

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

17 break.

18 MR. HAND: Just to be clear, is it your

19 intention, Mr. Moderator, to come up with a

20 proposal for both sides --

21 THE MODERATOR: I am.

22 MR. HAND: Okay. Okay.

23 THE MODERATOR: I'm going to do that.

24 MR. HAND: Okay.

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

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1 about 15 minutes.

2 MR. HAND: Okay.

3 THE MODERATOR: Is there anything else? I

4 know nine.

5 MS. LAQUIDARA: No, nine is easy.

6 THE MODERATOR: I have a confidence level --

7 can I have a confidence level of 75 or better?

8 MS. LAQUIDARA: Yes.

9 THE MODERATOR: Okay. With that, is there

10 anything else, guys, out here -- if we can work --

11 we've got the COLA. We've got the DROP, and we've

12 got the -- either the way we're going to pay it or

13 the amount capped. Is that all that's keeping us

14 apart?

15 MR. KEANE: What do your records show as the

16 final resolution of No. 4?

17 THE MODERATOR: I said -- I'm sorry. I said

18 we've got the COLA issue out there right now.

19 MR. KEANE: No. I'm talking about No. 4 in

20 the original list of things, the fifth trustee

21 selection.

22 THE MODERATOR: Oh, no.

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

24 THE MODERATOR: No. No. No.

25 MR. KEANE: -- the final resolution --

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1 THE MODERATOR: The fifth trustee -- the

2 fifth trustee is --

3 MR. HAND: Well, no. What we agreed is, if

4 we're able to --

5 THE MODERATOR: If we're able to reach an

6 agreement --

7 MR. HAND: -- overall agreement --

8 THE MODERATOR: To make it clear, if we're

9 able to reach an agreement, John, to put it -- on

10 that issue, you prevailed. You've got what you

11 want.

12 MR. HAND: City's agreed to every other

13 governance provision. That's sort of in abeyance,

14 if we're able to reach final agreement --

15 THE MODERATOR: And you know it affects five,

16 but only because the language --

17 MR. HAND: Yeah.

18 THE MODERATOR: -- of five --

19 MR. HAND: Right.

20 THE MODERATOR: -- affects four.

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

22 THE MODERATOR: Now, you're going -- you

23 scared me to death when you started going back. I

24 want to take a --

25 MR. KEANE: I'm not going back. I've got me

1 a careful list here and good notes.
 2 THE MODERATOR: Okay.
 3 MR. KEANE: And I have four is unnoted.
 4 THE MODERATOR: Okay. Four --
 5 MR. KEANE: But I know that -- I know it was
 6 left --
 7 THE MODERATOR: If we get --
 8 MR. KEANE: -- till the very end.
 9 THE MODERATOR: -- an agreement -- if we get
 10 an agreement for the term of these amendments,
 11 four remains unchanged. Is that understood?
 12 MR. KEANE: I understand that.
 13 THE MODERATOR: If we get an agreement. And
 14 five is only changed to comport with what the
 15 language would be of four. Is that understood?
 16 MR. KEANE: Right.
 17 THE MODERATOR: Okay. With that, we're going
 18 to take a 15-minute break and I'm going to try to
 19 work on this.
 20 (Recess from 4:14 p.m. to 5:07 p.m.)
 21 THE MODERATOR: Okay. Folks, first of all,
 22 thanks for both sides talking to me. I know this
 23 is a unique and different kind of procedure that
 24 we've been going through. And I have to tell you
 25 that my conversations with all of you privately

1 have helped me formulate proposals throughout this
 2 process. And I know the odd situation is each of
 3 you doesn't know what the other one's position is
 4 because of the unique status that we have here.
 5 So what I try to do when I put together my
 6 proposals, I try to synthesize what I think the
 7 parties have each said to me. And I realize that
 8 each time what you guys have looked for aren't
 9 necessarily the same thing, but both of you have
 10 shown tremendous movement in this.
 11 I have what I'd like to be my final proposal,
 12 final proposal in that I don't have any other
 13 ideas. And I think that this proposal is made in
 14 an effort to close the matters between the
 15 parties.
 16 I also, just by the way that we've been going
 17 through, have not been able to reduce this all to
 18 the kind of written proposals that I like to bring
 19 with me, but you know at the end this doesn't
 20 happen. I mean, I would remind both sides there's
 21 an old country song that says, "They all get
 22 prettier at closing time."
 23 MR. KEANE: Is that at the church?
 24 THE MODERATOR: That's what this provision is
 25 about. Each side's proposals -- it's getting

1 closing time, folks. And in the words of that old
 2 country song, "I've done the best I can here."
 3 So my final proposal today would be that all
 4 matters as previously agreed upon would be reduced
 5 to writing and agreed upon by the parties after
 6 review for language, that all language would be
 7 submitted to the -- to me, the moderator, for
 8 final approval after each -- counsel for each side
 9 has looked them over, that the outstanding
 10 issues -- and that, in that language -- and this
 11 is for the parties -- the provision to ensure
 12 compliance which was given today, which is
 13 Paragraphs 1 through 4, and the language which
 14 would be Paragraph 5, although we would have to do
 15 that from the moderator's language, would be
 16 incorporated in a way in which there is a
 17 commitment to permit the Board to have whatever it
 18 needs to do to establish -- approval to establish
 19 an employee share plan in the future under the
 20 limits that we've talked about on funding thus
 21 far, which means it wouldn't be funded until all
 22 other obligations have been met or complied with,
 23 except in the circumstance that there was money
 24 available to the Board because of noncompliance by
 25 the City in some year. That should all be agreed

1 upon.
 2 I propose that the City's proposal as to
 3 Subject No. 2, which was rendered approximately
 4 four o'clock today -- that the City's proposal
 5 would be modified in the following way, that a
 6 current employee DROP will earn at the actual rate
 7 of return as computed by a floor of 4.5 percent
 8 and a cap of 10 percent, which will become
 9 effective on or -- on January 5th, 2015. I didn't
 10 know if that was supposed to be after January 5.
 11 John, is it on or after?
 12 MR. KEANE: After.
 13 THE MODERATOR: After January 5, 2015, that
 14 the union's Proposal No. 4, which is that the
 15 COLA, cost of living adjustment, will remain as is
 16 for all current members, be accepted.
 17 That the -- that the Board would agree to pay
 18 all chapter monies less the holiday pay money for
 19 a period of eight years or an amount of 107
 20 million, whichever is reached first, meaning that
 21 the obligation of the Board is 107 million. If we
 22 computed that at eight times seven, if that number
 23 is 56, if that's exactly the number of 56 when
 24 added to the 61 million -- I think is the number
 25 I'm using -- if it's off a little -- the total

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1 commitment is \$107 million from the Board.
 2 That the -- that the general counsel and
 3 special counsel, by Friday of this week, would
 4 present me with the proposed language for
 5 Paragraph 9, which is the wraparound and
 6 monitoring language, which you've told me that the
 7 parties can do.
 8 MS. LAQUIDARA: Yes.
 9 THE MODERATOR: That all language be given to
 10 each -- would be exchanged with one another by
 11 next Tuesday and would be submitted to me by next
 12 Wednesday.
 13 That we would schedule a formal signing the
 14 week of -- the first week of June, meaning that
 15 the week after next would be our formal signing
 16 week of the agreement, and that all matters that
 17 are required would be commenced thereafter.
 18 That gives us very short turnaround time to
 19 get final language together and to the mayor and
 20 to the Board chairman. And I know you have to --
 21 MS. LAQUIDARA: That's fine.
 22 THE MODERATOR: But it should be very doable.
 23 That should all be in the bag by now.
 24 So, basically, it is today's language, all
 25 previous agreements agreed upon, City's No. --

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1 City's amounts, as set forth in No. 2, John's
 2 provision on No. 2 as it relates to the effective
 3 dates, after January 5th, 2015, the union's
 4 proposal on COLA be accepted -- union's
 5 proposal --
 6 MR. KEANE: Fund.
 7 THE MODERATOR: The fund's proposal, which I
 8 know is the position of the respective
 9 organizations from the MSA, so the Board's
 10 position -- I said that wrong. The Board's
 11 position on No. 4, and the -- and an eight-year
 12 commitment to the chapter funds less the holiday
 13 pay to an amount of 107 million, whichever occurs
 14 first, the 107 million being the target number of
 15 the combined transfer and the annual payments,
 16 which I have loosely computed at eight years at \$7
 17 million, realizing that that may be up or down a
 18 little bit.
 19 All right. That's my proposal.
 20 MR. HAND: Can we ask questions?
 21 THE MODERATOR: You can ask me questions.
 22 MR. HAND: Can I just do a couple -- do a
 23 couple of housekeeping things first?
 24 THE MODERATOR: Oh, yeah. Absolutely.
 25 MR. HAND: Because we're down -- we're down

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1 to a few issues. And I don't want to lose sight
 2 of all the things --
 3 THE MODERATOR: I'm hoping --
 4 MR. HAND: -- we have agreed to so far.
 5 THE MODERATOR: -- we're down to none.
 6 MR. HAND: First, I'm just going to
 7 distribute -- these are all the governance
 8 provisions we've already agreed to.
 9 John, I just wanted you to have a copy. This
 10 includes everything except for four, which will
 11 not be --
 12 THE MODERATOR: And five.
 13 MR. HAND: -- an issue if we reach final
 14 agreement, and nine.
 15 THE MODERATOR: And five.
 16 MR. HAND: Well, I'm sorry. And four is
 17 the -- and four is the one with the fifth member
 18 of the Board.
 19 THE MODERATOR: Yes. Yeah, as long as
 20 five --
 21 MR. HAND: Five is here, but has been
 22 changed.
 23 THE MODERATOR: Has been changed. I got you.
 24 MR. HAND: Yeah, to reflect that.
 25 THE MODERATOR: Okay.

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1 MR. HAND: And, Carol, can you distribute
 2 these.
 3 So this is all the governance provisions
 4 we've agreed to as far -- if we're able to reach
 5 final agreement. That is the establishment of the
 6 Financial and Investment Advisory Committee.
 7 That's the provision of ethics, certification, and
 8 disclosure requirements for investment managers
 9 and advisers. That's the use of the Office of
 10 General Counsel. Those are qualifications for
 11 counsel-appointed trustees and the fifth trustee.
 12 Those are actuarial standards, transparency, and
 13 disclosure. The selection of an executive
 14 director-administrator, future administration of
 15 the JPPFF, negotiation of pension benefits,
 16 consultation among parties, and expression by
 17 charter and ordinance.
 18 So those are all of the governance
 19 provisions. These have not changed one iota from
 20 what we've previously agreed to.
 21 THE MODERATOR: Okay.
 22 MR. HAND: I just wanted to make sure that
 23 was established for the record.
 24 Also established for the record is the fact
 25 that we have agreed to a new pension design for

<p style="text-align: right;">Page 118</p> <p>1 future employees, employees who start as of 2 October 1st, 2014. These are identical to the 3 agreements we made during the mediated settlement 4 agreement and were endorsed by the task force, 5 with the only change being that slight change as 6 to the early retirement penalty that we agreed to 7 previously. That has been memorialized here. 8 And it's front and back side. And as soon as 9 Carol comes back, I will have her distribute 10 those too -- 11 THE MODERATOR: Remind me, guys, because I 12 know I should remember this. Remind me of the 13 change -- the little change you just referenced, 14 Chris -- 15 MR. HAND: That's under pension start date. 16 It says: Employees may take early retirement 17 between 25 and 30 years with a 2.5 percent accrual 18 rate penalty for years short of 30, subject to a 19 floor of 52.5. 20 THE MODERATOR: Got it. 21 MR. HAND: That's the compromise -- 22 THE MODERATOR: I remember that language, 23 yes. 24 MR. HAND: -- the moderator proposed. 25 THE MODERATOR: I just wanted to make sure I</p>	<p style="text-align: right;">Page 120</p> <p>1 floor of whatever the 24-month amount would be as 2 of October 1st, 2014, to be in compliance with 3 Florida law. So we've reached agreement on those 4 two provisions for current employees, employee 5 contributions and the final average compensation 6 period. 7 And then, finally, as it relates to 8 compliance with the funding commitment, I 9 believe -- and I don't want to speak for John, but 10 I just want to be clear that we've reached 11 agreement on the four provisions that the City 12 recommended this morning with Senator Smith's 13 proposal, which needs to be reduced to writing -- 14 THE MODERATOR: I will get that done. 15 MR. HAND: -- as No. 5, those five provisions 16 to ensure compliance with the City's additional 17 funding commitment. 18 Does that -- Mr. Keane, does that accurately 19 reflect -- does that -- does that -- do you agree 20 with what I've just said in terms of -- 21 MR. KEANE: Yes, sir. 22 MR. HAND: -- where we've reached agreement? 23 MR. KEANE: Yes, sir. 24 MR. HAND: Okay. We've reached agreement on 25 quite a bit. I just wanted to make sure that we</p>
<p style="text-align: right;">Page 119</p> <p>1 knew what you were talking about. 2 MR. HAND: Carol, if you'll pass those out. 3 So that's what we've agreed to as to 4 governance and to employees who start on 5 October 1st, 2014. 6 For current employees, we have agreed on two 7 provisions right now. One is an increase in the 8 employee contribution from 7 percent to 10 9 percent, an increase that will occur in two 10 stages. Stage one would be: Upon implementation 11 of the agreement on October 1st, 2014, the 12 employee contribution will increase from 7 percent 13 to 8 percent. And then, two, when the City 14 restores the 2 percent pay cut implemented for 15 fire employees in 2010 and police employees in 16 2012, the employee contribution will 17 simultaneously increase from 8 percent to 10 18 percent. So we've agreed on that mechanism for 19 increasing the employee contribution. 20 We've also agreed to change the final average 21 compensation period for current employees with 22 less than ten years of service. So for current 23 employees with less than ten years of service, the 24 final average compensation period will be based on 25 the last 48 months of service, subject to the</p>	<p style="text-align: right;">Page 121</p> <p>1 had distributed those -- 2 THE MODERATOR: Right. 3 MR. HAND: -- for the -- for the record. 4 THE MODERATOR: Right. 5 MR. HAND: I've got a couple of questions on 6 your proposal, Senator Smith. 7 THE MODERATOR: Okay. 8 MR. HAND: Then I'm just going to ask -- and 9 I know Mr. Keane probably -- I just want to ask 10 can we just take an absolutely no more than 11 five-minute break just to have -- I need to have a 12 conversation before we respond. 13 THE MODERATOR: Okay. 14 MR. HAND: Your proposal has the Board 15 agreeing to pay all of the chapter funds minus the 16 \$2 million for a period of approximately eight 17 years, up to a cap of \$7 million. It does not, it 18 sounds like, address the issue of chapter funds 19 after that date. 20 THE MODERATOR: It does not. 21 MR. HAND: Okay. 22 THE MODERATOR: It is up to 107 million. 23 MR. HAND: 107. 24 THE MODERATOR: And that 107 million is 25 reached by the combination of the transferred</p>

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1 funds and the annual payments at an estimated rate
 2 of 7 million --
 3 MR. HAND: Uh-huh.
 4 THE MODERATOR: -- for eight years. If I
 5 took 61 million and 56 million, if that were to be
 6 the number, that's how I arrived at it. Whenever
 7 107 million is expended, that's the --
 8 MR. HAND: Well, that would be --
 9 MS. LAQUIDARA: 46.
 10 MR. HAND: That would be 117, so you'd be --
 11 MS. LAQUIDARA: Right. 46.
 12 THE MODERATOR: 46, yeah. So it's whichever
 13 reached -- yeah, that's what it is. You're
 14 correct. My math is, as usual, pitiful, but
 15 that's what it -- 107 million is the -- is the
 16 amount I planned to pay -- that I had planned for
 17 them to pay under this proposal. And all math
 18 will be adjusted for the fact that I barely got
 19 through college on that, so . . .
 20 MR. HAND: And then I take it in your
 21 proposal the City's commitment -- so that would
 22 have a commitment of roughly seven or eight years
 23 for the Board. The City's commitment would be
 24 pegged to what under your proposal, the reaching
 25 of the 80 percent --

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1 THE MODERATOR: 80 percent.
 2 MR. HAND: -- funded status?
 3 THE MODERATOR: Yes.
 4 MR. HAND: Yes.
 5 THE MODERATOR: Yeah. The 80 percent
 6 language -- I'm sorry.
 7 MR. HAND: Uh-huh.
 8 THE MODERATOR: The contributions --
 9 obligations of this agreement, the contributions
 10 sections of these amendments to the 30-year
 11 agreement, would expire upon the 80 percent
 12 funding. Whatever the City's obligation will be
 13 expires when the 80 percent -- whatever the --
 14 whatever the Board's obligation is expires on the
 15 payment of the 107 million in the way in which I
 16 outlined it, which is the annual payments, plus
 17 the transfer until 107 million.
 18 MR. HAND: So I'm just curious about your
 19 math here because you -- and I know you didn't go
 20 to law school because math was your favorite
 21 subject. You've indicated that it would be up to
 22 a maximum of 107 million.
 23 THE MODERATOR: Uh-huh.
 24 MR. HAND: If the amount of chapter funds
 25 minus the holiday bonus money -- right now is

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1 between, say, \$7 and \$8 million --
 2 THE MODERATOR: Okay.
 3 MR. HAND: -- that would seem to be short of
 4 eight years --
 5 THE MODERATOR: Yes.
 6 MR. HAND: -- as the number.
 7 THE MODERATOR: I didn't -- I couldn't
 8 remember if the number was -- I think it was 9
 9 million, less approximately 2 million --
 10 MR. HAND: Uh-huh.
 11 THE MODERATOR: -- is that right? So I had
 12 them transferring -- see if I have it right. I
 13 had them then paying 7 million, approximately, a
 14 year. The original transfer is going to be about
 15 61 million; do we agree on that?
 16 MR. HAND: Well, that is the enhanced
 17 benefits, plus the City's --
 18 THE MODERATOR: Yeah. Yeah. I understand.
 19 I got -- but that upfront money that comes over --
 20 MR. HAND: The value of that is 61 million.
 21 THE MODERATOR: Is 61 million.
 22 MR. HAND: Correct.
 23 THE MODERATOR: So, then, 107 less 61 --
 24 you're right. It probably doesn't take eight
 25 years to get there. You're right. But what I did

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1 was I took -- the number that I came up with is a
 2 number that I believed that made -- it is more
 3 than they are willing -- were willing to pay. And
 4 I added some additional money in there in an
 5 effort to try to get them to accept a number that
 6 I believe they're willing to accept, which is \$107
 7 million. If they will accept 107 million, which
 8 is more than they put on the table, if you guys
 9 will accept that as their commitment, then you're
 10 right.
 11 After that, then those -- that's perhaps when
 12 the shared plan that comes of some benefit to them
 13 or whatever else -- so that's where -- that's
 14 where the number comes from. There's no magic.
 15 It is greater than they've offered. It is not
 16 going to take, in likelihood, eight years, but if
 17 the money falls short in any year for any reason,
 18 you still have -- their commitment is to pay the
 19 maximum amount of the chapter funds less the
 20 holiday pay until they have a total of 107
 21 million. And as I say, my math may be wrong on
 22 that, but that is my proposal.
 23 MR. HAND: Do you have any objection to us
 24 taking a no more than five-minute break?
 25 THE MODERATOR: Well, John, before I leave, I

<p style="text-align: right;">Page 126</p> <p>1 want to be fair to you. Do you have any questions 2 about -- it would be City's No. 2, Board's 3 No. 4 -- City's No. 2 in the sense of it's 4.5 to 4 10, your language as after January 5th, Board's 5 No. 4, and 107 million is your total commitment. 6 Do you understand that's my proposal? 7 MR. KEANE: We understand your proposal. We 8 came in here today offering 100 million, and we 9 then increased it during these sessions by 5 10 percent to 105 million. And during the break, it 11 cost us another 2 percent. 12 THE MODERATOR: Well, the key here, then, 13 is -- if you see the pattern this is going, you 14 need to agree soon because it goes up \$2 million a 15 break. We need to agree. 16 MR. KEANE: Should have agreed last year. 17 THE MODERATOR: All right. 18 MR. KEANE: I understand that. 19 THE MODERATOR: Five minutes. That's it, 20 folks. Five minutes. 21 (Recess from 5:24 p.m. to 5:35 p.m.) 22 THE MODERATOR: All right. After conferring 23 with the parties, the moderator is going to make 24 one last try at this. I will change that the City 25 will accept 5 to 10 on the DROP, effective January</p>	<p style="text-align: right;">Page 128</p> <p>1 THE MODERATOR: -- will accept the City's 2 time frames. You'll agree to 5 to 10, January 5. 3 You'll agree to 107 million, paid in the 4 methods we've outlined. 5 And you'll agree -- and they'll agree to 6 maintain COLA for current employees. 7 Folks, I got no more. Will you take that 8 deal, John? 9 MR. KEANE: We take that deal, subject to the 10 Board's final approval -- 11 THE MODERATOR: Can you get that -- 12 MR. KEANE: And we'll call -- 13 THE MODERATOR: -- approval by Tuesday -- 14 MR. KEANE: We'll call a -- 15 THE MODERATOR: -- John? 16 MR. KEANE: We'll call a special meeting for 17 either Monday or Tuesday. 18 THE MODERATOR: We need it Tuesday. 19 MS. LAQUIDARA: Monday's a holiday. 20 THE MODERATOR: We need it Tuesday. 21 MR. KEANE: Monday's a -- 22 THE MODERATOR: Monday's a holiday, I know. 23 MR. KEANE: -- holiday. We're going to have 24 it Tuesday. 25 THE MODERATOR: Well, you take --</p>
<p style="text-align: right;">Page 127</p> <p>1 5th, but that the Board will agree that all the 2 provisions of this agreement -- including No. 2, 3 No. 4, and 107 million being your total 4 commitment, and after that, it reverts back to the 5 Board's decision. There is no commitment beyond 6 the 107 million. 7 With that understanding -- and I'm putting 8 this on your general counsel and special counsel 9 that No. 9 be to me by Thursday of this week. 10 MS. LAQUIDARA: By tomorrow? 11 THE MODERATOR: The day after tomorrow. 12 MS. LAQUIDARA: Tomorrow is -- 13 THE MODERATOR: Oh, yeah. Friday of this 14 week. Yeah, Friday of this week. 15 MS. LAQUIDARA: Okay. Friday I can do. 16 Tomorrow I'm in court all day. 17 THE MODERATOR: Friday of -- Friday of this 18 week. 19 MS. LAQUIDARA: No problem. 20 THE MODERATOR: And that the final language, 21 and this means the Board's final language, will be 22 agreed upon Tuesday and, therefore, will be 23 subject to meeting the City's now proposed time 24 frames -- 25 MR. HAND: So prepare --</p>	<p style="text-align: right;">Page 129</p> <p>1 MR. KEANE: We'll be down at the veteran's 2 parade and have the meeting right after that. 3 MS. LAQUIDARA: Right. 4 THE MODERATOR: Mr. Mayor, I'm going to look 5 at you. Will your side take that deal? 6 MAYOR BROWN: Yes. 7 THE MODERATOR: We've got a deal. 8 MR. KEANE: It's all over. 9 THE MODERATOR: Congratulations. 10 MR. KEANE: We knew we could get there. We 11 knew we could get there. 12 THE MODERATOR: I want to say this. Thank 13 you, to both sides. We've got some serious work 14 to do, Cindy. I know that's on you, and, Chris, 15 on you. 16 And I'll get -- John, would you do me a favor 17 and call Bob and bring him up to date and have Bob 18 call me, either tonight or in the morning, and 19 I'll bring him abreast? 20 MS. LAQUIDARA: Yeah. 21 THE MODERATOR: You guys talk. 22 MS. LAQUIDARA: Yeah. He has all the 23 numbers. 24 THE MODERATOR: I know he's on his cell phone 25 now.</p>

1 I want to congratulate everybody.
 2 John, I want you -- and I know this was
 3 important. I want you -- I want to thank you
 4 because I know that there's some confidence here
 5 that the \$40 million commitment by the City is
 6 going to be met every year, and that this is
 7 designed to do this.
 8 And, Mayor, I understand that you're going to
 9 move heaven and earth to make sure that that \$40
 10 million annual contribution requirement -- that we
 11 get this unfunded liability in hand; is that
 12 right?
 13 MAYOR BROWN: That's correct.
 14 THE MODERATOR: John, is that right?
 15 MR. KEANE: That's correct.
 16 THE MODERATOR: And you've got every
 17 confidence that will happen?
 18 And, Mayor, you have --
 19 MR. KEANE: Absolutely.
 20 THE MODERATOR: -- every confidence it'll
 21 happen?
 22 MR. KEANE: Absolutely.
 23 MAYOR BROWN: Yes.
 24 THE MODERATOR: All right. Let's get it
 25 done. Thank you very much.

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

1
 2 STATE OF FLORIDA)
 COUNTY OF ST JOHNS)
 3
 4 I, Karen Adair Ruiz, Registered Merit
 5 Reporter, Florida Professional Reporter, certify that I
 6 was authorized to and did stenographically report the
 7 foregoing meeting and that the transcript is a true and
 8 complete record of my stenographic notes.
 9 I further certify that I am not a relative,
 10 employee, attorney, or counsel of any of the parties,
 11 nor am I a relative or employee of any of the parties'
 12 attorneys or counsel connected with the action, nor am
 13 I financially interested in the action.
 14 Dated this 29th day of May, 2014.
 15
 16 *Karen Adair Ruiz*
 17 KAREN ADAIR RUIZ
 Registered Merit Reporter
 Florida Professional Reporter
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