COUNCIL OF THE CITY OF PHILADELPHIA

COMMITTEE ON LABOR AND CIVIL SERVICE

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Room 400, City Hall
Philadelphia, Pennsylvania
Tuesday, February 27, 2007
10:10 a.m.

- - -

PRESENT:
COUNCILMAN JUAN RAMOS, CHAIR
COUNCILMAN W. WILSON GOODE, JR.
COUNCILMAN FRANK DiCICCO
COUNCILMAN WILLIAM GREENLEE
COUNCILMAN JACK KELLY
COUNCILMAN JAMES F. KENNEY
COUNCILWOMAN JANNIE BLACKWELL
COUNCILMAN BRIAN O'NEILL

BILL 060828 - An ordinance amending Section 22-311 of The Philadelphia Code, entitled "Cost-of-Living Measures for Retirees, Beneficiaries and Survivors..."

BILL 060892 - An ordinance amending Title 20 of The Philadelphia Code, entitled "Officers and Employees..."

BILL 060959 - An ordinance amending Title 9 of The Philadelphia Code, entitled "Regulation of Businesses, Trades and Professions..."

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COUNCILMAN RAMOS: Good morning, everyone. This is the Committee on Labor and Civil Service. I am Juan Ramos, Chairman of the Committee. Please note also in attendance are Councilman Wilson Goode, Vice-Chairman of the Committee. To my left, Councilman Kenney. To my right, Councilman DiCicco and Councilman Greenlee. And we have a quorum.

I would note for the record that Bill No. 060959 will be held today and the hearing for that bill will take place on March the 12th at 10:00 a.m.

I will please ask the Clerk to read the title of the first Bill.

THE CLERK: Bill 060892, an ordinance amending Title 20 of The Philadelphia Code, entitled "Officers and Employees," by providing a civil service preference for the children of Philadelphia police officers and firefighters who were killed or who died in the line of duty, all under certain terms and conditions.

COUNCILMAN RAMOS: I would like to call to the witness table Robert Eddis, President of the FOP, and Brian McBride, President of Local 22, Firefighters Union.

Please state your name for the record and proceed with your testimony.

MR. McBRIDE: Brian McBride, President of IAFF, Local 22, Philadelphia, representing the police -- not representing the police; representing the firefighters and paramedics of Philadelphia.

MR. EDDIS: As you can see, in our city we get along so well, the Police and Fire, we're basically one and the same.

Bobby Eddis, President of Fraternal Order of Police, Lodge No. 5, City of Philadelphia.

MR. McBRIDE: This bill here represents the will of the people. It was put forth to the voters in November to allow a preference similar to that of a veterans preference for the children of Police and Fire who gave their lives in the line of duty. It's the will of the people that this be put into action and that the Code be amended to reflect this.

MR. EDDIS: Basically, we have exactly the same stance. We thank you for taking this initiative to look at this, because we know what it's like to come from the law enforcement and firefighter family. We're very close. And we're just hoping that our children and the children of our officers and firefighters who gave their lives can follow in our footsteps and they'll be able to serve our city as well.

COUNCILMAN RAMOS: Any questions for these witnesses?

(No response.)

COUNCILMAN RAMOS: Seeing none, thank you for your testimony this morning.

MR. McBRIDE: Thank you.

MR. EDDIS: Thank you.

COUNCILMAN RAMOS: Our next witness is Tanya Smith, Personnel Director.

Please proceed. Please state your name for the record.

MS. SMITH: Tanya D. Smith.

Good morning, Chairman Ramos and members of the Committee on Labor and Civil Service. My name is Tanya D. Smith and I am the City's Personnel Director. I am here to present testimony regarding this bill amending Title 20 of The Philadelphia Code.

The Personnel Department fully supports City Council's acknowledgment of the gallantry of the City's uniformed employees who have lost their lives in the course of performing their duties. In recognition of the devastation and grief caused the families of these public servants, we endorse and stand ready to implement this proposed amendment to Title 20 of The Philadelphia Code.

Thank you for providing me the opportunity to address you. This concludes my testimony, and if there are any questions.

COUNCILMAN RAMOS: Thank you for your testimony.

Any questions for this witness from the Committee?

(No response.)

COUNCILMAN RAMOS: I want to acknowledge that Councilman Kelly has joined us.

Seeing none, thank you for your testimony this morning.

MS. SMITH: Thank you.

COUNCILMAN RAMOS: Is there anyone else who wishes to testify on this bill?

(No response.)

COUNCILMAN RAMOS: If not, I will ask the Clerk to read the title of the next bill.

THE CLERK: Bill 060828, an ordinance amending Section 22-311 of The

Philadelphia Code, entitled "Cost-of-Living Measures for Retirees, Beneficiaries and Survivors," by amending the provisions governing when deposits are made into the Pension Adjustment Fund, all under certain terms and conditions.

COUNCILMAN RAMOS: I would like to call to the witness table, according to this witness list, Mr. Vince Jannetti, Director of Finance.

Good morning, Mr. Jannetti. Please state your name for the record and proceed with your testimony.

MR. JANNETTI: Good morning, Councilman Ramos and members of the Committee on Labor and Civil Service. I am Vince Jannetti, Acting Director of Finance and Chairman of the Board of Pensions and Retirement. I'm here to testify against Bill No. 060828, which seeks to remove a requirement for the Pension Fund to achieve a fund basis of 76.7 percent before payments can be made from the Pension Adjustment Fund.

The Pension Adjustment Fund was created on July 1, 1999 and was intended to be a pool of money set aside for the distribution of cost of living measures as determined by the Board for retirees, beneficiaries and survivors. Since the creation of the Pension Adjustment Fund, the Board has used the fund to make bonus payments to retirees under certain terms and conditions. Under the current Pension Code, the PAF receives half of the excess returns, the five-year smoothed return, earned in a fiscal year in the range from one to six percent above the assumed interest earnings rate. Currently, that rate is 8.75 percent. In other words, if the City received an asset return in the range of 9.75 to 14.75 percent in any given year, half of this excess would be diverted to the Pension Adjustment Fund. Currently, payments are only made to the PAF if the overall pension plan funding level of

76.7 percent is achieved. Since our pension funding level has dwindled from 77.5 percent in '01 to only 53 percent in the most recent year, there have not been recent contributions to the PAF. We were hopeful that with the bad asset return years dropping off that the next few years would provide the City with an ability to catch up and better fund the Pension Fund. We believe that improving the City's ability to provide mandated benefits through the fund should be a more immediate priority than expanding benefits. Any excess return would better serve our retirees by being invested in the fund to grow the fund and reduce the unfunded liability.

We must also remember that the Pension Fund earnings support not only retirees but active members of the Pension Plan in the future.

Bill 060828, however, would remove the requirement for the Pension Fund to be funded at 76.7 percent before a contribution could be made to the Pension Adjustment Fund. This amendment would require the City to share any positive returns on pension assets of more than 9.75 percent immediately with the PAF regardless of how poor the condition the Pension Plan is in. Our Pension Fund is currently, as I said, 53 percent funded, a dangerously low level and a level that is one of the lowest of major cities in the country, according to a recent Moody's report. According to our FY05 actuarial study, our unfunded pension liability for FY07 is $3.71 billion, only slightly less than the entire General Fund budget for Fiscal Year '07. This means if we did not pay any employees, buy any products or services and continued to collect full taxes for a year, we would still barely have enough money to fully fund the Pension Plan.

Improving the percentage by which our Pension Fund is funded can only be achieved through investment gains or taxpayer contributions over the next several years. Bill 060828 would reduce the City's ability to catch up on the unfunded liability by diverting investment gains to the Pension Fund, at a time when our fund could benefit from improved funding.

Our actuary recently estimated that the City will not attain the fund basis of 76.7 percent for an additional 13 to 15 years, assuming the returns meet the assumption rate, due to the earlier losses in the Administration caused by the downturn in the markets, recent low interest rates and the shift to the MMO. However, it is estimated that if enacted Bill 060828 would increase the number of years required for the fund to attain a 76.7 percent funding. In addition, the estimates indicated that the City would require to contribute an additional $300 to $600 million more from the General Fund than it would under the current

Pension Code because of the diversion of excess returns to the PAF. In other words, taxpayers currently bear the burden when the earnings assumption rate is not achieved. With passage of this bill, taxpayers would also bear the burden when we exceed the earnings assumption and trigger a payment to the Pension Adjustment Fund. Dollars that would have previously gone to strengthen the fiscal health and stability of the Pension Fund will now go to enrich the already generous benefits for retired City employees.

The General Fund portion of the City's pension payment in FY07 is $419.1 million. This payment increases to 490.2 million by Fiscal '12, a 17 percent increase from '07 and a 152 increase from the FY01 when our pension payment was under $200 million. During the same periods, revenues will only grow 12 percent and 38 percent, respectively.

It is likely that if the fund

earns only the assumed earnings assumption rate of 8.75 annually over the life of the plan, a payment will still need to be made to the Pension Adjustment Fund if this bill is enacted due to the five-year smoothing. By eliminating the fund basis requirement, any upside that would normally go to strengthen the Pension Fund would now be split between the Pension Fund and the Pension Adjustment Fund. The City would then have to make up for this lost cash through extra contributions over a 15-year amortization. In other words, we would have to make higher MMO payments during the life of the plan and would leave future administrations with even higher pension benefit costs, further squeezing the City's ability to provide high-quality citizen services or continue tax reductions.

I urge this Committee to not vote in support of this bill. It is fiscally irresponsible to divert funds that would help the City improve its funding of our pension liability at a time when the Pension Fund is one of the most poorly funded pensions of major U.S. cities.

This concludes my testimony. I would be happy to answer any questions the Committee might have.

COUNCILMAN RAMOS: Thank you, Mr. Jannetti, for your testimony.

Councilman Kenney.

COUNCILMAN KENNEY: Thank you, Mr. Chairman.

Mr. Jannetti, the condition of the Pension Fund, its under-performance, is based on what? What are the factors that created the under-performing pension fund, at least within the last eight, ten, 12 years?

MR. JANNETTI: The Pension Fund -- the performance has been up and down. I mean, one of the big hits on the Pension Fund was the downturn in '01.

COUNCILMAN KENNEY: And because

the decisions that were made to invest in certain segments of the economy when the downturn in '01 came, we got hit extra bad, right?

MR. JANNETTI: Yes, sir.

COUNCILMAN KENNEY: And those decisions to invest in certain sectors of the economy was made by who?

MR. JANNETTI: They were made by the Board of Pensions.

COUNCILMAN KENNEY: And based on advice from who?

MR. JANNETTI: Based on advice from their consultants.

COUNCILMAN KENNEY: So the consultants recommended the decisions be made to invest in certain segments of the economy and in '01 when we took a bath, the fund took a bath -- and I recognize that the members of the Pension Board are not necessarily experts in investment banking but followed the advice of people that they hired to give them advice on what to invest in. Is that fair?

MR. JANNETTI: That's fair.

COUNCILMAN KENNEY: So none of the people in this room who are affected by their cost of living adjustments or by their pensions had a hand in making the decisions on what to invest in and what not to get out of or when to get out of it, and so when '01 hit, we just basically took a bath?

MR. JANNETTI: Yes.

COUNCILMAN KENNEY: And none of the people in this room, who we have made a pact with because they've contributed their life and their careers to service the City of Philadelphia and its citizens, had no hand in the decision-making process as to what to invest in, dot-com or otherwise?

MR. JANNETTI: That's true.

COUNCILMAN KENNEY: I recognize your position as Finance Director and as Chairman of the Board of Pensions, but isn't there some responsibility that we have to them to ensure that they can continue to live without going into poverty?

Some of these people we're talking about have been out for quite some time and the level of their pension is just not enough to make ends meet and to live a decent life, and I think despite the numbers, we have a responsibility to do something about it from a moral standpoint.

MR. JANNETTI: I understand your point, Councilman.

COUNCILMAN KENNEY: Because I don't want to dismiss the financial aspects of what you're talking about, because I think they're critical and they're important and we have to make a decision on what we do about it in the future, but in the meantime, these are real people with real lives and real bills and real food needs and housing needs. I mean, I guess I take it a little more personally because of my own background, but I think that we owe them.

It's almost like they're combat veterans, they're our soldiers, and they did what they had to do for us and we still have to do for them. And we're not asking for a lot to be done, because any COLA adjustment is not going to be even significant to change their life-style. They're not going to Club Med on it. I mean, they're going to buy food. And the people whose -- employees who have passed away and their widows, I think it's something we're morally required to do.

And I know the other side of it is we're going to have to deal with the real issue of the finances, but I don't know how we say no, because at this rate, they're never going to get an adjustment. I mean, if we're at 54, 56 and we got to get to 77, I mean, they're going to starve to death. And I just think we have no other choice.

So I do appreciate your testimony, but I think that's where we're at.

MR. JANNETTI: Thank you.

COUNCILMAN RAMOS: Thank you, Councilman Kenney.

I echo the sentiments of Councilman Kenney.

I recognize Councilman Goode.

COUNCILMAN GOODE: Thank you, Mr. Chairman.

Mr. Jannetti, let me continue along that line of questioning and commentary. You say in your testimony that Philadelphia has one of the most poorly funded pensions of major U.S. cities. Why is that?

MR. JANNETTI: Why are we one of the most poorly funded?

COUNCILMAN GOODE: Yes.

MR. JANNETTI: Because in years past we didn't fully fund the Pension Fund because of the downturn in the markets and because of our ability to pay even recently. We paid a minimum municipal obligation, and our ability to pay is limited.

COUNCILMAN GOODE: So the ability to pay is based upon two things: One, a decision to fund at a certain level and, two, the performance in terms of investment return; is that true?

MR. JANNETTI: Yes.

COUNCILMAN GOODE: And so when there was a downturn nationally, there was also worse of a downturn locally in terms of investments that were made here; is that correct?

MR. JANNETTI: Yes. I believe -- I don't know what the numbers are, Councilman, but the Pension Fund lost a significant amount of money.

COUNCILMAN GOODE: We lost more than other cities. We performed worse. Do we know how much worse?

MR. JANNETTI: I don't know if we know that.

COUNCILMAN GOODE: In your testimony you say that it is likely the fund earns only the assumed earnings assumption of 8.75 percent annually over the life of the plan. That's an interesting comment. So you're saying that you don't expect to do that much better or is that a conservative assumption?

MR. JANNETTI: What we're saying there -- I mean, the assumption is not conservative, actually. It's pretty high, but we have -- we do a five-year smoothing on this and some of the recent years are higher than 8.75.

COUNCILMAN GOODE: When the Pension Adjustment Fund was set up in 1999, do you know what the return was?

MR. JANNETTI: Pardon, sir?

COUNCILMAN GOODE: When the Pension Adjustment Fund was set up in 1999, do you know what the assumed earnings assumption rate was?

MR. JANNETTI: It was nine percent.

COUNCILMAN GOODE: And what was it in 2000?

MR. JANNETTI: Nine percent.

COUNCILMAN GOODE: In 2001?

MR. JANNETTI: Nine. We changed it in Fiscal '06.

COUNCILMAN GOODE: To?

MR. JANNETTI: To 8.75.

COUNCILMAN GOODE: And so you still expected over the life of the plan to stay constant. Why is that? I understand the smoothing.

MR. JANNETTI: That's the assumption that we have made on the earnings. I mean, this way the actuary has a target to do his calculation, his analysis, too, on the required funding levels.

COUNCILMAN GOODE: So based upon your testimony and based upon your answer to my questions, are you suggesting that there will never be a point in which we can offer a COLA?

MR. JANNETTI: No, I'm not suggesting that, Councilman.

COUNCILMAN GOODE: So at what point would we be able to offer a COLA and how would that happen?

MR. JANNETTI: The COLA -- I mean, as the regs stand now, the COLA would come into play at 76 percent, when the Pension Fund is funded 76 percent.

COUNCILMAN GOODE: I'm not talking theoretically. I'm asking you to project financially at what point can we offer a COLA, in your estimate, and how do we get there, how do we achieve that?

MR. JANNETTI: Based on the actuary's analysis, that would be around 15 years before we could do a COLA based on what we have in play today.

COUNCILMAN GOODE: So essentially you're saying we can't do this not just now but we can't do this period?

MR. JANNETTI: For the foreseeable future.

COUNCILMAN GOODE: Thank you.

COUNCILMAN RAMOS: I recognize Councilwoman Jannie Blackwell that has joined us.

Thank you, Councilwoman.

I will recognize Councilman Greenlee.

COUNCILWOMAN BLACKWELL: Thank you. Thank you very much. And I have to go. I have a 10:30 meeting out of the building. Thank you, Councilman.

But obviously we have all our friends here. This is a tough issue. We know we want to be fiscally responsible, but we do have to recognize and respect all of those people who have worked so hard in Police and Fire, especially those on their pension who are there and are active employees.

I know these are tough times, but nonetheless, we do support all our friends here and the legislation.

Thank you for the opportunity to say that.

COUNCILMAN RAMOS: Thank you, Councilwoman.

(Applause.)

COUNCILMAN RAMOS: Councilman

Greenlee.

COUNCILMAN GREENLEE: Thank you, Mr. Chairman.

Good morning, Mr. Jannetti.

MR. JANNETTI: Good morning, sir.

COUNCILMAN GREENLEE: Along the same lines as the other questioning, in your statement you say that if this bill was passed, it will now go to enrich the already generous benefits for retired City employees.

That's a pretty subjective statement, isn't it? I mean, as Councilman Kenney said earlier, we hear from a lot of people saying they can barely make it on what they're doing. I guess along those lines, do you know how what you're calling the already generous benefits compares to some other cities?

MR. JANNETTI: We --

COUNCILMAN GREENLEE: Have they gotten COLAs over the years?

MR. JANNETTI: I don't know,

Councilman. I would have to look into that.

COUNCILMAN GREENLEE: I'm not trying to make a speech here, but on what do you base "already generous benefits"?

MR. JANNETTI: When I wrote this, the view was on the total, not so much on an individual's pension. Looking at the $400 million a year we pay.

COUNCILMAN GREENLEE: The total contribution, you mean?

MR. JANNETTI: Yeah; the total cost to the City.

COUNCILMAN GREENLEE: So you're not saying that necessarily what every pensioner gets is overly generous, right?

MR. JANNETTI: No, sir, I'm not.

COUNCILMAN GREENLEE: I hope not. All right. Thank you.

Thank you, Mr. Chair.

COUNCILMAN RAMOS: Any other questions from this Committee for Mr. Jannetti?

Councilman DiCicco.

COUNCILMAN DiCICCO: Thank you, Mr. Chair.

Mr. Jannetti, do you happen to know what the average pensioner receives? Is there an average number?

MR. JANNETTI: I don't know that, Councilman. We will get that for you, sir. I don't know.

COUNCILMAN DiCICCO: I'd appreciate if you could provide that to the Chair as well.

MR. JANNETTI: Absolutely.

COUNCILMAN DiCICCO: And you did say 15 years? Did I hear that?

MR. JANNETTI: Based on what we have in play today earning 8.75. That's not to say that we won't earn, you know, 10, 11, whatever, which --

COUNCILMAN DiCICCO: You're being cautious.

MR. JANNETTI: I'm being cautious, yes.

COUNCILMAN DiCICCO: Thank you.

COUNCILMAN RAMOS: Councilman Kelly.

COUNCILMAN KELLY: Thank you, Mr. Chairman.

Mr. Jannetti, I just have a quick question here. The Pension Fund itself, going back four or five years, what kind of state was it in then?

MR. JANNETTI: I'm going to ask Chris McDonough, the Chief Investment Officer for the fund, to speak to that.

MR. McDONOUGH: The funding level has decreased from 76 percent in 2000 to 53 percent in 2005.

COUNCILMAN KELLY: From 77 to 53; is that right?

MR. McDONOUGH: Yes.

COUNCILMAN KELLY: What's the overall reason for that, basically? Was it because of the way we made investments?

MR. McDONOUGH: I believe it was a combination of poor investment returns and a shift to the MMO payment, the minimum municipal obligation.

COUNCILMAN KELLY: Well, what is the game plan today? In other words, are we still making lousy investments or are we improving in that realm?

MR. McDONOUGH: I don't know that it's fair to say that the Board was making lousy investments. The market as a whole struggled for a three-year period. I do believe the Pension Fund -- we will --

COUNCILMAN KELLY: Well, I believe the market has been going up, I think, reasonably well over the last few years.

MR. McDONOUGH: You are correct, and the fund has done considerably better over the last few years.

COUNCILMAN KELLY: So it has been improving --

MR. McDONOUGH: Yes.

COUNCILMAN KELLY: -- the fund itself?

MR. McDONOUGH: Yes. The returns have been strong for the last four years.

COUNCILMAN KELLY: Okay. And the reason that this bill is going to be -- well, would it be as much of a detriment as you were stating this morning? In other words, what is overall the result of this bill? Is it going to be disastrous for the City or is it just --

MR. JANNETTI: It will reduce the overall funding of the Pension, the Pension Fund, by half of the earnings, from one to six percent above the earnings assumption. So the City's ability to ever get to 75, 80 percent funding gets limited by this, gets hindered.

COUNCILMAN KELLY: Okay. I agree with Councilwoman Blackwell that we just can't forget all the people who have really done a lot for this city over many, many years, and I think that that's one of the reasons that this bill, of course, was enacted. And I only think that Councilman Kenney is correct in trying to at least improve slightly the living conditions of the people who are retired now, and I think that's the least we can do at this point.

This is something that we have to look at, and I think the City has to do their job improving the investments and doing a lot of other things. We may have to cut corners in other areas, but we just can't forget the people who have dedicated their lives to this city. And I think that's one of the things that we must do and I think it's morally and ethically right to do it.

Thank you.

COUNCILMAN RAMOS: Councilman DiCicco.

COUNCILMAN DiCICCO: Thank you, Mr. Chairman.

Mr. Jannetti, I just had a side-bar conversation with Mr. Eddis and he showed me a flow chart, if you will, and it identifies pensioners and the monthly payments they're getting based on age and I guess years of service, and the highest amount of money any individual receives is $2,177, and there are many people way below that. So it ranges anywhere from a few hundred dollars a month up to 2,177. And out of that monies, they have to pay for their own health benefits and other obviously cost of living issues.

And I understand you're not here to morally suggest that these folks don't deserve more money. I understand that. You have a responsibility, as we all do, to figure out how to utilize the resources, our General Fund money that we collect to the best maximum, how to figure out and how to keep this Pension Fund afloat. But when you break that out, at the maximum somebody is maybe getting $400, $500 a month before all expenses. I mean, that is probably close to poverty level. I mean, I don't know what the national average is now, but it's probably pretty close to that.

So we're going to have to figure that other stuff out that you've talked about on the funding when we go through our budget process in the next couple of months, with always keeping our eye on the ball, if you will, when it comes to this COLA issue, because that is certainly a pittance in today's world to have to survive on that kind of money, and we need to figure something out.

So I just did get that information, so you don't need to supply it to the Chair. Mr. Eddis will supply it to the Chair for us. Thank you.

MR. JANNETTI: Thank you, Councilman.

COUNCILMAN DiCICCO: Thank you, Mr. Chairman.

COUNCILMAN RAMOS: Councilman Goode.

COUNCILMAN GOODE: Thank you,

Mr. Chairman.

What were the earnings over the last five years?

MR. McDONOUGH: These are by calendar year. In 2006, the return was 14.5. 2005, 8 percent. 2004, 11.8. 2003, 23.7. 2002, negative 9.6.

COUNCILMAN GOODE: Thank you.

COUNCILMAN RAMOS: Any other questions for these witnesses?

(No response.)

COUNCILMAN RAMOS: Seeing none, thank you for your testimony this morning.

Our next panel of witnesses are Mr. Brian McBride, Mr. Robert Eddis and Mr. James Weeler.

MR. EDDIS: Good morning. Thank you for taking the time to hear this. We really appreciate it. I'll try to be brief in regards to our testimony.

I'd like to thank the Councilmembers that were here with us in 1999 when this initiative was passed.

And I guess we're all scratching our head because we realize prior to that bond being floated, we were at the same 53 percent water level.

And the area I have to respond also about, us being fiscally responsible. We, representing our members, are more concerned with, as Councilman Kenney said, moral responsibility. I have 966 members that have over 50 years in that receive less than a thousand dollars a month, and when this bill was originally put in front of Council, there was a lot of work, as Councilman Kenney knows, Councilman DiCicco knows. We got an awful lot of support from Councilman O'Neill, Jannie Blackwell and Michael Nutter, and we did look into the future and we did see what would happen, would there be an evaluation. If for some reason there wasn't a distribution, would there be an opportunity to re-address this issue. And as the bill goes on, it also says after a six-year period, if we see that there may have been mistakes, how can we go back and adjust it.

And it's our hope today by coming here, seeing that, as was pointed out, the people in this building here that are sitting here with us today had no control over who was making these investments. They gave their life. They gave their career, with the hope that there was going to be something for them at the end of the road.

When the bill was etched out, it seems as if it would be something fair. We're not asking to take away and eliminate the funding for the actuary assumption. We knew that. We gave it the actuary assumption plus one additional point and then the difference thereafter capped at a certain level.

So there is an awful lot of thought that went into this legislation, with the support of all the unions working together on a common ground saying how can we make sure of our retirees later on in life.

We know all the unions work in different areas, but we know our city runs because of the people that are sitting here today.

Today, I also have my pension rep that is here, Ron Stagliano, as well as Jimmy Turner, who is one of our retirees. And sometimes we as the representative of our bargaining units try to be so sincere in what we're doing, but we don't come across the same way as the person who is actually living it on a daily basis. And it's my honor to introduce one of my retirees, my friend, Jimmy Turner.

MR. TURNER: Good morning.

COUNCILMAN RAMOS: Good morning.

MR. TURNER: My name is James Turner. I'm a retired Police Sergeant with 31 years of service, four years military. I'm not a public speaker, and my remarks are going to be very brief.

I remember many people in this room, and perhaps some may remember me. The retirees need financial help and they need it now.

I am a cancer survivor but not cancer free, and I get many of my services from the Veterans Administration. If not for them, I don't know how I would handle our medical situation in reference to myself and to my family, my wife.

So I'm here to show my support, and I can give you an idea of what my pension was, and that was in 1981. This will be very brief. The pension at that time was 19,000 annually. Social Security between my wife and myself totals maybe $8,000. So we're talking about prescription, health, heating, utilities, what-have-you.

There's a lot of good men in this audience, a lot of men who worked hard, have given their all for this city.

And as I said my words before, they need financial help and they need it now.

So I'd like to close with a little verse and the verse is, may the road rise up to meet you, may the wind be always at your back, may the sun shine warm upon your face, may the rain fall soft upon your fields, and until we meet again, may the good Lord hold you in the palm of his hand.

Thank you.

(Applause.)

MR. EDDIS: At this time, I would like to ask Ron Stagliano.

MR. STAGLIANO: My name is Ron Stagliano. I retired in 2003 after 33 and a half years in the Police Department. In 2004, I was elected to a seat on the City's Pension Fund as a trustee.

Mr. Turner was fairly eloquent. One of the things I didn't bargain for when I was elected as a trustee on the fund -- I knew the fund had tough financial times, but you become the voice of all these folks sitting in the audience here, and it's painful to hear their stories, people struggling to pay their medical premium. Don't forget, a lot of these retirees sitting here, Police and Fire, do not qualify for Social Security. They're not part of the Social Security system. There's folks sitting in this room paying three-quarters of their pension for their healthcare.

Some of the ones that do qualify for Social Security are subject to the government offset. Even if they qualify as a spouse, that part of their benefit gets taken away because they have a government pension.

As a trustee on the Pension Fund, I'm well aware of the fund's financial condition. The fund has done -- I think the fund has performed fairly well over the past three years since I've been there. Actually, the fund was nominated this year for an award, mid-size plan of the year, based on the model of its asset allocation, and I think that's a good sign for the fund going forward. But there's a real need here for these folks sitting behind me and I would urge that this bill be passed to give these folks some relief.

Thank you.

MR. EDDIS: Thank you, Ron.

At this time also, what we have with us is, we have our actuary, Joe Duda, and any questions we can possibly provide today or at any future settings, we're available 24 hours a day.

I think everybody sees from our testimony, as you hear from the other, that we're really in a situation that our members are really in need. We come to you for help. We believe that the initial bill has the ability to be able to step in and make the necessary adjustments to be able to provide our members.

As we heard, 15, 16 years, some of our members won't be here in 15, 16 years. We know -- and I think the ones that sat there when we say this word will all sit back and have a little chuckle when we talked originally about smoothing. Smoothing was something that we got a big kick out of in '99. Smoothing seems to go to from smoothing to be something other than something soft. I think it's become very hard, because every year you're being offset by another.

I think that we see at this time based on the legislation that's here, we need Council to step in, make the necessary changes, to let it be determined on this year's performance so we can give these people something while they're still young enough to enjoy it and, more importantly, take care of their families.

Any questions we're here.

COUNCILMAN RAMOS: Any

questions from this Committee for the panel?

(No response.)

COUNCILMAN RAMOS: Seeing none, thank you so much for your testimony.

MR. EDDIS: Thank you.

COUNCILMAN RAMOS: Next panel, Mr. Brian McBride. Is Jim Weeler from the FOP also testifying here today, Bobby Eddis?

MR. EDDIS: He's here with us as back-up.

We're fine. Thank you.

COUNCILMAN RAMOS: Okay. Mr. McBride, if you can just bring everyone that we have scheduled here from the FOP to testify to come up, please. The names I have is Mr. John Reilly and I have Mr. Bill Rusdin.

MR. McBRIDE: Yes, sir.

COUNCILMAN RAMOS: Okay.

MR. McBRIDE: I want to thank this panel for allowing us this time.

When this bill was originally

conceived, it had the backing and input of four municipal unions. The same applies today. You are joined here today before this Council by District Council 33; District Council 47; FOP, Lodge 5; and IAFF, Local 22.

The Pension Fund was funded approximately 52 percent when this bill was originally put forth. Today we are funded at approximately the same. The pension obligation bond, which amounted to $1.25 billion, was deposited by the City on February 2, 1999 and pushed the fund to an artificial high of 76.7 percent, which then became the inflated fund basis for July 1, 1999. No one knew that the funding basis percentage of 76.7 percent, which was a direct result of the pension obligation bond, would deny our retirees, who served this city faithfully, the benefit they so deserved and which was the intent of City Council at the time.

I would like to point out that

the dedicated members of Police and Fire Departments do not pay into Social Security and, therefore, are generally denied that benefit. If they have earned Social Security credits prior to City employment or are forced to take a job while in retirement to meet their needs for healthcare costs or to keep up with the rise in the cost of living, they are further hindered by the government pension offset, which reduces their entitlement by 60 percent for the first 20 years of earned credits. They can, however, earn five percent for each year after 20 years, for a maximum benefit of 90 percent at 30 years.

Some of our retirees are not even covered by Medicare. One recently chose healthcare over an apartment and is living in his car because he couldn't afford both. We cannot in good conscience allow a retiree to be forced to make this decision.

We are asking that the

honorable members of City Council to recognize the needs of my sisters and brothers who serve this city faithfully -- District Council 33; District Council 47; FOP, Lodge 5; and IAFF, Local 22 -- and correct this by passing Bill No. 060828.

I'm joined today by a retiree who is doing very well. His name is Bill Rusdin. I've known him for my 32 years with the Philadelphia Fire Department, and he's been retired for a few years now.

Bill Rusdin.

MR. RUSDIN: Hello. My name is Bill Rusdin, 27 and a half years with the Fire Department and four years military time. I retired in 1992, and at that time, it was a medical reason, lungs and sinus problems and so forth and so on.

After being out for approximately four and a half years, that's when, of course, my wife and I sat down and talked and realized that we didn't have medical coverage. So we went to the COBRA plan, which was very expensive, and didn't stay on it too long, because my wife surprised me one night after having five children and we now have 15 grandchildren and said, I'm going to go to work, Bill. And I went, Oh, my God. But she did go to work to help supplement our income and, of course, go for the medical part also.

Since that time, we're holding on. We're not as bad as other people, but I'm here to represent a small fraction of people of what our future is going to bring us, and that is the fact that with all the medical costs probably going to double in the next ten years or greater, there's going to be a lot of us out there that are going to really have to struggle.

The supplement of the income from my wife I've been most grateful for. And not everybody, of course, still has their wives or their wives don't have their husbands, and they're the ones that are really suffering out there and need this bill passed to help them along.

To speak a little bit about medical, even though my wife is working, who will retire this June, we'll be going into the Medicare and so forth and so on, and everybody knows what that costs and the prescription plans and so forth and so on. This burden that must be with people that don't have any help whatsoever or very little help and are lower income than we are, I ask and beg of you to look at passing this bill to help them and those that are really in need and, of course, a possible set-up for what the future may bring. The financial hardship is tough on people that have something. For those who have little, it's very hard to take.

So I thank you for your time and just close saying, with 15 grandchildren and five children, I've been blessed and I do get some help from them once in a while with shoveling and going to the store and doing different things. So of those who aren't blessed, I beg of you for their help.

Thank you.

COUNCILMAN RAMOS: Thank you for your testimony.

Councilman Kenney.

COUNCILMAN KENNEY: Thank you.

I thank you for your testimony, but don't ever think you have to ever beg us for anything.

MR. RUSDIN: Excuse me, sir?

COUNCILMAN KENNEY: Don't ever think you ever have to beg us for anything. It's something that you deserve.

MR. RUSDIN: Thank you, sir.

COUNCILMAN KENNEY: Thank you.

MR. McBRIDE: At this time, I'd like to introduce someone you probably all very well know, John "Moon" Reilly, who is a past President of Local 22 and is our pension representative.

MR. REILLY: Chairman Ramos and members of this Civil Service and Labor Committee, I passed out a package of four different items that you all have right now, and from that, I'm going to start.

My name is John A. Reilly, a member of the Philadelphia Board of Pensions and Retirement since 1976, past President of Local 22, Philadelphia Firefighters Union and a retired firefighter, and this is to address and hope with your help the passage of this bill.

The Pension Adjustment Fund: This bill is presented from the combined efforts of the four major unions in the City of Philadelphia: District Council 33; District Council 47; Fraternal Order of Police, Lodge 5; and Local 22, Philadelphia Firefighters Union.

The Pension Adjustment Fund provided the same monetary provisions as the lump sum payments to the beneficiaries or a survivor who was 60 years of age and would have been receiving those benefits the last ten years. When this kicked in, you didn't have to be 60 anymore, but you still had to be retired ten years. The Board of Pensions had three options of which to adopt for this here. Pay it to our pensioners.

The Board, in full agreement with their fiduciary responsibility, opted lump sum bonuses. This provided one-time payments to retirees, beneficiaries and survivors which do not increase monthly pension benefits.

This option allowed the Board to give our retired civil servants and beneficiaries and survivors a pension benefit to reflect their dedication to the City of Philadelphia. This option does not put a financial burden on the City government or the City's taxpayers. It is financed by the growth of the fund by the returns of their investments.

If there is no growth of better

than one percent above the actuary assumption for the fiscal year, there is no disbursement from the Pension Adjustment Fund. If the growth is above one percent of the assumption, those figures above one percent of the actuary assumption and the 15 percent shall be split 50/50 with the Board of Pensions and Retirement and the retirees and their survivors.

The percentage of funding of the Board before the infusion of monies from the pension obligation bond was approximately 52 percent. The infusion of this money raised the Board's funding percentage to 76.7 percent. The money from the pension obligation bond was transferred to the Board of Pensions and Retirement on February 2, 1999.

Now, I have to tell you in the context what was happening. This bill, the Pension Adjustment Fund, everything was happening at the same time. And the Pension Fund was signed into law. So we get that on the 2nd of February. On the 3rd of March of 1999, this becomes law, the Pension Adjustment Fund. So at that point, the funding was about still 52 percent. It didn't become 76.7 percent until the closing of the books on June 30th of 1999, and that's where we are.

So to lead this 76.7 percent funding as the second barrier of making money, giving pension benefits to our retirees, it would never happen. As you heard the Finance Director testify, it will take 13 to 15 years. And there's a few things that happened after this.

That's my prepared statements, but there was a few questions asked I would like to address.

I went on board in 1976. The fund, the total assets of the fund in 1976, was $360 million. Here we are 32 years later, 31 years later. It's worth 4 billion 8 hundred million. When the infusions of money in '99 from the Pension Adjustment Fund, the top monies that we had in the Board of Pensions and Retirement was 5 billion 1 hundred million dollars, and we were 76 percent funded. Right now with 4 billion 3 we're only 53 percent funded. So what we, the City unions, are asking this august body is to give us some relief to our retirees.

Now, another question was asked, how did we get in this predicament? Well, up until 1982 -- and Joe Herkness is here now, who became the Chief -- he was the Chief of the Board of Pensions and Retirement.

So with the $360 million, we grew this fund pretty well. So up until 1982, in 1982, this Board of Pensions had no investments in equity. They used to cut bonds out, four percent, two percent. And what happened? They're losing money all the time.

There were two court cases, one by a man by the name of Debroski and a firefighter by the name of Seral Bogan (ph), that made this court over 40 years in Debroski give extra monies to the Board of Pensions and Retirement. With the Seral Bogan, it was over 20 years. They have been repaid.

Now, you heard the Chief Investment Officer testify about the fact that doing the MMO -- and by law, they can, but before that, from '93, '94 up until the year 2002, they were giving a hot percent of what our actuary said. Since that time, 2003, 4 and 5, it went 91.9, 79.9 and 83.6. Now, this is in compliance with the law, but it's an awful lot of difference of money.

And, number two, someone on this panel said to the fact that the years 2001, 2002. Everybody who was in the stock market lost money. Well, the Commonwealth of Pennsylvania enacted a law that gave you the right to write off those two years. I may be using the wrong word, but you got an adjustment for those two years. So it helped. By the

City of Philadelphia taking advantage of it, it reduced their payments between $13 and $16 million over the lifetime of that benefit. It gave them time to reorganize and make the mortgage longer.

So there's a lot of things that happened where we are today. We had -- well, Carol is going to mention when we bailed the City out in 1991 or 1992 when this city was going bankrupt. But Carol is going to address that.

So that's all I have at this point, but I ask your support in granting this Pension Adjustment Fund bill. Thank you very much.

COUNCILMAN RAMOS: Thank you for your testimony.

Any questions from this Committee to our panel?

(No response.)

COUNCILMAN RAMOS: Seeing none, thank you so much for your time this morning.

MR. McBRIDE: Thank you very

much.

COUNCILMAN RAMOS: Rob Dubow, Executive Director of PICA.

Councilman Kenney.

COUNCILMAN KENNEY: Thank you, Mr. Chairman. I have to leave the Chamber for a period of time. In my absence if the vote is taken, I'd like to be recorded as voting aye on both bills and any rules suspension requests. Thank you.

COUNCILMAN RAMOS: Thank you.

Councilman Brian O'Neill has joined us. Welcome.

COUNCILMAN O'NEILL: If I could, while we still have some positive testimony around. Mr. Dubow is coming in. I want to stay positive as long as possible.

I was here, as I know Councilman DiCicco and Councilman Kenney were, when we did the original legislation, and my dad just missed -- he was a 36-year pensioner from the Police

Department and he died right before the two years. And I'm sure it's his biggest regret, if he had been alive, was that he wasn't around for it, because that's all he talked about. He was a minimum pensioner.

I had gotten so many calls from people in the audience and others that I wanted to come to the hearing even though I wasn't on the Committee to express my support.

COUNCILMAN RAMOS: I appreciate your presence.

COUNCILMAN O'NEILL: Thank you.

COUNCILMAN RAMOS: Mr. Dubow.

MR. DUBOW: Good morning, Councilman Ramos and members of the Committee. My name is Rob Dubow. I'm the Executive Director of the Pennsylvania Intergovernmental Cooperation Authority. I'm here to testify in opposition to Bill No. 060828, which would eliminate the requirement that the Pension Fund be approximately 77 percent funded before payments are made to the Pension Adjustment Fund.

PICA issued a report on the City's Pension Fund last year and has written about the fund's challenges in many of its reports. Rather than repeating those descriptions, I will attach our report to the testimony. I will, however, provide a brief discussion of what the bill is intended to do, the condition of the Pension Fund and the reasons PICA believes the bill should not become law.

The bill's desire to help increase payments to pensioners is understandable. Unfortunately, the Pension Fund is not in a position to assume the extra burden the bill would create. There was a rationale for the requirement that the Pension Fund be able to meet a certain percent of its liabilities before payments are made to the Pension Adjustment Fund. It simply doesn't make sense to impose new liabilities on a fund that only has assets to meet about half of its current liabilities.

The City's last actuarial report shows that the percent of the City's pension liabilities that are funded is only 53 percent, down from close to 80 percent as recently as the beginning of this Administration. At the same time, the amount that the City's General Fund must pay into the Pension Fund has more than doubled, from under 200 million to well over 400 million. That increase of over 200 million means that that money, which could have gone to services such as improving public safety, is not available to the General Fund.

The situation is not expected to improve, as the recently released proposed Five-Year Plan shows payments of almost $480 million by 2012. This bill would likely lead to an increased liability and an increase in the minimum payment due to the Pension Fund.

As the increase in General Fund contributions to the Pension Fund shows, the City's taxpayers are assuming the burden of increasing the weakness of the Pension Fund. This bill would increase that burden.

With the dramatic decrease in its ability to meet its obligations and the equally dramatic increase in required General Fund contributions, the Pension Fund is like a sick patient. Rather than providing any cure for the fund's disease, this bill would only make the fund sicker.

That concludes my testimony. I'd be happy to answer any questions.

COUNCILMAN RAMOS: Thank you for your testimony.

Councilman Goode.

COUNCILMAN GOODE: Thank you, Mr. Chairman.

Good morning, Mr. Dubow.

MR. DUBOW: Good morning.

COUNCILMAN GOODE: When was the

shift to the MMO?

MR. DUBOW: I'm sorry. I didn't hear you.

COUNCILMAN GOODE: When was the shift to the MMO?

MR. DUBOW: I believe it was in 2002.

COUNCILMAN GOODE: And whose decision was that?

MR. DUBOW: I think it was the Mayor's decision.

COUNCILMAN GOODE: And whose suggestion was it?

MR. DUBOW: It was one of a number of options that the Finance Department, Budget Department when I was there, put on the table as potential ways to close what was an enormous gap in General Fund projections.

COUNCILMAN GOODE: And what was the specific recommendation at that time?

MR. DUBOW: The recommendation?

COUNCILMAN GOODE: That you move to the MMO and that you move to what specifically? What was the specific funding level that you move to at that point?

MR. DUBOW: That the City pay its minimum municipal obligation under state law, and that change reduced the City's payment to the Pension Fund by probably about $50 million a year, and the reason that change was made was that the other option was making more dramatic reductions in the City's General Fund budget, so cutting the amount that was appropriated for City departments.

COUNCILMAN GOODE: That was the deal with the economic downturn at the time, the deal with the negative fund balance around that period. Since that time, times have changed. What has changed about the MMO and the use of the MMO?

MR. DUBOW: I'm not sure I understand the question.

COUNCILMAN GOODE: The question is, to what extent has the City shifted its policy since that time, since there was a turnaround?

MR. DUBOW: The City continues to pay the MMO. It hasn't changed that policy.

COUNCILMAN GOODE: And why is that?

MR. DUBOW: I'm not in the Administration anymore, so I don't know what their rationale is. I assume it's because they don't want to make -- I really don't have anything to do with that decision now, but --

COUNCILMAN GOODE: While you don't have anything to do with that decision right now, are you saying you don't know why?

MR. DUBOW: Well, no. I was about to tell you why I assume they're doing it, which is that a shift back from the MMO to paying under the City's funding policy would mean an increase in the contribution to the Pension Fund of tens of millions of dollars, which would mean that the plan that you just got that has a $46 million fund balance at the end of 2012 would be out of balance by probably hundreds of millions of dollars and that it would have required changes to the funding for almost all of the departments or increases in taxes. So I would guess that's why they don't make the change.

COUNCILMAN GOODE: That was pretty funny.

MR. DUBOW: I try to entertain you.

COUNCILMAN GOODE: Has the City had a negative fund balance in what year?

MR. DUBOW: I think it was 2004, so negative $46 million fund balance.

COUNCILMAN GOODE: And what was the fund balance the following year?

MR. DUBOW: It was positive -- I don't have the exact number. It's been positive every year since then. Last year it ended at about 250 million.

COUNCILMAN GOODE: I understand that you're saying that the fund balance is going to again five years out return at 46 million and that a few years back we had a negative fund balance, but in between that time, I still don't understand your rationale for why you believe the City has been putting in the minimum.

MR. DUBOW: Well, because what the City looks at -- the City has to have a balanced five-year plan. It can't look at just one year at a time. So when the City --

COUNCILMAN GOODE: So did the City anticipate a quarter of a billion dollar fund balance?

MR. DUBOW: Should the City anticipate a quarter billion dollar fund balance going forward?

COUNCILMAN GOODE: No, no, no. Did the City --

MR. DUBOW: No. The City now is in a position where it assumes that it's going to have $46 million in a plan that also assumes it's going to get $90 million from the state that's not in the state budget.

COUNCILMAN GOODE: My question is this, is, you're suggesting that the decisions that were made as the fund balance was improving was based upon a five-year financial plan. I'm saying within those five-year financial plans that were done while you were still Budget Director, did the City assume that there were going to be positive fund balances that would eventually total over a quarter of a billion dollars?

MR. DUBOW: The City assumed positive fund balances but not as large as $250 million. There were things we didn't project, such as the real estate transfer tax quadrupling in seven years. So, no, we didn't --

COUNCILMAN GOODE: So is it true or not true that over those years the City could have contributed more than the minimum?

MR. DUBOW: The City could have contributed more than the minimum over those years, yes, it could have.

COUNCILMAN GOODE: Thank you.

COUNCILMAN RAMOS: Any other questions for this witness?

(No response.)

COUNCILMAN RAMOS: In your last sentence -- and we understand, as Councilman Kenney very well stated earlier in the hearing, that we have an obligation on this side as well to deal with the impact of this service that I think is very much needed to our municipal employees, firefighters and all the other municipal employees, firemen, policemen and our other municipal employees, but here you refer to the Pension Fund as a sick patient. So we're trying to reconcile here your description of the fund as a sick patient with some of the people in the audience having health issues. Those are the real sick patients that we have to look out for, the families of these men and women who have given their lives for public service.

So we have to find a way to reconcile this where we don't worry about your metaphor of the fund as being a sick patient with people that are actually sick and can't afford to pay for their medical bills because their Pension Fund has not increased, it is not up to COLA standards.

So we have to find a way to reconcile this, because we cannot just say we cannot do it and just neglect the reality of the people that have come here this morning.

MR. DUBOW: I completely understand and I understand it's a very real issue. I guess my problem with the bill is that it comes at a time when the Pension Fund is in trouble and it doesn't in any way address that.

COUNCILMAN RAMOS: Do you have

any ideas?

MR. DUBOW: Well, in our report, yeah, we listed a whole number of --

COUNCILMAN RAMOS: As we protect these families.

MR. DUBOW: Yes. I mean, there are a whole number -- well, most actually what we talked about in our report was really things you could do with new employees. We didn't really talk about changing the benefit for existing employees or retirees in any way, but there are a series of recommendations in there.

COUNCILMAN RAMOS: I'll now defer to Councilman Goode.

COUNCILMAN GOODE: Thank you, Mr. Chairman.

I guess the question that Councilman Ramos has asked is the same question I asked Mr. Jannetti. At what point do you believe that we could offer a COLA to these retirees in terms of your financial projections?

MR. DUBOW: Right. And a lot of that depends on what earnings the fund actually receives. The answer you got before, the 13 to 15 years, assumed that you would continue at eight and three-quarters, and if you continue at eight and three-quarters, there's not going to be any contribution to the Pension Adjustment Fund anyway. It really depends on how much in excess of the eight and three-quarters you wind up getting. That's really what it comes down to, and I don't have those numbers.

COUNCILMAN GOODE: I understand that, Mr. Dubow. My question was at what point do you believe we could offer a COLA, in your estimation.

MR. DUBOW: If your investment returns keep in excess of eight and three-quarters, say they were a percent or two above, I think you could probably -- and I'm just guessing -- cut that time in half.

COUNCILMAN GOODE: Thank you.

COUNCILMAN RAMOS: Will you submit to the Chair, please, any ideas that you have moving forward in the future to address this issue. You've been on all sides of this issue.

MR. DUBOW: I mean, I actually have. It's attached to the testimony. It's the report that we had done, and there are a series of recommendations.

COUNCILMAN RAMOS: Thank you for your testimony.

Councilman Greenlee.

COUNCILMAN GREENLEE: Yeah. Just follow-up on that. But I think I heard you say, Mr. Dubow, that you didn't have any suggestions as far as the pensioners go; what you were talking about had to do with the present City employees? Did I hear that right?

MR. DUBOW: No. It had to do with future City employees, not current employees or current retirees.

COUNCILMAN GREENLEE: So do you

have any recommendations about what we're talking about today?

MR. DUBOW: Well, the recommendations that we were talking about was actually how to reduce the unfunded liability over time, which would involve for new employees things like looking at the way pensions are calculated, looking at contributions from employees and maybe even looking for new employees, at least offering them the ability to go to a defined contribution plan instead of a defined benefit plan. And all those things would help the health of the Pension Fund, which in the long run would help all the people in this room.

COUNCILMAN GREENLEE: How long a run?

MR. DUBOW: Well, you start to get benefits almost immediately, and those benefits then get larger and larger over time.

COUNCILMAN GREENLEE: Was there

any discussion directly about the pensioners of today? I mean, as far as -- or is it just basically if you take care of the future, it will eventually help the others?

MR. DUBOW: In terms of making changes, we didn't recommend any changes for benefits to current retirees or employees. I mean, there's discussion of how their benefits compare to other cities.

COUNCILMAN GREENLEE: How was that, by the way? I asked Mr. Jannetti that. How did that compare?

MR. DUBOW: Their benefits were comparable to other cities. Some places had started to make changes that made their benefits lower than the benefits here; other places have slightly higher benefits. But they were not out of line with other jurisdictions.

COUNCILMAN GREENLEE: Do you know was there cost of living adjustments in some of the other major cities to the pensioners?

MR. DUBOW: I don't remember. I'd have to check that. I don't remember.

COUNCILMAN GREENLEE: Okay.

Thank you, Mr. Chairman.

COUNCILMAN RAMOS: Any other questions from this Committee?

(No response.)

COUNCILMAN RAMOS: Seeing none, thank you, Mr. Dubow, for your testimony this morning.

The next panel will be members of District Council 47 and 33, Mr. Tom Cronin, Carol Stukes, DC 47 pension representative, Mr. George Karalius of District Council 47 and Mr. Sherman Harris from District Council 33.

MR. CRONIN: Good morning, Mr. Chairman, members of City Council.

COUNCILMAN RAMOS: Good morning.

MR. CRONIN: The union sister on my right and the union brother on my left will give the major testimony for District Council 47 this morning. I'm merely in an Alan Arkin role as a supporting actor today. But I do want to make, if I could, a couple of comments.

COUNCILMAN RAMOS: Tom, can you please state your name for the record.

MR. CRONIN: Sure. My name is Thomas Paine Cronin. I'm President of AFSCME District Council 47.

COUNCILMAN RAMOS: Thank you.

MR. CRONIN: First of all, I want to say to Jim Turner, who is still here, I want to publicly say this: That's some of the most calmest and most eloquent testimony that I have heard in a long time with respect to pensioners, and I just want to publicly thank him for his significant contribution today to all City employees.

One of the comments -- and I'm here certainly and our union is here in total solidarity with the uniformed services and with District Council 33.

So I want to make that absolutely clear.

We have four City unions together and this is where we get our strength, and I'm proud to say that we're going to stay together.

I want to make a comment about the issue that was raised about the COLA saying, well, anywhere from 13 to 16 years we could afford a COLA, and then the comment -- I heard another comment that was made that, will some of our people be around in 13 or 16 years. Well, we have people, gentlemen, that may not be around for another 15 or 16 months and they need this relief now.

It was also said that what we're asking for is really a minor adjustment. We're not asking for a huge increase here. We're asking for a minor adjustment. And it scares me when I hear somebody who I personally know and like, Rob Dubow in the back, today sounded like a MAC machine that talks, talk about changing the pension for the newer workers. And I know we're not here to talk about that, but let me just -- if that's a shot across the bowel, let me just say that we'll be prepared to answer that at the time of labor negotiations, because we're not going to take a step backward on pension issues for our older employees and we're not going to take a step backward for our newer employees on that issue.

A comment was made by Moon Reilly, kind of stole our thunder a little bit, about sacrifices that the City employees have made throughout the years and he made reference to something that Carol may want to talk about a little bit, and, that is, when this City was in trouble -- and this is certainly not to point the finger at anyone here or anyone in the past, but when this City was in trouble in the '80s and the beginning of the '90s and there was a real threat, there were stories in the print and the electronic media every day about the crisis that we faced in the City, that it was going to go bankrupt, that there were going to be no City services, no City paychecks, et cetera, et cetera, I just want to remind folks that it was the City unions here and the people in this building, some of them who are no longer here, that made that sacrifice for the City and said that you can use the Pension Fund to help out the City so we can continue to provide services, a decent level of care to all of the people in the City of Philadelphia. We made that sacrifice then. Somebody could come back and say, Well, you got a fair rate of return at the end. We didn't dictate that fair rate of return. The banks did. But I just want to remind people that it was the City unions that stepped up to the plate when we needed to step up to the plate for everyone in the City, whether they were union members, whether they were just regular citizens, what-have-you.

Finally, like other union leaders, I have heard time and time again, particularly our older retirees who come in who get a pension check, maybe they retired in the late '70s or early '80s, and what they have to pay for, the escalating costs of healthcare, and what's left over that they may have to pay for the rest of their bills after they pay their healthcare is just -- it's a crime. It really is a crime.

And, finally, I want to say that to all of you -- and it's just a reminder that the folks that we're talking about, the retirees, they can't strike and they can't take job actions, whether it's this flu or that flu, or do anything of the sort. What they're looking for really is a small measure of justice by coming here and asking you to consider the facts, because really you are, along with the unions, the only opportunity that they have not to be totally condemned to a life of poverty. So I would just like you to please consider that, and say thank you for hearing me out.

COUNCILMAN GOODE: Please state your name for the record and proceed with your testimony.

MR. KARALIUS: I am George Karalius, former City employee, retired. Currently for the last seven years I've been a trustee of the retiree chapter District Council 47. More recently on the Executive Board. I am their representative on the Pension Board as an observer. I have no vote, no say. But I've been in the investment and insurance field for the last 15 years since I retired and I have a good handle and understanding of the funding and the workings of the Pension Fund.

You know, last time I testified here was when Jimmy Paone had an inquisition about why I made the Mummers march in the rain in the 1989 parade.

Well, today, many years later, I'm here in a more grave matter that has been addressed by all my former colleagues, co-workers, Moon Reilly and everybody else. It's the state of our retirees.

Now, I represent over a thousand in our retiree chapter, District Council 47 retirees. We expect we'll be up to 2,000 in the next year and a half, maybe less. Many of those people have retired 20, 25 years ago. They're in their 80's. My friends, they're starving. Their entire pension check goes to cover for their health costs, as you heard from many others before, and a lot of times they have to add to their health insurance out of whatever other sources they have. They're on poverty line.

You know, it is very difficult for me to explain, because they know I attend most of the Pension Board meetings, how the Pension Fund can afford 100, 200, 300, 400 thousand dollars in

DROP money and yet we cannot get a simple perhaps one hundred dollar a year for each year of retirement for our retirees.

My friends, if people have been retired 25 years ago and they're getting a pension check several hundred dollars a month and they get a check for 2,500, that's more than covers their four, five month pension. That covers a lot of their health insurance costs. They're the people that we're most concerned about.

I retired. I have another job, another career. I'm doing well, but if I had to live just on my pension -- my purchasing power back in '92 was $42,000. My pension today, my purchasing power is less than $14,000, and I retired well. Think about those that left with pensions of 8, 9, 10 thousand dollars 20, 25 years ago.

Really, the retirees are in your hands. We ask for an adjustment to the Pension Adjustment Fund. I think that's a very simple solution, and you are really the key.

Thank you very much.

COUNCILMAN RAMOS: Thank you for your testimony.

Ms. Stukes.

(Applause.)

MS. STUKES: Good morning, everyone. My name is Carol Stukes and I'm a pension trustee for the City Board of Pensions and Retirement representing District Council 47 and all City employees that sits on the Board. My other union trustees, Moon Reilly and Ron Stagliano, had already spoke. Unfortunately, Bill Rubin, who represents District Council 33 and also City employees, is not here today, but they have already told us that 33 gives support to what we're doing today. I want to thank the union presidents for supporting us on this issue.

When we did the Pension Adjustment Fund -- and I'm not going to speak on all the figures and stuff you already heard. I'm the one that always comes from the morale aspect, so I have to deal with from my heart issues here.

We had no idea that the City intended to put that 76 percent funding as a requirement. As Moon spoke, when we did the Pension Adjustment Fund, it was at 53 percent. So that's what we assumed the funding level requirement was going to be. But as we sit here today, that's not true.

When I got on the Board in 1994, I had to deal with a survivor, somebody's widow, who her pension was $232, and I was like almost crying at the hearing because we had to tell the lady she couldn't have the money no more. And I'm up there fighting with my other colleagues saying, Give her the money, $238 is a drop in the bucket when you're talking about millions and millions and billions of dollars, and we couldn't do it. And it hit me as a reality that that could have been my mother. My mother was deceased at the time, but it could have been my mother. It's somebody's mother that no longer has the pension of $238.

Mr. Jannetti talked about the impact on the present active employees and he talked about it on the retirees. Like George said, we did something for the active trustees that the -- the active employees that retired ones don't have. And for all of us sitting in the room going forward, we put in the DROP program, a Deferred Retirement Option Program, that kind of gives our people going out the door some kind of cushion to deal with their finances going out the door. Most people walk out the door with a hundred thousand dollars. Some more than that. And a lot of us have benefitted from that DROP program. Unfortunately, the people that went out before we instituted the DROP program doesn't have any cushion. So they're starving. They're at the dollar store, they're buying cat food, they splitting their pills in half. We all know the same situation. They turn on the gas stove to get heat and trying to decide what they're going to do.

We are taxpayers. Most people don't think we are, but we are taxpayers. So whatever happens, we have a say in that. As Tom said, every time the City needed help and came to the Pension Board, the four unions got together and said, We're going to help the City and we're going to help them do what they need to do so that the other taxpayers in the City of Philadelphia won't go without service.

Talk about the MMO. They reduced the MMO, but the City is having surpluses. You have to fight to get another penny more in above what the MMO said. And I'm asking, is the City taking in their fiduciary responsibility when they do these five-year plans, when they do the budgets and are they considering the retirees as part of their five-year plan? Because if they was doing it fiduciarily, it would not be a decision on how are we going to cut future employees, it would be a decision on we have to include the retirees in our budget so that they can get some sort of adjustment.

We shouldn't even be dealing with a Pension Adjustment Fund. These retirees should be having a COLA, which this City refused to deal with from the beginning and that's why we had to fight for a Pension Adjustment Fund.

When we go around and talk to other cities, the average COLA that people are getting is about four percent. When we sit and tell people we don't even have a COLA, they look at us like we're crazy. And their funds is doing worse than us. They give their people COLAs.

So we sit here because we have to always constantly fight the City on what should happen for retirees. And why are we fighting for retirees? Because one day we're all going to be retired and somebody is going to be sitting here fighting for us and for that benefit that we're going to need going out the door.

And that's where I'm at. I'm not going to make it long. I said what I had to say. It's just that we look at it differently. The trustees take their fiduciary responsibility seriously and that's why we changed the way we do business.

We fought and we have been fighting the City to reduce the actuary rate since 1999. It took them six years, six years to bring it down a quarter of a point. Six years. We had testimony in 1999 from consultants that said the City's actuary rate of return was too high, too high. So fiduciarily they should have been looking at that, not waiting six years to do it. And that impacts on the return of the fund also.

When we tell people that we

have a nine percent or now eight and three-quarters, they look at us, again, like we're crazy, because most funds is between seven and eight percent. So you see we're still too high. And all we hear from the City is that, But it's going to cost us more money.

So I'm saying they're not fiduciarily doing what they're supposed to do to make sure the Pension Fund is whole.

Thank you.

(Applause.)

COUNCILMAN RAMOS: Councilman Greenlee.

COUNCILMAN GREENLEE: Ms. Stukes, I just want to make sure this gets on the record, because it answers a question I asked both Mr. Dubow and Mr. Jannetti. You said that your research shows that a lot of cities there are COLAs for the pensioners, correct?

MS. STUKES: Yes. And when we testified in 1999 -- in 1998, '99 when we was doing the Pension Adjustment Fund, the four unions brought in actuaries and they said the average COLA was about four percent for the different cities that were doing it. So the City knew then that they was looking at like a four percent. We wasn't even asking for that high of a return. Like always, we try to take both sides in consideration when we do these things. You understand what I'm saying?

COUNCILMAN GREENLEE: I understand.

MS. STUKES: But the average return back then was like four percent.

COUNCILMAN GREENLEE: And basically the answer always from the Administration was we couldn't afford it; is that basically it?

MS. STUKES: That's right. That's right.

COUNCILMAN GREENLEE: Thank you, Mr. Chairman.

COUNCILMAN RAMOS: Ms. Stukes,

thank you so much for everything that you do on the Pension Board. I can say that all of us that are accumulating pension time in the City of Philadelphia, we're all very glad that you're there defending us.

MS. STUKES: Thank you.

COUNCILMAN RAMOS: Any other questions for this panel?

(No response.)

COUNCILMAN RAMOS: Seeing none, thank you so much for your testimony this morning.

Is there anyone else here that wants to testify in favor or against this bill? Please come forward.

Please state your name for the record and proceed.

OFFICER McCANN: My name is Robert McCann. I'm a retired Philadelphia police officer. I came down here today after about two weeks ago I called all City Council persons, all of them, in reference to supporting this bill for people who are retired like myself. I received ten answers back and I received one phone call hung-up. So they're upsetting me, so I decided to come down here and testify. I gave your secretary my name. And I may be a little different than most people here testifying. I'm down here testifying so that we can get a cost of living for my wife. And let me give you a little example of that.

I spent time in uniform as a blue suit and tie man, plain clothes as a blue suit. I was never a boss, never wanted to be a boss. And my college education is the School of the Hard Knocks out there on the street. I'm not a very articulate speaker, but I'm going to tell you where it comes from my heart.

I'm married 48 years. Twenty-eight years ago I came to the City when I was working and I asked for a favor. This is the second favor I'm asking for. Twenty-eight years ago my wife had cancer. At that time, breast cancer, women had the life of five years to live. I'm fortunate today when I left this morning, 48 years being married, she's still there.

But I asked to get transferred to a daywork job. I don't care where it was, sweeping streets, whatever you wanted me to do. The reason why I wasn't transferred when I went to the City for help was because my partner and I made a good amount of arrests and couldn't be spared. My wife has cancer. Twice I put in.

I then went to somebody who was here in politics. I told them the story. Twelve o'clock that night I was transferred. So that's the first favor I asked for anybody, and that was for my wife.

A young man just testified -- and I'm sorry. I don't know all these percentages, all these actuaries, all this type of stuff like that, and I apologize for not knowing it, but the young man stated to you, "I understand the problem." I don't see how he can. I believe he's working, getting a pay. And I'm sure in the next 15 years or seven and a half to 15 years that he hopes to get increases in his pay.

My electric, my gas, my taxes, my Blue Cross/Blue Shield, car, food comes out to 1,842 a month. My wife hasn't gone to the hairdresser. I haven't gotten my hair cut. We didn't go over to the Mayfair Diner or down to the seashore. This is what it's all about. I'm down here now -- my wife deserves not to say to me, When does the pension check come in so I can make an appointment for the hairdresser? She deserves to go there.

Maybe these people don't feel that way. That's what I'm here for. Forty-eight years of the same lady, she deserves it. You don't want to give it to me? Anybody can do what they want to me, but you don't do it to my family.

I appreciate what you gentlemen here are doing. Every time I walked in these halls for 13 years and I would see different people who were in the City Council or people who are Senators now, all I heard was, Bob, any time I can help you, give me a call, give me a call, give me a call. First time I ask for my wife, because I did a good job, the only thing that was working for me was -- and many of these people are much better policemen than I was.

1972 I was in the hospital for quite a number of days. I was fortunate enough to get 11 people out of a fire. And the person who helped get me transferred was the only person that came out to that hospital, PGH, to see me. Newspapers made a big deal about it. Television made a big deal about it. And I never asked for anything. So I'm here today and I'm asking you gentlemen and I'm asking the City Council, there's nobody on that Board of Pension who is working knows what it's like. There isn't a Councilperson who knows what it's like. Forty-eight years with my wife, I do not know what it's like to have cancer. Only if you been there.

I'm here now retired. As I just told you, $1,800. My pension doesn't come anywhere near that 2,000. I'm asking for something so that I don't sit home and wait for the pension check to be able maybe to go to the diner. I don't know how many people here that are working, how often they go out to eat, but I found in going on 19 years, it's coming down to very, very little, very little. And this is when after having four kids, 14 grandkids, hey, it's mom-mom and pop-pop's time.

So I'm down here for Dorothy. That's her name, Dorothy McCann. She's the one that deserves whatever you can give her. This isn't something that we want. It's something that we deserve. I don't mean this in a facetious manner: A year and a half ago City Council put in for a raise because Council President at the time said, City Council is as good as the New York Council. I spoke to one Councilperson. I asked him if we, the police officers in Philadelphia, retired or active, are as good as the police officers in New York. He said, Absolutely.

So if we're as good as them, I think that maybe you could think -- and I don't know of any Councilperson who would say that we're not as good as anybody else.

COUNCILMAN RAMOS: Better.

OFFICER McCANN: Excuse me? I didn't hear that.

COUNCILMAN RAMOS: Better.

OFFICER McCANN: You did say better. Thank you. So if we're better than New York; Carney, New Jersey --

COUNCILMAN RAMOS: Philadelphians are better than New

Yorkers. You know that, right?

OFFICER McCANN: Thank you. Carney, New Jersey; Mt. Pocono Police Department in Pennsylvania, who all have cost of living, medical and were able to have Social Security. I don't have that.

You gentlemen in your pocket right now -- and I only can bet you five bucks -- have more in your pocket than I get in Social Security a month.

So what that's pointing out --

(Applause.)

OFFICER McCANN: What that's pointing out to you -- maybe it's a little facetious. I'm sorry. I don't get diddly-squat.

Now, I had a good friend of mine say to me, a good friend, You're the one that wanted to be a cop. Well, thank you for the seven days in PGH Hospital or the other 20-some visits that I made. I wanted to be a cop.

City Councilpeople here now have the ability, I understand -- I don't know actuaries, I don't know percentage, I don't know any of that stuff, how much has to go into the Pension Plan, how much has to go there, but when I hear $4 billion, I'm looking at enough to go out and get something to eat for dinner as a special for my wife.

Every time I go to the grocery store, I cannot go -- I appreciate the time you're taking. I don't know how long -- I could go on for days, but I'm not going to.

Every time I go to the grocery store and we get that grocery, the lady doesn't come up to me and say, Well, what's that actuary man say? Oh, you're going to get something in seven and a half years, 15 years? Oh, okay. Well, look, take the food now and come back when they decide that it's going to be. But the other guy who is working behind me and has a job in that finance office, he has no problem because he just got his big paycheck. And I don't fault him for that. He worked that. I don't fault myself for coming here for my wife, Dorothy McCann, and asking you gentlemen and the rest of City Council to turn around and say, I don't care what it costs. I don't know the ins and outs. I just know that next month when I get my pension check I would like to see a couple bucks more, and I appreciate anything that you can do.

I thank you so much for your time.

(Applause.)

COUNCILMAN RAMOS: Thank you, Officer McCann. We do care about you and Dorothy.

OFFICER McCANN: You wouldn't be here if you didn't. Thank you.

COUNCILMAN RAMOS: Please proceed. Please state your name.

MR. LEWIS: Thank you all. My name is Edward Lewis.

COUNCILMAN RAMOS: I'm sorry. With due respect, I'm going to need for you to sit down, please.

MR. LEWIS: Okay.

COUNCILMAN RAMOS: Thank you.

MR. LEWIS: My name is Edward Lewis. I live in the 66th Ward, 33rd Division. My Councilperson for the first time I'm meeting right now is to my left.

I did 22 years in the Police Department. I need to stand to show you something. See how I'm dressed? If it wasn't for the Police Department, I would not have nothing to wear. That's a 30-year sweater.

I gave more than 22 years. I gave something that his father gave, and one of your members up there had a relative, a father, that was in part of City government. I've gave three children to this city. I'm asking you to help all of us and anybody out here that has children in here to let them know that you, our City fathers, care about us. I do not believe any of you that you're going to help us at all. I believe we're going to die starving.

Thank you.

(Applause.)

COUNCILMAN RAMOS: Thank you for your testimony. Sir, if you stick around, I think that we will prove you wrong.

(Applause.)

COUNCILMAN RAMOS: Is there anyone else who wishes to testify on this bill?

Please come forward.

Please proceed. State your name for the record.

MR. HERKNESS: My name is Joe Herkness. I'm a citizen. I'm a retiree. I'm a member of District Council 47's retiree organization and I'm the former Executive Director of the Philadelphia Pension System.

I just heard about this bill last week and I've been out of touch a little bit and I was out of town, so I got in here today because I'm very, very interested in it.

Rather than get issues about the percentages and all this stuff, the basic concept here with this bill is, a rising tide raises all boats. It's simple. If you agree with that, then you agree with this bill. Because the pensioners do not participate in any increases in the Pension Fund until one percent above the actuarial assumption. So they assume 8.75, right? And they just lowered that, which helps the Pension Fund, and that's a pretty good thing for the City to do. So they have to earn 9.75. At 9.75 and above, there's a 50/50 split. So at nine percent, you get 0.25 to the pensioners and the City gets 1.25 percent. It's the same as if we make 100 extra dollars, you and I, right? The City -- or the Pension Fund, Pension Fund, and the retirees, we make a hundred extra dollars. The City keeps nine and gives the pensioners ten every year. Well, I'll take that deal every year if I'm the City. And as a manager, we negotiated this thing in the ante room right over here whenever it was. John Reilly will tell you what it was. I don't got that good a memory.

And this issue -- this language is the most progressive language for any management group that's administering pension funds in this country. I challenge anybody to come up with legislation that is based on your performance. The big stripers on Wall Street, they love to say, Oh, we're only going to pay you according to performance. You're a CEO. If your stock makes ten percent, we'll give you a bonus.

Well, this is what it is. The retirees get a share only if the Pension Fund shoots the lights out. You got to hit the ball off the wall. It's beginning of baseball season. You got to hit the ball off the 331 wall down the stadium for them to get a dime.

8.75. Rob Dubow was here. Pretty good guy. Knows his numbers. Charlie McPherson next door. If there's somebody that knows more about the Pension Fund than Charlie McPherson, I don't know who it is.

And you got a lot of sharp people watching this fund. They all know that 8.75, the retirees get zip. Nine percent the retirees receive just one -- they get zip. It has to go to 9.75 percent on a five-year smoothing average.

Now, the testimony before from the Board of Pensions, he said, Oh, annual. The thing is based on your actuarial funding, which is based on the June 30th report. So it's the five years ending last June. They're going to add them all up, divide them by five and they're going to tell you -- by the way, Council has to have a report given to you, according to this law, every year on what's the status of the Pension Adjustment Fund and what's the status of what's going on. And if nothing happens after about 18 months, you just want to know. So there should be a series of reports that come every year that say what's the status of the Pension Adjustment Fund.

But this is -- and once again, and I'll get off the air, because this is really an emotional issue, and what's emotional is really a double safety net for the City. And that's when it went in. And I can remember like it was yesterday it was so important, as far as I was concerned from my position as the Executive Director, because I had spent 14 years as a trustee and an employee representative in the City. I then had the privilege of serving as the Executive Director for seven years. This was right in the middle and right in the presence when you had the pension obligation bond where the capital markets allowed the City of Philadelphia to borrow 1.4 billion. The pinstripes took 200 million or whatever and we received $1.25 billion that lowered the unfunded liability. The position of Ben Hailer, who was then the Finance Director, and John Street, who was then President of City Council, when they really got together, and the staff, realized that they couldn't put $1.25 billion in the Pension Fund and not give anything to people who have been out 15, 16, 17 years and didn't get a dime.

So this is where this language -- that's where this idea started to come from, and the language is put together by some hard, banging negotiations even to the last minute in the hallway.

This 76 percent funding was where the Pension Fund ended up after, as John Reilly testified, after that fiscal year three or four months later and we've had some good performance. So at 76 and they say whatever it is July, we got to stay there, and it was a second level. It was still one percent above.

Remember, the assumption was nine percent. So then you had to make ten. So it was over ten. So if you made 11 percent for five years, right? Ask anybody in Wall Street about 11 percent for five years. Unless they want to lie to you, they'll say, Oh, we can do better than that. Always beware of a naked guy trying to give you the shirt off his back, but the -- I don't know where that came from.

But anyway, the one percent and then the retirees share 50/50 in the excess. They run past these words very quickly. Excess. It's a real nice word. Excess means I have to give you 8.75. If I make one percent more, that's pretty good numbers. That's one percent of $4.8 billion over five years. The adjusted value -- that's a strong performance. Not just one year. That's five years. That's a strong performance. Whether you're in your local bank or credit union or whether you're on Wall Street, five-year consistent performance is a pretty good return.

And so after that five years, you have that one percent. Then you share 50/50. So the Pension Fund gets the first one percent of the excess and it goes against the unfunded liability, and that's a good thing. Then after that, they start to really hit the ball. It's like guys on the bench, Put me in, Coach. We're winning ten nothing, how about letting this guy play? And that's really what it amounts to. So after they make the 8.75 percent plus a percent, the retirees participate in a 50/50 split.

A rising tide raises all boats, and that's all I have to say. I think this bill is easy and it's easy for management, and I don't think they should be afraid of promises. They're being afraid of promises that they've made to all these people who work. And the only way they have to pay is if they make enough money to pay for the promises. If they don't, they don't have to pay. That makes eminent sense. Every manager in the country would love to have the same thing. He wouldn't have to go back to the constituents and say, We have to give the retirees extra money this year and there's a political issue. Because if you make the dollars in the Pension Fund, they will get it automatically.

Thank you, and I ask if there are any questions.

(Applause.)

COUNCILMAN RAMOS: Any questions for this witness?

(No response.)

COUNCILMAN RAMOS: Seeing none, Joe, thank you for your testimony.

Anyone else that wishes to testify on this bill?

(No response.)

COUNCILMAN RAMOS: Seeing none, this will conclude our public hearing and we will now move into our public meeting.

We are now in our public

meeting, and the Chair recognizes Councilman Goode for a motion on Bill No. 060828.

COUNCILMAN GOODE: Thank you, Mr. Chairman. I move that Bill 060828 be reported out of Committee with a favorable recommendation and that the rules of Council be suspended so as to permit first reading at our next Council session.

(Duly seconded.)

COUNCILMAN RAMOS: It has been moved and seconded that Bill No. 060828 be reported out of Committee with a favorable recommendation and further moved that the rules of Council be suspended to permit first reading of this bill at our next Council session.

All in favor signify by saying aye.

(Aye.)

COUNCILMAN RAMOS: Those opposed?

(No response.)

COUNCILMAN RAMOS: The ayes have it.

The Chair recognizes for a motion Councilman Goode on Bill No. 060892.

COUNCILMAN GOODE: Thank you, Mr. Chairman. I move that Bill 060829 be reported out of Committee with a favorable recommendation and that the rules of Council be suspended so as to permit first reading at our next Council session.

(Duly seconded.)

COUNCILMAN RAMOS: It has been moved and seconded that Bill No. 060892 be reported out of Committee with a favorable recommendation and further moved that the rules of Council be suspended to permit first reading of this bill at our next Council session.

All in favor signify by saying aye.

(Aye.)

COUNCILMAN RAMOS: Those

opposed?

(No response.)

COUNCILMAN RAMOS: The ayes have it.

This concludes the public meeting. I would like to thank everyone for your attendance and your testimony.

(Applause.)

(Committee on Labor and Civil Service adjourned at 11:55 a.m.)

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CERTIFICATE

I HEREBY CERTIFY that the proceedings, evidence and objections are contained fully and accurately in the stenographic notes taken by me upon the foregoing matter on February 27, 2007, and that this is a true and correct transcript of same.

____

MICHELE L. MURPHY
RPR-Notary Public

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