

1 Introduced by Council President at the request of the Mayor:

2 2013 MAY 28 PM 4:21

3
4 **ORDINANCE 2013-**

5 AN ORDINANCE PERTAINING TO CHAPTER 121 (POLICE
6 AND FIREFIGHTERS PENSION PLAN), ORDINANCE
7 CODE; AMENDING SECTION 121.102(E) (POLICE AND
8 FIRE PENSION PLANS) CREATING A NEW CATEGORY OF
9 MEMBER KNOWN AS A "GROUP II MEMBER" BASED UPON
10 A DATE OF HIRE ON OR AFTER OCTOBER 1, 2013 AND
11 SECTION 121.113(A) AND (B) (CALCULATION OF
12 PENSION CONTRIBUTIONS FOR POLICE AND FIRE
13 PENSION FUND) REVISING THE CONTRIBUTION
14 PERCENTAGES OF EXISTING POLICE AND FIRE
15 PENSION PLAN MEMBERS; AMENDING SECTION 121.201
16 (RETIREMENT BENEFITS), SECTION 121.204
17 (SURVIVING SPOUSE'S BENEFITS), SECTION 121.206
18 (CHILDREN'S BENEFITS), AND SECTION 121.209
19 (DEFERRED RETIREMENT OPTION PROGRAM (DROP));
20 CREATING NEW SECTION 121.211 (CALCULATION OF
21 PENSION CONTRIBUTION FOR POLICE AND FIRE
22 PENSION FUND) ESTABLISHING THE PROGRAM OF
23 PENSION BENEFITS EXTENDED TO GROUP II MEMBERS;
24 APPROVING THE MEDIATION SETTLEMENT AGREEMENT
25 IN THE CASE OF RANDALL WYSE, ET AL, VS. CITY
26 OF JACKSONVILLE, ET AL, CASE NO. 3:13-CV-121-
27 J-34MCR, UNITED STATES DISTRICT COURT, MIDDLE
28 DISTRICT OF FLORIDA; ATTACHING THE REQUIRED
29 ACTUARIAL IMPACT STATEMENT; PROVIDING AN
30 EFFECTIVE DATE.
31

1 WHEREAS, in the case of *Randall Wyse, et al, vs. City of*
2 *Jacksonville, et al*, Case No. 3:13-cv-121-J-34MCR, pending in the
3 United States District Court for the Middle District of Florida,
4 the Plaintiffs, are individuals who are members of the City of
5 Jacksonville Police and Fire Pension Plan ("Plan"), and the
6 defendants consisting of the City (Defendant and Cross-Claim
7 Defendant), the Jacksonville Police and Fire Pension Fund Board of
8 Trustees ("Board") (Rule 19 Defendant and Cross-Claim Plaintiff),
9 the Fraternal Order of Police (Rule 19 Defendant) and Jacksonville
10 Association of Firefighters (Rule 19 Defendant), have entered into
11 a Mediation Settlement Agreement **attached as Exhibit 1** (the
12 "Settlement Agreement"), subject to the approval of the Council and
13 the Board; and

14 WHEREAS, the Settlement Agreement provides for the amendment
15 of the Ordinance Code regarding Plan benefits, including by
16 creating a new tier of pension benefits applicable to Plan members
17 hired on or after October 1, 2013, and by revising the contribution
18 percentages of existing Plan members; now, therefore,

19 **BE IT ORDAINED** by the Council of the City of Jacksonville:

20 **Section 1. Sections 121.102(e) and 121.113(a) and (b) Amended.**
21 Sections 121.102(e) and 121.113(a) and (b), *Ordinance Code*, are
22 amended, to read as follows:

23 **Chapter 121. POLICE AND FIREFIGHTERS PENSION PLAN**

24 **PART 1. POLICE AND FIRE PENSION FUND ADMINISTRATION**

25 * * *

26 **Sec. 121.102. Police and Fire Pension Plans.**

27 * * *

28 (e) Definitions of Membership Classes:

29 (1) Members: Are Group I Members and Group II Members.
30 ~~Are employees of the City of Jacksonville who have enrolled in the~~
31 ~~Police and Fire Pension Plan and are contributing to the Plan~~

1 ~~through payroll deduction.~~

2 (2) Qualified Mmembers: Are Group I Members employees of
3 the City who have elected to participate in the deferred retirement
4 option program under Section 121.209, which applies only to Group I
5 Members. Group II Members are not eligible to participate in the
6 deferred retirement option program.

7 (3) Beneficiary or Beneficiaries: Are (i) with respect
8 to Group I Members, present and former active Group I Mmembers who
9 have completed five or more years of credited service as active
10 members and have either (1) vested their service for deferred
11 retirement (Inactive Beneficiary) or (2) have met time and service
12 requirements for retirement, or are retired as totally and
13 permanently disabled while an active member, or anyone receiving
14 benefits as a surviving spouse or minor child of a member (Active
15 Beneficiary); or (ii) with respect to Group II Members, former
16 active Group II Members who have completed ten or more years of
17 credited service as active members and have either (1) vested their
18 service for retirement or (2) have met time and service
19 requirements for retirement, or are retired as totally and
20 permanently disabled while an active member, or anyone receiving
21 benefits as a surviving spouse or minor child of a member (Active
22 Beneficiary). In the case of the distribution of DROP benefits for
23 Group I Members, the estate of the Qequalified Mmember or former
24 Qequalified Mmember may also be considered to be a beneficiary in
25 the event that there is no surviving spouse.

26 (4) Group I Members: Are employees of the City of
27 Jacksonville who were hired by the City for full time employment
28 prior to October 1, 2013 and who have enrolled in the Police and
29 Fire Pension Plan and are contributing to the Plan through payroll
30 deduction.

31 (5) Group II Members: Are employees of the City of

1 Jacksonville who are hired by the City for full time employment on
2 or after October 1, 2013 and who have enrolled in the Police and
3 Fire Pension Plan and are contributing to the Plan through payroll
4 deduction.

5 (6) Group I Retirees: Are former Group I Members who are
6 retired under the terms of the Plan.

7 (7) Group II Retirees: Are former Group II Members who
8 are retired under the terms of the Plan.

9 * * *

10 **Sec. 121.113 Calculation of pension contributions for Police**
11 **and Fire Pension Fund.**

12 The Pension Fund created by Laws of Fla. Ch. 18615 (1937), as
13 amended, shall consist of moneys derived as follows:

14 (a) Salary Deductions.

15 (1) Group I Members. A deduction of seven percent per
16 annum, plus an additional two percent subject to the conditions
17 described below, from all salaries (base salary, longevity, City
18 college incentive, enhanced certification pay, emergency operation
19 and hazardous duty pay; shift differential, and "upgrade" pay; and
20 excluding all overtime, state incentive pay, reimbursed expenses
21 and allowances such as cleaning/clothes allowances, and payments
22 for unused accrued time), ~~of all members of the Police and Fire~~
23 ~~Departments participating in this fund, or who will become members~~
24 ~~hereafter~~ Group I Members, to be deducted in installments from each
25 periodical paycheck of each ~~of these members~~ Group I Member.
26 together with a sum equal to not less than the minimum recommended
27 contribution in the most recent actuarial valuation of the fund
28 expressed as a percent per annum of all salaries (as defined above)
29 of all members of the Police and Fire Departments participating in
30 this fund according to the amount thereof as set up in the current

1 budget in each year hereafter, together with such additional sums
2 as may be necessary to administer this fund, which two latter
3 amounts shall be designated by the Board and certified to the
4 Council for each fiscal year, and the Council shall thereupon place
5 the amount so designated in the budget for the succeeding year and
6 levy a tax therefor, if necessary; except that the City may in good
7 faith challenge the City contribution designated by the Board. In
8 the event of such a challenge, the Board's actuary and City's
9 actuary shall agree on an impartial third actuary who shall resolve
10 all disputes between the actuaries and whose decision shall be
11 binding and final as between the Board and the City. The foregoing
12 seven percent deduction shall be increased by two percent as
13 follows:

14 (i) Firefighters: Upon restoration of the two
15 percent reduction in wages that took effect on October 1,
16 2010, one-half of any subsequent increase shall be used to
17 increase the member's payroll deduction to a maximum of nine
18 percent; provided however, if the City later reduces
19 pensionable compensation below the level that generated the
20 contribution increase, then the deduction will be reduced in a
21 commensurate manner until the deduction rate has been reduced
22 to seven percent.

23 (ii) Police Officers: Upon restoration of the three
24 percent reduction in wages that took effect on January 1,
25 2012, one-half of any subsequent increase shall be used to
26 increase the member's payroll deduction to a maximum of nine
27 percent; provided however, if the City later reduces
28 pensionable compensation below the level that generated the
29 contribution increase, then the deduction will be reduced in a
30 commensurate manner until the deduction rate has been reduced
31 to seven percent.

1 (2) Group II Members. A deduction of ten percent per
2 annum from all salaries (base salary, longevity, City college
3 incentive, enhanced certification pay, emergency operation and
4 hazardous duty pay; shift differential (provided that the shift pay
5 included in the calculation may not exceed 125 percent of the shift
6 pay earned during the five years prior to the beginning of the
7 130th pay period immediately preceding retirement, adjusted for
8 promotion), and upgrade pay; and excluding all overtime, state
9 incentive pay, reimbursed expenses and allowances such as
10 cleaning/clothes allowances, and payments for unused accrued time),
11 of all Group II Members; to be deducted in installments from each
12 periodical paycheck of each Group II Member. The foregoing ten
13 percent per annum salary deduction shall also apply during the
14 BACKDROP period described in Section 121.212 for all eligible Group
15 II Members who elect the BACKDROP.

16 (b) Notwithstanding the deduction provided in subsection
17 (a)(1) of this Section, a deduction of two percent per annum shall
18 be made from all salaries (as defined in Section 121.113(a)(1)) of
19 Qualified Members in Group I who elect to participate in the
20 deferred retirement option program, with such amount being credited
21 to the Pension Fund's Ordinance 91-1017-605, Base Benefit Fund
22 ~~qualified members who elect to participate in the Deferred~~
23 ~~Retirement Option Program.~~

24 **Section 2. Sections 121.201, 121.204, 121.206 and 121.209**
25 **Amended.** Sections 121.201, 121.204, 121.206 and 121.209, Ordinance
26 Code, are amended, to read as follows:

27 **Chapter 121. POLICE AND FIREFIGHTERS PENSION PLAN**

28 **PART 2. PENSION BENEFITS**

29 * * *

30 **Sec. 121.201A Retirement benefits for Group I Members.**

31 The following Definitions are applicable to Group I

1 members:

2 The following Definitions are applicable to Group I
3 members:

4 (a) Time service retirement. Members shall be entitled
5 to a time service retirement benefit equal to a maximum of 80
6 percent of the average salary (as defined in Section 121.113 (a))
7 received by the member for the 52 pay periods immediately preceding
8 the time of retirement, upon the completion of 30 years of credited
9 service. For each year prior to the thirtieth year of service that
10 a member retires, the 80 percent retirement benefit shall be
11 reduced by two percent, of the average salary (as defined in
12 Section 121.113 (a)) received by the member for the 52 pay periods
13 immediately preceding the time of retirement, with the minimum
14 normal retirement benefit being 60 percent after completion of 20
15 years of credited service.

16 (b) Disability retirement.

17 (1) Any member, who prior to reaching the minimum normal
18 retirement becomes permanently and totally disabled from useful and
19 efficient service as a police officer or firefighter, as
20 established by competent medical evidence, shall be entitled to a
21 disability retirement. The disability retirement benefit shall be
22 equal to 60 percent of the average salary received by the member
23 for the 52 pay periods immediately preceding the time of disability
24 retirement. The Board shall establish the effective date on which
25 the disability benefit shall commence. The Board shall, by rule,
26 establish procedures for the examination of applicants for
27 disability retirement, for the conduct of disability retirement
28 hearings, for review of said hearings by a court of competent
29 jurisdiction, and reexamination of retirees on disability pension.
30 In the event the application for a disability pension is denied by
31 the Board, then a new application for the same disability cannot be

1 filed by the member within six months of the denial.

2 (2) Any member of the pension funds created by these acts
3 who has been in the service of the City for a period of time equal
4 to the minimum time necessary for time service retirement or more
5 and becomes permanently and totally disabled from useful and
6 efficient service shall be entitled to the same rate of pension
7 benefit calculation of the average salary (as defined in Section
8 121.113 (a)) received by the member for the 52 pay periods
9 immediately preceding the time of disability retirement as those
10 members of his pension plan who retire on time service retirement.
11 Any member who elects to retire under a disability pension as
12 provided in this Section shall be required to meet the same
13 requirements for a disability pension as are required for any other
14 member of the respective fund requesting a disability retirement.
15 The Board shall establish the effective date on which the
16 disability benefit shall commence.

17 (3) In applying the provisions of this Section, the
18 adjustment supplement described in 121.201 (d)(2) that is
19 calculated for the benefit of a member and a surviving spouse shall
20 be based upon the actual years of credited service, subject to the
21 minimum and maximum provisions, rendered by the member.

22 (4) The Board shall establish the effective date on which
23 the disability benefit shall commence. The Board shall, by rule,
24 establish procedures for the examination of applicants for
25 disability retirement, for the conduct of disability retirement
26 hearings, for review of said hearings by a court of competent
27 jurisdiction, and re-examination of retirees on disability pension.
28 In the event the application for a disability pension is denied by
29 the Board, a new application for the same disability cannot be
30 filed by the member within six months of the denial.

31 (c) Vested retirement benefits.

1 (1) Members who terminate employment on or after the
2 effective date of this Ordinance with five or more years of
3 credited service and are not otherwise eligible to retire, are
4 eligible to receive either a deferred retirement benefit of three
5 percent of the average salary received by the member for the 52 pay
6 periods immediately preceding the date of vesting, for each year of
7 credited service prior to the date of vesting, to commence on the
8 date the member would have been eligible to receive minimum time
9 service benefits or be paid a refund of 100 percent of member
10 contributions to the Plan without interest. Within 30 days of a
11 member leaving the payroll prior to normal service retirement, the
12 member must make the election in writing to either vest or the
13 refund will be issued automatically. Acceptance of the refund of
14 employee contributions constitutes an irrevocable waiver of all
15 rights to benefits from the Plan.

16 (2) In the event that the Member who is entitled to
17 vested retirement benefits becomes deceased prior to the scheduled
18 date for the commencement of the payment of retirement benefits,
19 the surviving spouse and/or children of such Member shall not be
20 entitled to a refund of contributions nor shall they be entitled to
21 the payment of survivors benefits otherwise extended to Members who
22 completed the required number of years of service to become
23 eligible for minimum time service benefits.

24 (3) Members who are entitled to receive vested retirement
25 benefits are not eligible to qualify for potential enhancements
26 pursuant to the minimum monthly pension provisions of section
27 121.301.

28 (d) Cost of Living Adjustments.

29 (1) A Cost of Living Adjustment (COLA) based on each
30 prior annual benefit amount actually received (exclusive of onetime
31 bonuses or adjustments) shall be provided for retirees and

1 survivors. Beginning with the first bi-weekly pay period after
2 January 1, 2007, and for the first bi-weekly pay period after each
3 succeeding January 1, the recipient shall be granted a COLA in the
4 amount of three (3) percent.

5 (2) In addition to the COLA, a minimum adjustment
6 supplement of five (5) dollars per month for each year of actual
7 credited service of the participant used to compute the pension
8 benefit shall be provided for current and future retirees and their
9 survivors, and it shall be paid beginning with the first full
10 biweekly pay period after October 1, 2003, and continuously
11 thereafter; provided however that such supplement shall be no less
12 than twenty-five (25) dollars nor more than one hundred and fifty
13 (150) dollars per month. The adjustment supplement described herein
14 shall be based upon the member's actual years of service rather
15 than imputed years of service, which is used for purposes of
16 calculating pension benefits under the disability retirement
17 provisions of section 121.201(b) and the surviving spouse provision
18 of section 121.204(a), and becomes operative in the event of the
19 disability or death of a member, respectively. The Mayor shall
20 annually, each January, evaluate the annual cost of the foregoing
21 adjustment supplement by comparing it to the City's annual cost to
22 provide single employee group health insurance. In the event that
23 the City's cost to provide such health insurance per employee is
24 less than the amount of such supplement per retiree, then the
25 supplement shall be reduced to the amount of the insurance cost.

26 (e) Deferred Retirement Option Program (DROP). A member
27 eligible to receive normal retirement benefits as provided in
28 Section 121.201 (a), may remain in the employment of the City until
29 the elected termination date by electing to participate in the
30 DROP, as provided in Section 121.209, deferring the receipt of such
31 retirement benefits for a maximum of 130 full bi-weekly pay periods

1 (60 months) from the date of participation in the Deferred
2 Retirement Option Program.

3 (f) Limitations on benefits. Notwithstanding any benefit
4 granted hereunder or under any other provision relating to benefits
5 under the Police and Fire Pension Plan, benefit payments for any
6 Member shall not exceed the maximum amount permitted under Section
7 415 of the Internal Revenue Code of 1986, as amended.

8 (g) Annual Compensation Limit. Section 401(a)(17) of the
9 Internal Revenue Code establishes an annual compensation limit for
10 each employee under a qualified plan. The provisions of Code
11 Section 401(a)(17) are further described pursuant to Treasury
12 Regulations Section 1.401(a)(17)-1. The Police and Fire Pension
13 Plan incorporates by reference the annual compensation limit
14 described under Section 401 (a)(17) and Treasury Regulations
15 Section 1.401(a)(17)-1. Accordingly, the Plan acknowledges that the
16 compensation taken into account for any Member of the Plan in
17 determining plan allocations or benefit accruals for the plan is
18 limited to the annual compensation limit as described in Internal
19 Revenue Code Section 401(a)(17) and the Treasury Regulations
20 related thereto. The Plan additionally elects to avail itself of
21 the transition rule for governmental plans as described in Treasury
22 Regulation Section 1.401(a)(17)-1(d)(4)(ii) which provides that
23 'eligible participants', as such term is used in the regulations,
24 will not be affected by the revised limit per the 1993 OBRA and
25 accordingly such 'eligible participants' may have their
26 contributions and benefits computed by using compensation of more
27 than \$150,000.00 (as adjusted), so long as it does not exceed the
28 limit in effect on July 1, 1993. All other plan participants ('non-
29 eligible participants') shall be subject to the revised limits for
30 plan years beginning after December 31, 1995.

31 (h) Requirements that Actuarial Assumptions be specified.

1 Section 401(a)(25) of the Internal Revenue Code provides that
2 whenever the amount of any benefit is to be determined on the basis
3 of actuarial assumptions, such assumptions are specified in the
4 plan in a way which precludes employer discretion. The provisions
5 of Code Section 401(a)(25) and the linkage between the proper use
6 of actuarial assumptions and the conclusion that the plan is
7 established and maintained primarily to provide systematically for
8 the payment of 'definitely determinable benefits' to employees, is
9 further described pursuant to Treasury Regulations Section 1.401-
10 1(b)(1)(i). The Police and Fire Pension Plan incorporates by
11 reference the requirements that actuarial assumptions be specified
12 as described under Code Section 401(a)(25) and Treasury Regulations
13 Section 1.401-1(b)(1)(i).

14 (i) Required distributions. Distributions from the Plan
15 will be made in accordance with the requirements of the regulations
16 under Internal Revenue Code Section 401(a)(9) and that any
17 provisions in the Plan that are contradictory to the distribution
18 requirements shall be overridden. In accordance therewith,
19 distributions to participants must commence by the later of April 1
20 of the calendar year following the calendar year in which the
21 employee attains the age of 70 $\frac{1}{2}$, or April 1 of the calendar year
22 following the calendar year in which the employee retires. In
23 addition to meeting the minimum distribution amount, the
24 distribution must also meet the incidental benefit requirements of
25 Internal Revenue Code Section 401(a)(9)(g) and Proposed Regulations
26 Sections 1.401(a)(9)-1 and 1.401(a)(9)-2.

27
28 **Sec. 121.201B Retirement Benefits for Group II Members**

29 Except for Sections 121.201(f)-(i), which apply to
30 Group I Members and Group II Members, this Section 121.201
31 applies only to Group I Members, and the term "member" as used

1 in this Section means "Group I Member". Notwithstanding any
2 provisions to the contrary in Chapter 18615, Laws of Fla. Ch.
3 18615 (1937), and to provide for an increase in the benefits
4 thereby provided:

5 * * *

6 **Sec. 121.204 Surviving Spouse Benefits.**

7 Notwithstanding the provisions of Laws of Fla. Ch. 18615
8 (1937), as amended; or Laws of Fla. Ch. 23259 (1945), as amended,
9 and to increase the benefits thereby provided:

10 (a) Any member of the fund hereafter who shall be killed or
11 die from effects of an injury or of any illness or disease and any
12 such member so killed or dying shall have a spouse living with such
13 member at time of death, the Board shall direct the payment from
14 the fund of the following sum to the surviving spouse, 75 percent
15 of the pension benefit the deceased member would be entitled to
16 receive, had the member completed 20 years of credited service ~~(60~~
17 ~~percent of the average salary as defined in Section 121.113(a)~~
18 ~~received by the member for the 52 pay periods immediately preceding~~
19 ~~the time of death)~~ and survived to receive such pension. If a
20 deceased member served in excess of 20 years, the 75 percent of the
21 pension benefit shall be based upon the actual years of service. In
22 applying the provisions of this Section, the adjustment supplement
23 described in 121.201(d)(2) that is calculated for the benefit of
24 the surviving spouse of a Group I Member shall be based upon the
25 actual years of credited service, subject to the minimum and
26 maximum provisions, rendered by the member rather than the assumed
27 completion of 20 years of credited service otherwise acknowledged
28 in this Section. The pension benefit as used herein shall be
29 comprised of the base pension benefit as adjusted for the COLA, but
30 exclusive of the adjustment supplement described in 121.201(d)(2)
31 which shall be 100 percent allocable to the surviving spouse.

* * *

Sec. 121.206 Children's Benefits.

* * *

(b) If there is a surviving spouse, each child's benefit shall be \$200 per month until (i) each child reaches age 18 years, whether or not the child is a qualified student, or (ii) each child reaches age 22, provided the child is a qualified student, or (iii) each child becomes married, whereupon the children's benefits described herein shall cease, provided that the total of the surviving spouse and children's benefits do not exceed the total of the deceased member's projected benefit. In addition thereto, each child of a surviving spouse of a Group I Member shall be entitled to the receipt of the minimum adjustment supplement provided in Section 121.201(d)(2).

(c) If there is no surviving spouse, each child under the age of 18 shall receive the greater of either; (a) \$200 per month plus, for each child of a former Group I Member, the minimum adjustment supplement provided in Section 121.201(d)(2), or (b) a proportionate share of the surviving spouse's benefit (including the supplement where applicable) until (i) each child reaches age 18 years, whether or not the child is a qualified student, or (ii) each child becomes married, whereupon the children's benefits described herein shall cease. If there is no surviving spouse, each child who is age 18 or over and who is a qualified student shall be entitled to the payment of a child's benefit of \$200 per month until (i) each child reaches age 22, or (ii) each child becomes married, whereupon the child's benefit described herein shall cease. In the event of multiple children causing the payment of a prorated benefit as each child no longer becomes eligible for the payment of children's benefits the remaining eligible children

1 shall receive the greater of the benefits provided for in this
2 Section up to the limits provided.

3 * * *

4 **Sec. 121.209 Deferred Retirement Option Program (DROP) for**
5 **Group I Members**

6 This Section 121.209 applies only to Group I Members, and the
7 term "member" as used in this Section means "Group I Member".

8 * * *

9 **Section 3. Section 121.211 Created.** Sections 121.211,
10 *Ordinance Code*, is created as follows:

11 **Chapter 121. POLICE AND FIREFIGHTERS PENSION PLAN**

12 **PART 2. PENSION BENEFITS**

13 * * *

14 **Sec. 121.211 Pension Benefits for Group II Members.**

15 This Section 121.211 sets forth the pension benefits that are
16 applicable solely to Group II Members, and the term "member" as
17 used in this Section means "Group II Member".

18 (a) Time service retirement. Upon reaching 30 years of
19 credited service, Group II Members shall be entitled to a time
20 service retirement with a benefit equal to 2.5 percent of average
21 salary multiplied by the number of years of credited service, but
22 not exceeding a maximum of 75 percent of average salary. The term
23 "average salary" as used in the foregoing sentence means the
24 average "salaries" as defined in Section 121.113(a)(2) received by
25 the Group II Member during the 130 bi-weekly pay periods
26 immediately preceding the date of retirement. Notwithstanding the
27 foregoing, the annual retirement benefit shall not exceed
28 \$99,999.99, which amount shall be adjusted January 1 of each year
29 beginning January 1, 2015, by the most recent cost of living
30 adjustment applicable to recipients of Social Security retirement
31 benefits, as determined by the U.S. Social Security Administration

1 each calendar year, but not exceeding 1.5 percent.

2 (b) Disability retirement.

3 (1) A Group II Member who, prior to reaching the minimum
4 normal retirement eligibility of 30 years of credited service,
5 becomes permanently and totally disabled from useful and
6 efficient service as a police officer or firefighter, as
7 established by competent medical evidence, shall be entitled
8 to a disability retirement. The disability retirement benefit
9 shall be equal to 50 percent of the average "salaries" (as
10 defined in Section 121.113(a)(2)) received by the Group II
11 Member for the 130 pay periods immediately preceding the time
12 of disability retirement. The Board shall establish the
13 effective date on which the disability benefit shall commence.
14 The Board shall, by rule, establish procedures for the
15 examination of applicants for disability retirement, for the
16 conduct of disability retirement hearings, for review of said
17 hearings by a court of competent jurisdiction, and
18 reexamination of retirees on disability pension. In the event
19 the application for a disability pension is denied by the
20 Board, then a new application for the same disability cannot
21 be filed by the Group II Member within six months of the
22 denial.

23 (2) A Group II Member who has been in the service of the
24 City for a period of time at least equal to the minimum time
25 necessary for time service retirement and who becomes
26 permanently and totally disabled from useful and efficient
27 service, shall be entitled to the same pension calculation as
28 a Group II Member who retires pursuant to a time service
29 retirement as described in Section 121.211(a). Any Group II
30 Member who elects to retire under a disability pension as
31 provided in this Section shall be required to meet the same

1 requirements for a disability pension as are required for any
2 other Member of the Fund requesting a disability retirement.

3 (c) Vested retirement benefits.

4 (1) Group II Members who terminate employment with at
5 least 10 but less than 25 years of credited service are
6 eligible to receive a deferred retirement benefit of 2.0
7 percent of the average "salaries" (as defined in Section
8 121.113(a)(2)) received by the member during the 130 pay
9 periods immediately preceding the date of vesting, for each
10 year of credited service. If the vested member has less than
11 25 years of credited service at the time of separation, the
12 benefit shall commence at age 62. In the alternative, and in
13 lieu of any other benefit from the Fund, a vested member may
14 elect to be paid a refund of 100 percent of member
15 contributions to the Plan without interest. Within 30 days of
16 a member leaving the payroll prior to normal service
17 retirement, the vested member must elect in writing to vest or
18 else the refund will be issued automatically after the end of
19 such 30-day period. Acceptance of the refund of employee
20 contributions constitutes an irrevocable waiver of all rights
21 to benefits from the Plan.

22 (2) In the event that a former Group II Member who
23 separates from service and is entitled to vested retirement
24 benefits dies prior to the scheduled date for the commencement
25 of the payment of retirement benefits, the surviving spouse
26 and/or children of such member shall not be entitled to a
27 refund of contributions nor shall they be entitled to the
28 payment of survivors benefits otherwise extended to members
29 who complete the required number of years of service to become
30 eligible for minimum time service benefits.

31 (3) Former Group II Members who separate from service and

1 are entitled to receive vested retirement benefits are not
2 eligible to qualify for potential enhancements pursuant to the
3 minimum monthly pension provisions of Section 121.301.

4 (4) Group II Members with at least 25 but less than 30
5 years of credited service shall be eligible for early
6 retirement, provided that for each year or partial year prior
7 to reaching 30 years of credited service, the 75 percent
8 retirement benefit applicable to 30 years of credited service
9 will be reduced by three percent of the average salary as
10 defined in Section 121.113(a)(2). Notwithstanding the
11 foregoing, the minimum retirement benefit of a member who
12 attains at least 25 years of credited service shall not be
13 less than 53.5 percent of the member's average salary under
14 Section 121.113(a)(2).

15 (d) Cost of Living Adjustments. A Cost of Living Adjustment
16 (COLA) based on each prior annual benefit amount actually received
17 (exclusive of one-time bonuses or adjustments) shall be provided
18 for Group II Retirees and their eligible survivors, beginning on
19 the first bi-weekly pay period in the third January following
20 employment termination. Group II Retirees and their eligible
21 survivors shall be granted a COLA in the amount of COLA applicable
22 to recipients of Social Security retirement benefits, as determined
23 by the U.S. Social Security Administration each calendar year, but
24 not exceeding 1.5 percent.

25 (e) Employee contributions. Pursuant to Section
26 121.113(a)(2), Group II Members shall contribute ten percent per
27 annum from all salaries as defined in Section 112.113(a)(2) under
28 the conditions and procedures described in Section 121.113(a)(2).

29 (g) The provisions of Sections 121.201(f)-(i) shall also
30 apply to Group II Members.

31 **Section 4. Section 121.212 Created. Sections 121.212,**

Ordinance Code, is created as follows:

Chapter 121. POLICE AND FIREFIGHTERS PENSION PLAN

PART 2. PENSION BENEFITS

* * *

Sec. 121.212 BACKDROP.

(a) There is hereby created a BACKDROP retirement option (the "BACKDROP") to the Retirement Plan, which shall allow any Group II Member who has 30 or more years of credited service, to elect to retire and have that member's retirement benefits calculated as if the member actually had retired at any earlier date, provided however that the BACKDROP period shall not exceed five years.

(b) Any Group II Member who has 30 or more years of credited service is eligible to participate in the BACKDROP. A Group II Member with less than 30 years of credited service may participate in the BACKDROP provided that for each year or partial year prior to reaching 30 years of credited service, the 75 percent retirement benefit applicable to 30 years of credited service will be reduced by two percent of average salary as defined in Section 121.113(a)(2).

(c) (1) An eligible Group II Member may elect to participate in the BACKDROP by submitting the following to the Fund:

(i) One copy of a signed and submitted letter of resignation dated effective as of the date of election to participate in the BACKDROP.

(ii) A properly completed BACKDROP application on forms provided by the Fund, which, once submitted, shall be irrevocable by the member.

(iii) Subject to Section 121.212(e), selection of the dates that begin and end the period of participation in the BACKDROP (the "BACKDROP Period").

(iv) An agreement to replace the retirement benefits

1 otherwise applicable with BACKDROP benefits and a reduced
2 time service benefit calculated as of the beginning of
3 the BACKDROP Period as if the BACKDROP Participant had
4 retired as of that date, but payable starting as of
5 actual retirement at the end of the BACKDROP Period.

6 (v) Any other documents or information as may be
7 reasonably required by the Fund.

8 (2) For purposes of this Section, each eligible member
9 who elects to participate in the BACKDROP and satisfies all of
10 the requirements of this Section shall be referred to as a
11 "BACKDROP Participant".

12 (e) A BACKDROP Participant must resign and retire from the
13 City as of the date of election to participate in the BACKDROP. No
14 benefits shall be paid under this Section unless and until the
15 BACKDROP Participant has resigned and retired from the City.

16 (g) (1) Provided the BACKDROP Participant has satisfied all
17 requirements set forth in this Section, the BACKDROP Participant
18 shall be entitled to receive a BACKDROP amount equal to:

19 (i) the time service retirement benefits pursuant
20 to Section 121.211(a) the BACKDROP Participant Member
21 would have received had the BACKDROP Participant actually
22 retired at the commencement of the BACKDROP Period, and

23 (ii) interest on benefits credited pursuant to
24 Section 121.212(a). The amount of interest to be credited
25 shall be determined pursuant to Section 121.212(h).

26 (2) Upon retirement, the BACKDROP Participant thereafter
27 shall be eligible to receive a reduced time service benefit
28 determined as of the beginning of the BACKDROP period.

29 (h) Interest shall be credited starting from the hypothetical
30 date the payment would have been made had the GROUP II Member
31 retired as of the beginning of the BACKDROP period to the end of

1 the BACKDROP period at an annual rate of return, compounded
2 annually, equivalent to the actual rate of return on the Fund
3 assets during the BACKDROP period, provided that such rate of
4 return shall not be less than zero nor more than ten percent.

5 (i) A BACKDROP Participant shall not be entitled to receive
6 any cost-of-living increase during the BACKDROP Period. The
7 waiting period to receive cost-of-living increases, as set forth in
8 Section 121.211(d), shall commence upon retirement.

9 (j) Provided the BACKDROP Participant has satisfied all
10 requirements set forth in this Section, within 30 days from the
11 date of expiration of the BACKDROP Period or as soon as practical
12 thereafter, the Retirement Plan shall disburse the amount of the
13 BACKDROP Participant's BACKDROP benefits to the BACKDROP
14 Participant.

15 (k) All disbursements made pursuant to Section 121.212(j)
16 shall be made subject to and in accordance with all applicable
17 provisions of the Internal Revenue Code.

18 * * *

19 **Section 5. Approval of Settlement Agreement; Authorization to**
20 **Execute and Implement.**

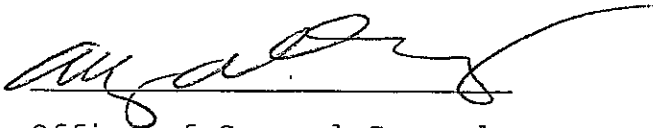
21 There is hereby approved and the Mayor, or his designee, and
22 the Corporation Secretary are authorized to execute and deliver,
23 for and on behalf of the City, the Settlement Agreement in the form
24 **attached as Exhibit 1**, and take, or cause to be taken, for and on
25 behalf of the City, such further action as is necessary to
26 effectuate the purpose of this Ordinance.

27 **Section 6. Actuarial Impact Statement.** The actuarial impact
28 statement required by Section 112.63(3), Florida Statutes, as a
29 condition to any proposed change in retirement benefits, is
30 **attached as Exhibit 2.**

31 **Section 7. Effective Date.** This Ordinance shall become

1 effective upon signature by the Mayor or upon becoming effective
2 without the Mayor's signature.

3
4 Form Approved:

5
6 
7 Office of General Counsel

8 Legislation Prepared By: Cindy A. Laquidara

9 G:\SHARED\LEGIS.CC\2013\Ord\Police and Fire Pension Fund amends Final (3).doc

Exhibit A

UNITED STATES DISTRICT COURT
MIDDLE DISTRICT OF FLORIDA
JACKSONVILLE DIVISION

RANDALL WYSE, et al.,

Plaintiffs,

vs.

CASE NO.: 3:13-cv-121-J-34MCR

CITY OF JACKSONVILLE,

Defendant,

and

JACKSONVILLE POLICE AND FIRE
PENSION FUND BOARD OF TRUSTEES,

Defendant (as Rule 19 Party)

and

FRATERNAL ORDER OF POLICE,
LODGE 5-30

Defendant (as Rule 19 Party)

and

JACKSONVILLE ASSOCIATION OF FIREFIGHTERS,
LOCAL 122, IAFF

Defendant (as Rule 19 Party)

MEDIATION SETTLEMENT AGREEMENT

Whereas, the Plaintiffs are members of the City of Jacksonville Police and Fire Pension Fund, hereinafter referred to as either the "Retirement Plan" or the "Retirement Trust"; and

Whereas, Defendant, the City of Jacksonville is a consolidated City within the State of Florida, and

Whereas, the Retirement Plan for Jacksonville law enforcement officers and firefighters is governed by the Jacksonville Police and Fire Pension Fund Board of Trustees, an independent agency of the City of Jacksonville created by special act of the Florida Legislature; and

Whereas, the Jacksonville Association of Firefighters, Local 122, IAFF and the Fraternal Order of Police Lodge 5-30, hereinafter referred to as the "Unions", which are the collective-bargaining representatives for all firefighters and their ranked superiors and all law enforcement officers and ranked superiors who are included in bargaining units certified in accordance with Florida law; and

Whereas, the Parties have had in the past and continue to have disputes related to the retirement for members of the Plan; and

Whereas, the Parties hold, and have articulated, widely differing positions concerning whether the Unions are required to collectively bargain over the subject of retirement in light of past agreements between themselves, the City, and the Board of Trustees; and

Whereas, the Parties recognize and agree that it is in the best interest of the members of the Retirement Plan as well as the citizens of the City of Jacksonville that the disputes which resulted in the filing of the instant lawsuit be comprehensively and fully resolved; and

Whereas, all Parties have, pursuant to the Order of this Court, mediated their differences in good faith over the course of several weeks and have successfully reached a tentative agreement on the resolution of those differences; and

Whereas, all parties maintain their respective legal positions and may reassert such positions upon expiration of this agreement; and

Whereas, the City and the Unions agree that the resolution of their differences as set forth hereinafter permits the Unions to waive collective bargaining while prohibiting unilateral

action by the City regarding the terms of the Retirement Plan during the term of this agreement;
and

Whereas, the City and the Board of Trustees acknowledged that its agreement resolves certain disputes regarding the legal relations between them for the term of this agreement which will remain in effect through September 30, 2030 when the most recent settlement between the parties was scheduled to expire; and

Whereas, the Parties desire and hereby expressly agree that any terms contained in past or current retirement related agreements and all amendments thereto, namely the agreements attached to Ordinances 91-1017-605, 93-229-329, 93-1983-1407, 97-1103E, 2000-1164E, 2003-303E, 2003-1338E and 2006-508E, which are not inconsistent with the terms set forth herein are incorporated in this agreement as if specifically restated herein; and

Whereas, all Parties represent that they will in good faith, present and support the terms of this Mediation Settlement to their respective elected and/or appointed officials and use their best efforts to obtain the approval of said officials necessary for the implementation of this Mediation Settlement Agreement.

Whereas, the Parties agree that it is preferable to resolve these matters without further litigation, on the terms and conditions set forth below:

NOW, THEREFORE, based on the foregoing, and in exchange for the mutual promises herein and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the Parties agree and intend to be bound for the duration of the settlement agreement as follows:

a. All prior settlement agreements between the parties and all amendments thereto are modified on the terms and conditions set forth pursuant to the terms of the Mediation Settlement Agreement.

b. Upon the execution of this agreement, the named parties will file a stipulated motion for an order naming the Unions as Rule 19 Defendants. Thereafter, all Parties, including the Rule 19 Defendants, will file pleadings necessary for approval and entry of this Agreement as a judgment, with the court retaining jurisdiction to enforce said judgment until expiration of the Mediation Settlement Agreement. In the unlikely event the City, Board or Court do not obtain or provide said approvals, The Parties jointly will move for an order returning them to mediation. The various proceedings currently pending before the Florida Public Employees Relations Commission which involve some of The Parties will be stayed pending said approval and, upon said approvals being completed will be dismissed with each side bearing their own attorneys fees and costs upon completion of the foregoing provisions.

REVISIONS TO ORDINANCE CODE REGARDING PENSIONS

The City and Trust agree to the following matters to be implemented by Ordinance:

1. The Parties agree that the modifications attached as to new employees are appropriate to be agreed upon by the Parties. The pension plan for special risk members of the City (Police and Fire Fighters) who become employed by the City as of October 1, 2013, includes the following modifications to the existing pension plan, which modifications will be incorporated into the Ordinance Code upon approval by the City Council of this Settlement Agreement:

a. EMPLOYEES HIRED ON OR AFTER OCTOBER 1, 2013:

(1) Vesting: 10 years;

- (2) Benefits are capped at \$99,999.99 indexed to inflation (Social Security COLA) with a cap of 1.5%;
- (3) Employees may retire with 30 years of service at any age;
- (4) Employees will earn their pension with an accrual rate of 2.5% for each year of service, subject to a 75% cap;
- (5) The Pension start date is normal retirement age (meaning an employee retires after 30 years of service at whatever age the employee has reached);
- (6) An employee may take early retirement only between 25 years and 30 years of service, and incurs a 3% accrual rate penalty for any year or part thereof short of 30 years. Notwithstanding this provision, the minimum pension a person taking early retirement under this section will not be less than 53.5% of employee's final average compensation.
- (7) For any employee who leaves before completing 25 years of service, the benefit accrual rate would be 2%. No benefit would be paid until age 62 for an employee who retires before reaching 25 years of service;
- (8) The Deferred Retirement Option Program ("DROP") is eliminated.
- (9) Back-DROP may be employed up to five years, upon reaching 30 years of service. Any employee whose Back-Drop calculation includes years of service less than 30 will incur a 2% accrual rate penalty for each of those years.
- (10) DROP interest Rate – As there is no DROP, there is no applicable DROP rate.
- (11) The interest rate for the back-DROP is the actual accrual rate of the Plan provided it will not be less than zero or greater than 10% in any year;

(12) Cost of Living Adjustment (COLA) on Retirement Benefits – COLA, based on the Social Security COLA, capped at 1.5 percent beginning the third January following employment termination;

(13) Final Average Compensation (FAC) is based on last 60 months (130 pay periods);

(14) Employees will make a pre-tax contribution of 10% of salary;

(15) A spouse will be paid 75% of the retiree's pension without cost (following retiree death);

(16) Disability pensions will be provided at 50% of earnings base;

(17) Shift and differential pay are included in the wages for pension calculation. However, the shift included in the calculation may not exceed 125% of the shift pay earned during the five years prior to the FAC period, adjusted for promotion.

b. CURRENT EMPLOYEES:

(1) Current employees will pay an additional 2% contribution, which is 9% in lieu of the present 7%. The amount will be paid in the following manner:

(a) Firefighters: On October 1, 2010, wages for fire members were reduced by 2%. When this 2% reduction is restored, one-half of any subsequent increase shall be used to increase the member's payroll deduction until the maximum deduction of 9% is reached, provided however, if the City later reduces pensionable compensation below the level which generated the contribution increases, then the employee contribution will be reduced in a commensurate manner until such rate has been reduced to 7%.

(b) Police: On January 1, 2012, wages for police members were reduced by 3%. When this 3% reduction is restored, one-half of any subsequent increase shall be

used to increase the employee contribution to a maximum of 9%, provided however that if the City later reduces pensionable compensation below the level which generated the contribution increases then the employee contribution will be reduced in a commensurate manner until such rate has been reduced to 7%.

(2) The Trust will pay a one-time member contribution to the plan in the amount of \$20 million upon the effective date of this agreement from the reserved Chapter Funds.

(3) The Trust agrees that in order to increase the contribution from the employees in this interim period, the Trust agrees to continue the use the Chapter Funds to make an additional interim contribution of 1% of payroll until September 30, 2014 for police members and until September 30, 2015 for fire members.

c. ADDITIONAL AGREEMENTS RELATING TO THE FINANCIAL OPERATION OF THE TRUST.

(1) The Trust, having been duly informed, will maintain the current assumed rate of return (7.75%) through the fiscal year ending September 30, 2015. In 2015, as required by law, an actuarial valuation study will be completed with analysis as of October 1, 2014. Thereafter, in keeping with the process known as smoothing, in the fiscal year ending September 30, 2016, the valuation rate will be 7.5 and the following fiscal year (ending September 30, 2017) the valuation rate will be 7.25. Thereafter the Trust will continue to set the rate in accordance with the Section 121.113(a), COJ Ordinance Code, and will thereafter adjust the rate in increments of 25 basis points for any fiscal year.

(2) City of Jacksonville employee disability plans are presently governed through the respective pension plans. The City agrees to study the establishment of a disability plan

separate and apart from the "Trust." If the City and Trust agree to a separate plan it will be segregated from the current disability plan which exists for non-special risk employees.

(3) The City and the Trust agree that they will meet and consult on the possible use of City owned properties to lower UAAL and/or the annual City contribution upon completion of the City's real estate assets optimization study (approximately December 2013).

(4) This agreement is predicated on the Trust and the City having provided complete and accurate financial and operational information to one another and the mediator. Any intentional failure to disclose such information will render this agreement voidable.

(5) This agreement is predicated on the Trust's actuary and City actuary consulting and reaching consensus as to the long-term financial savings of this agreement on or before May 31, 2013. In the event the actuaries are unable to agree the matter will be resolved in accordance with the agreements incorporated herein.

(6) The Parties shall submit to the actuary for the City a uniform method for purchase of service credit at a rate of 20% and requiring relinquishment of any rights covering the same time period in any other retirement system. The change shall be implemented by appropriate legislation if the City actuary concurs that the change is cost neutral or cost positive to the Fund.

d. OPERATION OF THE TRUST/GOVERNANCE

(1) The City and the Trust agree that the selection of any future Plan Administrator/ Chief Investment Officer (CIO) shall be governed by a professional process subject to Florida law in which the candidate will be selected with the assistance of an executive search firm retained by the Board. The selectee is required to have a minimum of 5 years of pension administration or institutional investment experience, expertise in the oversight of

investment portfolios, and a bachelor's degree in finance, economics, accounting or a related area of study from an accredited university, or comparable training and experience; CPA, JD, MBA, CFA degrees are preferred. Comparable experience in directing the activities of a retirement system preferred.

(2) The Trust will place any future director in a defined contribution retirement plan with the PFPF administrative contribution with the applicable cap defined by law;

(3) The current Senior Staff Pension will close on or before August 3, 2013 and there shall be no further accrual of benefits. Participants in the current plan will receive the Plan benefits which the Parties have determined are comparable to those as if they had been enrolled in the FRS Special Risk Plan.

(4) Two Members of the PFPF Board shall be appointed by the City Council. One member of the Board shall be elected by the active Police members and one by the active Firefighter members. A fifth member shall be appointed by the other four members subject to the requirement that in selecting the fifth member the four trustees shall seek a candidate with governance experience, institutional investment experience or comparable professional training, knowledge, and expertise.

(5) The City and the Trust will consult on an on-going basis related to public records and open government issues.

e. MISCELLANEOUS MATTERS.


(1) The City and Trust have each relied upon the representations of the other to ascertain the parties' positions established herein. The failure to accurately supply material information which resulted in a misrepresentation that cannot be overcome at the time of

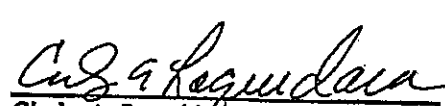
shall result in the instant agreement being deemed voidable at the discretion of the other party.


(2) All parties agree to make available to each other on a continuing basis, all information that is necessary to insure the success of this Agreement and to work harmoniously to enforce the provisions of this Agreement and all pension ordinances, the City Charter, and statutes, and to avoid obstruction of all parties' rights under the law or this Agreement. The parties further agree to recodify existing municipal ordinance code consistent with the intent of this Agreement, including but not limited to the benefit, administrative and investment provisions necessary for their mutual benefit.


(3) The parties signing below have had adequate time to confer with counsel or their clients in order to be informed on the matters within this Agreement. The City and the Trust each represent that they will urge the approval of this Agreement, and the implementation of its terms, by each of their governing bodies.


(4) This agreement, including all clauses and recitals herein stated, will remain in effect and bind all Parties, including Rule 19 Defendants, through September 30, 2030.

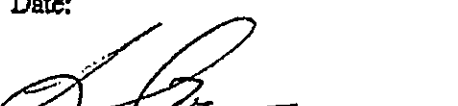

Chris Hand, Chief of Staff
City of Jacksonville
Date:


Cindy A. Laquidara, General Counsel
City of Jacksonville
Date:

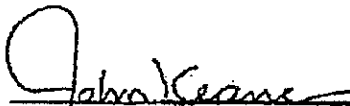

Randall Wyse, individual capacity
Date:

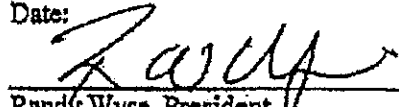

Larry Jones, individual capacity
Date:



Mark Roberts, individual capacity
Date:



LaTorrence Norris, individual capacity
Date:

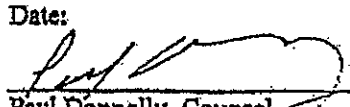
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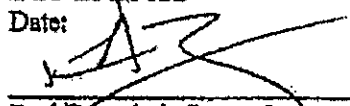

John Keane, Executive Director
Jacksonville Police and Fire Pension
Date:


Randy Wyse, President
IAFF, Local 122 Chief Negotiator
Date:


Steve Ames, President
FOP Lodge 5-30 Chief Negotiator
Date:


Robert Klausner, Counsel
Jacksonville Police and Fire Pension
Date:


Paul Donnelly, Counsel
IAFF Local 122
Date:


Paul Daragjati, Counsel
FOP Lodge 5-30
Date:

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on May 23, 2013, I electronically filed the foregoing with the Clerk of the Court by using the CM/ECF system which will send a notice of electronic filing to the following: Paul A. Donnelly, Esquire, pdonnelly@laborattorneys.org, Jung Yoon, Esquire, jyoon@laborattorneys.org, Donnelly & Gross, P.A., Robert D. Klausner, Esquire, bob@robertdklausner.com. I further certify that I mailed the foregoing document and the notice of electronic filing by mail to the following non- CM/ECF participants: N/A.


CINDY A. LAQUIDARA
Attorney for Defendant, City of Jacksonville

{00044619.DOCX;1}11



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USA

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Fax +1 703 827 9266

milliman.com

May 28, 2013

Mr. Joey Greive, CFA, CFP
Treasurer
City of Jacksonville
117 West Duval Street, Suite 300
Jacksonville, FL 32202

**Re: Revised Mediation Proposal for Settlement Regarding Jacksonville Police
and Fire Pension Fund**

Dear Joey,

As requested, by the Office of General Counsel, we have prepared the following actuarial analysis of the revised Mediation Proposal for Settlement (MPS). In general, we have estimated the City's expected contribution over the next 30 years to fund the City of Jacksonville Police and Fire Pension Fund (Plan) assuming adoption of the MPS and compared the result to the baseline projections. Specifically we have prepared 30 year projections under three scenarios;

1. Baseline projections based on current plan provisions using the proposed assumptions, from the draft October 1, 2012 valuation report prepared by Pension Board Consultants, Inc.
2. Current plan provisions and assumptions used in (1) but with a modified investment return assumption of 7.75% for the October 1, 2011, October 1, 2012 and October 1, 2013 valuations, 7.50% for the valuation as of October 1, 2014 and 7.25% for the actuarial valuations as of October 1, 2015 and later.
3. MPS provisions and assumptions used in (2).

The revision primarily reflects a change to the amount of benefits payable at early retirement for those members retiring with either 25 or 26 years of service and the related change to the assumed rates of retirement.



These projections are based on Milliman's match of the October 1, 2011 actuarial valuation for the Plan. Our baseline results, as of October 1, 2011, are reasonably close to the official October 1, 2011 actuarial valuation performed by the Plan's actuary Pension Board Consultants, Inc results. Milliman's determination of the overall actuarial liability is within 1% of the liability in the October 1, 2011 actuarial valuation completed by Pension Board Consultants, Inc. Since the actuarial liabilities are offset by the actuarial value of assets in determining the actuarial contribution, Milliman's determination of the overall contribution is proportionately higher, by 2.4%, than that shown in the October 1, 2011 actuarial valuation. Based on this replication, we believe our analysis provides a reasonable estimate of the impact of the proposed plan and assumption changes. The actual impact of the MPS will be determined by Pension Board Consultants, Inc. in their actuarial valuations. Recently, a draft of the October 1, 2012 actuarial valuation has been released.

This analysis assumes the effective date of the plan design changes is October 1, 2013, per the MPS. Actual costs will differ based on the actual effective date as well as emerging experience.

The following MPS Assumptions details the assumptions and methods used in the baseline and the MPS projections.

	Proposed Assumptions/Methodology 10/1/2012 Valuation (Baseline)	Proposed Assumptions/ Methodology (Mediation Settlement Agreement)
Discount Rate	7.00%	7.75% ²⁾ /7.25% ²⁾
Salary Scale	4.00%	4.00%
Mortality Table	1)	1)
Payroll Growth Rate	3.25%	3.25%
Expense Load	\$4,500,000	\$4,500,000
Asset Value Method	Market	Market
Amortization Method	Level Percent, Closed	Level Percent Closed
Remaining Amortization Period As of October 1, 2012	23	23

1) The RP-2000 combined Healthy Mortality Table for Males and Females projected by Scale AA to the valuation date.

2) 7.75% for valuations dated October 1, 2011, October 1, 2012 and October 1, 2013; 7.50% for valuation dated October 1, 2014 and 7.25% for valuations dated October 1, 2015 and thereafter.

MPS Provisions

The MPS did not modify any plan provisions for all current employees, except for an increase in the employee contribution rate. Therefore, all current employees as of September 30, 2013 are considered "grandfathered".

The City's General Counsel opinion is that benefits may not be modified for current retirees, current active members who have DROPPed and those Police and Fire members who are still working but have become eligible for retirement (i.e. have at least 20 years of service) or benefits for all other active members that have already been accrued. We note that the results of the 2011 valuation prepared by Pension Board Consultants, Inc. measured the Plan's total actuarial liabilities (funded and unfunded) at approximately \$2.4 billion. Nearly 70% of that liability, about \$1.7 billion, was attributable to Plan retirees and those active members who have DROPPed. The remaining liability attributable to current active employees, who are not in DROP, is approximately \$717 million or only about 30% of the Plan's total actuarial liability. This percentage is reduced further if the values of any accrued benefits or members currently eligible to retire are eliminated. Thus the City's ability to generate significant savings by modifying the benefits of current active members was fairly limited.

The employee contribution rate for the current active participants will be increased from 7% of earnings to 9% with the timing of the increase dependent on actual salary increases. Salary levels must first be increased back to previous levels as of September 30, 2010 for fire and as of December 31, 2011 for police. This requires a 2% salary increase for fire and 3% for police. After these salary increases, the increase in the employee contribution rate is 50% of any salary increases.

Solely for purposes of our modeling we assumed that the employee contribution rate would increase to 8% effective October 1, 2015 and 9% effective October 1, 2016.

The MPS modified the plan provisions for all employees hired on or after October 1, 2013. These changes are:

- The employee contribution rate will be 10% of earnings each year for the employee's career (i.e. contributions will not cease at any point). Currently, the employee contribution rate is 7%.

- Cost-of-living adjustments (COLAs) will equal the increase in Social Security COLA capped at 1.5% commencing the third January 1 following termination of employment. After subsequent conversations with the City, it has been determined that commencement of benefit should be used versus termination of employment. For example, a member terminated October 1, 2030 and commences a pension on October 1, 2050 at age 62. The first COLA would apply January 1, 2053. For members who decide to Back-DROP the COLA would first apply on the third January 1 following termination, i.e. COLAs would not apply during the Back-DROP period. We recommend the details of the application of the COLA be incorporated into the appropriate plan documents. Currently, the COLA is a fixed 3% and commences as early as 3 months after DROP.

Final Average Compensation (FAC) will be based on the last 60 months of service. Currently, it is based on the last 24 months. Compensation includes shift and differential pay, except that it may not exceed 125% of the shift pay earned during the five years prior to the FAC period. For this analysis, no adjustment to the FAC was made for the shift pay maximum.

- Upon completion of 25 years of service, the accrual rate is 2.5% per year of service, up to a maximum of 75% which occurs at 30 years of service. Prior to completion of 25 years of service, the accrual rate is 2% per year of service. Currently, the accrual rate is 3% for the first 20 years and 2% for the next 10 years for a maximum benefit of 80%. The accrual rate applies to a member's FAC to determine the benefit amount.
- Normal Retirement Date (NRD) will be upon the completion of 30 years of service. Benefits will commence at NRD. Currently, NRD is upon completion of 20 years of service or when 20 years would have been completed.
- Early Retirement will be available upon the completion of 25 years of service with the total accrual rate reduced by 3% for each year short of 30 years. Note that is a reduction in the accrual rate; not a traditional early retirement penalty. The resulting early retirement accrual rate may not be less than 53.5%. The following table compares the early retirement accrual rates under this agreement with the current system.

Years of Service	Normal Accrual Under Current System	Normal Accrual Under Agreement	Early Retirement Under Agreement
30	80%	75.0%	75.0%
29	78%	72.5%	69.5%
28	76%	70.0%	64.0%
27	74%	67.5%	58.5%
26	72%	65.0%	53.5%*
25	70%	62.5%	53.5%*

* Would have been 53.0% and 47.5% at 26 and 25 years of service, respectively, without the 53.5% floor.

Currently, there is no early retirement available since NRD is set at 20 years.

- Members will become vested in an employer-provided benefit upon completion of 10 years of service with benefits deferred to age 62 and based on an accrual rate of 2.0% per year. Currently, members become vested upon completion of 5 years of service.
- The current DROP program will be replaced with a Back-DROP. The Back-DROP will be available for up to five years upon reaching 30 years of service. The Back-DROP interest rate will be based on trust fund earnings but, not less than 0%, and not greater than 10%. If Back-DROP includes years of service less than 30 years, the total accrual rate based on total years of service minus Back-Dropped years of service is reduced by 2% for each of service less than 30 (versus the early retirement penalty of 3%.) FAC is based on the 60 months ending at the selected prior date (actual termination date less years Back-Dropped.)

For example, a member retiring at 30 years of service elects the Back-DROP effective at 25 years of service. The total accrual rate of 62.5% (30 years in total less 5 Back-DROP years for 25 years x 2.5%) less a 10% accrual rate penalty (5 years short of 30 years x 2%) results in a final accrual rate of 52.5%. Please note that the 53.5% floor does not apply. The FAC is based on the 60 months ending at the completion of 25 years of service.

- The benefit amount, as of October 1, 2013, will be limited to \$99,999.99 indexed to Social Security inflation (CPI-U) with a maximum annual increase of 1.50%. We have assumed the cap would apply to the member's benefit at retirement. The benefit is not assumed to increase in the intervening years after retirement and prior to the commencement of the COLA. Furthermore, the 75% survivor percentage is assumed to apply to the capped member's benefit. We recommend the details of the application of the cap be incorporated into the appropriate plan documents.
- A disability benefit will be provided equal to 50% of earnings base. Members becoming disabled after attaining eligibility for early retirement are assumed to elect the larger of the early retirement and disability retirement benefits. Currently, the disability benefit is 60% of earnings base.
- The MPS does not explicitly reference the pre-retirement surviving spouse benefit. The current benefit is determined assuming the member has completed no less than 20 years of service, which are the required years of service for attaining Normal Retirement Age (NRA). Since the MPS changes the definition of NRA we have assumed this change would impact the calculation of the pre-retirement surviving spouse benefit. In this analysis, we have assumed the pre-retirement surviving spouse benefit is determined assuming the member has completed no less than 30 years of service to be consistent with the attainment of NRA. No other elements of the pre-retirement surviving spouse benefit was assumed to be changed, including the spouse's percentage of 75%, child benefit of \$200 per month until age 18 (22 in college) and \$400 per minimum. We recommend the details of this benefit provision be reviewed and incorporated into the appropriate plan documents.

In estimating the impact of the MPS, we modified the assumed rates of retirement for post-September 30, 2013 hires due to changes in the retirement conditions including DROP as follows.

<u>Years of Service</u>	<u>Rate</u>
25	15%
26	3%
27-29	5%
30	70%
31-34	10%
35	100%

Also, all members are assumed to retire upon attainment of age 65.

Results

Attached are two charts displaying the projected employer contribution rates for the next 30 years based on the two scenarios described below. Please note that these projections are based on the 2011 actuarial valuation and do not reflect the significant decrease in payroll from the 2011 valuation to the 2012 valuation. This results in contribution rates that would be slightly higher than those shown in the 2012 valuation but dollar amount of contributions would be comparable.

As requested below is the sum of the cash contributions over the next 30 years. The results are as follows:

<u>Scenario</u>	<u>Total dollars over the next 30 years²⁾</u>	<u>Increase/(Reduction) from Baseline</u>
1. Baseline (Proposed Assumptions/ Methodology)	\$6.02 (billion)	N/A
2. MPS	\$4.82(billion)	\$(1.20) billion ^{1) 3)}

¹⁾Approximately \$0.21 billion of the reduction is attributable to the change in the discount rate mandated by the MPS from the current actuary's recommendation of 7% to the graded assumption of 7.75% phasing down to 7.25%.

²⁾Total dollars exclude expected employee contributions, State Chapter Funds allocation (i.e premium-tax refunds) and expected court fines and penalties. State laws make the City responsible for funding the difference between the actuarially determined contribution and these amounts.

³⁾This letter, as required by the MPS, was shared with Jarmon Welch, of Pension Board Consultants, Inc. the Jacksonville Police and Fire Pension Fund Actuary. While we do not want to misquote Mr. Welch, we believe that he agrees with the 30 year nondiscounted savings if the Council adopts the pension changes stated in this letter.

These results assume contributions to the plan from the State due to premium tax refunds and expected court fines and penalties are 4.58% of pay per year.

Note, the total dollars are not discounted to reflect the time value of money.

Also, note that the majority of the reduction in cash contributions due to the proposed assumptions occurs in the first 10 years whereas the majority of savings of the plan provision changes of the MPS occurs in the last 10 years of the projection.

In addition, we have included two additional charts showing the amount of the Unfunded Actuarial Liability under each scenario and the Funded Status (Actuarial Value of Assets divided by the Actuarial Liability) for only the MPS scenario. Results are shown for the next 30 years.

As noted on page 2, the charts are based on a closed 23-year amortization period from July 1, 2012 with the amortization payments increasing 3.25% annually. "Closed" means that amortization period decreases by one each year. Other amortization methods are possible such as a "10 year minimum" meaning that the 23 year amortization period may not decrease to a period of less than 10 years. While the "10 year minimum" method would smooth the impact on the City's budget of the UAL amortization beginning 13 years from now, we note it may not be consistent with the State's policy on amortization methods. We are currently looking into this and other possible "smoothing" amortization methods.

Projection Assumptions and Methodology

Our projections assume that the number of active members remains constant. Individual pay increases and patterns of termination, disability and mortality are consistent with the most recent valuation assumptions. The retirement assumptions for the "MPS request" projections were modified for future hires as noted above. We have also assumed that the City always pays the Annual Required Contribution beginning Fiscal 2012 and future years. For fiscal years 2013-2015 we have assumed the reported rates of contribution provided by you, based on the Plan's actuarial valuation reports. We have not assumed any future plan changes, assumption changes, funding method changes, or liability gains or losses during the forecast period.

Terminating and retiring members are replaced by new active members with the same age and gender characteristics as members who were hired during the past few years. Future entrants were assumed to join the Plan to maintain a stable active population. New entrant profiles are traditionally based on relevant recent hires into a Plan. Since only a few new participants entered this Plan in 2010-11, our modeling is based on members joining the plan on or after October 1, 2009. (there were 91 such members). An average pay raise of 1.5% was assumed between 2009 and 2011 for these members and future new entrant salaries were assumed to increase 4.00% from the prior year.

It is important to note that the projections were completed assuming a determination scenario where the market value of investments was assumed to earn the valuation interest rate of 7.75% (or 7.50% or 7.25%) each and every year of the projection period starting with the 2012-13 fiscal year. The October 1, 2012 asset value is the actual market value as reported in the draft October 1, 2012 valuation report. In addition we assumed the annual expenses paid by the Plan would increase 2.5% per year, and that the calculated actuarial asset values would continue to be reduced by the reserve account balance and the Senior Staff plan assets. The offset amount is approximately \$31.8 million as of October 1, 2012 and was assumed to increase at an annual rate equal to the discount rate. Per the MPS, \$20 million will be transferred from the reserve account balance to the trust for pension benefits as of October 1, 2013. The City's

contribution for 2013-2014 will be reduced by \$20 million. In addition, per the MPS 1% of payroll from October 1, 2013 to September 30, 2014 for police and to September 30, 2015 for fire will be allocated to the pension trust instead of the Enhanced Benefit Account. The City's contribution is reduced by the same percentage.

In general, valuation results are completed as of one date but are not reflected in the City's contribution until a year later. This procedure, in combination with an increasing contribution rate is a source of constant actuarial losses. For purposes of this analysis we have assumed that valuations would be performed annually beginning in 2014. This means the City contribution rate will change from year to year, beginning with the 2015-16 fiscal year.

In general, we have assumed the following for City Contributions:

	<u>Baseline</u>	<u>Mediation Settlement Agreement Request</u>
Fiscal year 2012-13	110.85%	81.91%
Fiscal year 2013-14	110.85%	81.91%
Fiscal year 2014-15	110.85%	81.91%

In addition, besides employee contributions, 4.58% of payroll is contributed to the Plan from expected Court Fines and Penalties and State Chapter Fund allocations.

Finally, for contribution purposes the projected contribution percentages of both the Current Plan and Plan Change scenarios are based on projections of the Current Plan pensionable compensation.

Basis for Analysis

We used demographic and economic assumptions consistent with those used in the October 1, 2011 and October 1, 2012 valuations, with the modifications discussed above.

Actual costs will be based on actual experience of the Plan. Please note that the cost impact of the proposed changes may be higher or lower than the study estimates depending upon rates of retirement actually experienced by the Plan. A realistic estimate of retirement rates is critical to determining the actual future impact on plan costs. If the Plan Change scenario is adopted, it is possible that members would postpone retirement until later ages, which will affect the projections shown in this study.



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May 28, 2013
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The calculations are based on data and other information provided to us by the City of for our proxy October 1, 2011 actuarial valuation and supplemented for purposes of this

study. We have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

This analysis is based on methods and assumptions believed to be used in the October 1, 2011 actuarial valuation and the October 1, 2012 draft actuarial valuation, and the additional assumptions discussed earlier in this letter. The data was based on the October 1, 2011 proxy actuarial valuation database. The results of our study depend on future experience conforming to those actuarial assumptions. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. To the extent future experience deviates from those assumptions, the results of this analysis could vary from the results presented here.

Milliman's work product was prepared exclusively for the internal business use of the City of Jacksonville for a specific and limited purpose. It is a complex technical analysis that assumes a high level of knowledge concerning the Plan's operations, and uses City's data, which Milliman has not audited. To the extent that Milliman's work product is not subject to disclosure under applicable public record laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exceptions:

(a) The City may provide a copy of Milliman's work, in its entirety, to the Plan's or the City's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the System.

(b) The City may provide a copy of Milliman's work, in its entirety, to other Governmental entities, as required by law.



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No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. We have not explored any legal issues with respect to the proposed plan changes. We are not attorneys and cannot give legal advice on such issues. We suggest that you review this proposal with counsel.

I, Robert Dezube, am a consulting actuary for Milliman, Inc. I am a member of the American Academy of Actuaries, and meet their Qualification Standards to render the actuarial opinion contained herein.

Please call if you would like to further discuss this project.

Sincerely,

A handwritten signature in cursive script, appearing to read 'R. Dezube'.

Robert S. Dezube, FSA
Consulting Actuary

Enclosures

CC: Derrel Chatmon (w/enclosures)
Chris Hand (w/enclosures)

RSD/COJ/85

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LEGISLATIVE FACT SHEET

DATE: Wednesday, May 22, 2013

BT or RC No: _____
(Administration Bills)

SPONSOR: Mayor's Office

(Department/Division/Agency/Council Member)

PURPOSE/SUMMARY:

AN ORDINANCE PERTAINING TO CHAPTER 121 (POLICE AND FIREFIGHTERS PENSION PLAN), ORDINANCE CODE; AMENDING SECTION 121.102(E) (POLICE AND FIRE PENSION PLANS) CREATING A NEW CATEGORY OF MEMBER KNOWN AS A "GROUP II MEMBER" BASED UPON A DATE OF HIRE ON OR AFTER OCTOBER 1, 2013 AND SECTION 121.113(A) AND (B) (CALCULATION OF PENSION CONTRIBUTIONS FOR POLICE AND FIRE PENSION FUND) REVISING THE CONTRIBUTION PERCENTAGES OF EXISTING POLICE AND FIRE PENSION PLAN MEMBERS; AMENDING SECTION 121.201 (RETIREMENT BENEFITS), SECTION 121.204 (SURVIVING SPOUSE'S BENEFITS), SECTION 121.206 (CHILDREN'S BENEFITS), AND SECTION 121.209 (DEFERRED RETIREMENT OPTION PROGRAM (DROP)); CREATING NEW SECTION 121.211 (CALCULATION OF PENSION CONTRIBUTION FOR POLICE AND FIRE PENSION FUND) ESTABLISHING THE PROGRAM OF PENSION BENEFITS EXTENDED TO GROUP II MEMBERS; APPROVING THE MEDIATION SETTLEMENT AGREEMENT IN THE CASE OF RANDALL WYSE, ET AL, VS. CITY OF JACKSONVILLE, ET AL, CASE NO. 3:13-CV-121-J-34MCR, UNITED STATES DISTRICT COURT, MIDDLE DISTRICT OF FLORIDA; ATTACHING THE REQUIRED ACTUARIAL IMPACT STATEMENT; PROVIDING AN EFFECTIVE DATE.

APPROPRIATION: Total Amount Appropriated: _____ N/A as follows:

(Name of Fund as it will appear in title of legislation) _____

Name of Federal Funding Source: _____ Amount: _____

Name of State Funding Source: _____ Amount: _____

Name of City of Jax Funding Source: _____ Amount: _____

Name of In-Kind Contribution: _____ Amount: _____

Name of Bond Acct: _____ Amount: _____

Bond Account Number: _____

IMPACT - FINANCIAL / OTHER:

Saves \$1.2 billion over 30 years.

ACTION ITEMS:

	Yes	No	
Emergency?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Justification of Emergency:
Federal or State Mandates?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Fiscal Year Carryover?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
CIP Amendment?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Contract / Agreement (C/A) Approval?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	(Attach CIP Form(s))
C/A Negotiations On-going?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	(Attach a copy)
Oversight Department Required?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Name of Dept.: _____
Related RC/BT?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	(Attach a copy)
Waiver of Code?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Identify Code: _____
Code Exception?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Identify Code: _____
Continuation of Grant?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
Surplus Property Certification?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	(Attach a copy)
Related Enacted Ordinances?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Ordinance #: _____
Report Required to City Council or Council Auditors?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	

Date: _____ Frequency: _____

ADMINISTRATIVE TRANSMITTAL

To: MBRC, c/o Roselyn Chall, Budget Office, St. James Suite 325

Cc: Chris Hand, Chief of Staff, Office of the Mayor

From: Chris Hand, Chief of Staff

(Name, Job Title, Department)

Phone: 630-1776

E-mail: CHand@coj.net

Contact Chris Hand, Chief of Staff

Person: (Name, Job Title, Department)

Phone: 630-1776

E-mail: CHand@coj.net

COUNCIL MEMBER / INDEPENDENT AGENCY / CONSTITUTIONAL OFFICER TRANSMITTAL

To: Peggy Sidman, Office of General Counsel, St. James Suite 480

Phone: 630-4647

E-mail: psidman@coj.net

From:

(Name, Job Title, Department)

Phone:

E-mail:

Contact

Person: (Name, Job Title, Department)

Phone:

E-mail:

Legislation from Independent Agencies require a resolution from the Independent Agency Board approving the legislation.

FACT SHEET IS REQUIRED BEFORE LEGISLATION IS INTRODUCED