NEWS RELEASE

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ALVIN BROWN
MAYOR

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MAYOR BROWN, PUBLIC SAFETY EMPLOYEES ANNOUNCE HISTORIC AGREEMENT ON RETIREMENT REFORM

JACKSONVILLE, Fla. ***Wednesday, May 8, 2013*** — Mayor Alvin Brown today announced an agreement on retirement reform with the Jacksonville Association of Firefighters (JAFF), Fraternal Order of Police (FOP), and Jacksonville Police and Fire Pension Fund (JPFPF).

The new agreement is projected to save taxpayers approximately $1.1 billion over 30 years, including almost $50 million in the next Fiscal Year alone (10/1/2013 to 9/30/2014). To put those numbers in perspective, the first year savings alone are the same amount of money needed to pay the compensation of approximately 800 city employees. The savings equal the combined budgets of the Jacksonville Public Libraries and the City Planning and Development Department.

"I greatly respect our brave public safety employees and the important work they do for our community," said Mayor Brown. "This agreement is a product of partnership between the City and public safety professionals. Together, we have achieved retirement reform that will help ensure financial sustainability for both taxpayers and employees."

Mayor Brown's retirement reform agreement with the FOP, JAFF, and JPFPF has three main provisions. First, it will modify retirement benefits for new police and fire employees hired on or after October 1, 2013. Second, current police and fire members of the JPFPF will contribute additional funds to the pension plan but will retain their current benefits. Third, the agreement establishes new Police and Fire Pension Fund governance guidelines to promote accountability and transparency.

This retirement reform agreement marks the third occasion on which public safety employees have worked with Mayor Brown and the City of Jacksonville to achieve a positive result for taxpayers and city employees. In 2012, the City ratified new three year contracts with the Fraternal Order of Police and the Jacksonville Association of Firefighters. Those two contracts will combine to save taxpayers nearly $30 million through September 30, 2015.

"This retirement reform agreement is even more proof that anything is possible when we work together," said Mayor Brown. "Once again, we used a spirit of teamwork to accomplish retirement reform that provides financial sustainability for employees and taxpayers."

Summaries of the key provisions of the agreement are attached, along with a side-by-side analysis comparing the current system of retirement benefits with the modified benefits that will be in place for new public safety employees hired on or after October 1, 2013.

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New Employees Hired as of October 1, 2013

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Plan Element	Current Plan	2011-400	Mayor Brown Agreement
Total Savings	No savings	Saves $700 million over 35 years[1]	Saves $1.1 billion over 30 years
Vesting	5 years	8 years	10 years
Cap on Benefits	No cap on annual benefits	No cap on annual benefits	Caps annual benefits at $99,999.99 (indexed to inflation with a cap of 1.5%)
Retirement Age	Retire with 20 years of service at any age	Retire with 25 years of service at any age	Retire with 30 years of service at any age
Accrual Rate	Benefit accrual rate of 3% per year for first 20 years and then 2% per year for 10 years subject to a maximum of 80%.	Benefit accrual rate of 2.8% per year for the first 25 years and 2% after subject to a maximum of 80%.	Benefit accrual rate of 2.5% for all years of service with a maximum of 75%.
Pension Start Date	Normal Retirement Age	Normal Retirement Age	Normal Retirement Age Employees may take early retirement between 25 and 30 years with a 3% accrual rate penalty for years short of 30, subject to a floor of 53.5%.
Vest and Terminate	Terminate at any time after vesting and collect at what would have been normal retirement age (20 years of service)	For any employee who vests but leaves after completing 10 years but before 25 years of service, the benefit accrual rate would be 2.5% with no benefit paid until age 55. For those with less than 10 years of service upon terminating and vesting, the benefit accrual rate will be 2.5%, with no benefit paid until 65.	For any employee who vests but leaves before completing 25 years, the benefit accrual rate would be 2% with no benefit paid until age 62.

[1] Source: http://www.coj.net/departments/central-operations/docs/public-information/pension-reform-handout-2011-05-10.aspx

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Plan Element	Current Plan	2011-400	Mayor Brown Agreement

Deferred Retirement Option Program (DROP)	DROP eligibility:
	• Employee can enter DROP at 20 years of service
	• Eligible for:
	  ○ 5 years of DROP with up to 30 years of service
	  ○ 3 years of DROP with 30-31 years of service
	  ○ 2 years of DROP with 31-32 years of service
		DROP Eligibility: Employee can enter DROP at 25 years of service. Pending State approval of City funding through DROP period
		
		"Back DROP" Eligibility:
		• Eligible for 8 year "back DROP" to 25 years of service (calculated backward on termination date)
		• Flexible; up to 8 different options for benefit and DROP balances
		• Promotions can affect "back DROP" choices
			Eliminates DROP.
			
			Permits Back-Drop for up to five years upon an employee 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.

DROP Interest Rate	Guaranteed DROP interest rate of 8.4 percent	Rate linked to earnings assumption as set for funding by actuary, less a risk premium of .25 percent. Prospective rate adjustment will not exceed 8 percent	Eliminates DROP Back-Drop interest rate has a floor of 0% and a cap of 10%.
Cost of Living Adjustment (COLA) on Retirement Benefits	3 percent Cost of Living Adjustment (COLA) begins as early as three months after DROP	COLA capped at 3 percent beginning: • 24 months after employment termination	COLA capped at 1.5 percent beginning the third January following employment termination
Final Average Compensation(FAC)	FAC based on last 24 months of service	FAC based on last 60 months of service	FAC based on last 60 months of service
Employee Contributions	Employee pre-tax contribution of 7 percent	Employee pre-tax contribution of 8 percent	Employee pre-tax contribution of 10 percent
Spousal Benefits	75 % spousal benefit without cost (following retiree death)	75% spousal benefit w/o cost (following retiree death)	75% spousal benefit without cost (following retiree death)
Disability Pensions	Disability Pension at 60 percent of earnings base.	Disability Pension at 50 percent of earnings base	Disability Pension at 50 percent of earnings base.
Wages in Pension Calculation	Includes Shift and Differential	Includes Shift and Differential	Includes Shift and Differential. However, shift pay included in the calculation may not exceed 125% of shift pay earned during the five years prior to the FAC period.

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Employee Contributions and Future Savings Opportunities

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Employee Contributions

Current employees will pay an additional 2% contribution as follows:

- On October 1, 2010, wages for fire members were reduced by 2 percent. On January 1, 2012, wages for police members were reduced by 3 percent. After those reductions are restored, one-half of any subsequent increase shall be used to increase the employee contribution to a maximum of 9 percent. However, if compensation is subsequently reduced below the level that generated the contribution increases, then the employee contribution will decrease in a similar manner to a minimum of 7 percent.

- Upon the effective date of the agreement (October 1, 2013), the PFPF will pay a one-time member contribution to the plan in the amount of $20 million.

- Upon the effective date of the agreement (October 1, 2013), the PFPF will pay an additional interim contribution of 1% of payroll from its Enhanced Benefit Account. That contribution will continue until Sept. 30, 2014, for police members and Sept. 30, 2015, for fire members.

Future Savings Opportunities

- ***Disability Plan***

This agreement preserves the disability plan in the PFPF for current police and fire employees. However, the City will conduct a study as to the possibility of establishing a disability plan separate and apart from the PFPF. Following the completion of that study, the parties to this agreement may agree to establish such a disability plan provided it is limited to police and fire employees.

- ***City of Jacksonville Real Estate***

Later this year, the City of Jacksonville will complete its real estate optimization study (the so-called "Lazy Assets" study) to determine how it will utilize or whether it will sell, lease, or otherwise dispose of City-owned properties. Following the completion of that study, the parties to this agreement will consult on the possible use of these properties to address City pension costs and PFPF liabilities.

- ***Purchase of Service***

The parties to this agreement will submit to the City's actuary a uniform method for purchase of service credit. The method will set a rate of 20% and require the employee to give up rights in any other retirement system for the years of service being purchased. If the actuary determines that the change has either a positive or neutral cost effect, the City will implement it by appropriate legislation.

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PFPF Governance

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- ***Sets Assumed Rate of Return***

The PFPF Board will maintain the assumed rate of return at 7.75 percent through the fiscal year ending September 30, 2015. For the fiscal year ending September 30, 2016, the rate will be 7.5 percent. For the fiscal year ending September 30, 2017, the rate will be 7.25 percent. The Board will thereafter set the rate as provided by law with any adjustments in increments of 25 basis points.

- ***Establishes Selection Criteria for Future PFPF Administrator***

The selection of any future Administrator/ Chief Investment Officer will be governed by a professional process subject to Florida law in which the candidate is selected with the assistance of an executive search firm retained by the Board. The selectee is required to have five years of pension administration or institutional investment experience, expertise in the oversight of investment portfolios, and a bachelor's degree in finance, economics or accounting or a related area from an accredited university, or comparable training and experience. Certified Public Accountant (CPA), Juris Doctor (JD), Masters in Business Administration (MBA), Certified Financial Analyst (CFA), as well as comparable experience directing the activities of a retirement system, is preferred.

- ***Closes Senior Staff Voluntary Pension Plan***

The current Senior Staff Voluntary Pension Plan (SSVPP) will close on or before August 3, 2013. No further benefits will accrue. Participants in the current plan will receive the SSVPP benefits which are comparable to those as if they had been enrolled in the FRS Special Risk Plan.

- ***Defines Retirement Options for Future PFPF Administrator***

The PFPF will place any future Administrator in a defined contribution plan with the PFPF employer contribution subject to the limits of federal law.

- ***Provides Selection Guidelines for Fifth Member of PFPF Board***

Under the current law, two members of the PFPF Board are appointed by City Council. One member of the Board is elected by police members. One member of the Board is elected by fire members. The fifth member is appointed by the other four members. Going forward, the four trustees will seek a candidate with governance experience, institutional investment experience or comparable professional training, knowledge, and expertise.

- ***Mandates Open Government Consultations***

The City of Jacksonville and the PFPF Board will have ongoing consultations on public records and open government issues.