



NEWS RELEASE

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Police and Fire Pension Fund
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Response of the Police and Fire Pension Fund to the Florida Times Union and Council Auditor Statements Concerning DROP Administration

In a recent article the Florida Times Union (FTU) wrote the PFPF allowed members to “skirt the rules and participate in the DROP either too early or for longer periods than city law allows.”¹ The FTU wrote that in violation of city code, the PFPF allows members “into the DROP prematurely,” which has only a “negligible impact” on fund finances, but also allows members to “participate longer than the city law states. The article is based upon an audit conducted by the Council Auditor’s Office, which stated, “The Police and Fire Pension Fund was not being consistent with the handling of the member’s date of election to participate in the DROP.” The audit reports that the PFPF allows a member “to apply early from an administrative perspective,” allowing members to apply for DROP prior to reaching 20 years of service “as long as the effective date is after the 20 years are reached.”

The Jacksonville municipal ordinance is clear that the date of election to participate in the DROP is different from the date of participation. The Council Auditor argues that benefits and extent of DROP eligibility should be calculated based upon date of election, which is not consistent with the Jacksonville Code.

DROP participation under the Jacksonville Municipal Code can only begin in certain months of the year. The filling out of the DROP form is merely an administrative efficiency to avoid delays in member DROP participation occasioned by the number of City offices which must approve a DROP application in addition to the PFPF.

The Jacksonville Municipal Ordinance

The Jacksonville Code governs eligibility to participate in the DROP by providing:

(a) *Eligibility of member to participate in the DROP.* All members who are eligible to, may elect participation in the DROP, provided members comply administratively with the rules and regulations established by the board for the administration of the DROP.

¹ Florida Times-Union, October 19, 2014; <http://members.jacksonville.com/news/metro/2014-10-18/story/too-much-good-thing-auditors-lawyers-say-city-pension-rules-are-being>

(1) A member who is eligible to receive normal retirement benefits under Section 121.201(a) may participate in the DROP providing the member elects to participate within the time limits contained in Section 121.209(b)(1).

(2) Election to participate is made on a date following the date on which the member first reaches the minimum normal retirement benefit after completion of 20 years of credited service.

(3) An eligible member may elect to participate in the DROP by complying with the election process established by the Board. Sec.121.209(a) Municipal Code, Jacksonville, Fla. The extent to which a member may participate is governed by subsection (b) of the ordinance.

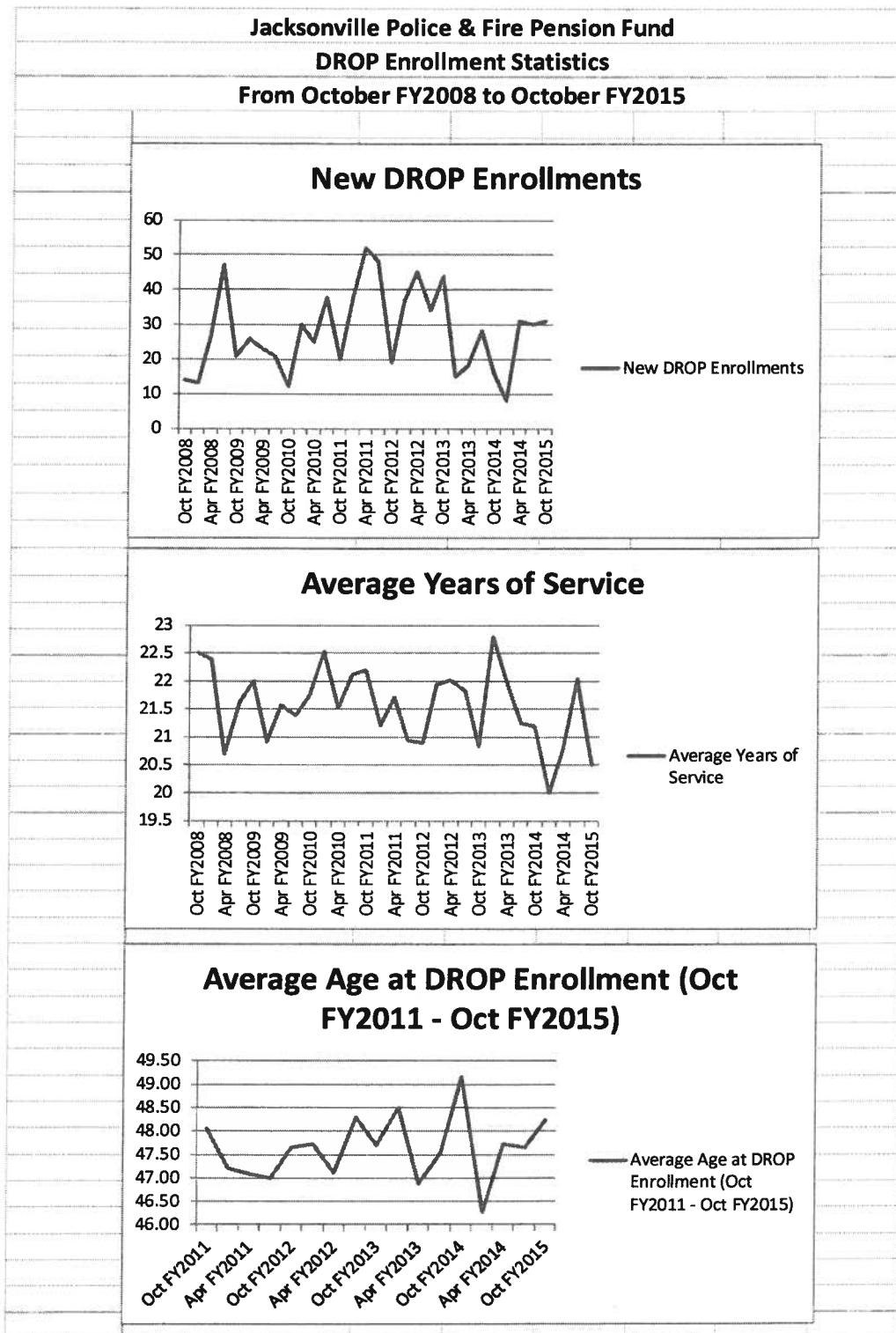
(b)(1) A eligible (sic) member may elect to participate in the DROP for a period not to exceed a maximum of 130 full bi-weekly pay periods (60 months) ***following the date on which the member begins participation in the DROP.*** The following time limits will apply for eligibility to elect to participate in the DROP.

Years of Credited Service	Maximum Pay Periods	Maximum Months
20 but less than 30 years	130 biweekly	60
30 but less than 31 years	78 biweekly	36
31 but less than 32 years	52 biweekly	24

A member who reaches 32 years of service after the effective date of this Section and who fails to make an election prior to attaining 32 years of service shall forfeit all rights to participate in the DROP. Notwithstanding (sic) the time limits described above, members who previously elected to participate in the DROP for a period of 48 months shall have their period of participation in the DROP extended to a period of 60 months.

(3) ***The beginning date of the DROP period shall be the first full biweekly pay period after the first day of January, April, July or October subsequent to the date of election to participate,*** or as soon as administratively practical thereafter and shall not exceed the DROP participation period as provided in (b)(1), above "Sec.121.209(b), Municipal Code, Jacksonville, Fla." (emphasis added).

A review of DROP records indicates that the average longevity of DROP participants has dropped sharply and is now hovering just above 20 years of service, as indicated by the below analysis. The uncertainty surrounding pension issues has resulted in an accelerated departure of hundreds of police officers and firefighters. This has added to the retirement payroll while leaving the City with drastic personnel shortages.



Conclusions

Read together, the Jacksonville Code provides that a member becomes eligible to submit an application to participate in the DROP (i.e. an “election to participate”), only after completing 20 years of credited service. Once the member completes 20 years of service, that member may submit an application to enter the DROP up to the date the member completes 32 years of service. After that date, the member forgoes all rights to participate in the DROP. The extent of maximum participation in the DROP changes upon the date a member completes 30 years of credited service and 31 years of credited service. This raises the question whether a member who submits an application to participate in DROP prior to obtaining 30 years of credited service, but actually obtains 30 years of credited service prior to the effective participation date, is eligible to participate for three or five years, and whether the base pension is calculated on a 78% or 80% benefit.² Section 121.209(c)(1),³ states, “Effective with the date of DROP participation, the member's initial normal retirement benefit, including creditable service and average compensation, as provided in Section 121.201(a) and the effective date of retirement shall be fixed.” The date of DROP participation is fixed in Sec.121.209(a)(3), *see above*, which states, “the beginning date of the DROP period shall be the first full biweekly day period after the first day of January, April, July or October subsequent to the date of election to participate.” This provides no other conclusion that a member may submit an application to enter the DROP before the member’s 30th year of credited service, but still get a benefit and enjoy five years of DROP participation, based upon having obtained 30 years of credited service before the first full bi-weekly period after the first day of the following calendar quarter.

It is the policy of the Board to investigate promptly and fully any credible questions about statutory compliance and accounting accuracy. It is the policy of the Board to also recover any overpayments or to correct any underpayments when any errors are identified. To that end, the Board will be asked at its next meeting to retain the services of an independent legal firm and auditing firm with Florida public pension and DROP experience which has not provided past services to either the PFPF or to the City Retirement System to review all DROP applications by persons with 30 years of service to review the DROP administration. Only 39 Fund members have left service with more than 30 years since DROP began out of nearly 5,000 plan members. The results of these independent, expert reviews will, of course, be public record.

² The Charter of the City of Jacksonville bestows upon the Jacksonville PFPF Board of Trustees the power to, “Construe all terms, provisions, conditions, and limitations of the pension plan; and its construction thereof, made in good faith, shall be final and conclusive upon the interested parties.” Jacksonville Charter at 22.04(i). Although these provision are not ambiguous and do not require interpretation, the Board has the power to read them together to set forth an administrative policy governing the receipt of applications for entry into the DROP.

³ The Council Auditor’s report did not refer to this subsection of the ordinance. It is unknown whether the Council Auditor was aware of this subsection of the ordinance.