

PENSION BOARD CONSULTANTS, INC.
CONSULTING, ACTUARIAL & ADMINISTRATIVE SERVICES

JARMON WELCH, A.S.A.
PRESIDENT

2015-5-1
attachment

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May 4, 2015

Mr. John Keane, Executive Director
Jacksonville Police and Fire Pension Fund
One West Adams Street, Suite 100
Jacksonville, Florida 32202-3616

Actuarial Impact Statement

Dear John:

As requested, we have reviewed Ordinance 2015-304.

Impact on New Hires

This amends Ordinance Code Chapter 121 – Police and Fire Pension Plan to provide reduced benefits for Police Officers and Firefighters hired on or after April 1, 2015. The material changes are:

1. Credited Service for retirement increased from 20 to 30 years (steep reductions for early retirement after 25 years).
2. Earnings Base computed as average of last 5 years rather than last 2 years.
3. Three year delay in annual Cost of Living increases (reduced from 3% to 1.5% maximum Social Security).
4. Disability benefit reduced to 50% of Earnings Base from 60%.
5. Vesting changed from NRA&5 to age 62&10 (2% accrual rate).
6. Benefit percentage reduced from 3.0% to 2.5%.
7. Back-Drop implemented, no DROP.

Cost Impact

As shown on the attached Exhibit A, the new employee plan costs about 19% of pay plus expenses. The current plan has a new member cost of about 35% of pay plus expenses. Hence, the cost reduction is about 16% of new hire pay.

The new plan valuation assumptions are shown on the attached page 3.

Mr. John Keane
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Impact on Current Active Employees

<u>Change</u>	<u>(\$ Millions)</u> <u>Annual Savings</u>
1. Increase employee contributions from 7% of pay to 10% soon.	\$4.0
2. Four year pay averaging, instead of two, for employees with less than 5 YOS on effective date.	\$0.4
3. Annual DROP interest credits for future service of actual fund net earnings (minimum 2%, maximum 14.4%), for employees with less than 20 YOS on effective date.	\$0.0
4. Cost of living adjustment for future service equal to Social Security COLA (minimum 0%, maximum 6%), for employees with less than 20 YOS on effective date.	\$1.9

The assumptions used to value the current plan are shown in the October 1, 2014 Actuarial Report, pages 8-9.

This impact statement meets the requirements of Section 14, Article X of the State Constitution and provisions of Part VII, Chapter 112 as well as Chapter 175.351 and Chapter 185.35 of the Florida Statutes.

I am a member of the American Academy of Actuaries and meet its Qualification Standards to render the actuarial opinion contained herein.

Best regards.

Cordially yours,



Jarmon Welch, A.S.A.
President

Exhibits

cc: Ms. Kelly Shelton

Mr. Douglas Beckendorf, Actuary
Bureau of Local Retirement Systems
State of Florida – Division of Retirement
P.O. Box 9000
Tallahassee, FL 32315-9000

Jacksonville Police and Fire Pension Fund

Dear Mr. Beckendorf:

Attached is the actuarial impact statement for Ordinance 2015-304 to the Jacksonville Police and Fire Pension Fund described herein which complies with Section 14, Article X, of the State Constitution.

This statement has been prepared pursuant to Chapter 112 of the Florida Statutes, including Section 112.63(3), and contains the following attached items required by Chapter 60T-1.004.

1. Valuation date.
2. Description of Ordinance.
3. Estimate of cost of the changes based on an actuarial valuation within 12 months.

We certify that, to the best of our knowledge, the information included in these statements is accurate and reflects the actuary's estimated costs of the Ordinance. In our opinion, the change is in compliance with Part VII, Chapter 112, Florida Statutes, and Section 14, Article X, of the State Constitution.

Plan Administrator
Jacksonville Police and Fire Pension Fund



President
Pension Board Consultants, Inc.

Date

Enclosure

cc: Trustees
Jarmon Welch, A.S.A., President

JACKSONVILLE POLICE & FIRE PENSION FUND
(156 new hires)

	New Plan*
Average Age at Date of Hire	29
Average Pay	\$37,750
<u>10/1/2014</u>	
1. Present Value of Future Benefits	
a. Active Participants	
(i) Retirement	\$18,052,788
(ii) Death	\$544,596
(iii) Disability	\$1,064,076
(iv) Withdrawal	\$83,304
(v) Return of Contributions	<u>\$142,428</u>
(vi) Total	\$19,887,192
2. Ratio of Present Value of Future Salaries to Current Salaries	
a. 1% of PV of Future Salaries	\$1,052,844
b. Covered Payroll	\$5,889,000
c. Ratio (a. / b.)	17.878146
3. Normal Actuarial Cost	
a. Dollar Amount (Individual EA)	\$1,091,532
b. As % of Covered Payroll	18.54%
c. Expenses added	N.A.
4. Contributions as a % of Covered Payroll	
a. Employee	10.00%
b. City (balance)	N.A.

* Material Changes:

Retirement changed from 20 to 30 YOS (steep reductions for early retirement after 25 years)
Final Average Earnings from 2 to 5 years
Three Year Delayed 1.5% COLA
Disability 60% to 50%
Vesting from NRA&5 to 62&10 (2% accrual rate)
Benefit percentage from 3.0% to 2.5%

JACKSONVILLE POLICE AND FIRE PENSION FUND

Actuarial Bases

Cost Method: Individual Entry Age

Actuarial Assumptions for New Plan

The actuarial assumptions were updated after an experience study for five plus years ending September 30, 2011.

Mortality: No future mortality improvement projected. Pre and Post-Retirement for healthy lives, the RP-2000 Combined Healthy Mortality Table, separate by sex, Projection Scale AA to valuation date. Post-Disablement uses the RP-2000 Disabled Retiree Table, separate by sex, Projection Scale AA to valuation date.

Investment Yield: 7.0% compounded annually.

Turnover: No vested refunds are assumed. No recoveries are assumed.

<u>Age</u>	<u>Withdrawal Rate</u>	<u>Disability Rate</u>	<u>Age</u>	<u>Withdrawal Rate</u>	<u>Disability Rate</u>
20	.024	.00036	35	.006	.00048
25	.024	.00036	40	.006	.00060
30	.012	.00036	45	.000	.00120

Salary Scale: 4.0% compounded annually applied to pay to allow for future salary increases reflecting inflation, productivity, and seniority.

COLA: 1.5% compounded annually.

Percent Married: Assume 75% of active employees married. Use tax reported status for inactives.

Retirement: Rates and benefit percentages per year as follows:

<u>Years of Service</u>	<u>Rate</u>	<u>Benefit Percentage</u>
25	0.15	52.5%
26	0.03	55%
27	0.05	60%
28	0.05	65%
29	0.05	70%
30	1.00	75%

Assumed 100% retirement at age 62.

Age Differences for Spouses: Females assumed to be 3 years younger.