

Board of Directors
Police & Fire Pension Fund
One West Adams St., Suite 100
Jacksonville, FL 32202
Attention: Chris Brown, Chairman

Dear Members of the Board:

I am writing on behalf of the Advisory Committee and respectfully submit this recommendation for the Board's consideration. On March 26th, 2019 the Committee convened a hearing, in accordance with the benefits correction policy, for the purpose of considering appeals related to Time Service Connections (TSC) by seven members of the PFPF, six of whom were present. The seven affected members were previously employed by the City of Jacksonville Beach, the City of Atlantic Beach, or both as either Police Officers or Firefighters. The affected members were appealing notices of recalculation of TSC due to errors in the calculation rate.

While the underlying nature of the appeals was similar, for each of these members there exist unique and complex considerations. Two of the affected members purchased time outright, submitted a lump sum payment, and received immediate credit for the TSC. These two have met full retirement eligibility, twenty years of service, with one participating in the DROP as a now "Qualified Member" of the PFPF. Two others received recalculations after their initial applications to reflect the erroneous rate resulting in the underpayment of the required contribution for the TSC. The remainder of affected members had their initial applications calculated at the erroneous rate of 8% in lieu of the 20% codified in M.O. 121.07. These errors have resulted in underpayments to the PFPF totaling \$173,777.34.

The Committee accepts the calculations were made in error and that all affected members should have purchased time at the 20% rate. However, the Committee with careful consideration does not find a simple application of the benefits correction policy sufficient in these particular matters. If the Board chooses to zero balance these applications, and opts to simply adjust the pension dates, it may cause errors to other aspects of certain affected member's benefit calculations. The affected members have either fully paid or are making regular payments to the PFPF, albeit at an erroneous rate. A decision by the Board to cancel the applications and issue refunds of contributions effectively compounds the hardship placed on the affected members. First, it is again likely other aspects of benefit calculations would require correction. Second, the affected members were not able to take full advantage of any number of investment opportunities while their monies were controlled by the PFPF. Furthermore, the affected members made retirement decisions based on guidance from PFPF staff. These decisions have caused unknown but undeniable impact on the members and their families. The PFPF staff, Advisory Committee, legal counselors, and affected members have already invested hundreds of hours in the matters related to these appeals. Continuing this costly exercise, with the very real possibility of litigation, it is likely the financial burden to the PFPF would surpass the dollars

that would be recouped from correcting the errors in calculation in these specific instances. These options do not uphold the spirit of the PFPF in its mission to provide long term benefits to participants and their beneficiaries.

The Committee, through its processes, has always sought to provide prudent recommendations to the Board, considering the fiduciary responsibility, while advocating equitably for all members of the PFPF. It is to that intent that I would like to address the commitment of the Committee through the following proposed changes to the TSC process. In all future applications for TSC the Committee will require PFPF staff to provide the percentage rate used to calculate the benefit cost, the M.O. section and subsection from where the percentage rate was derived, and the type of service being purchased to include the official agency name and jurisdiction. The Committee recommends the applications for TCS be officially revised to include these changes. These applications completed by PFPF staff with the affected members, and then subsequently presented to the Committee and Board for approval are the crux of our recommendation regarding these appeals.

The Committee recommends the Board honor the applications as written; applying credit to each affected member for the years, months, and days of service at the dollar cost listed.

Respectfully yours,

James A. Holderfield
Chairman
Advisory Committee