Presentation to the Jacksonville Pension Reform Task Force

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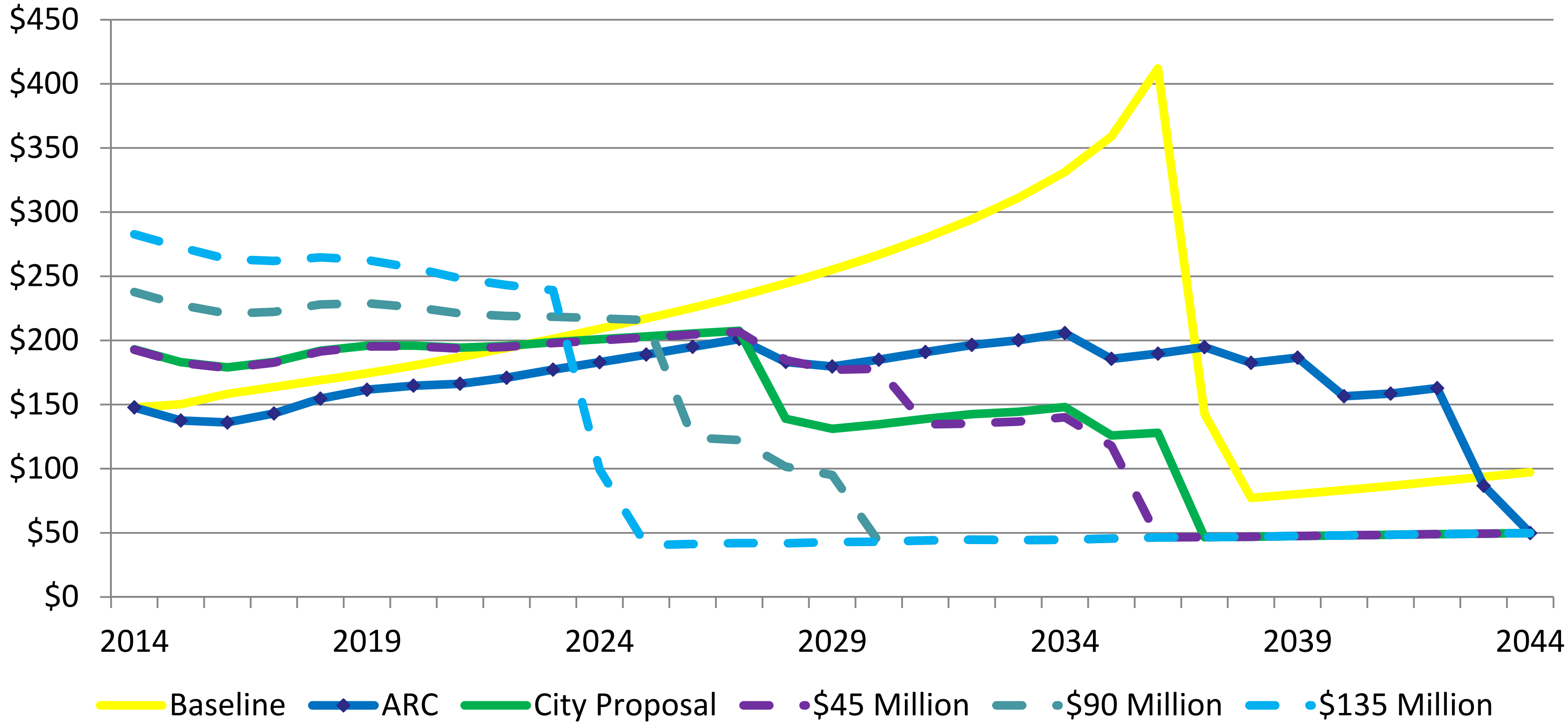
Modeling Contribution Policies

- The baseline scenario is based on current benefit and funding policies.
- Other scenarios assumed the recommendations supported by the task force on new benefits, employee contributions, and Cost of Living Adjustments have been implemented.
- We looked at five funding scenarios:
  - The City of Jacksonville makes the actuarial recommended contributions (ARC).
  - The City of Jacksonville follows the Mayor's proposal of using JEA funds and chapter funds to supplement the ARC until the Police and Fire Pension Fund is 80 percent funded.
  - Jacksonville pays the ARC and a $45 million additional payment until the PFPF is 90 percent funded.
  - Jacksonville pays the ARC and a $90 million additional payment until the PFPF is 90 percent funded.
  - Jacksonville pays the ARC and a $135 million additional payment until the PFPF is 90 percent funded.
- We modeled two investment scenarios—one in which investment returns from the Fund were consistently 7 percent and one in which investment returns were just 5.4 percent. Under the 5.4 percent return scenario, the assumption used by the Fund remains 7 percent but actual returns fall short of that assumption.

Annual Employer Pension Costs, 7% Returns

Payments owed by the City of Jacksonville



Source: The Terry Group, 2014
Portions of this analysis were provided by Milliman

Millions of Dollars,
Not Adjusted for Inflation

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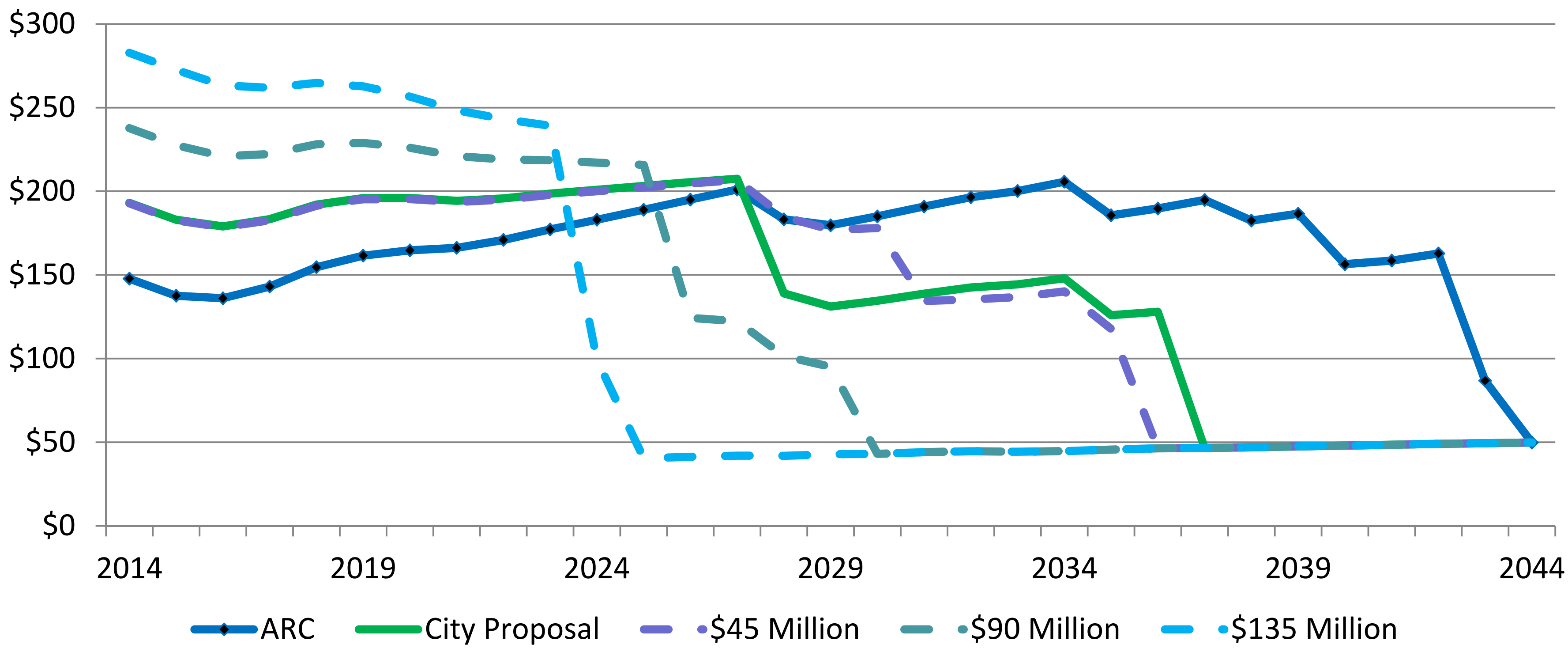

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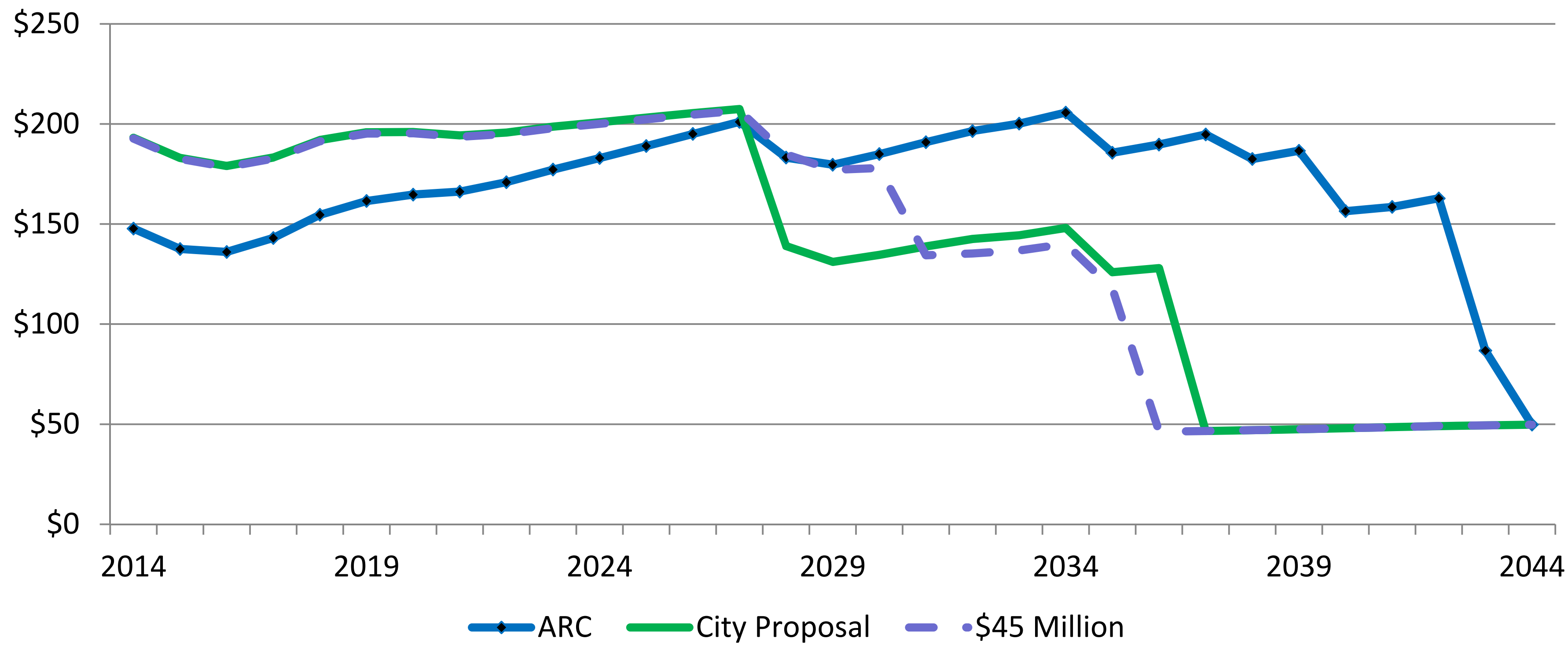

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Millions of Dollars,
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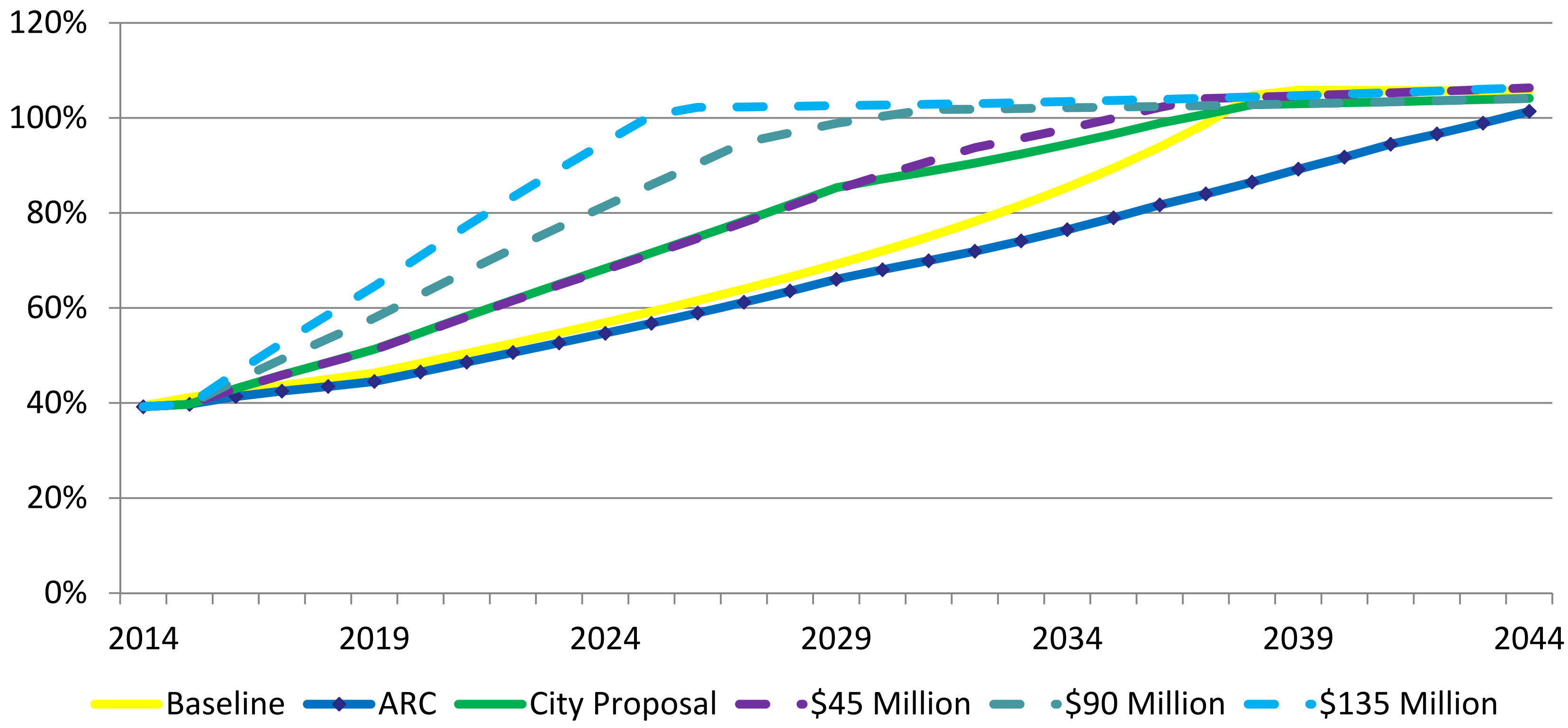
Plan Funding Levels over Time, 7% Returns

Percent of Plan Liabilities Matched by Assets



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Plan Funding Levels over Time, 7% Returns

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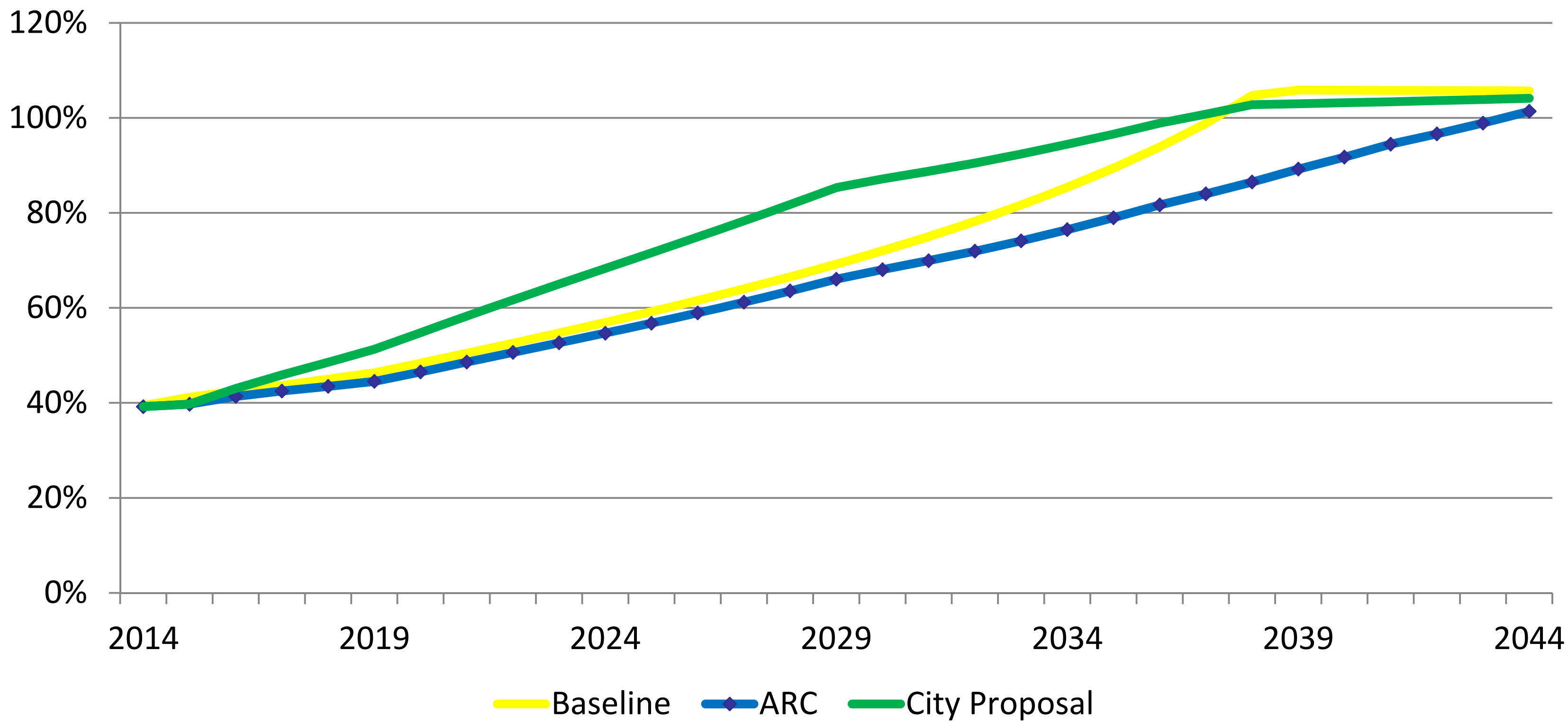

Source: The Terry Group, 2014
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Comparison of Funding Approaches, 7% Returns

Projected Contributions and Funding Levels—Fiscal Years 2014-2044

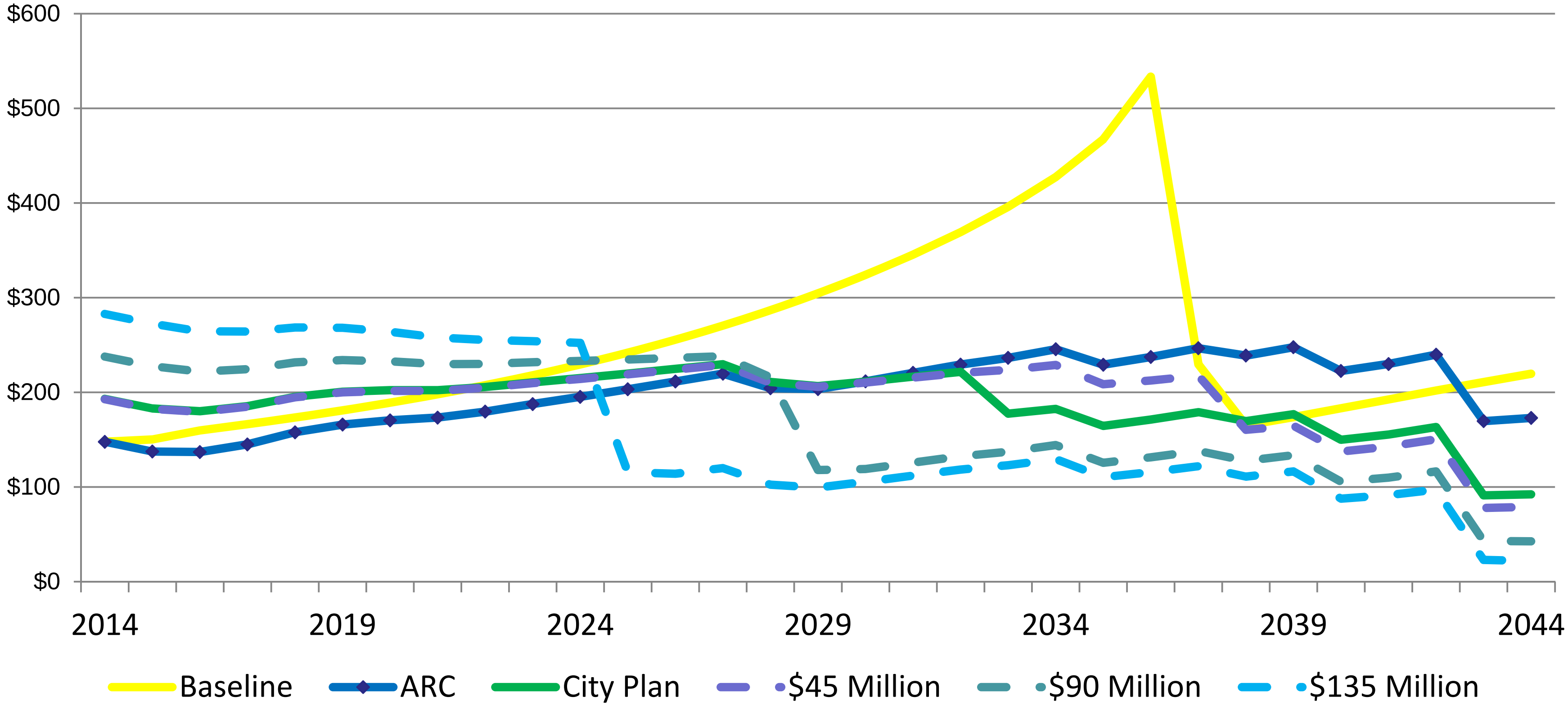
Approach	*Total Cost, Not Inflation Adjusted*	*Total Cost, Inflation Adjusted*	*Savings*	*Fiscal Year to Hit 80% Funded*	*Fiscal Year to Hit 100% Funded*
Baseline	**$6,117**	**$4,348**	**$0**	**2033**	**2038**
Pay the ARC	**$5,222**	**$3,693**	**$655**	**2036**	**2044**
City Proposal	**$4,346**	**$3,319**	**$1,029**	**2028**	**2037**
$45 Million Supplemental Contributions Till 90% Funded	**$4,355**	**$3,335**	**$1,013**	**2028**	**2035**
$90 Million Supplemental Contributions Till 90% Funded	**$3,824**	**$3,070**	**$1,278**	**2024**	**2030**
$135 Million Supplemental Contributions Till 90% Funded	**$3,601**	**$2,961**	**$1,387**	**2022**	**2025**

Source: The Terry Group, 2014
Portions of this analysis were provided by Milliman

Millions of Dollars

Annual Employer Pension Costs, 5.4% Returns

Payments owed by the City of Jacksonville

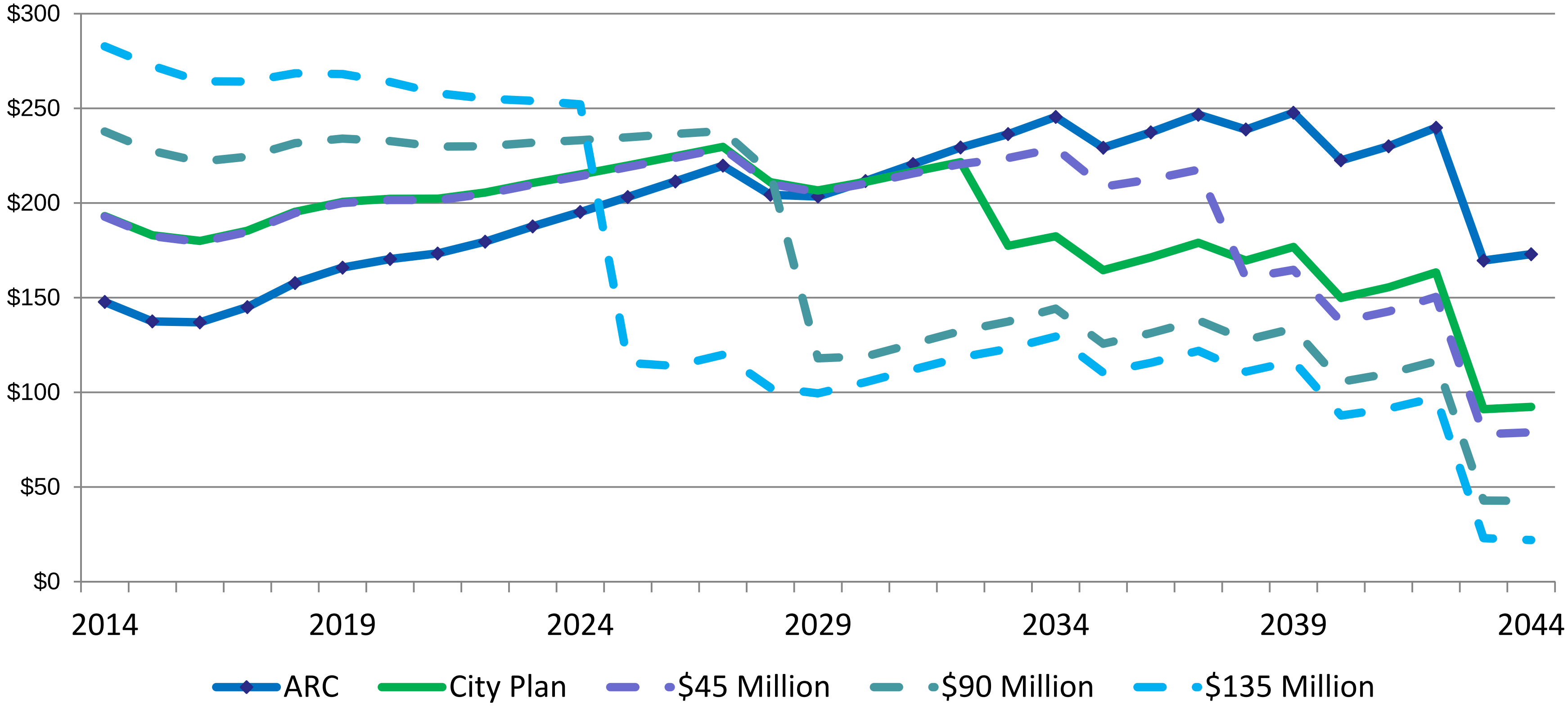


Source: The Terry Group, 2014
City Proposal figures were provided by Milliman

Millions of Dollars,
Not Adjusted for Inflation

Annual Employer Pension Costs, 5.4% Returns

Payments owed by the City of Jacksonville



Source: The Terry Group, 2014
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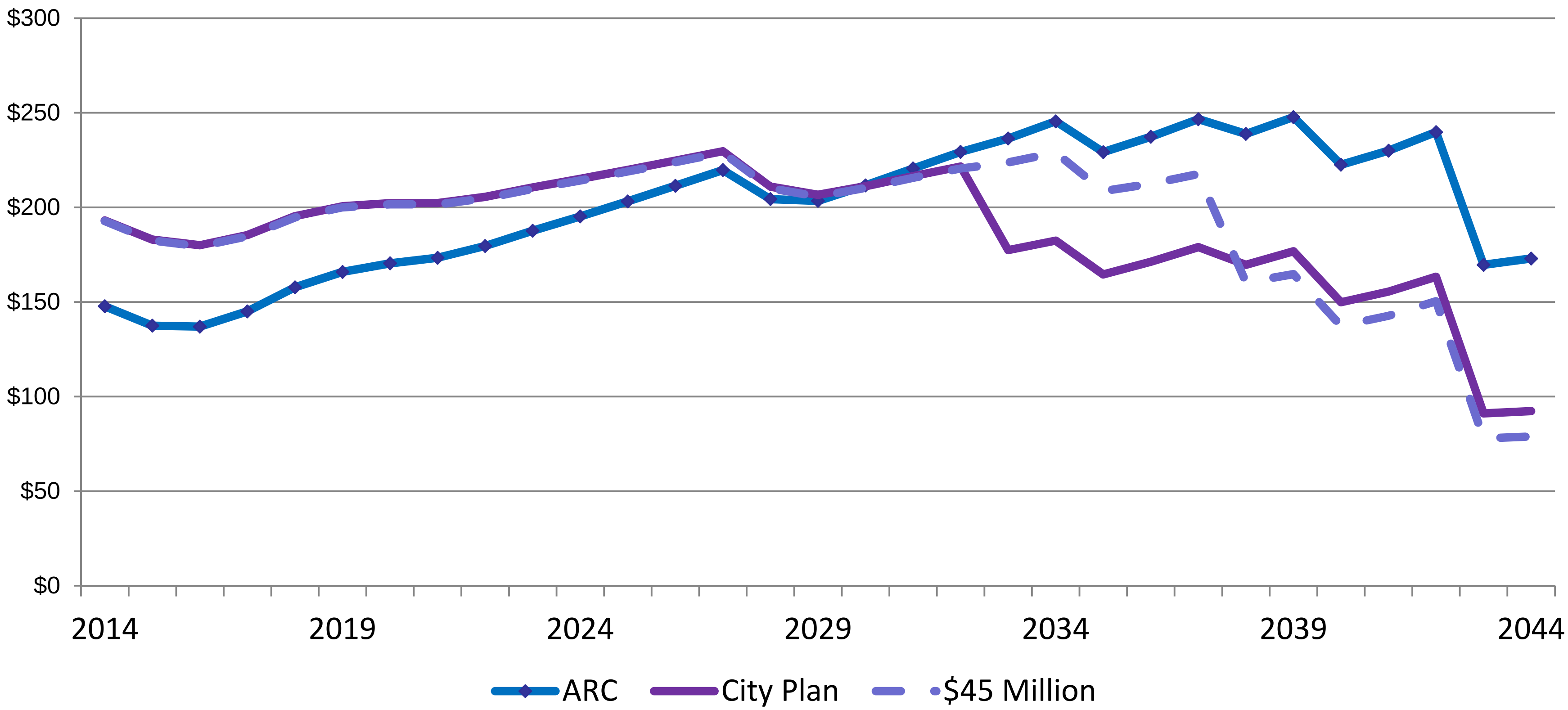
Annual Employer Pension Costs, 5.4% Returns

Payments owed by the City of Jacksonville



Source: The Terry Group, 2014
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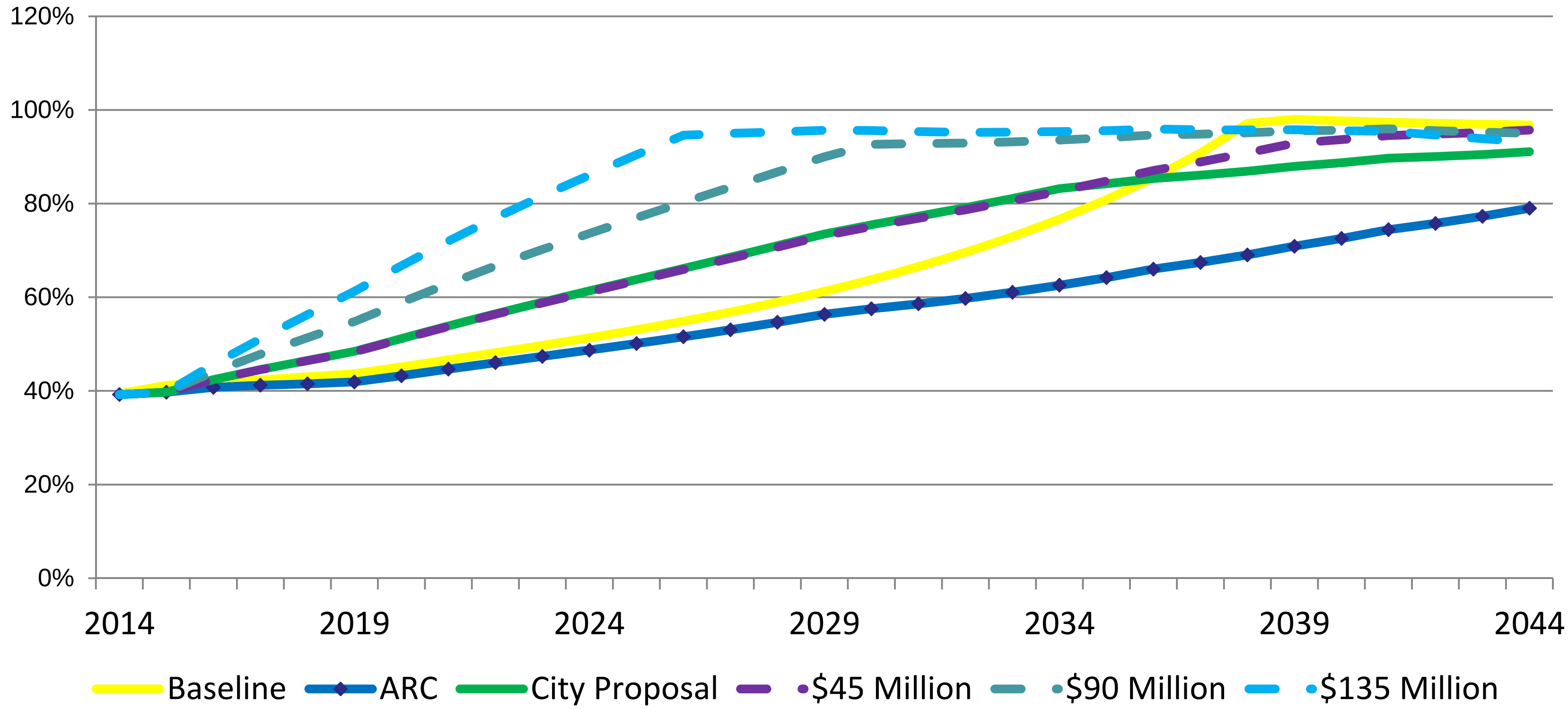
Plan Funding Levels over Time, 5.4% Returns

Percent of Plan Liabilities Matched by Assets



Source: The Terry Group, 2014
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Comparison of Funding Approaches, 5.4% Returns

Projected Contributions and Funding Levels—Fiscal Years 2014-2044

Approach	*Total Cost , Not Inflation Adjusted*	*Total Cost, Inflation Adjusted*	*Underfunding in 2044*	*Savings*	*Fiscal Year to Hit 80% Funded*
Baseline	**$7,819**	**$5,353**	**$102**	**$0**	**2035**
Pay the ARC	**$6,217**	**$4,269**	**$472**	**$714**	**Never**
City Proposal	**$5,787**	**$4,178**	**$200**	**$1,076**	**2033**
$45 Million Supplemental Contributions Till 90% Funded	**$5,904**	**$4,253**	**$97**	**$1,106**	**2033**
$90 Million Supplemental Contributions Till 90% Funded	**$5,310**	**$4,013**	**$112**	**$1,330**	**2025**
$135 Million Supplemental Contributions Till 90% Funded	**$4,940**	**$3,847**	**$154**	**$1,454**	**2023**

Source: The Terry Group, 2014
Portions of this analysis were provided by Milliman

Millions of Dollars

Paying for Jacksonville's Pension Promises

- Jacksonville needs a credible and sustainable plan to pay down the City's pension debt for the Police and Fire Pension Fund.

- Setting a payment plan based around the actuarially recommended contribution is the minimum best practice. If the City is able to pay down the pension debt faster through additional contributions, that will give the PFPF an important buffer and save taxpayers money in the long-run.

- Finding approximately $45 million to make supplemental contributions towards the City's pension debt—as the Mayor has proposed—is projected to reduce long-term costs by between $350 to $375 million compared to simply making the actuarial contribution.

- The Task Force will need to decide upon an appropriate funding policy and may choose to recommend preferred sources for the funds to make those contributions.

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