

THE
PEW
CHARITABLE TRUSTS

**Supplementary Analysis
for the Jacksonville
Retirement Reform Task
Force —Funding Sub-
Committee**

January 3, 2014



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The Pew Charitable Trusts
1/3/2013

Exhibit List in Supplemental Analysis

1. Stable contribution funding approach
2. One-time payment funding approach
3. Comparison of funding approaches
4. Costs under different investment scenarios in nominal dollars
5. Projected estimates of using a 5.4 percent assumed discount rate if long-term returns were 5.4 percent
6. Projected estimates of using a 5.4 percent assumed discount rate if long-term returns were 7 percent

Stable Funding Plan

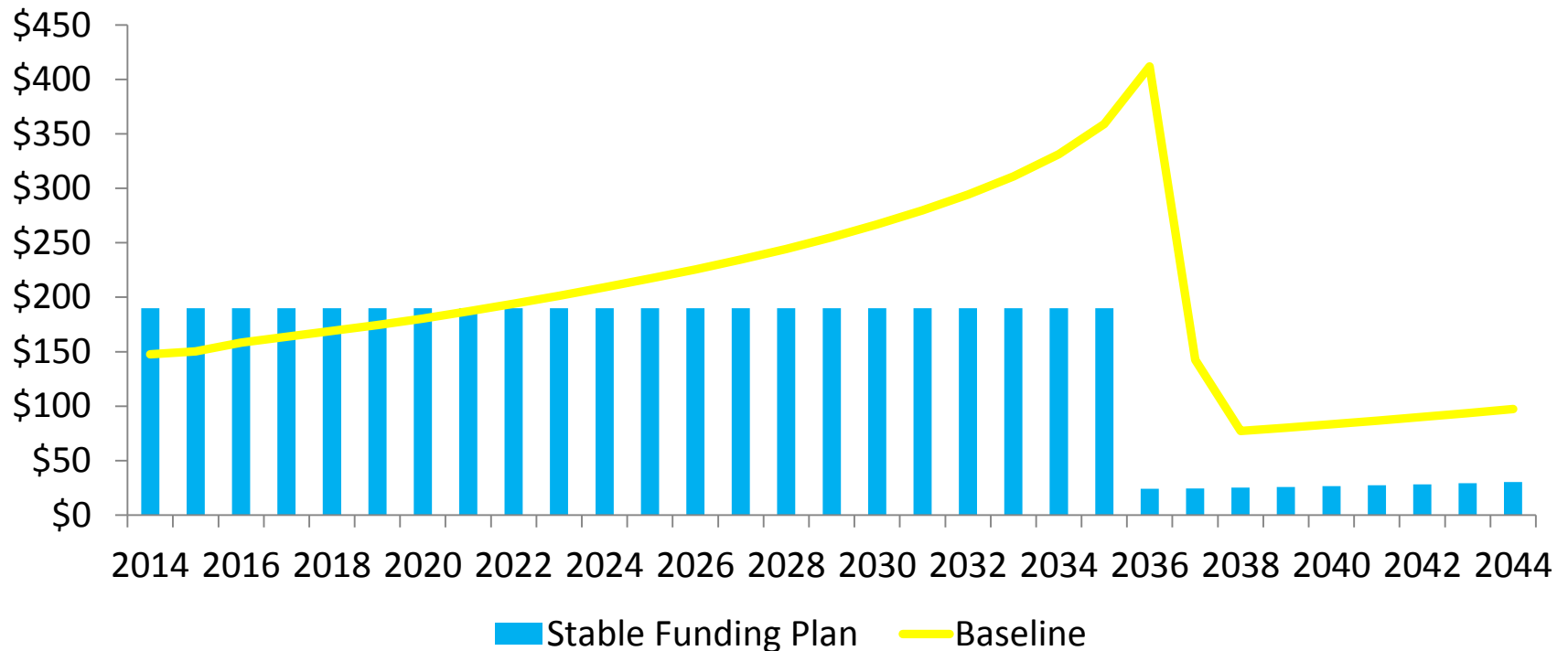
This plan is designed to have a stable employer payment until the plan is fully funded.

New benefits are assumed to have an employer normal cost of 10 percent of payroll and 10 percent employee contributions.

At the assumed rate of return of 7 percent, a flat contribution of \$190 million, which does not increase based on inflation, from fiscal year 2014 through fiscal year 2035 would be necessary. The plan would then be fully funded in 2036.

Annual Employer Pension Costs Stable Funding Plan

Payments owed by the City of Jacksonville.

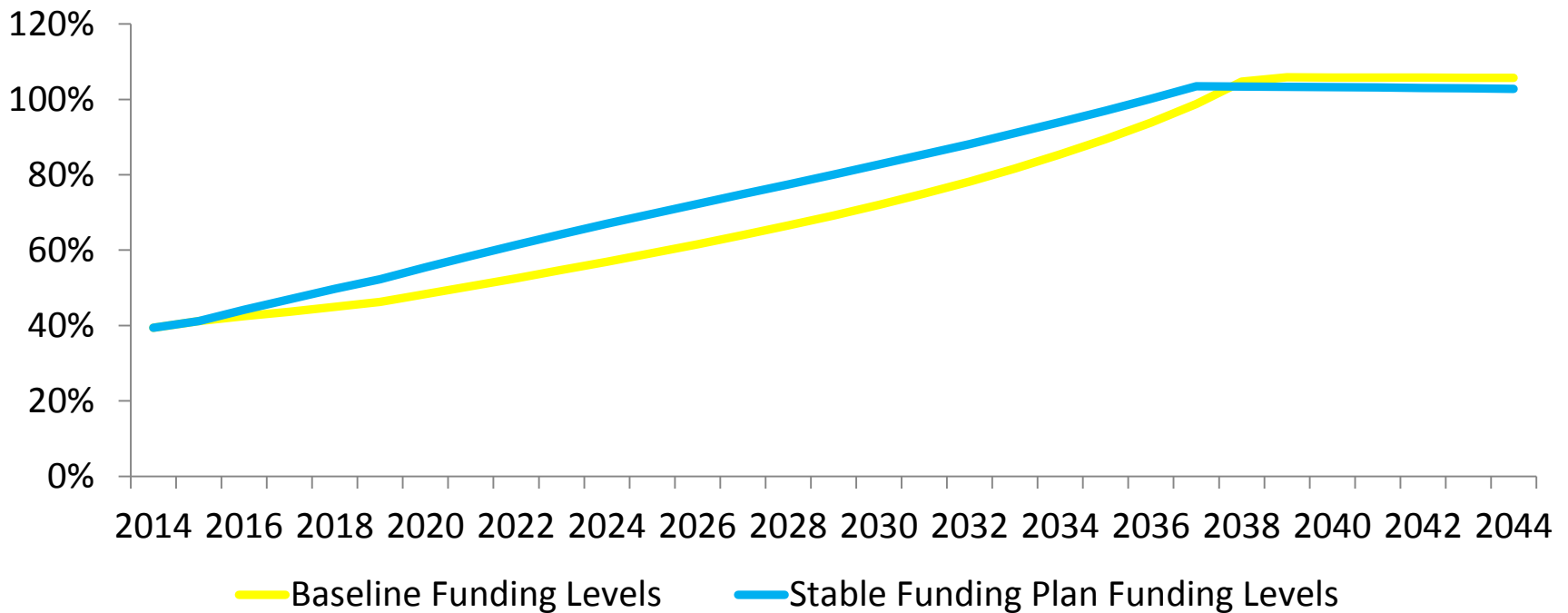


Source: The Terry Group, 2014

Millions of Dollars,
Not Adjusted for Inflation

Plan Funding Levels over Time Stable Funding Plan

Percent of Plan Liabilities Matched by Assets



Source: The Terry Group, 2014

Immediate Payment Funding Plan

This plan is designed to have an immediate one-time payment followed by ongoing stable payments of \$120 million.

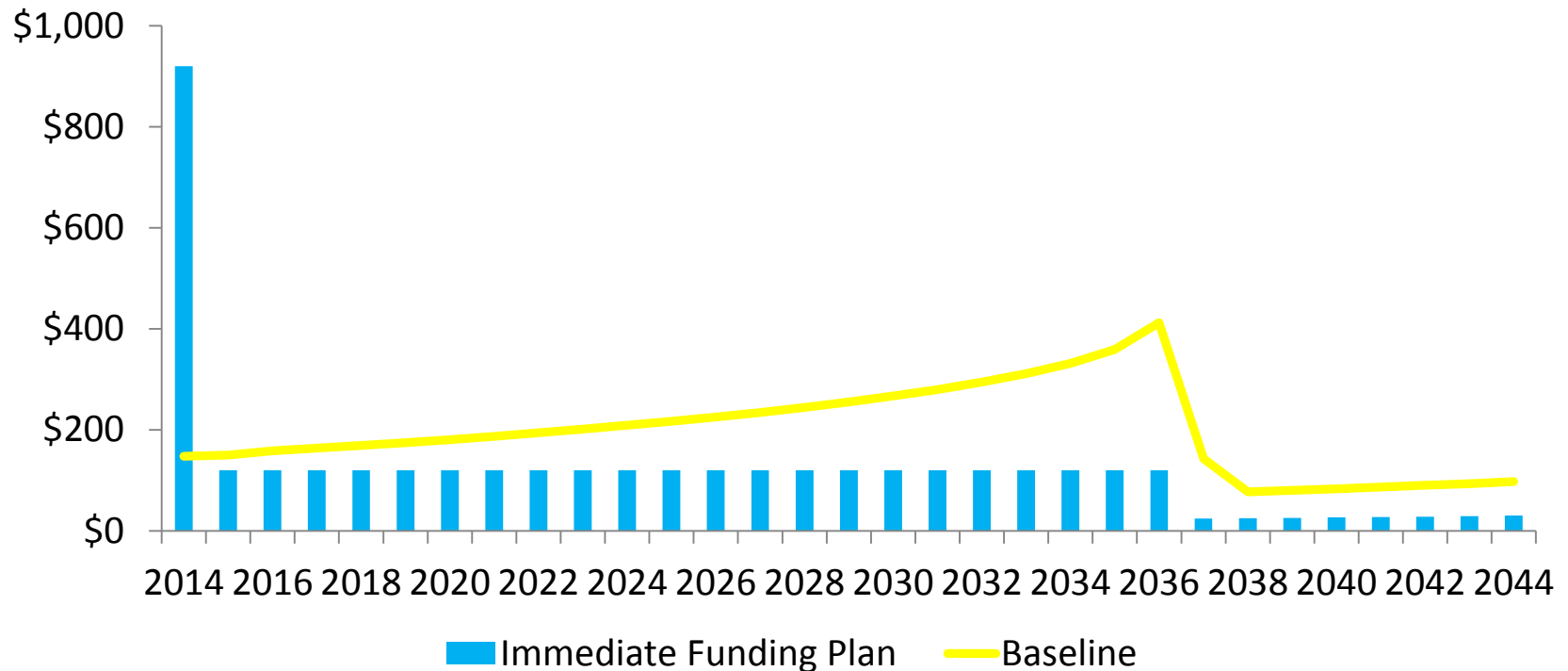
New benefits are assumed to have an employer normal cost of 10 percent of payroll and 10 percent employee contributions.

At the assumed rate of return of 7 percent, a one-time contribution of \$800 million in 2014 followed by flat payments of \$120 million would achieve full funding by fiscal year 2037.

Because there is a two year lag between payments and valuations, the contributions in 2014 don't show up in the funding data until 2016.

Annual Employer Pension Costs Immediate Payment Plan

Payments owed by the City of Jacksonville.

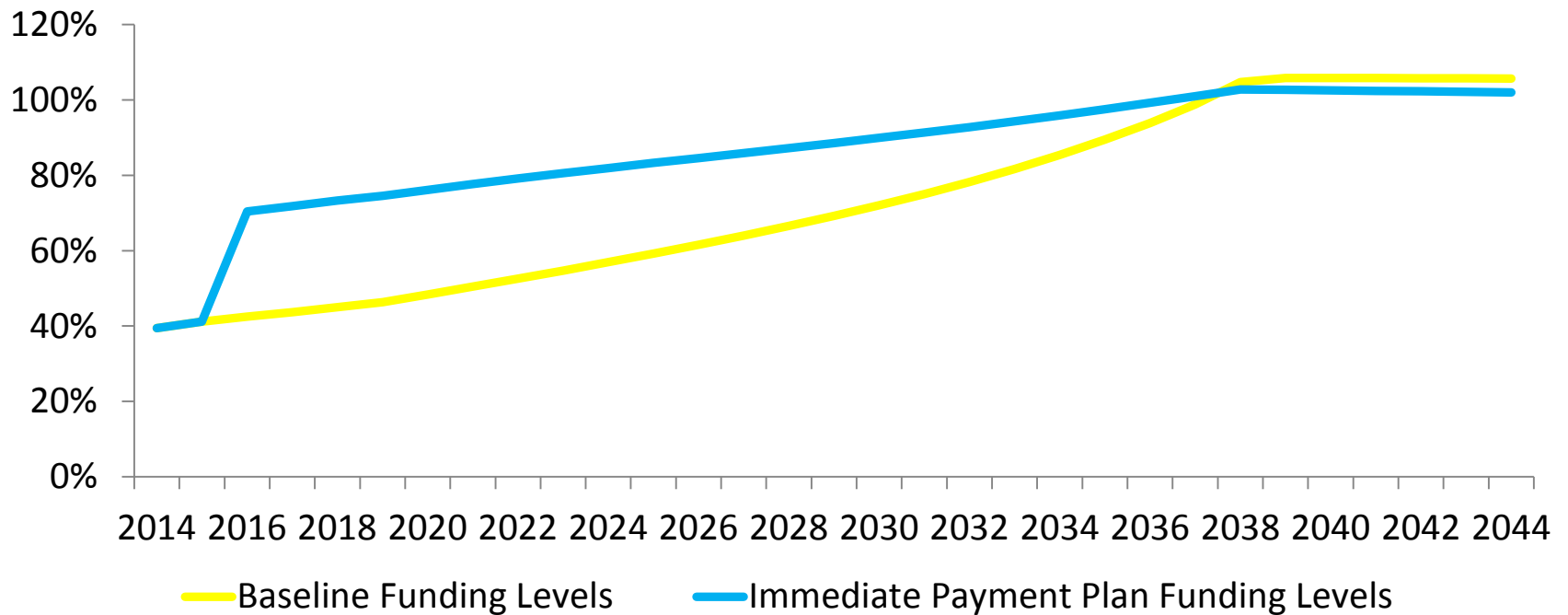


Source: The Terry Group, 2014

Millions of Dollars,
Not Adjusted for Inflation

Plan Funding Levels over Time Immediate Payment Plan

Percent of Plan Liabilities Matched by Assets



Source: The Terry Group, 2014

Comparison of Funding Approaches

Baseline scenario: Current projected contributions based on current plan parameters (80% funded in 2033, fully funded in 2038)

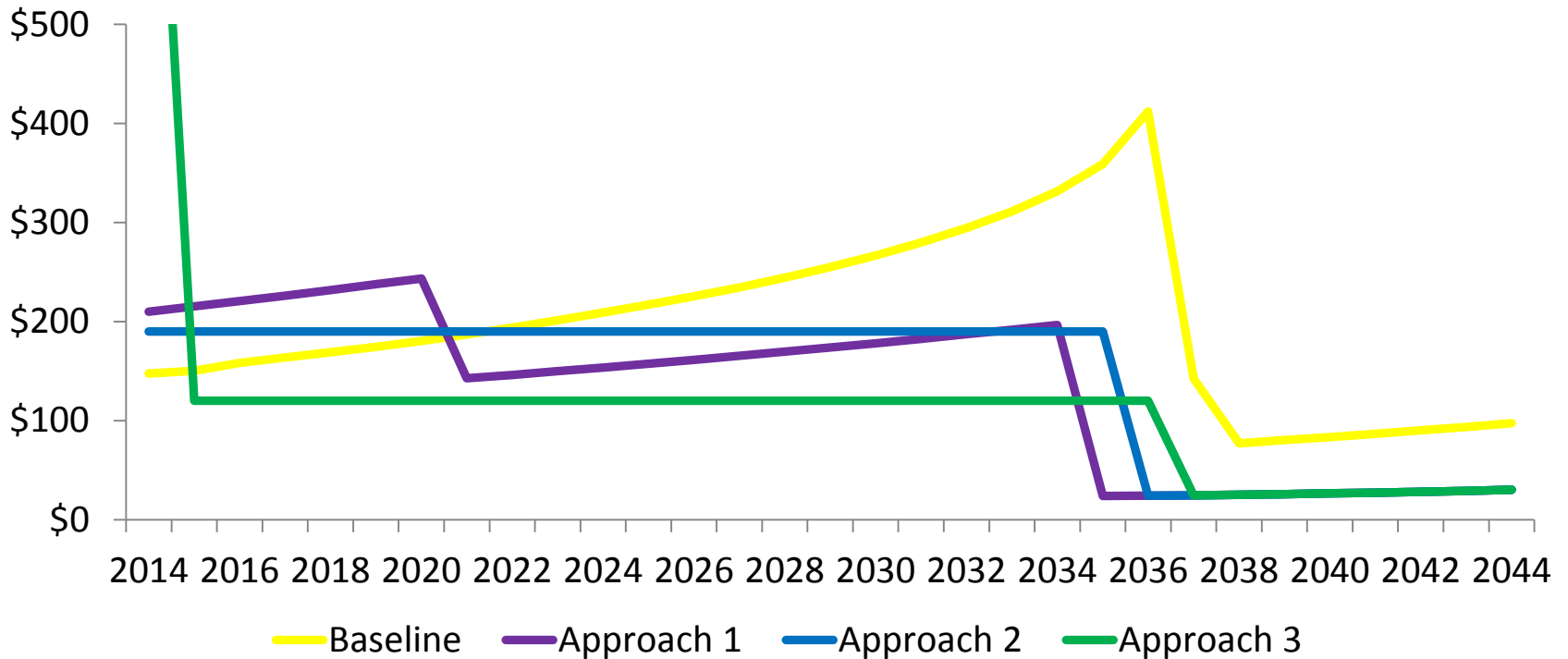
Approach 1: Presented at the Sub-Committee meeting on 1/2/2014--\$120 million from the Jacksonville General Fund and \$90 million from a supplementary revenue stream, both growing by inflation (80% funded in 2028, fully funded in 2035)

Approach 2: Stable payment of \$190 million, presented in this Supplemental Analysis (80% funded in 2029, fully funded in 2036)

Approach 3: Immediate payment of \$800 million and ongoing payments of \$120 million, presented in this Supplemental Analysis (80% funded in 2023, fully funded in 2037)

Annual Employer Pension Costs Plan Comparison

Payments owed by the City of Jacksonville.

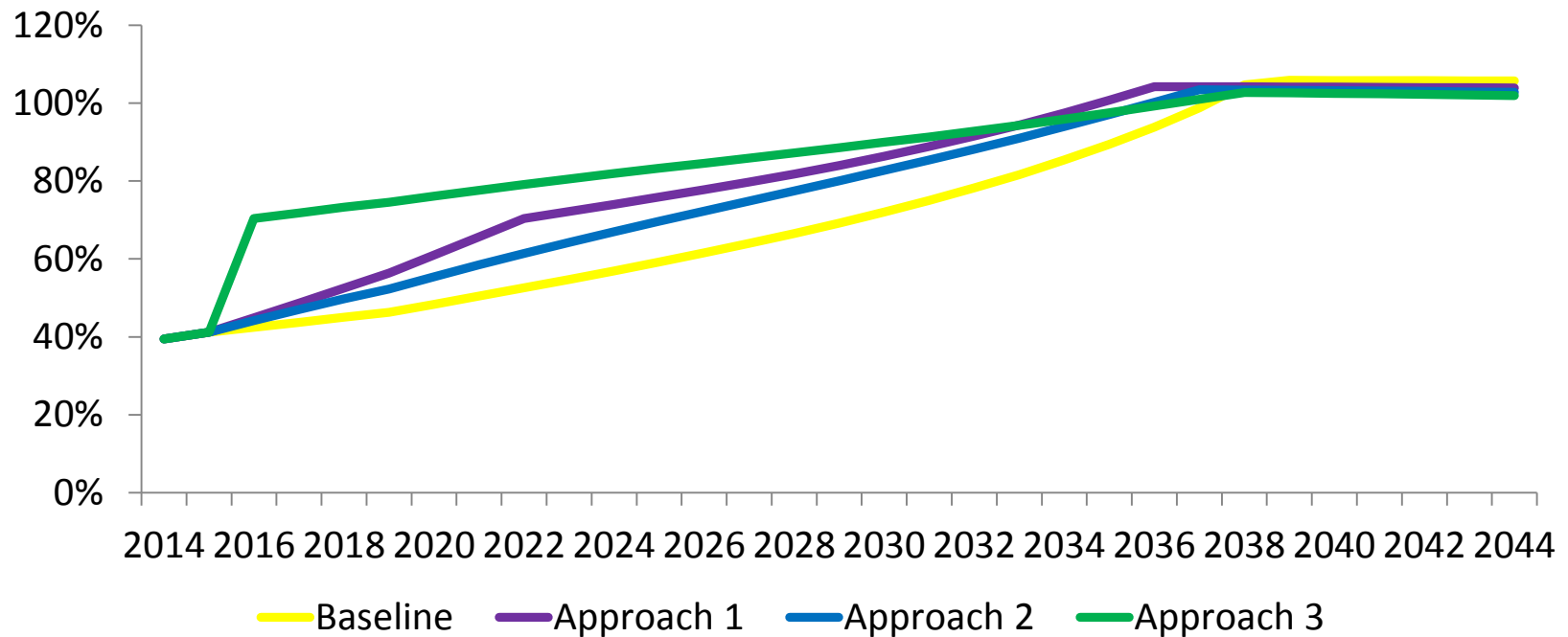


Source: The Terry Group, 2014

Millions of Dollars,
Not Adjusted for Inflation

Plan Funding Levels over Time Comparison of Funding Approaches

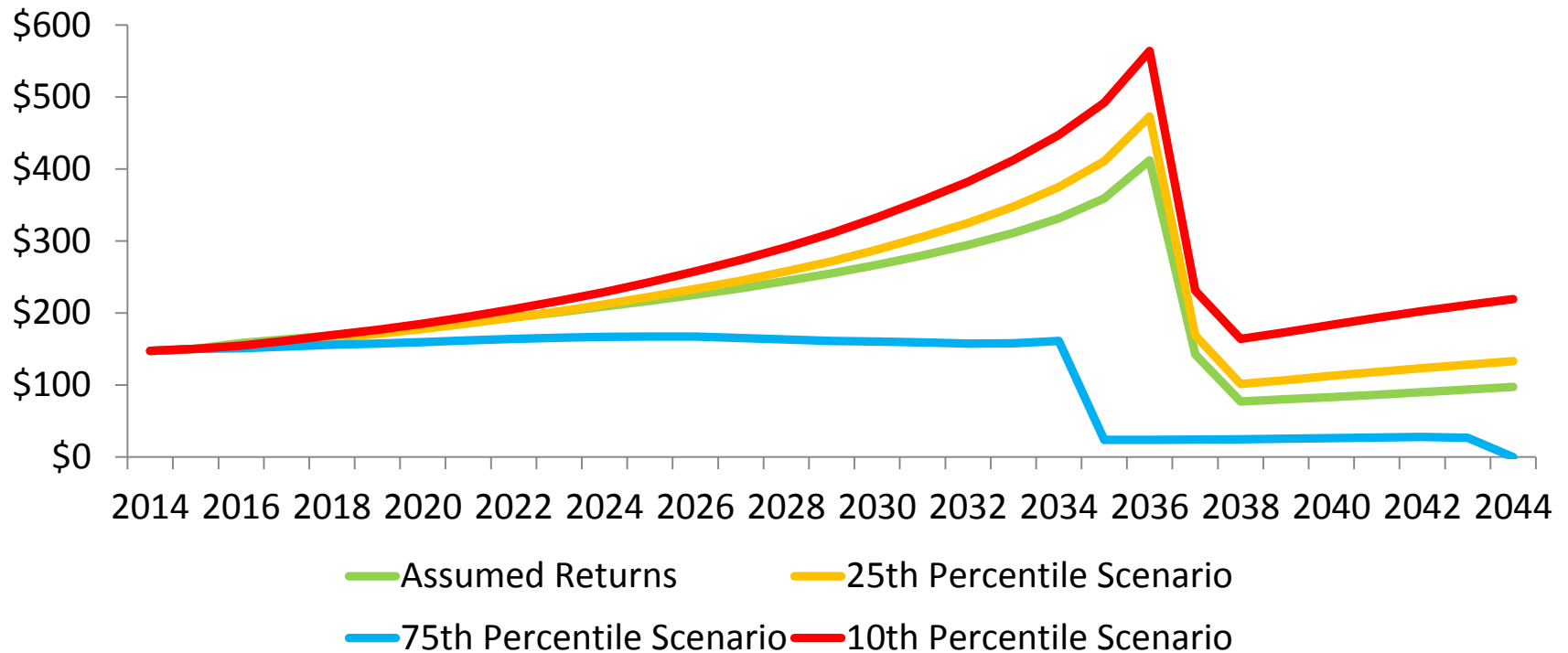
Percent of Plan Liabilities Matched by Assets



Source: The Terry Group, 2014

Annual Employer Pension Costs in Nominal Dollars Different Return Scenarios

Payments owed by the City of Jacksonville.



Source: The Terry Group, 2014

Millions of Dollars,
Not Adjusted for Inflation

Projected estimates of using a 5.4 percent assumed discount rate if actual returns were 5.4 percent

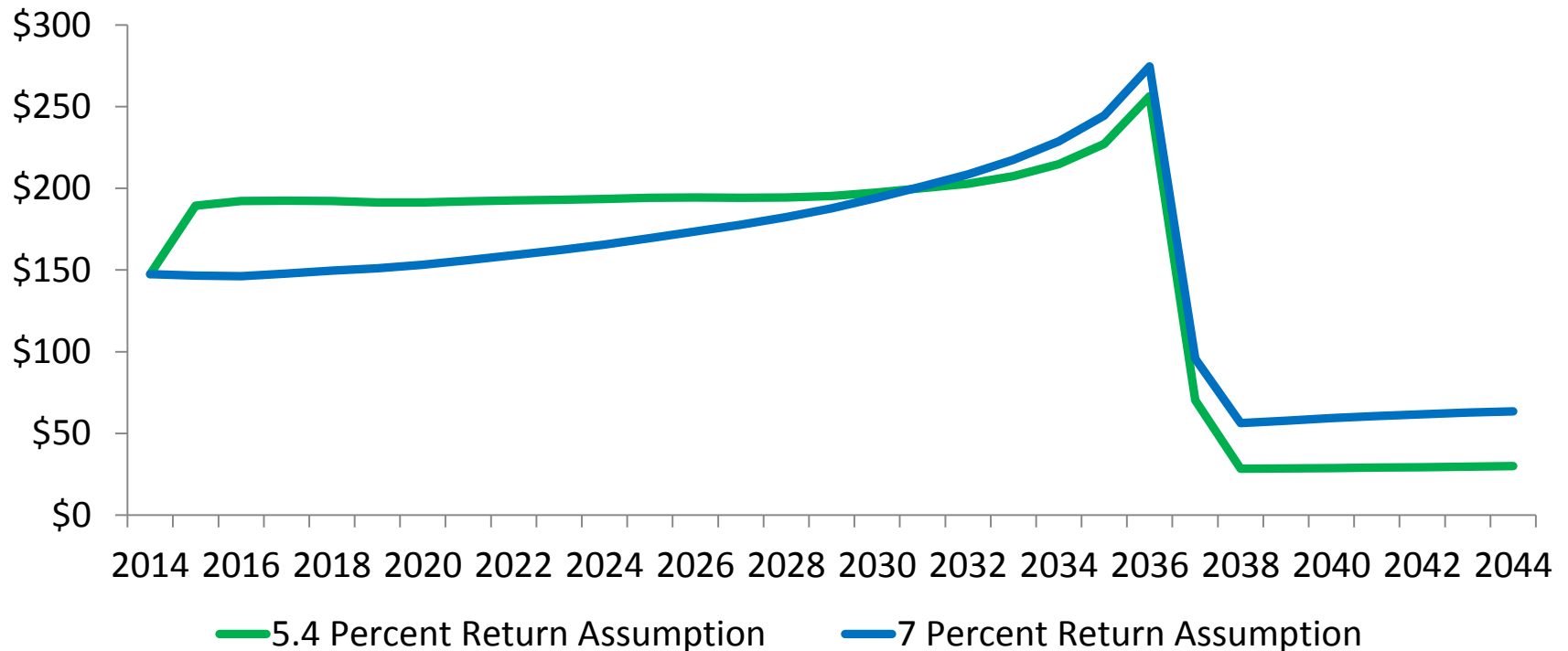
We wanted to show what would happen if the Jacksonville Police and Fire Pension Fund switched to using an assumed rate of return of 5.4 percent and long-term returns matched that assumption.

We compare this to what would happen if the plan kept the 7 percent assumption and long-term returns were just 5.4 percent.

Total costs don't change very much but annual costs are more stable under the lower return assumption—more payments are made in the early years and costs don't rise as much in the later years.

Annual Employer Pension Costs

Costs under different assumed discount rates if actual long-term returns were 7 percent
 Payments owed by the City of Jacksonville.

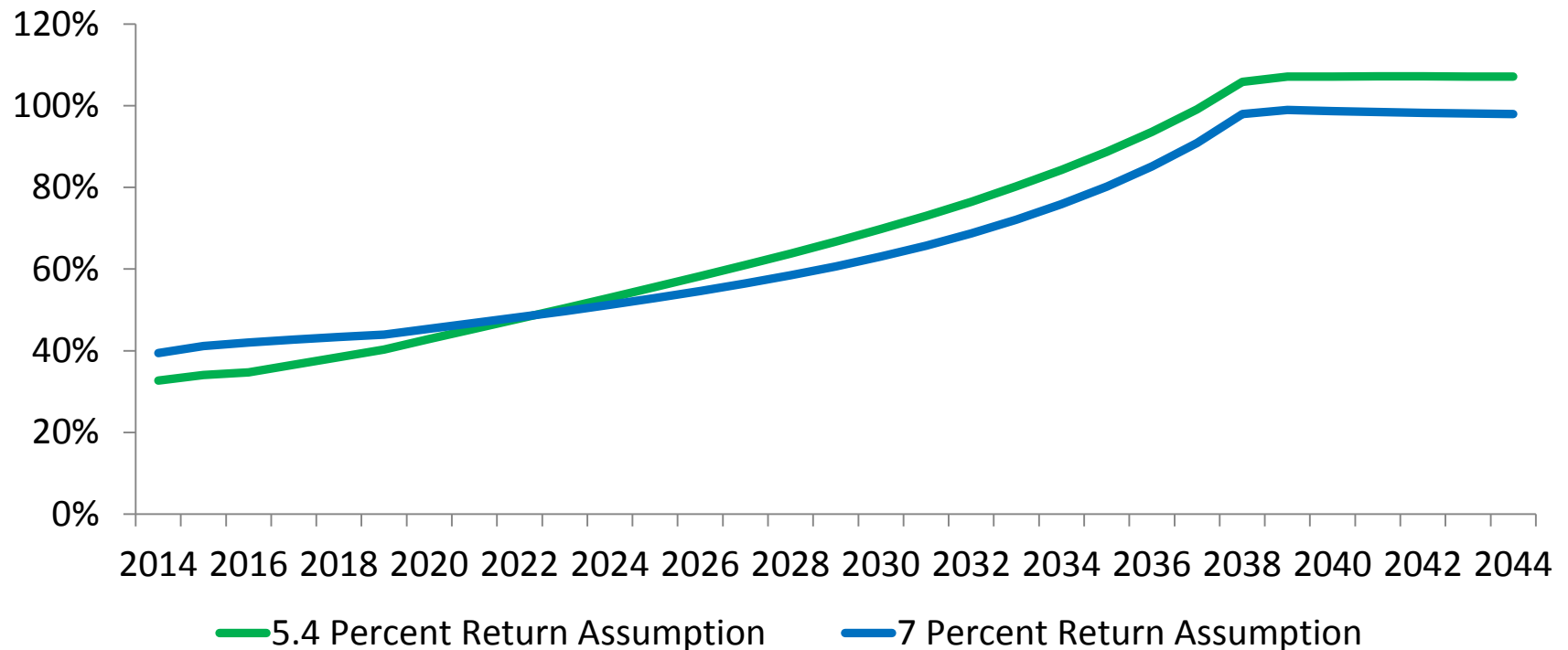


Source: The Terry Group, 2014

Millions of Dollars,
 Adjusted for Inflation

Funding Status under different assumed discount rates if long-term actual returns were 5.4 percent

Percent of Plan Liabilities Matched by Assets



Source: The Terry Group, 2014

Projected estimates of using a 5.4 percent assumed discount rate if actual returns were 7 percent

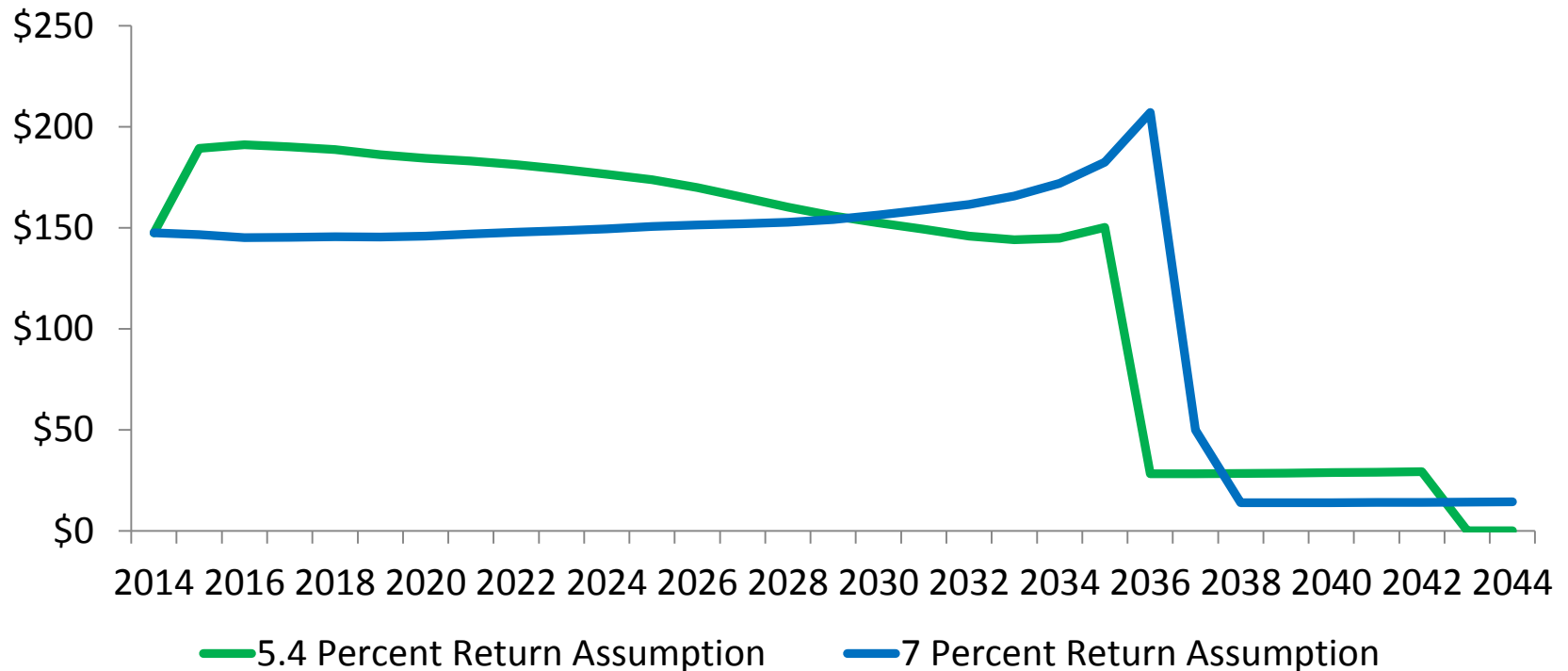
We also wanted to show what would happen if the plan switched to a 5.4 percent rate of return assumption and actual returns met the current 7 percent target.

We compare this to what would happen if the plan kept the 7 percent assumption and long-term returns matched that.

Under this analysis, costs are more stable under the 7 percent assumption and if the assumed rate of return is changed to 5.4 percent, we see costs drop over time as the plan becomes overfunded.

Annual Employer Pension Costs

Costs under different assumed discount rates if actual long-term returns were 7 percent
 Payments owed by the City of Jacksonville.

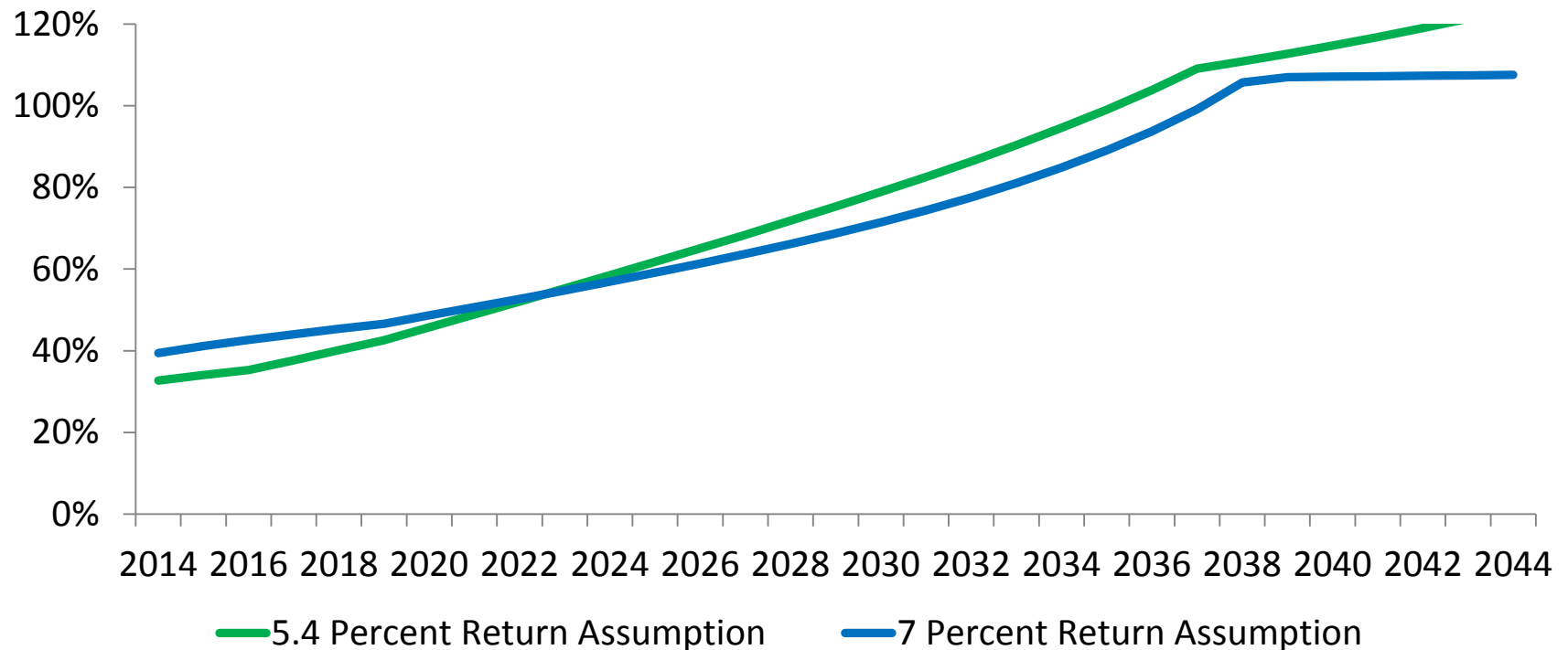


Source: The Terry Group, 2014

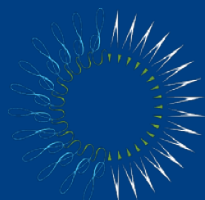
Millions of Dollars,
 Adjusted for Inflation

Funding Status under different assumed discount rates if long-term actual returns were 7 percent

Percent of Plan Liabilities Matched by Assets



Source: The Terry Group, 2014



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January 3, 2014