KEY POINTS ON 2015-54

(RETIREMENT REFORM AGREEMENT AS REVISED BY THE POLICE AND FIRE PENSION FUND BOARD OF TRUSTEES)

I. **The Bottom Line** The 2015 Agreement (2015-54) saves $1.68 billion over the next 30 years. This is slightly less than 2013-386, which saved $1.73 billion over 30 years.

II. **Pension Benefits**

A. ***New Employees***: No changes to the benefit package recommended by the Retirement Reform Task Force, supported by the PFPF, and passed by City Council in 2014-386.

B. ***Current Employees with less than 20 years of service***:

1. **COLA**

- Under existing law, current employees receive a guaranteed COLA of 3% annually.
- In 2014-386, City Council passed a COLA that would be a variable rate tied to the Social Security COLA, subject to a range of 0% to 4%.
- At its January meeting, the PFPF Board of Trustees for the first time agreed to a variable rate tied to the Social Security COLA for current employees. This use of a variable rate will limit the City's risk in more difficult economic times.
- The PFPF's proposed range would be 0% to 6%, rather than the Council's 0% to 4%. The rationale for this change was fairness – if employees are potentially giving up as much as 3% in low inflationary times, they should have the ability to gain an additional 3% when inflation picks up and the cost of living increases.
- In the past 20 years, COLA has exceeded 4% only twice (4.1% in 2006 and 5.8% in 2009)
- The cost of this change (0% to 6% rather than 0% to 4%) is about $32 million over 30 years, a small portion of the overall savings of nearly $1.7 billion.

2. **DEFERRED RETIREMENT OPTION PROGRAM (DROP) RATE OF RETURN**

- Under existing law, current employees receive a guaranteed 8.4% rate of return on funds in DROP.
- In 2014-386, City Council set the DROP rate of return as the actual rate of return of the Police and Fire Pension Fund, subject to a floor of 0% and a rate of 10%.
- At its January meeting, the PFPF Board of Trustees proposed a range of 2% to 14.4%.
- As with COLA, the Board of Trustees utilized a "share the pain, share the gain" approach. If current employees could experience rates of return as low as 2% during difficult economic times – which would be approximately 6% less than the current 8.4%, they should receive similar upside when times are good.
- This use of a variable rate will limit the City's risk during challenging economic times. Anything above a 2% rate of return would only be paid if the fund actually earned it. Anything below 2% would be a loss to the Police and Fire Pension Fund, and anything above 14.4% earned by the fund would be a gain to the Fund.

3. **FINAL AVERAGE COMPENSATION (FAC) PERIOD**

- Under existing law, all current employees have a FAC period equal to their last 24 months of service. The FAC during that period is used to determine their pension benefit.

- The Retirement Reform Task Force, the tentative agreement between the COJ and the PFPF, and 2014-386 set a new FAC period for current employees with less than 10 years of service: their last 48 months.

- The PFPF Board of Trustees recommended changing the impact of this 48 months provision from current employees with less than 10 years of service to current employees with less than 5 years of service. They recommended this change so that vested current employees would not be impacted by this provision.

- The cost is about $18 million over 30 years, a small portion of the overall savings of nearly $1.7 billion.

III. **Imposing Pension Benefits through Collective Bargaining Process**

- Following the passage of this agreement, the PFPF will no longer be engaged in determining pension benefits.

- Future modification of pension benefits will be left to elected City officials and certified bargaining agents (Fraternal Order of Police, Jacksonville Association of Fire Fighters).

- In the tentative agreement between the COJ and PFPF, the City would have agreed to forego its ability to impose on pension benefits at the end of a collective bargaining impasse process for a period of 10 years.

- City Council removed that provision in favor of language that would have given the City the ability to impose on pension benefits at the end of a collective bargaining impasse process.

- The PFPF Board of Trustees restored the 10 year language, stating that it had already compromised by reducing the pension benefit period from 17 years. The Board also questioned the fairness of asking the PFPF to contribute nearly $150 Million in State Chapter Funds to the City without members having some stability.

- However, the PFPF Board limited the 10 year language only to those current employees who have less than 20 years of service as of the effective date of the agreement. **The City would retain full imposition rights for all new employees who begin service on or after the effective date of the agreement.**

- Pension counsel Jim Linn has stated that in his opinion, the 10 year provision is permissible under state law.

- Please note that even with the 10 year language, pension benefits for current employees with less than 20 years can change through agreement between City and unions. And the City still has significant bargaining power, as nothing prevents the City from imposing on other collective bargaining issues like wages, health care contributions, step raises, leave time, other terms and conditions of employment.

IV. **Senior Staff Voluntary Pension Plan**

- In 2014-386, City Council removed any reference to the Senior Staff Voluntary Pension Plan from the tentative agreement between the COJ and PFPF.

- The PFPF Board proposed restoring a single sentence: "The JPFPF's Senior Staff Pension Plan is closed to new members as of August 15, 2014."