The Agreement

Pension Benefits

Legal Restrictions on Pension Benefit Changes

- By law, we cannot alter the pension benefits of retired employees.
- By law, we cannot alter the pension benefits of current employees already in DROP or eligible for retirement (have worked 20 years or more)
- By law, we cannot alter the benefits that current employees have already earned.
- Police and Fire employees in the PFPF do <u>not</u> receive Social Security.

Why not a Defined Contribution Plan?

- We cannot afford it.
- COJ would still have to pay down the $1.62B liability, but do so over less time and at a higher annual amount.
- May also require COJ to provide Social Security to employees
- Move to DC could have major operational consequences.
- Neither the FRS nor any major city in Florida has moved to a DC plan for public safety employees.
- Would put Jacksonville at a competitive disadvantage.

Why not Florida Retirement System?

- We cannot afford it.
- The City would still have to pay down the $1.62B liability, but do so over a shorter period of time and at a higher annual amount.
- Decisions on City contributions to FRS would be made in Tallahassee, not in Jacksonville.

Agreement Adopts Task Force New Employee Recommendations

- The City and the PFPF agreed to the Task Force recommendations on pension benefits for new City of Jacksonville employees.

- New employees will have a benefit package that is competitive but financially sustainable for the City.

New Employee Pension Design Specifics

Retirement Benefit	Current System	After Agreement
Benefit Accrual Rate	3% for 20 years, then 2% for a maximum of 80%	2.5% to a maximum of 75%
Benefit Cap	None	$99,999 (indexed to inflation with 1.5% cap)
COLA	3% starting as early as 3 months after retirement	Capped at 1.5% starting third Jan. after retirement
DROP	Maintained	Abolished (provides Back-Drop option)
Employee Contribution	7%	10%
Final Average Compensation	Based on last 24 months of employment	Based on last 60 months of employment
Retirement Age	20 years of service	30 years of service (may retire at 25 years w/penalty)
Vesting	5 years	10 years

Similar Reforms to FRS

- **65 of 67 counties have their public safety employees in the Florida Retirement System**

- **This plan will be comparable to FRS on the following:**

Retirement Benefit	Fla. Retirement System	City of Jacksonville
Vesting	8 years	10 years
Years to Retirement	30 years	30 years
Benefit Accrual Rate	3%	2.5%
Employee Contribution	3% (9% w/Social Security)	10%
DROP	Maintained	Abolished for Back-DROP
Social Security	Provides	Does Not Provide
COLA	None	Capped at 1.5% starting third Jan. after retirement

Impact on City's Benefit Costs

- With new plan, the City's benefit costs per employee (a/k/a "normal costs) will drop substantially for new employees.
- Under current plan, normal costs are 29% of payroll. Under new plan, they would be 9%.
- That's a 66% savings for each new police and fire employee we hire.

Current Employee Pension Design

Retirement Benefit	Current System	Amended Agreement	PFPF Revision
COLA	3% starting as early as 3 months after retirement	Lesser of 4% or the Social Security COLA	Lesser of 6% or the Social Security COLA
DROP	Maintained with guaranteed 8.4% rate	Maintained with actual rate of return (Rate floor of 0% and rate cap of 10%)	Maintained with actual rate of return (Rate floor of 2% and rate cap of 14.4%)
Employee Contribution	7%	10% (8% now, 10% when cuts restored)	No Change
Final Average Compensation (< than 10 years of service)	Based on last 24 months of employment	Based on last 48 months of employment (Not less than amount at 24 months as of October 1, 2014)	Would now apply to current employees who have not yet vested (have less than 5 years of employment)