

# JPFPPF Presentation

## Amended Retirement Reform Agreement

December 10, 2014

# PFPF Resolution (June 2014)

- **Endorsed Funding, Benefits, and Governance provisions of agreement reached earlier this year.**

# First Council Passage of Pension Reform Legislation

- **2011 Agreement (2011-400):** **Withdrawn**
- **2013 Agreement (2013-366):** **Defeated 11-7**
- **2014 Agreement (2014-386):** **Passed 16-3**

# History of Retirement Reform

## The Long and Winding Road

# Long History of Retirement Reform

- **July 2007:** New City Council takes office (9 of current members).
- **August 2008:** Florida Tax Watch releases study warning COJ of dangers of then-\$534 Million Unfunded Liability and pension costs
- **Sept. 2008:** City Council passes final budget with \$56.3M Police and Fire Pension Contribution
- **March 2009:** City Council appoints Committee on Pension Sustainability to make recommendations on ensuring long-term health of COJ pension plans.
- **May 2009:** PFPF Executive Director John Keane issues 18 recommendations to Committee on Pension Sustainability

# Long History of Retirement Reform, continued

- **June 2009:** JCCI releases report – “Our Money, Our Finances” – expressing concern about PFPF’s \$789M unfunded liability and 49% funded status.
- **June 2010:** Committee on Pension Sustainability disbanded due to pending lawsuit between COJ and employees over pensions.
- **May 2011:** Mayor Peyton reaches pension reform agreement with JFPF (2011-400)
- **May 2011:** Mayor-elect Brown appoints Pension Transition Committee

# Long History of Retirement Reform, continued

- **June 2011:** Council does not enact 2011-400 by end of term.
- **Dec. 2011:** 2011-400 withdrawn
- **Jan. 2012:** COJ ratifies wage agreement with Fraternal Order of Police (FOP) through 9/30/2014
- **Sept. 2012:** City ratifies wages agreement with Jacksonville Association of Fire Fighters (JAFF) through 9/30/2015
- **Feb. 2013:** Individual police and fire employees initiate lawsuit with COJ and JPFPP in federal court.
- **May 2013:** COJ, JPFPP reach tentative pension agreement.

# Long History of Retirement Reform, continued

- **July 2013:** Pension reform agreement defeated 11-7
- **August 2013:** Mayor Brown re-appoints Retirement Reform Task Force to recommend solutions to City police and fire pension challenges.
- **March 2014:** Task Force presents recommendations on pension design, PFPF governance, and unfunded liability.
- **June 2014:** COJ and JFPF reach tentative retirement reform agreement. Ordinance 2014-386 filed with Council.
- **June 2014:** PFPF Board Endorses Benefit, Governance, and Funding Reforms
- **Dec. 2014:** City Council passes amended reform agreement in 16-3 vote.



# Retirement Reform

## The Costs of Delayed Reform

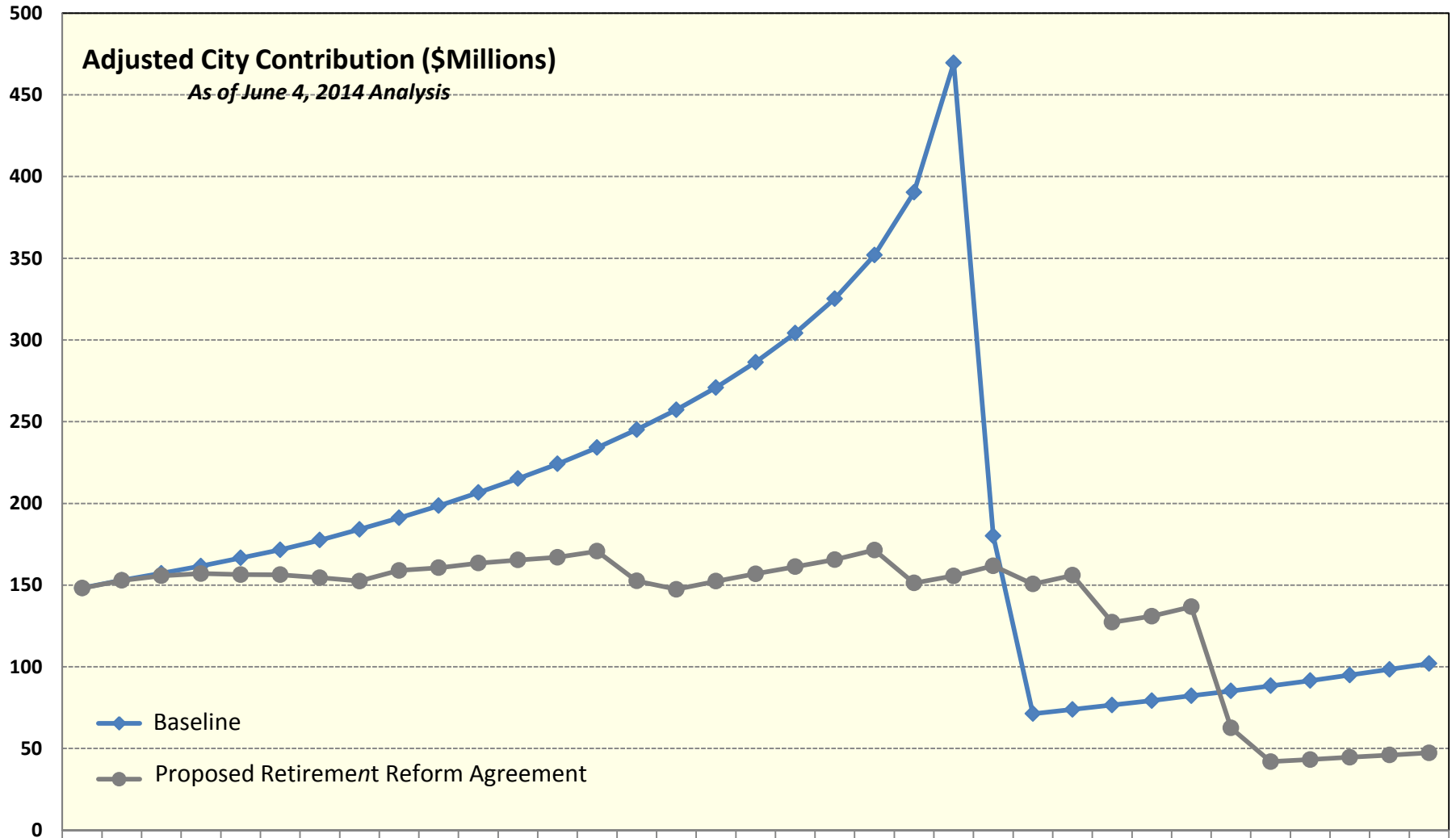
# The Costs of More Delay

## Financial Costs

# Adjusted City Contribution (\$Millions)

*As of June 4, 2014 Analysis*

Adjusted City Contribution (\$Millions)



	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35	FY36	FY37	FY38	FY39	FY40	FY41	FY42	FY43	FY44	FY45	FY46	FY47	FY48
Baseline	148	153	157	162	167	172	177	184	191	199	207	215	224	234	245	257	271	286	304	325	352	390	469	180	71	74	77	79	82	85	88	92	95	98	102
Proposed Retirement Reform Agreement	148	153	156	157	156	156	155	152	159	161	163	165	167	171	153	147	152	157	161	166	171	151	156	162	151	156	127	131	137	63	42	43	45	46	47

# The Costs of More Delay

## Operational Costs

# Lack of Resolution Hurts Retention and Recruitment

**“If nothing else, we need certainty about what this thing is going to be.”**

*– Sheriff John Rutherford, February 19, 2014, to Jacksonville Retirement Reform Task Force*

**“Stability is the key to our success. People have to know what the future holds.”**

*– JFRD Chief Martin Senterfitt, February 19, 2014, to Jacksonville Retirement Reform Task Force*

# Retirement Reform Agreement

# Amendments

# The Amended Agreement

## Amendments Proposed by PFPF

# Purchase of Service

- **PFPF expressed concern that former Atlantic Beach and Jacksonville Beach police officers who left those agencies, withdrew their pension contributions, and later came to work for the JSO were not permitted to purchase their previous time service.**
- **City Council agreed, and passed an amendment allowing PFPF members who previously worked for other Duval County governments (Cities of Jacksonville Beach, Neptune Beach, Atlantic Beach, and Town of Baldwin) to purchase their past service.**



# Surviving Spouse Benefits

- **In order to receive surviving spouse benefits, a PFPF member and spouse must be “married and living together” at the time of the member’s death.**
- **PFPF proposed a new definition of “married and living together” to include the situation where either the PFPF member or spouse has been confined to a nursing home or hospital.**
- **City Council agreed.**

# DROP Participation

- **PFPF proposed to clarify the time service of full 5 year participation in DROP as “20 but less than 31 years” of service.**
- **31 years or more of service would not be eligible for DROP participation.**
- **City Council did not agree to make the agreement, but expressed willingness to consider the issue in separate legislation.**

# The Amended Agreement

## Amendments to Ensure Funding

# Effective Date Tied to Funding

- **None of the provisions of this agreement will take effect until the Mayor and City Council have enacted a dedicated funding source to provide for the City's funding obligation:**
  - **\$40 Million/Year for 10 years or until the PFPF reaches 80% funded status; or**
  - **The present value equivalent of that amount (\$300 Million if paid up front).**

# The Amended Agreement

## Amendments to PFPPF Board Qualifications

# Only Impacts City Appointees

- Council amendments do NOT impact Police member, Fire member, or Fifth member.
- Going forward, the two (2) City Council appointees will be required to have at least ten years of professional financial experience.
- Will not be allowed to serve more than two four year terms or be participants in a COJ pension plan.

# The Amended Agreement

## Amendments to 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 who have worked 20 years or more (meaning they are retirement-eligible).**
- **By law, we cannot alter the benefits that current employees have already earned.**



# Current Employee Pension Design

<b>Retirement Benefit</b>	<b>Current Plan</b>	<b>Original Agreement</b>	<b>Amended Agreement</b>
<b>COLA</b>	3%	3%	Lesser of 4 % or  Social Security COLA
<b>DROP Interest Rate</b>	8.4%	Actual Rate of Return  (Floor of 5%, Cap of 10%)	Actual Rate of Return  (Floor of 0%, Cap of 10%)

# Notes on Proposed Current Employee Amendments

Retirement Benefit	Amended Agreement	Notes
<b>COLA</b>	Lesser of 4 % or  Social Security COLA	Social Security COLA in 22 of last 39 years was higher than 3%  Average COLA over that period was 3.22%.
<b>DROP</b>	Actual rate of return  (Floor of 0%, Cap of 10%)	According to Summit, 10 year return was 6.98% net of fees  Pew Charitable Trusts projects a 75% likelihood that plan will earn at least 5.4%

# The Amended Agreement

## Amendments to Governance

# Financial Disclosure

- **PFPF Executive Director/Administrator will be required to complete Form 1 financial disclosure.**
- **This matches the current requirement for PFPF Board members and future Financial Investment and Advisory Committee members.**

# Senior Staff Voluntary Pension Plan

- **Amended agreement removes all references to the Senior Staff Voluntary Pension Plan**

# Term of Agreement

- **The term of this agreement remains as before.**
- **Pension benefits section of agreement subject to Chapter 447 of Florida Statutes, which means that City and collective bargaining agents (FOP, JAFF) have all rights under state law.**

# Form of 2014 Agreement

- **This is a complete and stand-alone agreement.**
- **All unchanged provisions from the “Thirty Year Agreement” have been incorporated into the 2014 Agreement.**

# The Amended Agreement

## Amendments to Agreement Process



# Sunset

- **Ordinance 2014-386 and related agreement will be null and void if the PFPF Board of Trustees does not approve it by January 15, 2015.**