

**Mayor Alvin Brown
Retirement Reform**
Police and Fire Employees in the PFPF



**OFFICE OF THE MAYOR
ALVIN BROWN
MAYOR**

**New Employees Hired as of
October 1, 2013**

Plan Element	Current Plan	2011-400	Mayor Brown Agreement
Total Savings	No savings	Saves \$700 million over 35 years ¹	Saves \$1.1 billion over 30 years
Vesting	5 years	8 years	10 years
Cap on Benefits	No cap on annual benefits	No cap on annual benefits	Caps annual benefits at \$99,999.99 (indexed to inflation with a cap of 1.5%)
Retirement Age	Retire with 20 years of service at any age	Retire with 25 years of service at any age	Retire with 30 years of service at any age
Accrual Rate	Benefit accrual rate of 3% per year for first 20 years and then 2% per year for 10 years subject to a maximum of 80%.	Benefit accrual rate of 2.8% per year for the first 25 years and 2% after subject to a maximum of 80%.	Benefit accrual rate of 2.5% for all years of service with a maximum of 75%.
Pension Start Date	Normal Retirement Age	Normal Retirement Age	Normal Retirement Age Employees may take early retirement between 25 and 30 years with a 3% accrual rate penalty for years short of 30, subject to a floor of 53.5%.
Vest and Terminate	Terminate at any time after vesting and collect at what would have been normal retirement age (20 years of service)	For any employee who vests but leaves after completing 10 years but before 25 years of service, the benefit accrual rate would be 2.5% with no benefit paid until age 55. For those with less than 10 years of service upon terminating and vesting, the benefit accrual rate will be 2.5%, with no benefit paid until 65.	For any employee who vests but leaves before completing 25 years, the benefit accrual rate would be 2% with no benefit paid until age 62.

¹ Source: <http://www.coj.net/departments/central-operations/docs/public-information/pension-reform-handout-2011-05-10.aspx>

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Deferred Retirement Option Program (DROP)	<p>DROP eligibility:</p> <ul style="list-style-type: none"> • Employee can enter DROP at 20 years of service • Eligible for: <ul style="list-style-type: none"> ○ 5 years of DROP with up to 30 years of service ○ 3 years of DROP with 30-31 years of service ○ 2 years of DROP with 31-32 years of service 	<p>DROP Eligibility: Employee can enter DROP at 25 years of service. Pending State approval of City funding through DROP period</p> <p>“Back DROP” Eligibility:</p> <ul style="list-style-type: none"> • Eligible for 8 year “back DROP” to 25 years of service (calculated backward on termination date) • Flexible; up to 8 different options for benefit and DROP balances • Promotions can affect “back DROP” choices 	<p>Eliminates DROP.</p> <p>Permits Back-Drop for up to five years upon an employee reaching 30 years of service.</p> <p>Any employee whose Back-Drop calculation includes years of service less than 30 will incur a 2% accrual rate penalty for each of those years.</p>
DROP Interest Rate	Guaranteed DROP interest rate of 8.4 percent	Rate linked to earnings assumption as set for funding by actuary, less a risk premium of .25 percent. Prospective rate adjustment will not exceed 8 percent	<p>Eliminates DROP</p> <p>Back-Drop interest rate has a floor of 0% and a cap of 10%.</p>
Cost of Living Adjustment (COLA) on Retirement Benefits	3 percent Cost of Living Adjustment (COLA) begins as early as three months after DROP	COLA capped at 3 percent beginning: <ul style="list-style-type: none"> • 24 months after employment termination 	COLA capped at 1.5 percent beginning the third January following employment termination
Final Average Compensation(FAC)	FAC based on last 24 months of service	FAC based on last 60 months of service	FAC based on last 60 months of service
Employee Contributions	Employee pre-tax contribution of 7 percent	Employee pre-tax contribution of 8 percent	Employee pre-tax contribution of 10 percent
Spousal Benefits	75 % spousal benefit without cost (following retiree death)	75% spousal benefit w/o cost (following retiree death)	75% spousal benefit without cost (following retiree death)
Disability Pensions	Disability Pension at 60 percent of earnings base.	Disability Pension at 50 percent of earnings base	Disability Pension at 50 percent of earnings base.
Wages in Pension Calculation	Includes Shift and Differential	Includes Shift and Differential	Includes Shift and Differential. However, shift pay included in the calculation may not exceed 125% of shift pay earned during the five years prior to the FAC period.