

CUMBER AMENDMENT

Council Member Cumber offers the following amendment to File No. 2020-527:

- (1) On page 1, line 16, after "DEVELOPMENT)" insert ",,";
- (2) On page 2, line 4, after "ORDINANCE;" insert "PROVIDING A 90-DAY PHASE-IN PERIOD;"
- (3) On page 3, line 28, strike "100,000" and insert "\$100,000";
- (4) On page 4, line 12, strike "Guidelines") on file with the Legislative Services Division" and insert "Guidelines.";
- (5) On page 4, lines 22-23, strike "Downtown Preservation and Revitalization Program Gap Loan ("DPRP Gap Loan")." and insert "Downtown Preservation and Revitalization Program Deferred Principal Loan (DPRP Deferred Principal Loan)";
- (6) On page 5, line 2, strike "Fund" and insert "Fund)";
- (7) On page 5, line 3, after "111" insert "SPECIAL REVENUE AND TRUST ACCOUNTS";
- (8) On page 6, lines 8-9, strike "on file with the Office of Legislative Services" and insert "~~on file with the Office of Legislative Services~~";
- (9) On page 9, lines 22-23, strike "Exhibit 1, are hereby placed On File with the Legislative Services Division" and insert "Revised Exhibit 1, labeled as "Revised Exhibit 1, Rev DPRP Guidelines, October 6, 2020 - Finance"";
- (10) On page 9, lines 30-31, strike "are hereby placed On File with the Legislative Services Division and";
- (11) On page 10, line 9, strike "(DHPTF)" and insert "(HPRTF)";
- (12) On page 10, line 19, strike "Exhibit 4" and insert "Revised Exhibit 4, labeled as "Revised Exhibit 4, Revised DPRP, October 6, 2020 - Finance";

- (13) Remove **Exhibit 1** and replace with **Revised Exhibit 1** attached hereto, which attaches the Revised DPRP Loan Program Guidelines;
- (14) Remove **Exhibit 4** and replace with **Revised Exhibit 4** attached hereto, which attaches the Revised DIA Downtown Preservation and Revitalization Program insertion for the Public Investment Policy;
- (15) On **page 1, line 1**, amend the introductory sentence to add that the bill was amended as reflected herein.

Form Approved:

Office of General Counsel

Legislation Prepared By: Margaret M. Sidman

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We have received the attached impact statement from our actuary which summarizes potential impacts to the pension fund of ordinance 2020-0529 which proposes an early retirement window. While we are assessing other factors such as potentially positive impact to our payroll levels, workforce impacts such as aged employees seeking retirement due to health concerns, administrative considerations, additional recommendations, and collective bargaining needs and scheduling, we offer the following brief summary of this first piece of the analysis:

- Using 10/1/2019 Actuarial Data, Segal identified 783 employees that would potentially become eligible to retire by March 31, 2021 using the proposed early retirement provisions. This population should not be considered exact as it does not include activity since October 1, 2019 or account for employees' who may exercise their ability to buy eligible time.
- Analysis was done based on "take" rates of 100%, 50% and 25%. The actuary is unaware of data which could be used to project our experience as results vary widely depending upon the offering.
- The present value of accrued benefits increases for active employees specifically. At the extreme take-rate of 100% it goes up by approximately \$100M, and at 25% it goes up about \$25M. This is because the window allows more employees to collect their pension funds immediately instead of waiting for eligibility in the future. (This is an average increase of about \$127K per eligible employee.)
- However, using 100% take rate, present value of future expected benefit payments increases very little—only about \$1.6M. It's only about \$500K higher for a 25% take rate. This is because if these employees leave now as opposed to later their benefit payments will be smaller than if they stayed to retirement eligibility since they have less service credit as of now (and presumed to have less pay as well). In other words, while their current accrued benefits go up, the value of future benefit accruals goes down.
- Unfunded liability in the Plan increases by about \$60M at 100% and by about \$15M at 25%. This unfunded liability would be paid down over 28 years so the annual impact is small.
- Covered payroll reduces by about \$50M at 100% and by about \$12M at 25%. The present value of this reduction is almost \$300M at 100% and \$75M at 25%. This assumes the positions remain vacant. Actual results will differ depending on fill-rates.
- Correspondingly, employee contributions would go down by about \$5M annually at 100% and about \$1.2M annually at 25%. The present value of this reduction is about \$30M at 100% and \$7M at 25%.

Bottom Line:

- As a result of the largely offsetting factors contained in this report, employer contributions spread across the City's general fund, enterprise funds, and JEA move up slightly from \$76.8 million to \$77.4 million. This figure is subject to change depending on the final provisions.
- This analysis is purely focused on the pension fund and is the first step in the decision-making process on this concept.
- The next steps are to analyze workforce and salary impacts, health plan impacts, administrative considerations, additional recommendations for improvement, and bargaining requirements. We are working on these aspects and will provide periodic updates.



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2020-529
Handout

September 8, 2020

Mr. Randall Barnes, Treasurer
City of Jacksonville
117 West Duval Street, Suite 300
Jacksonville, FL 32202

Re: Impact Statement for Proposed Ordinance 2020-529 Amending Section 120.206

Dear Randall:

As requested, we have reviewed the proposed ordinance amending Section 120.206 of the City of Jacksonville Ordinance Code. The proposed ordinance would temporarily allow for accelerated retirement eligibility. Attached is the impact on the General Employees Retirement Plan as a result of the proposed ordinance, assuming a) a 100% take rate; b) a 50% take rate; and c) a 25% take rate.

Based on pension service start dates and dates of birth reported for the October 1, 2019 actuarial valuation, we have determined that 783 participants are eligible for earlier retirement eligibility under the proposed ordinance 2020-529. Our calculations do not take into account any service purchases or other data changes not reported to us at that time.

Unless otherwise stated, all assumptions are the same as those used in the October 1, 2019 actuarial valuation. The work herein was completed under my supervision, and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

If you have any questions or need any additional information, please let us know.

Sincerely,

Jeffrey S. Williams
Vice President and Actuary

cc: Patrick (Joey) Greive
Tom Stadelmaier
Matthew Powell - Segal
Matt Faems - Segal

City of Jacksonville General Employees Retirement Plan Actuarial Impact Statement

Ordinance 2020-529 proposes Section 120.206, "Time service retirement benefit; cost of living adjustments.", of the City of Jacksonville Ordinances be amended to allow the following plan changes to occur to the City of Jacksonville General Employees Retirement Plan ("GERP") during an early retirement window period.

- Normal retirement eligibility at either age 60 with 5 years of credited service or age 55 with 10 years of service.
- Early retirement eligibility at any age with 20 years of service, based on a 2.0% benefit multiplier.

In conjunction with the changes above, the following adjustments to the assumptions have been made:

- The early retirement window period for purposes of the Impact Statement is October 1, 2020 through March 31, 2021.
- Early retirement eligibility has been determined as of March 31, 2021.
- The 100% take rate scenario assumes that anyone who obtains retirement eligibility under the provisions herein and who would not have otherwise been eligible for retirement retires immediately.
- Retirement rates have not been changed to assume immediate retirement if a participant is scheduled to achieve eligibility for normal retirement under the current GERP provisions.
- Participants who are scheduled to achieve eligibility for normal retirement under the current GERP provisions are not included in the early retirement window participant headcount.
- Normal Cost and expected employee contributions for participants assumed to retire under the enhanced eligibility provisions has been set to zero.
- It is assumed that members who may become retirement eligible under different options will choose the option most valuable to them.

**City of Jacksonville General Employees Retirement Plan
Summary of Impact of the Changes Proposed in Ordinance 2020-529
Based on the October 1, 2019 Actuarial Valuation**

	10/1/2019 Actuarial Valuation	10/1/2019 Actuarial Valuation Ordinance 2020-529 100% Take Rate	10/1/2019 Actuarial Valuation Ordinance 2020-529 50% Take Rate	10/1/2019 Actuarial Valuation Ordinance 2020-529 25% Take Rate
A. Participant data				
Active members	3,937	3,937	3,937	3,937
Active members, excluding window participants	3,937	3,154	3,546	3,741
Total annual payroll	\$249,982,877	\$249,982,877	\$249,982,877	\$249,982,877
Total annual payroll, excluding window participants	249,982,877	200,796,468	225,389,673	237,686,275
Retired members and beneficiaries	5,215	5,215	5,215	5,215
Total annualized benefit	\$188,240,796	\$188,240,796	\$188,240,796	\$188,240,796
Terminated vested members	196	196	196	196
Total annualized benefit	\$3,478,032	\$3,478,032	\$3,478,032	\$3,478,032
B. Actuarial value of assets	\$2,008,173,331	\$2,008,173,331	\$2,008,173,331	\$2,008,173,331
C. Present value of all future expected benefit payments:				
Active members:				
Retirement benefits	\$1,108,155,598	\$1,121,104,282	\$1,114,629,940	\$1,111,392,769
Vesting benefits	25,046,540	21,934,173	23,490,357	24,268,448
Disability benefits	18,270,892	14,916,407	16,593,650	17,432,271
Death benefits	25,901,928	21,004,826	23,453,377	24,677,653
Return of contributions	<u>193,534,210</u>	<u>193,534,210</u>	<u>193,534,210</u>	<u>193,534,210</u>
Total	\$1,370,909,168	\$1,372,493,898	\$1,371,701,534	\$1,371,305,351
Terminated vested members	28,631,348	28,631,348	28,631,348	28,631,348
Retired members and beneficiaries	2,235,258,792	2,235,258,792	2,235,258,792	2,235,258,792
Total	\$3,634,799,308	\$3,636,384,038	\$3,635,591,674	\$3,635,195,491

	10/1/2019 Actuarial Valuation	10/1/2019 Actuarial Valuation Ordinance 2020-529 100% Take Rate	10/1/2019 Actuarial Valuation Ordinance 2020-529 50% Take Rate	10/1/2019 Actuarial Valuation Ordinance 2020-529 25% Take Rate
D. Unfunded actuarial accrued liability	\$1,278,140,150	\$1,337,809,788	\$1,307,974,969	\$1,293,057,560
E. Actuarial present value of accrued benefits				
Vested accrued benefits				
Active members	\$711,142,885	\$818,685,731	\$764,914,308	\$738,028,597
Inactive members	28,631,348	28,631,348	28,631,348	28,631,348
Pensioners and beneficiaries	2,235,258,792	2,235,258,792	2,235,258,792	2,235,258,792
Non-vested active members	<u>35,524,495</u>	<u>29,416,213</u>	<u>32,470,354</u>	<u>33,997,425</u>
Total	\$3,010,557,520	\$3,111,992,084	\$3,061,274,802	\$3,035,916,162
F. Pension cost				
Normal cost, including administrative expenses	\$40,918,741	\$32,643,817	\$36,781,279	\$38,850,010
Expected employee contributions	-23,166,958	-18,333,194	-20,750,076	-21,958,517
Level % of payroll payment to amortize unfunded actuarial accrued liability	85,434,101	89,370,332	87,402,217	86,418,159
Amortized value of discounted value of allocated surtax revenue	-30,161,927	-30,161,927	-30,161,927	-30,161,927
Total minimum annual cost	73,023,957	73,519,028	73,271,493	73,147,725
Total employer cost, payable monthly at valuation date and projected to budget year	76,832,977	77,353,872	77,093,425	76,963,201
Projected payroll, excluding window participants	253,732,620	203,808,415	228,770,518	241,251,569
As % of projected payroll	30.28%	37.95%	33.70%	31.90%
Present value of active members' future salaries at attained age	\$1,987,797,845	\$1,696,197,617	\$1,841,997,731	\$1,914,897,788
Present value of expected future employee contributions	\$198,779,785	\$169,619,762	\$184,199,773	\$191,489,779

Table of Amortization Bases

Type*	Date Established	Initial Period	Initial Amount	Annual Payment*	Years Remaining	Outstanding Balance
Fresh start	10/01/2016	30	\$1,024,497,072	\$68,753,772	27	\$1,025,281,737
Experience gain	10/01/2017	30	-5,594,096	-369,422	28	-5,600,095
Plan change	10/01/2017	30	-3,528,667	-233,025	28	-3,532,451
Change in assumptions	10/01/2017	30	64,164,450	4,237,280	28	64,233,259
Experience gain	10/01/2018	29	-922,806	-60,863	28	-922,627
Change in assumptions	10/01/2018	29	88,449,536	5,833,621	28	88,432,323
Plan change	10/01/2018	29	5,920,390	390,475	28	5,919,238
Experience loss	10/01/2019	28	99,415,197	6,558,129	28	99,415,197
Change in assumptions	10/01/2019	28	4,913,569	324,134	28	4,913,569
Ordinance 2020-529 (100% take rate scenario)	10/01/2019	28	59,669,638	3,936,231	28	59,669,638
Total				\$89,370,332		\$1,337,809,788

Surtax Amortization Bases

Type*	Date Established	Initial Period	Initial Amount	Annual Payment*	Years Remaining	Outstanding Balance
Discounted surtax revenue applied	10/01/2016	30	-\$322,190,859	-\$22,293,255	27	-\$332,445,285
Surtax offset gain	10/01/2017	30	-7,927,401	-523,508	28	-7,935,903
Allocation change	10/01/2017	30	-10,588,075	-699,213	28	-10,599,430
Discount rate change	10/01/2017	30	-18,720,570	-1,236,265	28	-18,740,646
Surtax offset gain	10/01/2018	29	-8,089,137	-533,516	28	-8,087,613
Allocation change	10/01/2018	29	-20,241,389	-1,335,005	28	-20,237,450
Discount rate change	10/01/2018	29	-21,761,957	-1,435,293	28	-21,757,722
Surtax offset gain	10/01/2019	28	-2,042,344	-134,727	28	-2,042,344
Allocation change	10/01/2019	28	-17,780,689	-1,172,940	28	-17,780,689
Discount rate change	10/01/2019	28	-12,100,053	-798,205	28	-12,100,053
Total				-\$30,161,927		-\$451,727,135

* Level percentage of payroll; per Part VII, Chapter 112.64 (5)(b) of Florida Statutes, outstanding balances were amortized using a 1.50% payroll growth rate for October 1, 2019 valuation.