

CITY COUNCIL RESEARCH DIVISION

LEGISLATIVE SUMMARY

JEFFREY R. CLEMENTS
Chief of Research
(904) 255-5137



117 West Duval Street
City Hall, Suite 425
Jacksonville, FL 32202
FAX (904) 255-5229

Bill Type and Number: Ordinance 2019-566

Introducer/Sponsor(s): Council President at the request of the Mayor

Date of Introduction: July 23, 2019

Committee(s) of Reference: F

Date of Analysis: July 25, 2019

Type of Action: Ordinance Code amendment

Bill Summary: The bill amends Ordinance Code Chapter 120 – General Employees and Corrections Officer Pension Plans and All Employees Defined Contribution Retirement Plans - to include provisions to address protections related to employee pensions (subject to collective bargaining). This legislation seeks to provide employees a buy up provision whereby JEA will purchase service credits (years of service for retirement purposes) for employees, which shall only be effective in the event of a Recapitalization Event (as defined), as follows:

With at least five years of service:

- Creditable service years will be advanced to the next retirement milestone. Normal retirement age requirements still apply.
- General Employees Defined Contribution plan participants with at least five years of service can remain in the GEDC and retain their GEDC balance, OR can switch to the General Employees Pension Plan and contribute their GEDC balance to the Plan's assets.

With fewer than five years of service:

- If hired after 10/01/17, employees become vested members and employer GEDC contributions are vested.
- If hired before 10/1/17, GEDC plan participants can either remain in the GEDC and be 100 percent vested in the employer contribution OR can switch to the GEPP.
- GEPP plan participants can be advanced to five years of creditable service and begin receiving pension income at age 65 OR can receive a refund of all employee contributions plus an employer match of employee contributions.

The amendment provides that upon a Recapitalization Event, JEA shall make an additional contribution to the Plan in a lump sum within fourteen days from the funding of the Recapitalization Event. That additional contribution shall be calculated as an amount necessary to maintain the Plan's level of Unfunded Actuarial Accrued Liability, as calculated for funding purposes. The Unfunded Actuarial Accrued Liability shall be the same before as after the date of the Recapitalization Event.

The bill defines "Recapitalization Event" as the closing and funding of a transaction or series of related transactions in accordance with Article 21 of the City Charter and any other applicable laws that results in either 1) unencumbered cash proceeds to the City of Jacksonville of at least \$3 billion or 2) at least 50% of the net depreciated property, plant and equipment value of either JEA's electric system or JEA's water and wastewater system being transferred, assigned, sold or otherwise disposed of. The effective date of a Recapitalization Event shall be the date of a transaction the results in either 1) or 2) above occurring, or in the case of a series of

transactions, the date of the closing of a transaction that, combined with prior transactions, results in either 1) or 2) occurring.

The bill provides that JEA employees who receive additional Credited Service under this plan may be reemployed by the City and, if otherwise eligible, may re-enroll in the Retirement Plan. However, the employee will not receive additional credited service or be required to make employee contributions until their actual period of employment by the City following re-enrollment in the Plan exceeds the period of Credited Service granted to them under this plan. The bill makes provision for cost-of-living adjustments for members actively employed by the JEA on the effective date of a Recapitalization Event who, at that time, are eligible for time service retirement, and specifies surviving spouse and/or child benefits for the survivors of an employee member who will have a deferred retirement benefit who dies subsequent to a Recapitalization Event but prior to the date of eligibility for monthly benefits or the date of application to rescind a deferred vested accrued benefit.

The bill provides that if, or as required, JEA will collectively bargain with unions representing covered bargaining unit employees of JEA.

Background Information: At the July 23, 2019 JEA Board of Directors meeting, the Board unanimously voted to pursue Scenario 3, which was one of three scenarios presented as part of JEA's ongoing strategic planning process. Scenario 3, the unconstrained, non-traditional utility response, permits the CEO and Managing Director to explore a non-governmental ownership path for JEA. Transitioning JEA from a government-owned utility to a non-government entity could take one of several different forms – community ownership, initial public offering, private placement, technology conversion, oil and gas conversion, or a utility buyout. JEA is calling any such option a “recapitalization event” because it would re-cast JEA's entire capital structure under the alternatives outlined. If any of the recapitalization events should occur, the Board of Directors also approved a set of minimum requirements to protect employees' pensions and benefits, customers and the community. This legislation addresses the minimum requirement of protecting JEA employee retirement benefits.

Policy Impact Area: JEA employee retirement benefits

Fiscal Impact: The bill provides that the unfunded actuarial accrued liability be the same for the plan both before and after a Recapitalization Event by requiring that JEA deposit an additional amount into the plan sufficient to cover the difference in the unfunded actuarial accrued liability before and after the Recapitalization Event. The plan's actuary has estimated this additional funding requirement to be approximately \$129 million.

Analyst: Clements