**Items/Assumptions Reviewed**

1. We have performed multiple reviews of the 14 pieces of legislation which have resulted in the amendments for 2017-257 & 259 and the substitute for 2017-258.
2. Projected Cost of Salary Increases – appear accurate
3. Payroll Growth Assumptions – in accordance with State law
4. Mortality Table Assumptions – in accordance with State law
5. Sales Tax Growth Rate – appears reasonable based on growth of One-half Cent Transportation Sales Surtax dating back to FY 1990/1991 (effective 4.15% based on cash collections)
6. General Fund/General Services District Revenue Growth – appears reasonable based on growth of GF/GSD revenues dating back to FY 1999/2000 (average annual growth rate of 3.28% based on actual revenues less transfers from fund balance)
7. Actuarial Impact Statements Assumptions – appear reasonable with the exception of the beginning sales tax value utilized by the PFPF actuary which did not account for the portion of the surtax that will no longer go to the Beaches and Baldwin. This will reduce the cost to the City and should be adjusted when the actuarial valuation report is completed.

**Overall Points**

1. All future employees hired on or after October 1, 2017, will have a known retirement cost each year due to the closing of the defined benefit plans.
2. The pension contribution savings compared to FY 2016/17 will be offset by the salary increases over the next three years.
3. JEA collective bargaining agreements are retroactive to October 1, 2016.
4. The City is awaiting a ruling related to a legal challenge to the sales tax referendum.
5. The City cannot unilaterally alter public safety members’ pension benefits for up to ten years (i.e. 3/3/3/1) if both of the following economic factors are met:
   1. Average annual growth rate of the City’s share of ad valorem revenues collected for the three most recent fiscal years is no less than 2.5%;
   2. Average annual gross return on investment for the appropriate plan is no less than the actuarial assumed rate of return, less 1%, for the three most recent fiscal years.
6. The impact to recruitment and retaining of employees under the new plans is an unknown.
7. Roll-Back of 2015-304-E Benefit Changes – The Police and Fire Pension Fund benefit changes agreed to in 2015-304-E are eliminated. Examples of these changes include:
   1. COLA –All retirees and survivors will receive 3% per year, even for those years accrued/earned after the agreement took effect. The COLA was going to be the lessor of 6% or the social security increase for existing employees or the lessor of 1.5% or the social security increase for new hires. The COLA delay put in place for new employees will be removed as well.
   2. DROP – Employees hired before this proposal that had not reached 20 years of service prior to 2015-304-E were going to earn an interest rate consistent with the rate earned by the plan (between 2%-14.4%); furthermore, no new employees were going to be able to enter DROP pursuant to 2015-304-E. Anyone hired prior to 10/1/17 will now be eligible to receive the guaranteed 8.4% DROP return.
8. Correction officers will receive a new benefit which enables them to leave funds in their DROP accounts maintained by the pension funds and paid out for a length of time tied to mortality tables. The assets during this period will earn the actual rate of return of the Plan between 0%-14%.
9. In all three DC plans, if a vested employee dies prior to retirement, the employee’s spouse can either receive the funds in the member’s DC account or can receive a defined benefit pension for the rest of their life. This benefit is planned to be funded with member and City contributions to a Survivor and Disability Trust.
10. The six City collective bargaining agreements address only wages and pension benefits. The parties agree to reopen negotiations during the first year of the agreement to negotiate other terms and conditions of employment.
11. DC members hired prior to 10/1/17 will remain eligible to switch to the DB plan within 5 years of employment start date.

**Recommendations**

1. Council should determine the dollar amount of revenue growth that can be utilized for recurring expenditures. Future salary and pension benefit costs will be greater than FY 2016/17 amounts; and therefore, portions of increases in revenue over the next few fiscal years should be designated to one-time expenses so there is revenue available to cover future costs when pension savings no longer cover those costs.
2. We recommend the City have future discussions with JEA to discuss the benefit received from the portion of the pension surtax credited to the GEPP.