

THE TRUTH ABOUT PENSIONS

USING FACTS TO FIGHT THE SMEAR OF POLITICIANS

Exhibit "A"- The impact of a Vibrant Payroll Base Upon UAAL Amortization

The fixed cost of a pension plans UAAL (Unfunded Actuarial Accrued Liability) is spread over the active employee workforce as a fixed percentage. In the event that a pension plan's member workforce were to be doubled, it stands to reason that the fixed UAAL amortization percentage could be cut in half and still produce the same amount of dollars toward the liquidation of the UAAL. This simple illustration underscores the value of a vibrantly growing workforce when attempting to pay down a fixed UAAL obligation.

By applying the same logic, an active member workforce that is subdued strains a plan sponsor's ability to liquidate an UAAL and produces a higher UAAL percentage requirement that would otherwise be necessary.

A series of budgetary and personnel policies of the City have collectively contributed to the outcome of Police and Fire Pension Fund member workforce that exhibits subdued characteristics as opposed to a vibrantly growing workforce. The elements that have contributed to this outcome may be generally summarized as follows.

- 1) The City has fallen behind other major Florida communities in terms of per capita expenditures for police and fire fighters. Studies reflect the fact that Jacksonville spends on a per capita basis \$378 for police and \$171 for fire fighters. This compares to an average per capita level expenditures by major Florida communities of \$666 for Police and \$383 for fire. Jacksonville is also falling behind in terms of public safety workers per 1,000 population.
- 2) Jacksonville is placing great reliance upon the use of overtime in lieu of hiring of new public safety officers. The Florida Times Union story on April 26th, 2009 reported the expenditure of \$19,920,000 in overtime payments during 2008 for the Jacksonville Sheriff's Office and the Jacksonville Fire and Rescue Department. This translates into an

average of \$6,060 for each employee (please note that this data recited above **DOES NOT** include correctional officers).

- 3) Jacksonville has made a conscious effort to realize budgetary economies through the hiring of Community Service Officers (CSOs) in lieu of police officers. Inasmuch as CSOs are not members of the Police and Fire Pension Fund, their hiring detracts from the growth in the Police and Fire Pension Fund active member workforce. A recent analysis indicated that there were 82 CSOs employed by the City with a collective annual payroll of \$2,091,000 based upon an average salary of \$25,500.
- 4) There have been recent examples of legislation that has permitted the employment of a segment of the normal public safety workforce in positions outside of the Police and Fire Pension Fund membership. These positions were formerly occupied by personnel who were enrolled in the Police and Fire Pension Fund. Thus, this practice translates into a lower Police and Fire Pension Fund payroll base.
- 5) The need to meet lapse factors and to fund overtime require public safety budget analysts to keep positions open during the budget year which translates into a lower pensionable payroll base.
- 6) The public debate over the last 15 months has implied that the pension benefit structure of the Police and Fire Pension Fund will be diminished in the near future. This public discussion has encouraged a surge in DROP enrollment and a corresponding decrease in the active member payroll base from which UAAL amortization payments are produced.

The above examples offer insight into the various factors that have contributed to a subdued workforce and accordingly a higher percentage requirement for the amortization of the UAAL, which for the Police and Fire Pension Fund is currently established at 23.93% of the active member payroll base.