



CHATTANOOGA FIRE AND POLICE PENSION FUND

EDUCATIONAL PRESENTATION

Overview...

- Established in 1949
- F & P typically have shorter career and life expectancies
- Ensures a secure, pre-defined benefit
- Provides disability coverage and death benefit for a hazardous job

Funding sources...

- Member Contributions
- City Contributions
- Revenue from investment growth
- \$5 fee for every court cost paid
- Sale of surplus property

Fund membership...

- Participants as of 2010 Valuation:
 - 790 Firefighters and Police Officers
 - 540 retired members
 - 152 beneficiaries

History of fund changes...

PRE-1999 PLAN:

- Benefit based on Sergeant level
- 2.4% annual multiplier
- COLA based on CPI

1999 PLAN CHANGES:

- Benefits based on member's average base pay
- 2.75% annual multiplier
- Fixed 3% COLA
- DROP was initiated



2008 Plan Changes...

- Modified DROP
- Expanded governance of CFPPF Board
- 2008 changes to DROP are cost neutral
- Overall impact – moves DROP closer to cost neutrality

Current Design of CFPPF Benefits...

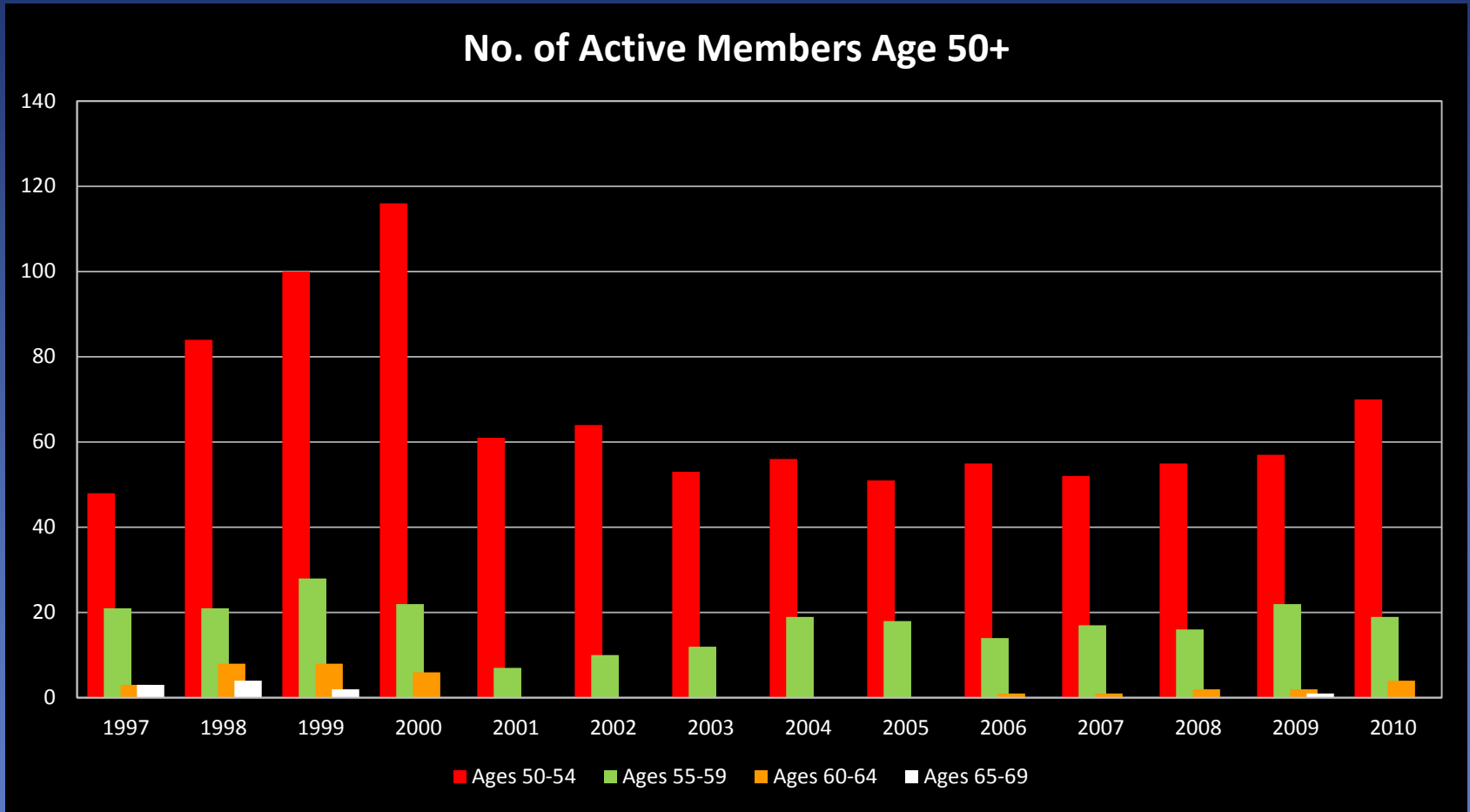
- Benefit based on average base salary + 3% fixed COLA
- \$10,000 Death Benefit
- Disability and Joint & Survivor Coverage
- Optional DROP
- No Social Security benefits
- Members tend to work 25-30 years

Impact of 1999 changes...

- The number of Police Officers and Firefighters retiring in the first year of eligibility has dropped by 40%.
- Fire/Police personnel are generally retiring between 25 and 30 years; the primary objective of the DROP.
- The DROP benefit makes a positive difference for Police Officers and Firefighters as they transition into retirement.
- Police Officers and Firefighters do not enjoy career longevity and have shorter life expectancies than the rest of us.
- DROP and other pension benefits are vitally important to current members; essential to recruitment and retention efforts of the City.

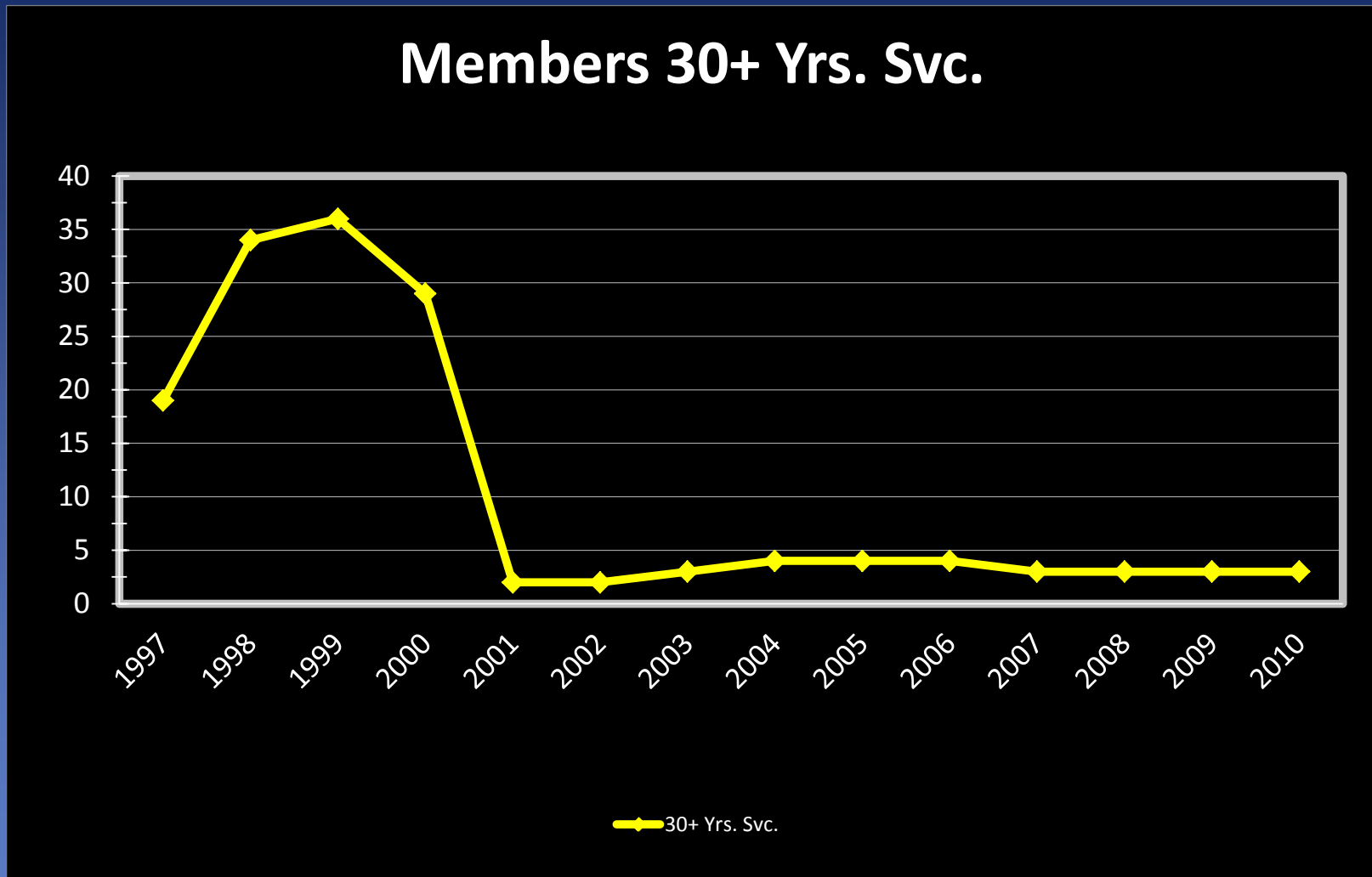
Impact of 1999 changes...

Significant reduction in Police Officers and Firefighters working over age of 50



Source: CFPPF Records & Segal Actuarial Valuations

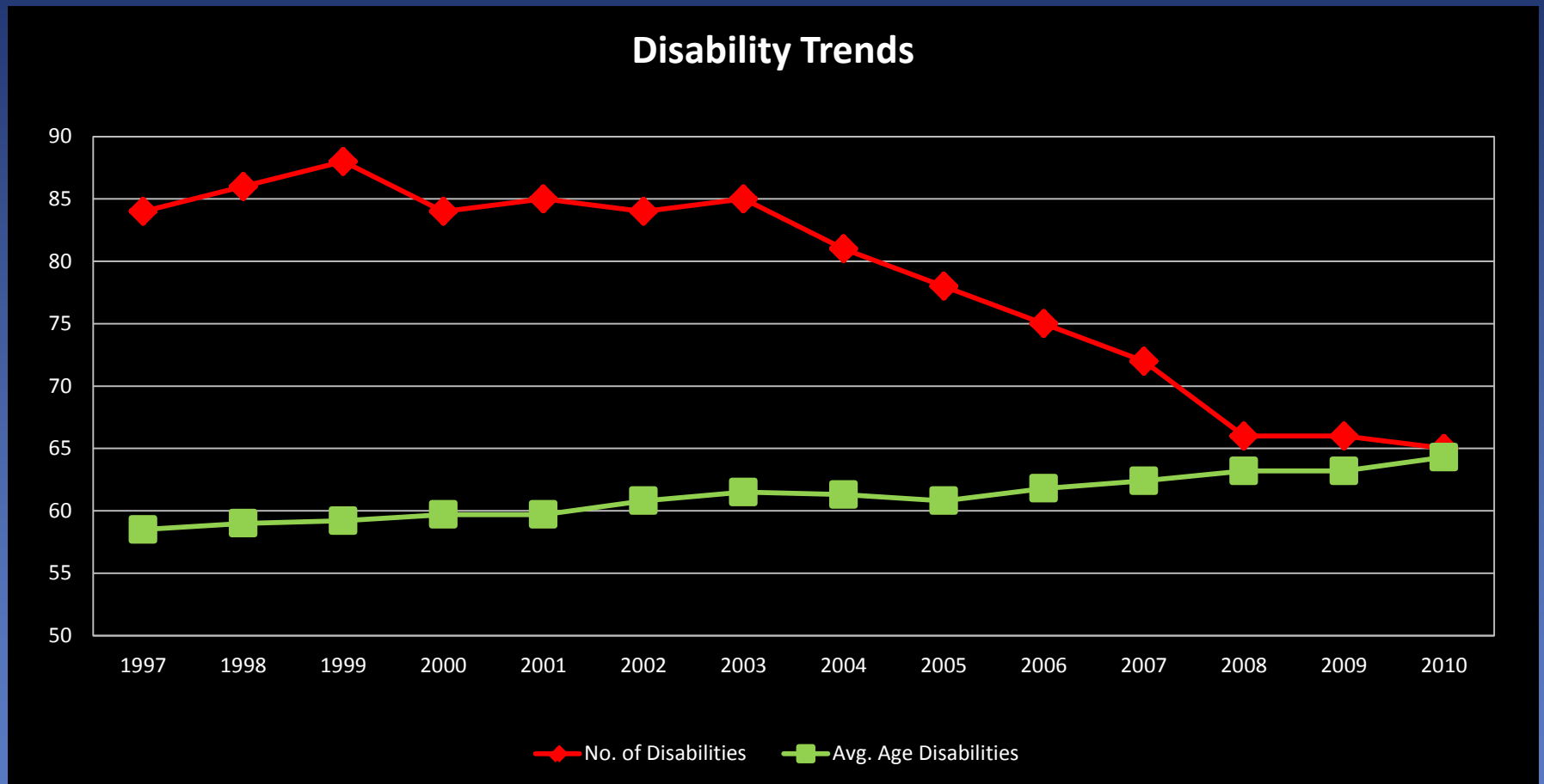
Impact of 1999 changes...



Source: CFPPF Records & Segal Actuarial Valuations

Impact of 1999 changes...

The number of active disability cases has dropped by 25%.



Source: CFPPF Records & Segal Actuarial Valuations



What is the DROP...

- An optional benefit in exchange for working longer than required
- DROP benefit is the member's money and part of their accrued pension benefit!
- To qualify, member must continue to work for the City and contribute to the Pension Plan for up to three years (the DROP Period) past the typical retirement of 25 years of service.
- Upon retirement, members can take one of two pension options:
 - Receive the benefit accrued during the DROP Period as a lump sum payment and receive a reduced pension benefit
 - If the member declines the DROP benefit, the pension benefit is based on the total years of service



What the DROP is NOT...

- Not a bonus or golden parachute!
- BONUS: additional compensation given to an employee above his/her normal salary.
- GOLDEN PARACHUTE: a lucrative benefit given to senior executives when they leave their job.

Example of DROP calculation...

- The average salary for a Firefighter or Police Officer in Chattanooga is **\$43,471**.
- Under the current pension plan adopted in 2008, the average member has two options:
 - Retire with a 28-year pension benefit of \$31,093 annually
 - Retire with a 25-year pension benefit of \$29,485 annually and exercise DROP benefit to receive a lump sum payment of \$83,449

Salary comparisons...

Position	U.S. Bureau of Labor Average Minimum Base Salary [#]	U.S. Bureau of Labor Average Maximum Base Salary [#]	Chattanooga Average Base Salary*
Police Captain	\$72,761	\$91,178	\$69,500
Police Lieutenant	\$65,688	\$79,268	\$62,067
Police Sergeant	\$58,739	\$70,349	\$55,060
Police Patrol Officer	\$38,850	\$64,940	\$38,843
Fire Batallion Chief	\$66,851	\$81,710	\$61,285
Fire Captain	\$60,605	\$72,716	\$52,576
Fire Lieutenant	\$50,464	\$60,772	\$44,968
Fire Fighter	\$31,180	\$58,440	\$36,282

*As of 2010 CFPPF Valuation Data # As of May 2008



Our Fund + New Hires = Public Safety

	1999	2010	Change	Pct
Chattanooga Population	155,000	167,000	12,000	7.7%
Number of Police Officers	449	408	(41)	-9.1%
Number of Calls for Service	169,913	200,015	30,102	17.7%
Number of Calls per Officer	378.4	490.2	111.8	29.5%

	2000	2010	Change	Pct
Number of Firefighters	382	382	-	0.0%
Number of Fire Stations	20	18	(2)	-10.0%
Number of Fire Dept. Responses	22,057	34,402	12,345	56.0%
Number of Calls per Firefighter	57.7	90.1	32.3	56.0%
Number of Calls per Fire Station	1,102.9	1,911.2	808.4	73.3%

Population Estimates are from 2000 and 2010 U.S. Census

Department Statistics are from CFD, CPD, & 911 Records

