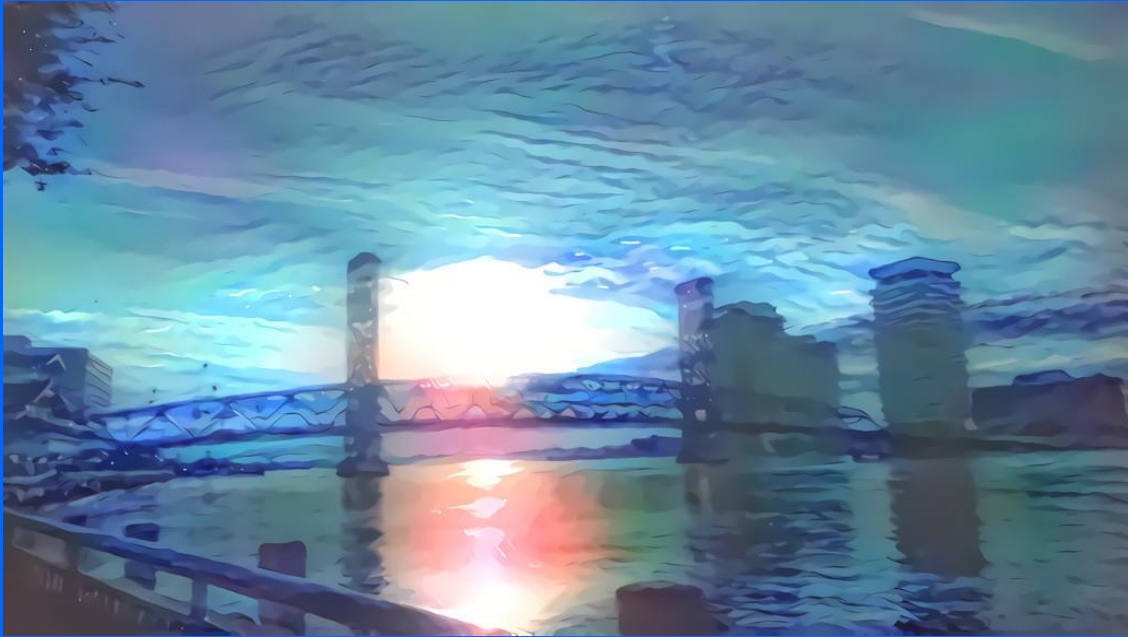


# Jacksonville Police and Fire Pension Fund



2018 ANNUAL REPORT

# Table of Contents

<b>Executive Director’s Report .....</b>	<b>3</b>
<b>Independent Auditors’ Report .....</b>	<b>4</b>
<b>Actuarial Certification .....</b>	<b>6</b>
<b>Actuarially Determined Contribution .....</b>	<b>8</b>
<b>Actuarial Value of Benefits and Assets .....</b>	<b>9</b>
<b>Board, Committees, Professional Services, and Money Managers .....</b>	<b>11</b>
<b>Police and Fire Pension Fund Staff Contacts .....</b>	<b>12</b>

# From the Executive Director

## To Our Valued Stakeholders:

These are exciting times for the PFPF and I think you will get a sense of our passion, expertise, reliability, and innovative nature as you browse through this annual report. I am pleased to report we completed the third year of our [Transformational Journey](#). We have made tremendous progress and impacts on many levels in support of our new mission: “Deliver value to all stakeholders.”

This past year, we turned our focus to Outreach. Evolving to meet the needs of our stakeholders: Board & Committees; Active Members; Retirees & Beneficiaries; Police & Fire Unions; City Council; City of Jacksonville; Taxpayers; Tenants; Media Staff; Auditors & Regulators; and Professional Service Organizations. By proactively engaging with our stakeholders, we are gaining a deeper understanding of how to deliver the value they want. Today, our mission is being realized and embraced by many individuals and organizations. [Click here or visit jaxpfpf.coj.net to see examples of the results of our focus on outreach.](#)

In August 2018, the PFPF’s Investment Consultant, Summit Strategies Group announced its merger with Mercer and Pavilion in a deal that required Summit to discontinue providing services to public defined benefit pension plans. With sadness, our consultant Dan Holmes informed our Board that he would have to stop performing the vital functions for which the PFPF had relied upon for more than a decade.

In response to the news, the Jacksonville Police and Fire Pension Fund Board of Trustees approved a Financial Investment and Advisory Committee recommendation to enter a one-year contract with Wilshire Associates for interim investment consulting services.

In order to assure continuity of consultant coverage, the PFPF launched a ‘Request-For-Information’ and began an interim consultant selection process. Three firms were invited to submit information. The Board selected Wilshire Associates based on its significant presence in the public fund space.

We want to wish Dan Holmes and Summit Strategies Group success in their new venture. With his guidance, the PFPF earned an 8.44% fiscal year and an 8.28% 10-year gross of fees return. [Click here or visit jaxpfpf.coj.net to see the Fund’s Fiscal Year 2018 Performance.](#)

Sincerely,



**Timothy H. Johnson**

Executive Director – Plan Administrator

# Independent Auditors' Report

The Board of Trustees of the Police and Fire Pension Fund  
City of Jacksonville, Florida

## Report on the Financial Statements

We have audited the accompanying financial statements of the City of Jacksonville, Florida Police and Fire Pension Fund (the "Fund"), which comprise the statement of fiduciary net position as of September 30, 2018, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

## Management's Responsibility for the Financial Statements

The Fund's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Fund as of September 30, 2018, and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

As discussed in Note 1 to the financial statements, the accompanying financial statements present only the City of Jacksonville, Florida Police and Fire Pension Fund and do not purport to, and do not, present fairly the net position restricted for pension benefits of the City of Jacksonville, Florida, as of September 30, 2018, or the City's changes in net position restricted for pension benefits for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Reporting Required by Governmental Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated February 12, 2019 on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

*Carr, Riggs & Ingram, L.L.C.*

Jacksonville, Florida  
February 12, 2019

NOTE: This is an excerpt from the full Independent Auditors' Report. Please visit our website at [jaxfpf.coj.net](http://jaxfpf.coj.net) or click the link below to view the full Independent Auditors' Report.

**FY 2018 Independent Auditors' Report**

# Actuarial Certification

February 11, 2019

Board of Trustees  
Jacksonville Police and Fire Pension Fund  
One West Adams Street, Suite 100  
Jacksonville, Florida 32202-3616

## *Jacksonville Police and Fire Pension Fund Actuarial Valuation as of October 1, 2018*

Dear Trustees:

The results of the October 1, 2018 Annual Actuarial Valuation of the Jacksonville Police and Fire Pension Fund are presented in this report. The minimum required City contribution for the Plan Year beginning October 1, 2019 is \$140,292,637 (84.57% of expected covered payroll).

The findings in this report are based on data through July 1, 2018 and financial information through September 30, 2018 provided by the Plan Administrator. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the Fund's funded status); and changes in plan provisions or applicable law. The scope of an actuarial valuation does not include an analysis of the potential range of such future measurements.

This valuation assumed the continuing ability of the plan sponsor to make the contributions necessary to fund this plan. A determination regarding whether or not the plan sponsor is actually able to do so is outside our scope of expertise and was not performed.

This report was prepared using certain assumptions and methods approved by the Board and prescribed by the Florida Statutes as described in the section of this report entitled Actuarial Assumptions and Cost Methods. The prescribed assumptions are the assumed mortality rates detailed in the Actuarial Assumptions and Cost Methods section in accordance with Florida Statutes Chapter 112.63. The prescribed methods include the use of an initial 30-year amortization period for amortizing the unfunded liability as required under Florida Statute 112.64(6)(a), the recognition of the present value of future Pension Liability Surtax proceeds as required by Florida Statute 112.64(6), and the use of a payroll growth assumption to amortize the unfunded liability as required under Florida Statute 112.64(6)(b).

This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of the Jacksonville Police and Fire Pension Fund as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board and with applicable statutes.

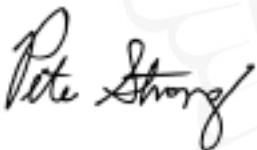
Peter N. Strong and Jeffrey Amrose are members of the American Academy of Actuaries. These actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

The signing actuaries are independent of the plan sponsor.

This actuarial valuation and/or cost determination was prepared and completed by us or under our direct supervision, and we acknowledge responsibility for the results. To the best of our knowledge, the results are complete and accurate. In our opinion, the techniques and assumptions used are reasonable, meet the requirements and intent of Part VII, Chapter 112, Florida Statutes, and are based on generally accepted actuarial principles and practices, with some exceptions noted on pages 5 and 6 of the valuation report under the section entitled “Disclosures Regarding the Pension Liability Surtax and Florida Statute 112.64(6).” There is no benefit or expense to be provided by the plan and/or paid from the Fund’s assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation. All known events or trends which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation.

Respectfully submitted,

GABRIEL, ROEDER, SMITH AND COMPANY



**Peter N. Strong, FSA, FCA, MAAA**  
Enrolled Actuary No. 17-6975  
Senior Consultant & Actuary



**Jeffrey Amrose, FCA, MAAA**  
Enrolled Actuary No. 17-6599  
Senior Consultant & Actuary

NOTE: This is an excerpt from the full Actuarial Valuation Report. Please visit our website at [jaxpfpf.coj.net](http://jaxpfpf.coj.net) or click the link below to view the full Actuarial Valuation Report.

**FY 2018 Fund Actuarial Valuation**

## Jacksonville Police and Fire Pension Fund

### Calculation of City Minimum Required Contribution as of October 1, 2018

ACTUARIALLY DETERMINED CONTRIBUTION (ADC)			
A. Valuation Date	October 1, 2018 <i>After Changes</i>	October 1, 2018 <i>Before Changes</i>	October 1, 2017
B. ADC to Be Paid During Fiscal Year Ending	9/30/2020	9/30/2020	9/30/2019
C. Assumed Date of Employer Contributions	12/1/2019	12/1/2019	12/1/2018
D. Expected Covered Payroll for the Year Beginning on the Valuation Date	\$ 162,003,561	\$ 162,003,561	\$ 149,489,571
E. Annual Payment to Amortize Unfunded Actuarial Liability	78,785,998	77,759,521	78,162,211
F. Employer Normal Cost	58,996,678	58,996,678	54,693,160
G. ADC if Paid on the Valuation Date: E + F	137,782,676	136,756,199	132,855,371
H. Contributions from Court Fines	775,741	775,741	759,291
I. City Contribution: G - H as % of Covered Payroll	137,006,935 84.57 %	135,980,458 83.94 %	132,096,080 88.36 %
J. Actuarially Determined Contribution (ADC) in Contribution Year*	140,292,637	139,241,543	135,264,010

\* = City Contribution (item I.) x (1+payroll growth of 1.25%) x 1.07 ^ (2/12)



**Jacksonville Police and Fire Pension Fund**  
**Actuarial Value of Benefits and Assets**

<b>ACTUARIAL VALUE OF BENEFITS AND ASSETS</b>			
A. Valuation Date	October 1, 2018 <i>After Changes</i>	October 1, 2018 <i>Before Changes</i>	October 1, 2017
<b>B. Actuarial Present Value of All Projected Benefits for</b>			
<b>1. Active Members</b>			
a. Service Retirement Benefits	\$ 1,474,607,303	1,474,607,303	\$ 1,412,877,640
b. Vesting Benefits	32,369,342	32,369,342	31,140,875
c. Disability Benefits	26,627,567	26,627,567	26,066,781
d. Preretirement Death Benefits	16,794,443	16,794,443	16,462,838
e. Return of Member Contributions	866,671	866,671	940,386
f. Total	<u>1,551,265,326</u>	<u>1,551,265,326</u>	<u>1,487,488,520</u>
<b>2. Inactive Members*</b>			
a. Service Retirees	2,179,401,393	2,179,401,393	2,062,585,229
b. DROP Retirees	463,666,735	463,666,735	501,744,295
c. Disability Retirees	28,607,276	28,607,276	29,719,425
d. Beneficiaries	197,715,131	197,715,131	191,132,350
e. Terminated Vested Members	22,686,254	22,686,254	18,659,710
f. Total	<u>2,892,076,789</u>	<u>2,892,076,789</u>	<u>2,803,841,009</u>
<b>3. Total for All Members</b>	<b>4,443,342,115</b>	<b>4,443,342,115</b>	<b>4,291,329,529</b>
<b>C. Actuarial Accrued (Past Service) Liability</b>			
1. Active Members	987,995,717	987,995,717	932,768,615
2. Inactive Members	<u>2,892,076,789</u>	<u>2,892,076,789</u>	<u>2,803,841,009</u>
3. Total for All Members	<b>3,880,072,506</b>	<b>3,880,072,506</b>	<b>3,736,609,624</b>
<b>D. Actuarial Value of Accumulated Plan Benefits per FASB No. 35</b>	<b>3,624,155,961</b>	<b>3,624,155,961</b>	<b>3,477,828,321</b>
<b>E. Plan Assets</b>			
1. Gross Market Value of Assets	2,007,821,892	2,007,821,892	1,892,797,131
2. Reserve Accounts, including Share Plan	(122,329,885)	(122,329,885)	(123,233,435)
3. Sr. Staff Plan Assets	<u>(4,489,259)</u>	<u>(4,489,259)</u>	<u>(4,404,690)</u>
4. Net Market Value of Assets	<b>1,881,002,748</b>	<b>1,881,002,748</b>	<b>1,765,159,006</b>
5. Actuarial Value of Assets	<b>1,865,495,526</b>	<b>1,881,002,748</b>	<b>1,765,159,006</b>
<b>F. Net Present Value of Total Pension Liability Surtax Proceeds According to Pro Rata Share</b>	<b>861,255,049</b>	<b>861,255,049</b>	<b>810,535,348</b>
<b>G. Net Unfunded Actuarial Accrued Liability: C3 - E5 - F</b>	<b>1,153,321,931</b>	<b>1,137,814,709</b>	<b>1,160,915,270</b>
<b>H. Actuarial Present Value of Projected Covered Payroll</b>	<b>1,410,038,036</b>	<b>1,410,038,036</b>	<b>1,381,819,690</b>
<b>I. Funded Ratio: E5 / C3</b>	<b>48.08%</b>	<b>48.48%</b>	<b>47.24%</b>
<b>J. Percent of Actuarial Accrued Liability Covered by Assets and Total Pension Liability Surtax Proceeds: (F + E5) / C3</b>	<b>70.28%</b>	<b>70.68%</b>	<b>68.93%</b>
<b>K. Liquidity Ratio</b>			
1. DROP Balance as of Valuation Date	342,305,582	342,305,582	328,296,551
2. Net Market Value (Net of DROP): E4 - K1	1,538,697,166	1,538,697,166	1,436,862,455
3. Annual Benefit Payments in Pay Status	168,569,285	168,569,285	162,039,643
4. Ratio: K2 : K3	<b>9.13 : 1</b>	<b>9.13 : 1</b>	<b>8.87 : 1</b>

\*Inactive members liabilities include DROP Account Balances, split based on status as of June 1.

Jacksonville Police and Fire Pension Fund  
Actuarial Information – CONTINUED

UAAL AMORTIZATION PERIOD AND PAYMENTS						
Original UAAL				Current UAAL*		
Date Established	Type of Amortization Base	Amortization Period (Years)	Amount	Years Remaining	Amount	Payment
10/1/2016	Fresh Start	30	\$ 1,243,587,908	28	\$ 1,191,611,081	\$ 81,362,899
10/1/2017	Experience (Gain)/Loss	30	(102,449,877)	29	(102,198,135)	(6,878,046)
10/1/2017	Assumption Changes	30	67,640,845	29	67,474,637	4,541,117
10/1/2018	Experience (Gain)/Loss	29	(19,072,874)	29	(19,072,874)	(1,283,625)
10/1/2018	Method Change	29	<u>15,507,222</u>	29	<u>15,507,222</u>	<u>1,043,653</u>
			1,205,213,224		1,153,321,931	78,785,998

PENSION LIABILITY SURTAX ESTIMATES 4.25% GROWTH			
Fiscal Year	Projected Total 1/2-Penny Sales Tax	Projected Pension Liability Surtax	60.9% of Revenue for Police and Fire Pension Fund
2018	\$ 91,529,277		
2019	95,419,271		
2020	99,474,590		
2021	103,702,260		
:	:		
2030	150,824,813		
2031	157,234,868	\$ 117,926,151	\$ 71,817,026
2032	163,917,349	163,917,349	99,825,666
:	:	:	:
2059	504,288,009	504,288,009	307,111,397
2060	525,720,249	525,720,249	320,163,632
2061	548,063,360	137,015,840	83,442,647
<b>Total Proceeds from 2031-2061:</b>		<b>\$ 9,293,671,642</b>	<b>\$ 5,659,846,030</b>
<b>Net Present Value of Proceeds as of 10/1/18:</b>		<b>\$ 1,414,211,903</b>	<b>\$ 861,255,049</b>

# Jacksonville Police and Fire Pension Fund FY2018

## ***Board of Trustees***

Lt. Chris Brown, JSO – Chair  
Willard Payne Jr. – Secretary  
Cpt. Michael Lynch, JFRD  
Nawal McDaniel  
Richard “Rick” G. Patsy

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Robert Lemmon, Carr, Riggs & Ingram, LLC – Independent Auditor  
Daniel J. Holmes, Summit Strategies Group – Investment Consultant  
Bob Sugarman, Sugarman & Susskind – Fund Counsel  
Richard McConville, The Northern Trust Company – Fund Custodian  
Pete Strong, Gabriel, Roeder, Smith and Company – Fund Actuary

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The Northern Trust Company  
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Principal Financial Services  
Sawgrass Asset Management, LLC  
Silchester International Investors  
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Tortoise Capital Advisors, LLC  
WEDGE Capital Management

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