

**City of Jacksonville, Florida  
Police and Fire Pension Fund**

**Required Communications**

**September 30, 2019**



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City of Jacksonville, Florida  
Police and Fire Pension Fund

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September 30, 2019

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## **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, 2019, 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, 2019, 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, 2019, 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 21, 2020 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 audit.

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

Jacksonville, Florida

February 21, 2020

**Management's Discussion and Analysis (Unaudited)**

We are pleased to provide this overview and analysis of the financial activities of the City of Jacksonville, Florida Police and Fire Pension Fund (Fund) during the fiscal year ended September 30, 2019. This section presents management's discussion and analysis of key financial performance indicators in a narrative format.

**FINANCIAL HIGHLIGHTS**

- The fiduciary net position of the Fund as of the fiscal year ended September 30, 2019, was \$1,958,067,080. The fiduciary net position, which is held in trust for pension benefits, is available to meet the Fund's ongoing obligations to Fund participants and their beneficiaries.
- The net position represents a decrease of \$49,754,810 or 2.48%. The decrease was largely a result of the distribution from the reserve accounts.
- The Fund's ongoing funding objective is to meet long-term benefit obligations through contributions, investment income, and the receipt of various revenues sources. As of September 30, 2019, the funded ratio for the Fund was approximately 47.07%, which compares to the September 30, 2018 funded ratio of 48.48%. In general, the current funded ratio indicates that for every dollar of benefits due, the Fund has approximately \$.4707 of assets to cover it.
- Revenues (additions to the fiduciary net position) other than investment income for the 2019 fiscal year were \$142,617,175, which comprises member and employer contributions of \$128,273,585, and other additions of \$14,103,269. This compares to revenues other than investment income in the amount of \$145,278,047 in the prior fiscal year. For the 2018 fiscal year the minimum employer contribution was determined at \$135,648,057 and no supplemental contribution was required. For fiscal year 2019, the employer minimum required contribution was determined as \$135,264,010 and no supplemental contribution was required. Also, out of the City's minimum required contribution amount, a total of \$20,000,000 and \$24,736,292 for 2018 and 2019, respectively, represented a release of funds from the Unfunded Actuarial Liability Reserve Account (UALPA) and accordingly, these are not presented as additions to the plan's fiduciary net position.
- Net investment income (part of additions to fiduciary net position) for the 2019 fiscal year was \$54,018,334 compared to net investment income for \$156,141,557 that was recorded in the prior fiscal year.
- Expenses (deductions in fiduciary net position) not related to investment activities for the 2019 fiscal year increased from \$186,384,843 to \$246,972,515 or approximately 32.5%. The increase was largely due to the required distribution from reserve accounts.

## **Management's Discussion and Analysis (Unaudited)**

### **OVERVIEW OF FINANCIAL STATEMENTS**

The following discussion and analysis is intended to serve as an introduction to the Fund's financial statement, which are comprised of these components: 1) statement of fiduciary net position, 2) statement of changes in fiduciary net position, 3) notes to the financial statements, and 4) required supplementary information. The information available in each of these sections is briefly summarized as follows:

- 1) The statement of fiduciary net position is a snapshot of account balances at the end of the fiscal year. It indicates the assets available for future payments to retirees and beneficiaries and any current liabilities that are owed at this time.
- 2) The statement of changes in fiduciary net position provides a view of current year additions to and deductions from the resources of the Fund during the fiscal year.

Both statements are presented in compliance with Governmental Accounting Standards Board (GASB) pronouncements. These pronouncements require certain disclosures and reporting standards. The Fund complies with all material requirements of these pronouncements.

The statement of fiduciary net position and the statement of changes in fiduciary net position report information about the Fund's financial activities. These statements include all assets and liabilities, using the full accrual basis of accounting, which is similar to the basis of accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All realized and unrealized gains and losses are shown on investments, and all property and equipment (i.e. fixed assets) are depreciated over their useful lives.

These two statements report the Fund's fiduciary net position held in trust for pension benefits (the difference between assets and liabilities) as one way to measure the Fund's financial position. Over time, increases and decreases in the Fund's fiduciary net position as an indicator of whether its financial health is improving or deteriorating. Other factors, such as market conditions, should also be considered in measuring the Fund's overall financial health (See the Fund's financial statements on page 8 – 9 of this report).

- 3) Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements (see notes to financial statements on page 10 – 25 of this report)

In addition to the financial statements and accompanying notes, this report presents certain required supplementary information concerning the Fund's progress in funding its obligations to provide pension benefits to members (see required supplementary information on pages 26 – 28 of this report). Management's discussion and analysis described herein is additionally classified as required supplementary information for reporting and auditing purposes even though it is not presented in the required supplementary information section of this report.

**City of Jacksonville, Florida**  
**Police and Fire Pension Fund**

**Management's Discussion and Analysis (Unaudited)**

**Condensed Statement of Fiduciary Net Position**

	September 30,		Increase (Decrease)
	2019	2018	2019/2018
Current assets	\$ 32,760,671	\$ 44,958,461	\$ (12,197,790)
Investments	1,933,285,596	1,970,246,220	(36,960,624)
Securities lending collateral	83,045,776	104,636,109	(21,590,333)
Capital assets	-	-	-
Total assets	<u>2,049,092,043</u>	<u>2,119,840,790</u>	<u>(70,748,747)</u>
Deferred outflows of resources	112,110	112,110	-
Current liabilities	8,059,905	6,881,311	1,178,594
Securities lending obligations	83,045,776	104,636,109	(21,590,333)
Long-term liabilities	31,392	613,588	(582,196)
Total liabilities	<u>91,137,073</u>	<u>112,131,008</u>	<u>(20,993,935)</u>
Total fiduciary net position	<u>\$ 1,958,067,080</u>	<u>\$ 2,007,821,892</u>	<u>\$ (49,754,812)</u>

**Condensed Statement of Changes in Fiduciary Net Position**

	September 30,		Increase (Decrease)
	2019	2018	2019/2018
Plan member contributions	\$ 17,745,867	\$ 16,636,624	\$ 1,109,243
Employer contributions	110,527,718	115,690,989	(5,163,271)
Other additions	14,103,269	12,649,183	1,454,086
Net investment income	54,018,334	156,141,557	(102,123,223)
Net securities lending activities	240,321	301,251	(60,930)
Total additions to fiduciary net position	<u>196,635,509</u>	<u>301,419,604</u>	<u>(104,784,095)</u>
Benefit payments	191,146,035	184,256,874	6,889,161
Administrative expenses	2,116,593	2,137,969	(21,376)
Other expenses	53,127,691	-	53,127,691
Total deductions to fiduciary net position	<u>246,390,319</u>	<u>186,394,843</u>	<u>6,867,785</u>
Change in fiduciary net position	(49,754,810)	115,024,761	(111,651,880)
Fiduciary net position available for benefits - beginning of year	2,007,821,890	1,892,797,131	115,024,759
Fiduciary net position available for benefits - end of year	<u>\$ 1,958,067,080</u>	<u>\$ 2,007,821,892</u>	<u>\$ 3,372,879</u>

**Management's Discussion and Analysis (Unaudited)**

**FINANCIAL ANALYSIS**

The Fund provides retirement benefits to police officers and firefighters employed by the Consolidated City of Jacksonville (City). The pension benefits, which are provided by the Fund, are funded by member and employer contributions, by earnings on investments, and by various revenue sources. The Fund's fiduciary net position held in trust for benefits at September 30, 2019 was \$1,958,067,080, representing a decrease of \$49,754,810 or 2.48% from \$2,007,821,892 at September 30, 2018. The decrease was largely a result of favorable investment returns available in the financial markets.

For the 2019 fiscal year, employer and member contributions were \$128,273,585 representing a decrease of 3.06% over the \$132,327,613 recorded during the 2018 fiscal year. The decrease in the level of pension contributions during the fiscal year 2019 resulted from the amount of contributions by the City based on the actuarial study and on the release of \$24,735,850 of funds from the Unfunded Actuarial Liability Reserve Account, which are now available to reduce the City's net pension liability. The Fund recognized net investment income of \$54,018,334 for the 2019 fiscal year, compared with net investment income of \$156,141,557 for the 2018 fiscal year. Other additional revenues recorded by the Fund are represented by: thirty percent of fines and court costs from charges of violations held in Duval County court and parking fines \$701,652; Florida Chapter 175 and 185 premium taxes \$12,756,091; and miscellaneous revenues of \$645,526. Miscellaneous revenues consisted of employee contributions and settlement \$550,000, commissions recapture \$63,973, sales of surplus, lost, abandoned and unclaimed property held by the Office of Sheriff \$12,703, and miscellaneous sales and charges \$18,850. For the 2019 fiscal year, these other additions of revenue sources produced revenues in the amount of \$14,103,269 for the Fund, representing a \$1,454,086 or 11.5% increase as compared to the \$12,649,183 recorded during the 2018 fiscal year.

Deductions from the Fund's fiduciary net position held in trust for benefits included mainly retirement and survivor benefits, DROP payments, refunds of contributions and administrative expenses. For the 2019 fiscal year, retirement and survivor benefits (including DROP and refunds) were \$191,146,035. Administrative expenses during the 2019 fiscal year were \$55,826,480 versus \$2,137,969 in the prior fiscal year.

At September 30, 2019, the Fund held \$1,150,597,257 in U.S. equity, international equity securities and MLP's Energy, a decrease of \$283,704,981 or 19.78% from \$1,434,302,238 held at September 30, 2018. The Fund's money manager's administering U.S. fixed income securities returned approximately 9.62% for the 2019 fiscal year, compared to the Fund's benchmark return of 10.12% on securities.

At September 30, 2019, the Fund held \$315,801,144 in a commingled U.S. real estate investment trust, an increase of \$2,648,095 or 0.85% compared to the \$313,153,049 real estate investments held at September 30, 2018.





**City of Jacksonville, Florida  
Police and Fire Pension Fund**

**Management's Discussion and Analysis (Unaudited)**

**CONTACTING THE FUND'S FINANCIAL MANAGEMENT**

The financial report is designed to provide citizens, taxpayers, fund participants and other interested parties with an overview of the Fund's finances and the prudent exercise of the Board's oversight. If you have any questions regarding this report or need additional financial information, please contact the Fund's Executive Director-Administrator, One West Adams Street, Suite 100, Jacksonville, Florida 32202-3616.

**City of Jacksonville, Florida**  
**Police and Fire Pension Fund**

**Statement of Fiduciary Net Position**  
**September 30, 2019**

<b>Assets</b>	
Cash	\$ 30,642,509
Due from the City	91,307
Other receivable	98,062
Interest and dividends receivable	1,847,118
Prepaid assets	81,675
Short-term investments	20,479,854
Long-term investments	
Fixed incomes securities	236,075,803
Domestic and international equities	1,360,928,794
Real estate	315,801,145
Securities lending collateral	83,045,776
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Total assets	2,049,092,043
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<b>Deferred Outflows of Resources</b>	
Deferred outflows related to pension, net	112,110
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<b>Liabilities</b>	
Accounts payable	2,672,588
Accrued pension pay and wages payable	5,296,876
Compensated absences - current	15,372
Compensated absences - long-term	31,392
Other liabilities	75,069
Securities lending obligations	83,045,776
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Total liabilities	91,137,073
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Fiduciary net position available for pension benefits	\$ 1,958,067,080

*The accompanying notes are an integral part of these financial statements*

**City of Jacksonville, Florida**  
**Police and Fire Pension Fund**

**Statement of Changes in Fiduciary Net Position**  
**September 30, 2019**

**Additions**

Contributions:	
Plan member	\$ 16,776,800
Plan member buybacks and pension transfers	969,067
Employer	110,527,718
<b>Total contributions</b>	<b>128,273,585</b>
Other contributions:	
Court fines and other penalties	701,652
State insurance contributions	12,756,091
Miscellaneous	645,526
<b>Total other additions</b>	<b>14,103,269</b>
Investment income:	
Rental and parking revenue	736,736
Net appreciation in fair value of investments	26,496,128
Interest and dividends	35,797,345
Investment expenses	(8,798,838)
Rental expenses	(213,037)
<b>Net investment income</b>	<b>54,018,334</b>
Securities lending activities:	
Lending revenue	319,963
Lending expense	(79,642)
<b>Total securities lending activities</b>	<b>240,321</b>
<b>Total additions to fiduciary net position</b>	<b>196,635,509</b>

**Deductions**

Benefit-related expenses:	
Pension benefits remitted (including DROP)	190,413,439
Refunds of contributions	732,596
<b>Total benefit-related expenses</b>	<b>191,146,035</b>
Administrative expenses:	
Personnel services	1,121,417
Professional services - non investment	208,997
Building rent - office space	258,000
Central services	297,012
Supplies	9,715
Other services and changes	221,452
<b>Total administrative expenses</b>	<b>2,116,593</b>
Other expenses:	
Employee Pension expense	(582,196)
Reserve reduction disbursements	53,709,887
<b>Total other expenses</b>	<b>53,127,691</b>
<b>Total deductions to fiduciary net position</b>	<b>246,390,319</b>
Change in fiduciary net position	(49,754,810)
Fiduciary net position available for benefits - beginning of year	2,007,821,890
<b>Fiduciary net position available for benefits - end of year</b>	<b>\$ 1,958,067,080</b>

*The accompanying notes are an integral part of these financial statements*

**City of Jacksonville, Florida**  
**Police and Fire Pension Fund**

**Notes to Financial Statements**

**NOTE 1 – DESCRIPTION OF FUND**

The City of Jacksonville, Florida (City) Police and Fire Pension Fund (Fund) is a single-employer contributory defined benefit pension plan covering all full-time civil service members of the City’s police and fire departments hired prior to October 1, 2019. Qualified membership is further limited to only include police officers and firefighters. The Fund is administered solely by a five-member board of trustees.

The Fund’s membership consists of:

Retirees and beneficiaries currently receiving benefits	3,045
Inactive, nonretired members	82
Active plan members	<u>2,301</u>
Total participants	<u><u>5,428</u></u>

The Fund was created by Ch. 18615, Special Acts of Florida, 1937. The Fund is also governed by certain provisions of Chapter 175, Florida Statutes, Chapter 185, Florida Statutes, Part VII, Chapter 112, Florida Statutes and the Internal Revenue Code.

Ordinance Nos. 2017-259 and 2017-257, dated April 19, 2017, updated the benefit terms as follows:

- Effective October 1, 2017, the Jacksonville Police and Fire Pension Fund is closed to new entrants.
- For all members of the Fund, the member contribution rate is changed to 10% of pensionable pay effective October 1, 2017.
- All members (including members hired after June 19, 2015 and previously in Group II) of the Fund are eligible for the benefits which were in place prior to the adoption of Ordinance No. 2015-304-E.
- Benefits that were specifically applicable to Group II are eliminated, and language differentiating separate groups was removed. In particular, all members are eligible for the following benefit provisions:
  - The accrued benefit is equal to 3% of average salary for each of the first 20 years of service plus 2% of average salary for each of the next 10 years of service.
  - The normal retirement date is when a member attains 20 years of service.
  - The average salary is computed as the average of the final 2 years (52 pay periods) of pensionable pay.
  - Cost of living adjustments are 3% annually, beginning with the first January following the commencement of benefits.
  - All members are eligible to participate in the DROP with interest accrued at an annual rate of return of 8.4%.

Notes to Financial Statements

**NOTE 1 – DESCRIPTION OF FUND (CONTINUED)**

Ordinance 2017-259 also amended the Fund’s funding policy as follows:

- Beginning with the Fiscal Year 2017-2018, a liquidity ratio, defined as the market value of assets divided by the annual benefit payments, is instated, where in any year if the liquidity ratio falls below 5.0, the City shall, subject to annual appropriation, make a contribution or payment in an amount sufficient to restore the Fund’s liquidity ratio to at least 5.0.
- Beginning with the Fiscal Year 2017-2018, the City shall, subject to annual appropriation, make an annual contribution of at least \$110 million, less any amount paid to restore the liquidity ratio to the minimum level of 5.0.
- Effective October 1, 2017, all Chapter 175 and 185 Florida Insurance Premium Tax Rebate Dollars shall be administered by the Board for the legal use of the firefighter and police officer members, as determined by the legally recognized collective bargaining unit.

The changes discussed above were effective on October 1, 2017.

Employees may alternatively select a 100% payout of member contributions to the Fund without interest upon withdrawal from the Fund. Vested retirement, disability, death and other benefits are also provided.

Other benefits based on eligibility:

Share Plan

Members of the Fund also participate in a supplemental Share Plan which is funded by insurance premium taxes received pursuant to Florida Statute 175.351(1)(b) and 185.35(1)(b). Florida Statutes Chapter 175.351(1)(b) defines the Fire Share Plan and Florida Statutes Chapter 185.35 defines the Police Share Plan and the methodology for funding each plan. The Share Plan is in addition to any other benefits and nothing herein shall in any way affect any other benefits that now exist. The Board of Trustees administers all assets of the Share Plan. Membership of the Share Plan consists of all firefighters and police officers in active service excluding retired members and people who have entered the DROP. Each year, as determined by the legally recognized collective bargaining units, the premium tax monies are allocated to the share accounts maintained for each firefighter and police officer, and the accounts earn interest over time. Upon retirement members receive their share of the account balance.

Terminal Leave Conversion Program

The Fund has a program for retirees to participate in the Terminal Leave Conversion Program (the “TLCP”) upon retirement, which was previously closed to new participants. There are two remaining retirees that elected to participate, whereby the member’s credited Terminal Leave and Retirement Leave account balance was transferred into the Fund. The account balance is then used to pay for bi-weekly healthcare premiums. The member’s TLCP balance in the Fund continues to accrue interest until the member’s individual account balance is drawn to zero.

Notes to Financial Statements

**NOTE 1 – DESCRIPTION OF FUND (CONTINUED)**

Deferred Retirement Option Plan

Eligible members of the Fund may elect to participate in the Deferred Retirement Option Plan (DROP). Upon election to participate the member's credited service and final average salary are frozen for purposes of determining pension benefits. Participating members continue employment with the City for a defined period of time not to exceed 60 months. The deferred monthly retirement benefits under the DROP accrue in the Fund plus interest on behalf of the member. Upon retirement the member receives his or her DROP distribution or lump sum and bi-weekly pension benefit.

Contribution Requirements

The State of Florida requires funding of pension contributions be made based upon an actuarial valuation. The most recent full actuarial valuation report available for distribution is dated October 1, 2018. The City Council has the authority to amend its contribution to the Fund but not below the minimum state requirement.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The Fund's financial statements have been prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when they are earned and collection is reasonably assured, and expenses are recognized when occurred, if measurable. Contribution from the Fund's members and the City are recognized as additions in the period in which the contributions are due. State contributions are recognized when received. Benefits and refunds are recognized when due and payable in accordance with the term of the Fund.

Basis of Presentation

The accompanying financial statements are presented in accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans* and the Codification of Governmental Accounting and Financial Reporting Standards which covers the reporting requirements for defined benefit pensions established by a governmental employer.

Methods Used to Value Investments and Cash Equivalents

Highly liquid investments with short maturities (typically less than three months but no more than one year after purchased) are considered to be cash equivalents. Such amounts are recorded at cost which approximates market value. Equities securities traded on a national or international exchange are reported at current quoted fair values.

**Notes to Financial Statements**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Bonds and other fixed income investments are primarily reported at fair values obtained from independent pricing services. Mortgages are valued on the basis of future principal plus interest payments and are discounted at prevailing interest rates for similar instruments. Direct investments in real estate are valued based on independent appraisals made every year or according to fund agreement. Real estate partnerships are reported at values provided by general partners. These values are based on discounted cash flows, comparative sales, capitalization rates applied to net operating income, or if none of the preceding fit a property's attributes and strategy, at cost.

For various alternative investments (private equity, absolute return strategies, opportunistic funds, and real assets) where no readily ascertainable fair value exists, management in consultation with its investment advisors will value these investments in good faith based upon reported net asset values, cash flow analysis, purchases and sales of similar investments, new financings, economic conditions, other practices used within the industry, or other information provided by underlying investment advisors. Because of the inherent uncertainty in privately held securities, the fair value may differ from the values that would have been used if a ready market for such securities existed, and the difference can be material.

Investment Policy

The pension Fund's policy for the allocation of invested assets is established by a majority vote of the Board. The Board pursues an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The selection of asset classes is limited by statute and each asset class is further diversified by style, and the use of both active and passive management. The policy discourages the use of each cash equivalents, except for liquidity purposes, and refrains from dramatically shifting asset class allocations over short time spans. The following is the Board's asset allocation policy:

Asset Class	Target Allocation	Guidelines
Domestic equity	37.0%	32-42%
International equity	20.0%	15-25%
Fixed income	20.0%	15-25%
Real Assets	13.0%	8-18%
Private investments	10.0%	0-15%
Total	100.0%	100%

## Notes to Financial Statements

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows/Inflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Senior Staff Voluntary Retirement Plan (the "SERP") has one item that meets this criterion, net difference between projected and actual earning on pension plan investments. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The SERP has one item that meets this criterion, the difference between projected and actual earning on pension investments. These deferred inflows and deferred outflows are aggregated and reported as net deferred outflows of resources.

#### Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Risk and Uncertainties

Contributions to the Fund and the actuarial information included in the RSI are reported based on certain assumptions pertaining to the interest rates, inflation rates and member compensation and demographics. Due to the changing nature of these assumptions, it is reasonably possible that changes in these assumptions may occur in the near term and could be material to the financial statements.

### NOTE 3 - RESERVE ACCOUNTS

An agreement between the Fund and the City established on June 9, 2015 (Ordinance 2015-304-E) the Unfunded Actuarial Liability Reserve Account (the "UALPA") which consists of funds from the City Budget Stabilization Account (the "CBSA") and Enhanced Benefit Account (the "EBA") and the Supplemental Account (the "SUPA").

- UALPA was established to make payments towards unfunded accrued liability conditioned by City making contributions to the Fund in excess of any annual statutorily required payments.
- The CBSA was established to account for contributions in excess of current funding requirements.
- The EBA was established to account for State Chapter 175 and 185 finds to pay down the unfunded liability as a voluntary contribution and/or fund Share Plan and/or pay annual discretionary bonus payment to retiree.
- The SUPA is established to provide additional payments to the unfunded liability.



**City of Jacksonville, Florida  
Police and Fire Pension Fund**

**Notes to Financial Statements**

**NOTE 3 - RESERVE ACCOUNTS (CONTNUED)**

The SERP reserve account was established on September 20, 2000 by the Board of Trustees to account for employee and employer contributions and payments for the defined contribution plan for senior staff.

The Share Plan was established on June 9, 2015 (Ordinance 2015-304-E) by the City and Fund to provide supplemental benefits to eligible active members.

Ordinance 2017-259, dated April 19, 2017, amended the Fund so that effective October 1, 2017, the accumulated balances existing on September 30, 2017, together with interest thereon, in the UALPA and the Supplemental Payment Account (SPA), will be allocated as follows:

- 20% shall be administered by the Board for the legal use of police officer members, Jacksonville Police and Fire Pension Fund 3 as determined by the legally recognized collective bargaining unit;
- 20% shall be administered by the Board for the legal use of firefighter members, as determined by the legally recognized collective bargaining unit; and,
- 60% shall be administered by the Board for the sole purpose of being applied to the City's Actuarially Determined Employer Contribution (ADEC) for the year(s) selected by the City, at the discretion of the City.

Ordinance 2017-259 also amended the Fund so that effective October 1, 2017, 100% of the accumulated balances existing on September 30, 2017, in the City Budget Stabilization Account (CBSA) and the Enhanced Benefit Account (EBA), together with interest thereon, shall be administered by the Board for the sole purpose of being applied to the City's ADEC for the year(s) selected by the City, at the discretion of the City.

<u>Balances allocated to:</u>	<u>CBSA</u>	<u>UALPA</u>	<u>SPA</u>	<u>Totals</u>
City of Jacksonville	\$ 5,810,972	\$ 43,182,202	\$ 19,498,350	\$ 68,491,524
Firefighters	-	14,394,067	6,499,450	20,893,517
Police Officers	-	14,394,067	6,499,450	20,893,517
	<u>\$ 5,810,972</u>	<u>\$ 71,970,336</u>	<u>\$ 32,497,250</u>	<u>\$ 110,278,558</u>

For the 2019 fiscal year, the Board determined that a total of \$24,736,292 would be applied to the City's employer contribution liability to the Fund to satisfy a portion of the total employer minimum required contribution for the 2019 fiscal year. Accordingly, the City's actual cash contribution to the Fund for the 2019 fiscal year was reduced from \$135,264,010 to \$110,527,718.

**City of Jacksonville, Florida  
Police and Fire Pension Fund**

**Notes to Financial Statements**

**NOTE 3 - RESERVE ACCOUNTS (CONTNUED)**

The balances of the reserve values after the 2019 fiscal year activity are summarized as follows:

Reserve Values at:	City of Jacksonville Contribution Reserve	Balance allocated to Firefighters	Balance allocated to Police Officers	Share Plan	SERP	EBA	Totals
September 30, 2018	\$ 53,934,577	\$ 27,574,238	\$ 29,342,777	\$ 7,887,814	\$ 4,489,259	\$ 3,563,236	\$ 126,791,901
Net increase for FY19	1,596,463	-	-	-	-	133,521	1,729,984
Net decrease for FY19	-	(22,230,305)	(21,930,619)	(233,002)	(129,300)	-	(44,523,226)
Allocated to Fund	(24,736,292)	-	-	-	-	-	(24,736,292)
September 30, 2019	\$ 30,794,748	\$ 5,343,933	\$ 7,412,158	\$ 7,654,812	\$ 4,359,959	\$ 3,696,757	\$ 59,262,367

**NOTE 4 – DEFERRED RETIREMENT OPTION PROGRAM (DROP)**

The DROP is a form of retirement that allows an employee with at least 20 years of service to continue working a maximum period of five (5) additional years while accumulating a savings account consisting of retirement benefits that would have been received had the employee actually retired.

For members with 20 or more years of creditable service, as of effective date of Ordinance 2015-304-E, such interest shall produce an annual rate of return of 8.40%. The individual’s retirement amount is calculated based on parameters when the employee enters the DROP.

For Members with less than 20 years of service as of the effective date of Ordinance 201-304-E, such interest shall accrue based on the money-weighted rate of return or internal rate of return as presented in the Fund’s most recent audited financial statements; provided however, that the minimum interest shall be 2.0% and the maximum interest shall be 14.4%. The money weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. The money weighted rate of return for the fiscal year ended September 30, 2018 was 7.99%.

At the end of the DROP period, the retiree has the option to withdraw all or part of their DROP balance or leave the balance in the interest earning account with the Fund and subsequently withdrawing equal bi-weekly amounts over a period of time selected by the retiree, up to the maximum time limit set by the IRS regulations. The DROP balance as of September 30, 2019 was \$357,699,120.

**Notes to Financial Statements**

**NOTE 5 – PENSION PLANS FOR FUND EMPLOYEES**

The Fund sponsors a single-employer contributory defined benefit plan called the SERP that provides retirement, death, and disability benefits. The SERP is administered by the Fund's five member Board of Trustees and was adopted in September 20, 2000 and lastly amended on November 9, 2009. The Fund's Board of Trustees is responsible for establishing or amending the pension plan. As of September 30, 2015 this plan closed. The SERP currently has two retirees and one surviving spouse, and is closed to new members. There are no separately issued financial statements for the SERP. The total pension liability of the SERP was determined as \$3,112,964 at September 30, 2018 based on an actuarial study completed for that fiscal year. At that same date, the SERP's fiduciary net position was \$4,489,259. During the 2017 fiscal year, the Board became a defendant in a litigation process related to the SERP (see Note 12). Based on this process, there is an expectation that the ultimate pension liability for the SERP be determined by the court. Accordingly, no actuarial study has been performed for the fiscal year ended September 30, 2019 and no adjustments have been made in the books of the Fund. A surplus of \$1,376,295 exist and thus there is no net pension liability for the SERP as of the 2018 fiscal year.

The Fund also participates in the City of Jacksonville Retirement System (the "JRS"). The JRS is a cost-sharing, multiple-employer, contributory defined benefit pension plan with a defined contribution alternative. The JRS administered by a nine-member Board of Trustees that makes recommendations to the City Council. The Fund participates in the General Employee Pension Plan (the "GEPP") of the JRS. The Fund has seven employees participating in the contributory defined benefit pension plan and one employee participating in the defined contribution alternative. The financial statements for the JRS are included in the City's Comprehensive Annual Financial Report (the "CAFR").

**NOTE 6 – DEPOSITS AND INVESTMENTS**

For the year ended September 30, 2019, the annual money weighted rate of return on investments was 2.96%. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

The Fund participates in a pooled cash account with other funds at the City. At September 30, 2019, the carrying amount of cash on hand and on deposit with banks, including interest-bearing accounts, was \$30,642,509.

Deposits and investments of the Fund which have been transferred to the pension custodians are held separately from those of other City funds and are required to be administered by nationally recognized investment counseling firms. At September 30, 2019, the carrying amount of these deposits and investments was \$1,925,980,596. Monies which are placed on deposit with financial institutions in the form of demand deposit accounts, time deposit accounts, and certificates of deposit are defined as public deposits.

**City of Jacksonville, Florida**  
**Police and Fire Pension Fund**

**Notes to Financial Statements**

**NOTE 6 – DEPOSITS AND INVESTMENTS (CONTINUED)**

The Fund is authorized to invest in certificates of deposit, obligations of U.S. Treasury, its agencies and instrumentalities, repurchase and reverse repurchase agreements, the local government surplus fund's trust fund, obligations of the City, the State of Florida, fixed income obligations issued by foreign government (if the obligations are rated investment grade by at least one nationally recognized rating service), bankers' acceptances, group annuity contracts, corporate bonds (including collateralized mortgage obligations), preferred stocks, common stocks, foreign securities, securities lending transactions, and real estate investments. For the comprehensive list of available investments, the Statement of Investment Policy approved by the Board of Pension Trustees on August 20, 2016 should be referenced.

The Fund purchased land, an office building with related improvements, and a parking garage in fiscal year 1999. Upon purchase of the parking garage, the Fund took assignments of the existing management agreement and receives rental revenue from parking tenants. This asset is reported at its fair value, as determined by appraisals, and has been classified as an investment, as it is an income generating asset. During the fiscal year ended September 30, 2019, the office building and parking garage generated \$736,736 in rental revenue.

The table below shows the Fund's investments by type as of September 30, 2019:

Cash and cash equivalents:	
Short term investments	\$ 20,479,854
Fixed:	
Commercial mortgage backed	1,502,200
Corporate bonds	122,553,825
Government bonds	52,456,541
Government mortgage backed securities	32,898,832
Government commercial mortgage backed securities	1,523,962
Funds-other fixed income	25,140,443
	<u>236,075,803</u>
Equity:	
Common stock	346,559,414
Common stock funds	893,559,188
Hedge equity	120,385,761
Convertible Equity	424,431
	<u>1,360,928,794</u>
Real estate	<u>315,801,145</u>
Total	<u>\$ 1,933,285,596</u>

**Notes to Financial Statements**

**NOTE 6 – DEPOSITS AND INVESTMENTS (CONTINUED)**

Interest Rate Risk

Interest rate risk is the risk that changes in market values will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its value to changes in market interest rates. As a means of limiting its exposure to interest rate risk, the Fund diversifies its investment by security type and limits holdings in any one type of investment with any one issuer with various durations of maturities.

The Fund holds certain investments in government mortgage-backed securities. Generally these are securities whose cash flows are backed by the principal and interest payments of a set of loans. Payments are typically made monthly over the lifetime of the underlying loans. These types of investments are subject to various risks which have the potential to result in a decline in the value of the investments. For example, credit risk can be affected by borrowers refinancing their loans or payment lives may change which will impact the life of the security. If the investments are backed by risky loans or sub-prime home loans for which the monthly interest payments fall, there is a potential for a decline in the value of these investments.

Information about the sensitivity of the fair value of the Fund’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Fund’s investments by maturity at September 30, 2019:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Commercial Mortgage Backed	\$ 1,502,200	24.63
Corporate Bonds	122,553,825	8.63
Government Bonds	52,456,541	6.99
Government Mortgage Backed Securities	32,898,832	23.42
Asset Backed Securities	18,532,602	10.15
Bank Loans	749,585	5.52
Index Linked Government Bonds	1,826,845	2.54
Government Commercial Mortgage Backed Securities	1,523,962	39.65
 Total Fair Value	 <u><u>\$ 232,044,392</u></u>	

Bonds not due at a single maturity date have been included in the above table in the year of final contractual maturity. Actual maturities may differ from contractual maturities due to the exercise of repayment options.

Foreign Currency Risk

Foreign currency is the risk that changes in the exchange rates will adversely affect the fair value of investments as of September 30, 2019. The Fund has no foreign currency risk as all investments are in the U.S. dollars.

**City of Jacksonville, Florida  
Police and Fire Pension Fund**

**Notes to Financial Statements**

**NOTE 6 – DEPOSITS AND INVESTMENTS (CONTINUED)**

Credit and Concentration Risk

Concentration of credit risk is the risk of loss attributed to the multitude of the Fund’s investment in a single insurer. The Fund’s investment policy was designed to mitigate both credit and concentration risk by providing specific guidance as to weighting and integrity of the deposit and investments instruments. The Fund places no limit on the amount it may invest in any one issuer.

As of September 30, 2019, the following Organizations held 5% or more of the Fund’s fiduciary net position:

	Market Value	Market Value as a Percentage
Arcadian	\$ 113,854,703	5.91%
Baile Gifford	120,389,336	6.25%
Eagle	197,970,421	10.28%
JPM	174,257,852	9.05%
Loomis	143,943,342	7.47%
Loomis SLC	105,255,921	5.47%
Neuberger	209,909,258	10.90%
NT S&P 500	226,266,839	11.75%
Sawgrass	103,991,430	5.40%
Silchester	146,771,119	7.62%

As of September 30, 2019 the Fund’s debt security investments credit risk are in the following table:

Fair Value Moody's	
Aaa	\$ 54,895,457
Aa	9,418,937
A	28,678,653
Baa	62,075,143
Ba	18,168,664
B	3,583,418
Not Rated	59,255,531
Total	<u>\$ 236,075,803</u>

Notes to Financial Statements

**NOTE 6 – DEPOSITS AND INVESTMENTS (CONTINUED)**

Custodial Credit Risk

Custodial risk for investment is the risk that, in the event of failure of the counterparty transaction, the Fund will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the Fund, and are held either by the counterparty or the counterparty's trust department or agent but not in the Fund's name. Consistent with the Fund's investment policy, the investments are held by the Fund's custodial bank and registered in the Fund's name. All of the Fund's deposits are insured and or collateralized by a financial institution separate from the Fund's depository financial institutions.

Securities Lending

The Fund, pursuant to a Securities Lending Authorization Agreement, has authorized, Northern Trust Company, acting as agent, to lend securities held in the portfolios with the intent of generating additional interest income. Northern Trust's responsibilities include performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending.

Securities are loaned against collateral that may include cash, U.S. government securities, and irrevocable letters of credit. Securities are loaned against collateral valued at a minimum of 102% of the market value of the securities plus any accrued interest. If the broker/dealer fails to return the security upon request, the custodian, acting as agent, will utilize the collateral to replace the security borrowed. When non-cash collateral is provided the collateral must consist of obligations issued or guaranteed by the U.S. Government or its agencies and instrumentalities. The Fund cannot pledge or sell these obligations in the absence of a default by the borrower.

The transaction establishes an interest rate, which is due back to the broker/dealer upon return of the security. The cash is then invested in short-term. The Fund and the custodian share in the incremental return available above the rebated interest rate. The short-term fixed income instruments can be invested in high quality, dollar denominated fixed income instruments, with a policy dollar-weighted, average maturity limit of less than thirty days.

As of September 30, 2019, the Fund maintained collateral on loaned securities of \$83,045,776 and earned net income of \$240,321.

**City of Jacksonville, Florida**  
**Police and Fire Pension Fund**

**Notes to Financial Statements**

**NOTE 7 – FAIR VALUE MEASUREMENTS**

The Fund categorizes its fair value measurements within the fair value hierarchy established by the generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets of identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Fund has the following recurring fair value measurement as of September 30, 2019:

	Fair Value	Level 1	Level 2	Level 3
Fixed:				
Commercial mortgage-backed	1,502,200	-	1,502,200	-
Corporate Bonds	122,553,825	-	122,553,825	-
Government bonds	52,456,541	52,456,541	-	-
Government mortgage-backed securities	32,898,832	-	32,898,832	-
Government commercial mortgage-backed securities	1,523,962	-	1,523,962	-
Funds - other fixed income	25,140,443	-	25,140,443	-
Total fixed	<u>236,075,803</u>	<u>52,456,541</u>	<u>183,619,262</u>	-
Equity:				
Common stock	346,559,414	346,559,414	-	-
Common stock funds	893,559,188	-	893,559,188	-
Hedge equity	120,385,761	-	-	120,385,761
Real estate	315,801,145	-	-	315,801,145
Convertible equity	424,431	-	424,431	-
Total equity	<u>1,676,729,939</u>	<u>346,559,414</u>	<u>893,983,619</u>	<u>436,186,906</u>
Total investments by fair value level	<u>\$ 1,912,805,742</u>	<u>\$ 399,015,955</u>	<u>\$ 1,077,602,881</u>	<u>\$ 436,186,906</u>

**NOTE 8 – OTHER RECEIVABLES**

The other receivable balance below includes an amount for an allowance for doubtful accounts.

Other Accounts Receivable	Allowance for Doubtful Accounts	Shown on Statement of Fiduciary Net Position
\$ 120,487	\$ (22,425)	\$ 98,062



**City of Jacksonville, Florida**  
**Police and Fire Pension Fund**

**Notes to Financial Statements**

**NOTE 9 – NET PENSION LIABILITY OF THE CITY**

The City’s net pension liability represents the difference between the value in today’s dollars (present value) of benefits already earned by employees (total pension liability) and resources accumulated and held in trust to pay those benefits (fiduciary net position).

Total pension liability	\$ 4,034,218,560
Total Plan fiduciary net position (net of reserve accounts- See Note 3)	1,898,804,713
City's net pension liability	<u>\$ 2,135,413,847</u>

Plan fiduciary net position as a percentage of the total pension liability 47.07%

Actuarial Methods and Assumptions Used to Measure Net Pension Liability

The valuation date and measurement date are September 30, 2019. The actuarial methods and assumptions used in the October 1, 2019 valuation were based on the following:

Actuarial Cost Method:	Entry Age Normal
Inflation:	2.5%
Salary Increases:	10.5% in 2019, then 3.5% per year in 2020 and subsequent years, including inflation
Investment Rate of Return:	7.00%
Retirement Age:	Experience-based table of rates that are specific to the type of eligibility condition.

The Fund currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The health mortality rates also contain a provision to reflect future mortality improvements.

The total pension liability in the October 1, 2019 actuarial report was based on the RP-2000 Combined Healthy Participant Mortality Table (for preretirement mortality) and the RP-2000 Mortality Table for Annuitants (for postretirement mortality), with mortality improvements projected to all future years after 2000 using Scale BB. For males, the base mortality rates include a 90% blue collar adjustment and a 10% white collar adjustment. For females, the base mortality rates include a 100% white collar adjustment. These are the same rates currently in use for Special Risk Class members of the Florida Retirement System (FRS), as mandated by Chapter 112.63, Florida Statutes.

**City of Jacksonville, Florida**  
**Police and Fire Pension Fund**

**Notes to Financial Statements**

**NOTE 9 – NET PENSION LIABILITY OF THE CITY (CONTINUED)**

Best estimates of arithmetic real rates of return for each major asset class included in the Fund’s target asset allocation as of September 30, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return (gross less 2.5% inflation)</u>
Domestic equity	5.4%
International equity	5.5%
Fixed income	1.3%
Real estate	4.5%
MLPs	1.4%
Private real assets	5.5%
Cash	0%

These are combined to produce the 7% expected return, or discount rate, by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (diversification and volatility also impact this).

The projection of cash flows used to determine the discount rate assumed that contributions from members will be made at the current contribution rate and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount using the discount rate of 7%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1% lower (6%) or 1% higher (8%) than the current rate:

	1% Decrease (6%)	Current Discount (7%)	1% Increase (8%)
City's net pension liability	\$ 2,721,297,505	\$ 2,135,413,847	\$ 1,662,391,785

**Notes to Financial Statements**

**NOTE 10 – TAX STATUS**

The Fund obtained a determination letter on January 20, 1999, in which the Internal Revenue Service stated that the Fund, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Fund has been amended since receiving the determination letter. The Fund's administrator believes that the Fund is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, the Fund's administrator believes the Fund has qualified and the related trust was tax exempt as of September 30, 2019.

**NOTE 11 – CLAIMS AND LITIGATION**

The Board is a defendant in litigation as a result of proposed changes in benefits for the Senior Staff Voluntary Retirement Plan. The plaintiff contends that the proposed modification to the formula for calculating retirement benefits is a breach of contract. The Fund is working with legal counsel and is in the process of gathering evidence and reviewing the merits of the claim. No amounts related to this claim have been accrued in the accompanying financial statements or are able to be reasonably estimated as of September 30, 2019.

The Fund is involved in various other claims and litigation arising in the ordinary course of operation, most of which, in the opinion of the Fund's Administrator, will have not have a material effect on the Fund's financial position.

**NOTE 12 – MINIMUM REQUIRED CONTRIBUTION**

The employer (the City) contributions for the year ending September 30, 2019 were \$110,527,718. In addition to these contributions the City released \$24,736,292 of previously contributed funds from the Contribution Reserve Account, described in Note 3. The total of these amounts exceeded the actuarially determined required employer contributions for the year ended September 30, 2019 of \$135,264,010. This funding approach was approved in Ordinance 2017-504-E.

In accordance with Ordinance 2019-504-E for fiscal year 2020 the City will contribute \$140,292,637 as determined by the Fund's actuary on the January 6, 2020 Actuarial Valuation Report as of October 1, 2019.

**NOTE 13 – SUBSEQUENT EVENT**

Management has evaluated subsequent events through February 21, 2020 the date on which the financial statements were available to be issued.

## **Required Supplementary Information**

# City of Jacksonville, Florida Police and Fire Pension Fund

## Schedule of Changes in Net Position Liability and Related Ratios Last 7 Fiscal Years

	2019	2018	2017	2016	2015	2014	2013
<b>Total Pension Liability</b>							
Service cost (BOY)	\$ 65,147,956	60,154,158	45,257,077	44,087,089	46,662,780	47,915,012	46,109,290
Interest on total pension liability	269,658,004	259,433,546	233,338,035	217,546,212	210,942,612	203,577,435	195,519,742
Benefit Changes	-	-	26,818,328	-	(28,684,960)	-	-
Difference between actual and expected experience	8,465,297	8,132,052	24,030,616	3,566,449	24,831,339	22,671,112	(4,675,994)
Changes of assumptions	-	-	232,927,458	97,813,304	24,514,349	-	5,332,605
Benefit payments, including refunds of member contributions	(189,125,203)	(184,256,874)	(171,277,149)	(159,726,007)	(148,628,476)	(138,179,183)	(128,655,957)
Net change in total pension liability	154,146,054	143,462,882	391,094,365	203,287,047	129,637,644	135,984,376	113,629,686
Total pension liability - beginning	3,880,072,506	3,736,609,624	3,345,515,259	3,142,228,212	3,012,590,568	2,876,606,192	2,762,976,506
Total pension liability - ending(a)	4,034,218,560	3,880,072,506	3,736,609,624	3,345,515,259	3,142,228,212	3,012,590,568	2,876,606,192
<b>Plan fiduciary net position</b>							
Contributions including buybacks--employer	111,077,718	115,690,989	184,526,198	157,494,371	154,664,523	150,520,270	121,822,333
Contributions including buybacks--member	17,745,867	16,636,624	13,570,483	12,830,861	12,061,321	11,583,565	10,753,501
Net investment income, including securities lending	54,258,655	156,442,808	243,421,930	154,313,142	(62,884,634)	147,332,798	169,202,439
Benefit payments, including refunds of member contributions	(188,543,007)	(184,256,874)	(171,277,149)	(159,726,007)	(148,628,476)	(138,179,183)	(128,655,957)
Distributions from Reserve Accounts	(55,730,720)	-	-	-	-	-	-
Administrative expense	(2,116,596)	(2,137,969)	(2,173,617)	(3,519,224)	(2,228,452)	(2,224,248)	(2,505,985)
Chapter 175/185	12,756,091	11,791,197	10,874,768	10,680,624	10,577,853	10,110,493	9,667,185
Court fines	701,651	775,741	759,291	832,536	920,774	881,291	757,984
Other	95,531	82,243	51,404	122,886	327,418	141,855	1,187,289
Net change in plan fiduciary net position	(49,754,810)	115,024,759	279,753,308	173,029,189	(35,189,673)	180,166,841	182,228,789
Cumulative effect of change in accounting principle	-	-	-	2,238,000	-	-	-
Plan fiduciary net position - beginning	2,007,821,890	1,892,797,131	1,613,043,823	1,437,776,634	1,473,097,052	1,292,930,211	1,110,737,208
Plan fiduciary net position - ending(b)	1,958,067,080	2,007,821,890	1,892,797,131	1,613,043,823	1,437,907,379	1,473,097,052	1,292,965,997
Reserve Accounts and Sr Staff Assets	(83,998,659)	(146,819,144)	(127,638,125)	(99,645,357)	(83,502,014)	(83,349,437)	(64,834,813)
Reserve Accounts and Sr. Staff Assets before release of reserves	24,736,292	20,000,000	-	-	-	-	-
Release of reserves	-	-	-	-	-	-	-
Total fiduciary net position -- ending(b)	1,898,804,713	1,881,002,746	1,765,159,006	1,613,043,823	1,437,907,379	1,473,097,052	1,292,965,997
Plan net pension liability - ending(a)-(b)	\$ 2,135,413,847	\$ 1,999,069,760	\$ 1,971,450,618	\$ 1,732,471,436	\$ 1,704,320,833	\$ 1,539,493,516	\$ 1,583,640,195
Plan fiduciary net position as a percentage of total pension liability	47.07%	48.48%	47.24%	48.22%	45.76%	48.90%	44.95%
Covered payroll	\$174,124,945	\$162,003,561	\$149,489,571	\$135,599,741	\$132,735,243	\$134,521,216	\$130,972,174
Pension liability as a percentage of total pension liability	1226.37%	1233.97%	1318.79%	1277.64%	1284.00%	1144.42%	1209.14%

Note: This schedule is intended to show information for the last ten fiscal years. Additional years will be displayed as they become available.

**City of Jacksonville, Florida  
Police and Fire Pension Fund**

**Schedule of City Contributions  
For the Last 10 Fiscal Years**

FYE	Actuarially determined City contribution	Contribution in relation to the actuarially determined contribution	Contribution deficiency (excess)		Covered payroll	Contribution as a percentage of covered payroll
2019	135,264,010	110,528,160	24,735,850	***	174,124,935	63.48%
2018	135,648,057	115,690,989	19,957,068	***	162,003,561	71.41%
2017	165,771,919	167,788,151 *	(2,016,232)		141,855,711	118.28%
2016	149,499,492	149,499,492 **	-		135,599,741	110.25%
2015	153,603,996	153,935,565	(331,569)		132,735,243	115.97%
2014	142,432,577	149,158,659	(6,726,082)		134,521,216	110.88%
2013	99,996,835	122,580,317	(22,583,482)		130,972,174	93.59%
2012	73,729,000	70,598,682	3,130,318		133,611,459	52.84%
2011	77,065,314	75,902,934	1,162,380		148,967,906	50.95%
2010	77,182,058	82,196,878	(5,014,820)		158,046,680	52.01%

Valuation Date: October 1, 2017

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll, Closed
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value
Inflation	2.5%
Salary Increases	10.5% in 2019, then 3.5% per year in 2020 and subsequent years, including inflation
Investment Rate of Return	7.0%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2000 combined Healthy Participant Mortality Table (for pre-retirement mortality) and the RP-2000 Mortality Table for Annuitants (for postretirement mortality) with mortality improvements projected to all future years after 2000 using scale BB. For males, the base mortality rates include a 90% blue collar adjustment and a 10% white collar adjustment. For females, the base mortality rates include a 100% white collar adjustment.

\*Plus \$5,000,000 supplemental payment

\*\*Plus \$10,000,000 supplemental payment

\*\*\*Contributions of \$20,000,000 and \$24,736,292 were allocated from the City Contribution Reserve (resulting from previous years' excess contributions) to fully meet the Actuarially Determined Contribution for fiscal year ending September 30, 2018 and 2019, respectively.

**City of Jacksonville, Florida  
Police and Fire Pension Fund**

**Schedule of Investment Returns  
For the Last 10 Fiscal Years**

<b><u>For Year Ended</u></b>	<b><u>Percentage</u></b>
2019	2.96%
2018	7.99%
2017	14.27%
2016	10.00%
2015	-3.95%
2014	10.73%
2013	14.29%
2012	18.25%
2011	0.64%
2010	8.45%

## **Other Reporting**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the 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, the financial statements of the City of Jacksonville, Florida Police and Fire Pension Fund (the "Fund"), as of and for the year ended September 30, 2019, and the related and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated February 21, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Jacksonville, Florida  
February 21, 2020



**City of Jacksonville, Florida  
Police and Fire Pension Fund**

**Schedule of Findings**

There are no findings to report for the 2019 fiscal year.



Carr, Riggs & Ingram, LLC  
637 Park Street  
Jacksonville, Florida 32204

(904) 356-6023  
(904) 353-5836 (fax)  
CRIcpa.com

February 21, 2020

To the Finance Committee,  
Police and Fire Pension Fund  
City of Jacksonville, Florida

We are pleased to present the results of our audit of the 2018 financial statements of the City of Jacksonville Police and Fire Pension Fund (the "Plan").

This communication summarizes our audit, the report issued and various analyses and observations related to the financial accounting and reporting practices followed. The document also contains the communications required by our professional standards.

The audit was designed, primarily, to express opinions on the 2018 financial statements. We considered an assessment of risks that could materially affect the financial statements and aligned our audit procedures accordingly. We conducted the audit with the objectivity and independence that you expect. We received the full support and assistance of your personnel.

At Carr, Riggs & Ingram, LLC ("CRI"), we are continually evaluating the quality of our professionals' work in order to deliver audit services of the highest quality that will meet or exceed your expectations. We encourage you to provide any feedback you believe is appropriate to ensure that we do not overlook a single detail as it relates to the quality of our services.

This information is intended solely for the information and use of the Finance Committee and management and is not intended to be, and should not be, used by anyone other than these specified parties.

We appreciate this opportunity to work with you. If you have any questions or comments, please contact Robert Lemmon at 352-548-3645 or rlemmon@cricpa.com.

Very truly yours,

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

CARR, RIGGS & INGRAM, LLC  
CERTIFIED PUBLIC ACCOUNTANTS



## Required Communications

Our audit plan represented an approach responsive to the assessment of risk. Specifically, we planned and performed our audit to:

- Perform audit services in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States, in order to express an opinion on the financial statements as of and for the year ended September 30, 2019;
- Communicate directly with you and management regarding the results of our procedures;
- Address with you and management any accounting and financial reporting issues;
- Anticipate and respond to your concerns and those of management; and
- Address other audit-related projects as they arise and upon request.

## Required Communications

We have audited the financial statements as of and for the year ended September 30, 2019, and have issued our report thereon dated February 21, 2020. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p><b>Auditor's responsibility under Generally Accepted Auditing Standards and <i>Government Auditing Standards</i></b></p>	<p>As stated in our engagement letter dated October 2, 2019, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP) and <i>Government Auditing Standards</i> issued by the Comptroller General of the United States. Our audit of the financial statements does not relieve you or management of your responsibilities.</p> <p>As part of our audit, we considered the internal control of the Plan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p>
<p><b>Client's responsibility</b></p>	<p>Management, with oversight from those charged with governance, is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with the applicable framework. Management is responsible for the design and implementation of programs and controls to prevent and detect fraud.</p>
<p><b>Planned scope and timing of the audit</b></p>	<p>Our initial audit plan was not significantly altered during our fieldwork.</p>
<p><b>Management judgments and accounting estimates</b> <i>The process used by management in forming particularly sensitive accounting estimates and the basis for the auditor's conclusion regarding the reasonableness of those estimates.</i></p>	<p>None.</p>
<p><b>Potential effect on the financial statements of any significant risks and exposures</b> <i>Major risks and exposures facing the Plan and how they are disclosed.</i></p>	<p>No such risks or exposures were noted.</p>

## Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p><b>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditor's judgment about the quality of accounting principles</b></p> <ul style="list-style-type: none"> <li>• <i>The initial selection of and changes in significant accounting policies or their application; methods used to account for significant unusual transactions; and effect of significant policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</i></li> <li>• <i>The auditor should also discuss the auditor's judgment about the quality, not just the acceptability, of the Plan's accounting policies as applied in its financial reporting. The discussion should include such matters as consistency of accounting policies and their application, and clarity and completeness of the financial statements, including disclosures. Critical accounting policies and practices applied by the Plan in its financial statements and our assessment of management's disclosures regarding such policies and practices (including any significant modifications to such disclosures proposed by us but rejected by management), the reasons why certain policies and practices are or are not considered critical, and how current and anticipated future events impact those determinations;</i></li> <li>• <i>Alternative treatments within GAAP for accounting policies and practices related to material items, including recognition, measurement, presentation and disclosure alternatives, that have been discussed with client management during the current audit period, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the auditor; Furthermore, if the accounting policy selected by management is not the policy preferred by us, discuss the reasons why management selected that policy, the policy preferred by us, and the reason we preferred the other policy.</i></li> <li>• </li> </ul>	<p>Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality."</p>

## Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p><b>Significant difficulties encountered in the audit</b>  <i>Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.</i></p>	None.
<p><b>Disagreements with management</b>  <i>Disagreements, whether or not subsequently resolved, about matters significant to the financial statements or auditor's report. This does not include those that came about based on incomplete facts or preliminary information.</i></p>	None.
<p><b>Other findings or issues</b>  <i>Matters significant to oversight of the financial reporting practices by those charged with governance. For example, an entity's failure to obtain the necessary type of audit, such as one under Government Auditing Standards, in addition to GAAS.</i></p>	None.
<p><b>Matters arising from the audit that were discussed with, or the subject of correspondence with, management</b>  <i>Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.</i></p>	None.
<p><b>Corrected and uncorrected misstatements</b>  <i>All significant audit adjustments arising from the audit, whether or not recorded by the Plan, that could individually or in the aggregate have a significant effect on the financial statements. We should also inform the Committee about uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Any internal control deficiencies that could have prevented the misstatements.</i></p>	See "Summary of Audit Adjustments" section.



## Required Communications

MATTER TO BE COMMUNICATED	AUDITOR'S RESPONSE
<p><b>Major issues discussed with management prior to retention</b></p> <p><i>Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.</i></p>	None.
<p><b>Consultations with other accountants</b></p> <p><i>When management has consulted with other accountants about significant accounting or auditing matters.</i></p>	None of which we are aware.
<p><b>Written representations</b></p> <p><i>A description of the written representations the auditor requested (or a copy of the representation letter).</i></p>	See "Management Representation Letter" section.
<p><b>Internal control deficiencies</b></p> <p><i>Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditor's attention during the audit.</i></p>	None.
<p><b>Fraud and illegal acts</b></p> <p><i>Fraud involving senior management or those responsible for internal controls, or causing a material misstatement of the financial statements, where the auditor determines there is evidence that such fraud may exist. Any illegal acts coming to the auditor's attention involving senior management and any other illegal acts, unless clearly inconsequential.</i></p>	We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.
<p><b>Parties in interest and prohibited transactions</b></p> <p><i>Any parties in interest in the Plan, and other reportable transactions.</i></p>	No prohibited transactions were noted.
<p><b>Other information in documents containing audited financial statements</b></p> <p><i>The external auditor's responsibility for information in a document containing audited financial statements, as well as any procedures performed and the results.</i></p>	<p>Our responsibility related to documents (including annual reports, websites, etc.) containing the financial statements is to read the other information to consider whether:</p> <ul style="list-style-type: none"> <li>• Such information is materially inconsistent with the financial statements; and</li> <li>• We believe such information represents a material misstatement of fact.</li> </ul> <p>We have not been provided any such items to date and are unaware of any other documents that contain the audited financial statements.</p>

## Accounting Policies, Judgments and Sensitive Estimates & CRI Comments on Quality

We are required to communicate our judgments about the quality, not just the acceptability, of the Plan's accounting principles as applied in its financial reporting. We are also required to communicate critical accounting policies and sensitive accounting estimates. The Committee may wish to monitor throughout the year the process used to compute and record these accounting estimates. The table below summarizes our communications regarding these matters.

AREA	ACCOUNTING POLICY	CRITICAL POLICY?	JUDGMENTS & SENSITIVE ESTIMATE	COMMENTS ON QUALITY OF ACCOUNTING POLICY & APPLICATION
Valuation of Investments	Investments are valued at fair market value when available, or contract value.	Yes	For non-level 1 investments the pricing model used or pricing service used, could affect the fair value of the asset. Investment values are provided by the investment manager.	We evaluated the policies and estimates used for investments and found them to be reasonable and in accordance with GAAP.
Net Pension Liability	The net pension liability is disclosed in the notes to the financial statements and it is estimated based on an actuarial calculation.	Yes	The Plan relies on valuations from the actuary for the estimated value of the net pension liability. The actuarial valuation is based on financial information, utilizing assumptions developed by management.	We evaluated the assumptions used by the actuary in estimating the Plan's net pension liability and found them to be in accordance with the provisions of GASB 67 and reasonable in relation to the financial statements taken as a whole.



## Summary of Audit Adjustments

During the course of our audit, we accumulate differences between amounts recorded by the Plan and amounts that we believe are required to be recorded under GAAP reporting guidelines. Those adjustments are either recorded (corrected) by the Plan or passed (uncorrected).

There were no adjustments, either corrected or uncorrected, as a result of our audit procedures.

### QUALITATIVE MATERIALITY CONSIDERATIONS

In evaluating the materiality of audit differences when they do arise, we consider both quantitative and qualitative factors, for example:

- Whether the difference arises from an item capable of precise measurement or whether it arises from an estimate, and, if so, the degree of imprecision inherent in the estimate.
- Whether the difference masks a change in earnings or other trends.
- Whether the difference changes a net decrease in assets to addition, or vice versa.
- Whether the difference concerns an area of the Plan's operating environment that has been identified as playing a significant role in the Plan's operations or viability.
- Whether the difference affects compliance with regulatory requirements.
- Whether the difference has the effect of increasing management's compensation – for example, by satisfying requirements for the award of bonuses or other forms of incentive compensation.
- Whether the difference involves concealment of an unlawful transaction.



# POLICE AND FIRE PENSION FUND

ONE WEST ADAMS STREET, SUITE 100

JACKSONVILLE, FLORIDA 32202-3616

"We Serve. . .and We Protect"

February 21, 2020

Phone: (904) 255-7373

Fax: (904) 353-8837

Carr, Riggs & Ingram, LLC  
637 Park Street  
Jacksonville, FL. 32204

This representation letter is provided in connection with your audit of the financial statements and required supplemental schedules of Jacksonville Police and Fire Pension Fund (the "Plan"), which comprise the statement of fiduciary net position as of September 30, 2019, and the related statements of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP) and whether the required supplemental schedules are fairly stated in all material respects in relation to the financial statements as a whole.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

## **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 2, 2019, including our responsibility for the preparation and fair presentation of the financial statements and note disclosures.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and *Government Auditing Standards* issued by the Comptroller General of the United States and the notes include all disclosures required by laws and regulations to which the plan is subject.
- 3) The financial statements referred to above are fairly presented in conformity with U.S. GAAP, the notes include all disclosures required by laws and regulations to which the Plan is subject.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 5) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

- 6) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 7) Related party relationships and transactions, including contributions, expenses, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- 8) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Other matters (e.g., breach of fiduciary responsibilities, nonexempt transactions, loans or leases in default, events reportable to the PBGC, or events that may jeopardize the tax status) that legal counsel have advised us that must be disclosed have been properly disclosed.
- 11) Material concentrations have been properly disclosed in accordance with U.S. GAAP.
- 12) Financial instruments with concentrations of credit risk have been properly recorded or disclosed in the financial statements.
- 13) There are no guarantees, whether written or oral, under which the Plan is contingently liable.

#### **Information Provided**

- 14) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the Plan from whom you determined it necessary to obtain audit evidence.
  - d) Plan instruments, trust agreements, insurance contracts, or investment contracts and amendments to such documents entered into during the year, including amendments to comply with applicable laws.
  - e) Actuarial reports prepared for the Plan and the Plan's sponsor during the year.
  - f) Minutes of the meetings of the Board of Trustees or summaries of actions of recent meeting for which minutes have not yet been prepared
- 15) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 16) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- 17) We have no knowledge of any fraud or suspected fraud that affects the Plan and involves:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 18) We have no knowledge of any allegations of fraud or suspected fraud affecting the Plan's financial statements communicated by employees, former employees, participants, regulators, beneficiaries, service providers, third-party administrators, or others.
- 19) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- 20) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 21) We have disclosed to you the identity of the Plan's related parties and parties in interest and all the related-party and party-in-interest relationships and transactions of which we are aware.
- 22) We have no plans or intentions that may materially affect the carrying value or classifications of assets and liabilities.
- 23) We are not aware of any intentions to terminate the Plan although new participants are not being accepted.
- 24) Amendments to the Plan instrument, if any, have been properly recorded or disclosed in the financial statements.
- 25) We have no knowledge of any omissions from the participants' data provided to the Plan's actuary for the purpose of determining the actuarial present value of accumulated plan benefits and other actuarially determined amounts in the financial statements.
- 26) We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.
- 27) The following have been properly recorded or disclosed in the financial statements and there have been no changes to the following:
  - The actuarial methods or assumptions used in calculating amounts recorded or disclosed in the financial statements.
  - Plan provisions between the actuarial valuation date and the date of this letter.
- 28) The methods and significant assumptions used to estimate fair values of financial instruments, including nonreadily marketable securities, are as follows: valuations are provided by the investment manager. The methods and significant assumptions used result in a measure of fair value appropriate for financial measurement and disclosure purposes.
- 29) All required amendments to and filings of plan documents with the appropriate agencies have been made.
- 30) There are no, other than temporary, declines in the value of investment securities and other investment assets.

31) We have apprised you of all communications, whether written or oral, with regulatory agencies concerning the operation of the Plan.

32) We do not make frequent amendments to our pension plans.

**Government and Plan specific**

33) We have made available to you all financial records and related data.

34) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

35) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

36) The Plan has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

37) We are responsible for compliance with the laws, regulations, and provisions of contracts.

38) We have identified and disclosed to you all laws, and regulations that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

39) We are not aware of any instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect in the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

40) We are not aware of any instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of contracts that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

41) We are not aware of any instances that have occurred or are likely to have occurred, of abuse that could be quantitatively material to the financial statements or other financial data significant to the audit objectives.

42) There are no violations or possible violations of laws and regulations and provisions of contracts and grant agreements whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

43) As part of your audit, you assisted with preparation of the financial statements, the related notes and the required supplementary schedules. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating Tim Johnson, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements, the related notes and the required supplementary information.

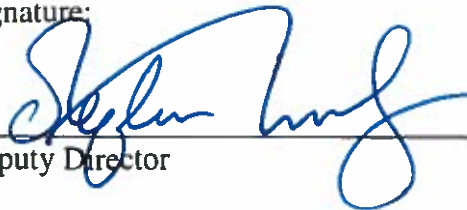
- 44) The Plan has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 45) The Plan has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 46) The financial statements properly classify all fund and activities in accordance with GASB.
- 47) Investments are properly valued.
- 48) Provisions for uncollectible receivables have been properly identified and recorded.
- 49) Deposits and investment securities are properly classified as to risk and are properly disclosed.
- 50) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 51) All required filings of the Plan documents with the appropriate agencies have been made.
- 52) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 53) The Plan (and the trusts established under the plan) is qualified under the appropriate sections of the Internal Revenue Code and we intend to continue them as a qualified plan (and trust). The plan sponsor has operated the Plan and trust or insurance contract in a manner that did not jeopardize this tax status.
- 54) During the year we released \$24,736,292 from reserves as authorized by the City of Jacksonville.

Signature:



Executive Director – Plan Administrator

Signature:



Deputy Director