



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

**COMBINED FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION**

September 30, 2022

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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 Audit of the Combined Financial Statements

Opinion

We have audited the accompanying combined financial statements of the City of Jacksonville, Florida Police and Fire Pension Fund and Senior Staff Voluntary Retirement Plan (collectively the "Fund"), which comprise the statement of fiduciary net position as of September 30, 2022, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Fund as of September 30, 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management for the Combined Financial Statements

The Fund's management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibility for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note 1 to the combined financial statements, the accompanying combined 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, 2022, 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 combined financial statements. Such information, although not a part of the basic combined 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 combined 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 combined financial statements, and other knowledge we obtained during our audit of the basic combined 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fund's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated April 21, 2023 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* in considering the Fund's internal control over financial reporting and compliance.

Carr, Rigg & Ingram, L.L.C.

Jacksonville, Florida

April 21, 2023

City of Jacksonville, Florida
Police and Fire Pension Fund

Management's Discussion and Analysis (Unaudited)

We are pleased to provide this overview and analysis of the combined financial activities of the City of Jacksonville, Florida Police and Fire Pension Fund and Senior Staff Voluntary Retirement Plan (collectively the "Fund") during the fiscal year ended September 30, 2022. 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, 2022, was \$1,996,816,815. 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 (\$490,083,082) or (19.71%). The decrease was largely a result of the performance of investments during the year.
- 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, 2022, the funded ratio for the Fund was approximately 40.40%, which compares to the September 30, 2021 funded ratio of 54.00%. In general, the current funded ratio indicates that for every dollar of benefits due, the Fund has approximately \$0.40 of assets to cover it.
- Revenues (additions to the fiduciary net position) other than investment income for the 2022 fiscal year were \$192,742,882, which comprises member and employer contributions of \$175,797,710, other additions of \$16,724,472, and securities lending of \$220,700. This compares to revenues other than investment income in the amount of \$168,802,706 in the prior fiscal year. For the 2021 fiscal year the minimum employer contribution was determined at \$148,475,947 and no supplemental contribution was required. For fiscal year 2022, the employer minimum required contribution was determined as \$157,352,434 and no supplemental contribution was required. Also for 2021, a total of \$13,750,618 out of the City's minimum required contribution amount represented a release of funds from the Unfunded Actuarial Liability Reserve Account (UALPA) and accordingly, these are not presented as additions to the fund's fiduciary net position.
- Net investment loss (part of deductions to fiduciary net position) for the 2022 fiscal year was (\$433,060,125) compared to net investment income (part of additions to fiduciary net position) for \$491,357,820 that was recorded in the prior fiscal year.
- Expenses (deductions in fiduciary net position) not related to investment activities for the 2022 fiscal year increased from \$228,060,277 to \$249,765,839 or approximately 9.52%. The increase was largely due to the increase in pension benefits distributed during the year.

City of Jacksonville, Florida
Police and Fire Pension Fund

Management's Discussion and Analysis (Unaudited)

OVERVIEW OF COMBINED FINANCIAL STATEMENTS

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

- The combined 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.
- The combined 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 combined statement of fiduciary net position and the combined 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 combined 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 combined financial statements on pages 8 – 9 of this report).

- Notes to the combined financial statements provide additional information that is essential to a full understanding of the data provided in the combined financial statements (see notes to combined financial statements on pages 10 – 26 of this report)

In addition to the combined 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 29 – 31 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)

	September 30,		Increase (Decrease)
	2022	2021	2022/2021
Current assets	\$ 27,859,259	\$ 30,056,875	\$ (2,197,616)
Investments	1,972,305,277	2,468,370,741	(496,065,464)
Securities lending collateral	82,803,809	89,580,224	(6,776,415)
Total assets	<u>2,082,968,345</u>	<u>2,588,007,840</u>	<u>(505,039,495)</u>
Deferred outflows of resources	<u>70,447</u>	<u>70,447</u>	<u>-</u>
Current liabilities	2,779,930	10,947,311	(8,167,381)
Securities lending obligations	82,803,809	89,580,224	(6,776,415)
Long-term liabilities	93,558	106,175	(12,617)
Total liabilities	<u>85,677,297</u>	<u>100,633,710</u>	<u>(14,956,413)</u>
Deferred inflows of resources	<u>544,680</u>	<u>544,680</u>	<u>-</u>
Total fiduciary net position	<u>\$ 1,996,816,815</u>	<u>\$ 2,486,899,897</u>	<u>\$ (490,083,082)</u>

	September 30,		Increase (Decrease)
	2022	2021	2022/2021
Plan member contributions	\$ 18,277,234	\$ 19,118,319	\$ (841,085)
Employer contributions	157,520,476	134,725,329	22,795,147
Other additions	16,724,472	14,997,165	1,727,307
Net investment income	-	491,357,820	(491,357,820)
Net securities lending activities	220,700	(38,107)	258,807
Total additions to fiduciary net position	<u>192,742,882</u>	<u>660,160,526</u>	<u>(467,417,644)</u>
Benefit payments	223,492,008	213,571,020	9,920,988
Administrative expenses	2,096,912	2,204,771	(107,859)
Net investment loss	433,060,125	-	433,060,125
Other expenses	24,176,919	12,284,486	11,892,433
Total deductions to fiduciary net position	<u>682,825,964</u>	<u>228,060,277</u>	<u>454,765,687</u>
Change in fiduciary net position	(490,083,082)	432,100,249	(922,183,331)
Fiduciary net position available for benefits - beginning of year	2,486,899,897	2,054,799,648	432,100,249
Fiduciary net position available for benefits - end of year	<u>\$ 1,996,816,815</u>	<u>\$ 2,486,899,897</u>	<u>\$ (490,083,082)</u>

City of Jacksonville, Florida
Police and Fire Pension Fund

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, 2022 was \$1,996,816,815, representing a decrease of (\$490,083,082) or (19.71%) from \$2,486,899,897 at September 30, 2021. The decrease was largely a result of unfavorable investment returns available in the financial markets.

For the 2022 fiscal year, employer and member contributions were \$175,797,710 representing an increase of 14.27% over the \$153,843,648 recorded during the 2021 fiscal year. The increase in the level of pension contributions during the fiscal year 2022 resulted from the amount of contributions by the City based on the actuarial study. The Fund recognized a net investment loss of (\$433,060,125) for the 2022 fiscal year, compared with net investment income of \$491,357,820 for the 2021 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 \$666,933; and miscellaneous revenues of \$259,815. Miscellaneous revenues consisted of commissions recapture \$48,225, sales of surplus, lost, miscellaneous settlements \$23,203, and miscellaneous sales and charges of \$188,387. The Fund also received Florida Chapter 175 and 185 premium taxes of \$15,797,724 which are restricted for purposes determined by the Jacksonville Association of Fire Fighters. For the 2022 fiscal year, these other additions of revenue sources produced revenues in the amount of \$16,724,472 for the Fund, representing a \$1,727,307 or 11.52% increase as compared to the \$14,997,165 recorded during the 2021 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 2022 fiscal year, retirement and survivor benefits (including DROP and refunds) were \$223,492,008. Administrative expenses during the 2022 fiscal year were \$2,096,912 versus \$2,204,771 in the prior fiscal year.

At September 30, 2022, the Fund held \$211,493,584 in fixed income securities, a decrease of \$130,062,671 or 38.08% from \$341,556,255 held at September 30, 2021.

At September 30, 2022, the Fund held \$1,284,566,586 in U.S. and international equity securities, a decrease of \$556,983,130 or 30.25% from \$1,841,549,716 held at September 30, 2021.

At September 30, 2022, the Fund held \$334,610,244 in real estate investments, an increase of \$60,239,234 or 21.96% compared to the \$274,371,010 real estate investments held at September 30, 2021.

At September 30, 2022, the Fund held \$123,092,173 in partnership investments and none at September 30, 2021.

**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
Combined Statement of Fiduciary Net Position

<i>September 30,</i>	<i>2022</i>
Assets	
Investments	
Long-term investments	
Fixed incomes securities	\$ 211,493,584
Domestic and international equities	1,284,566,586
Real estate	334,610,244
Partnership	123,092,173
Short-term investments	18,542,690
Total investments	1,972,305,277
Receivables	
Other receivable	81,351
Interest and dividends receivable	1,985,159
Due from City	27,290
Total receivables	2,093,800
Cash	25,366,384
Other assets	399,075
Securities lending collateral	82,803,809
Total assets	2,082,968,345
Deferred Outflows of Resources	
Deferred outflows related to pension, net	70,447
Liabilities	
Accounts payable	2,531,466
Compensated absences - current	40,096
Compensated absences - long-term	93,558
Net pension liability- SSVRP	142,225
Other liabilities	66,143
Securities lending obligations	82,803,809
Total liabilities	85,677,297
Deferred Inflows of Resources	
Deferred inflows related to pension, net	544,680
Fiduciary net position available for pension benefits	\$ 1,996,816,815

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

City of Jacksonville, Florida
Police and Fire Pension Fund
Combined Statement of Changes in Fiduciary Net Position

<i>For the year ended September 30,</i>	2022
Additions	
Contributions	
Employer	157,520,476
Plan member	17,362,646
Plan member buybacks and pension transfers	914,588
Total contributions	175,797,710
Other contributions	
Court fines and other penalties	666,933
State insurance contributions	15,797,724
Miscellaneous	259,815
Total other additions	16,724,472
Securities lending activities	
Lending revenue	294,206
Less lending expense	(73,506)
Total securities lending activities	220,700
Total additions	192,742,882
Deductions	
Benefit-related expenses	
Pension benefits remitted (including DROP)	221,912,405
Refunds of contributions	1,579,603
Total benefit-related expenses	223,492,008
Administrative expenses	
Personnel services	1,261,247
Professional services - non investment	275,688
Building rent - office space	258,000
Central services	88,226
Supplies	5,903
Other services and charges	207,848
Total administrative expenses	2,096,912
Investment loss	
Net depreciation in value of investments	\$ 464,281,326
Interest and dividends received	(43,130,680)
Rental and parking revenue	(598,765)
Total investment revenue	420,551,881
Less investment expenses	12,313,970
Less rental expenses	194,274
Total investment loss	433,060,125
Other expenses	
GASB 68 SSVRP Pension expense	49,031
Reserve reduction disbursements	24,127,888
Total other expenses	24,176,919
Total deductions	682,825,964
Net decrease	(490,083,082)
Fiduciary net position available for benefits - beginning of year	2,486,899,897
Fiduciary net position available for benefits - end of year	\$ 1,996,816,815

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

City of Jacksonville, Florida
Police and Fire Pension Fund
Notes to Combined Financial Statements

NOTE 1: DESCRIPTION OF FUND

The following description of the City of Jacksonville, Florida Police and Fire Pension Fund (the Fund) provides only general information. Refer to the Fund document for a more complete description of the Fund’s provisions.

General

The Fund is a single-employer contributory defined benefit pension plan covering all full-time civil service members of the City of Jacksonville’s (the City) police and fire departments hired prior to October 1, 2017. 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	3,324
Inactive, nonretired members	94
Active plan members	1,872
 Total participants	 5,290

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.

Eligibility

The Fund covers all employees who were hired prior to October 1, 2017.

Funding Policy

Ordinance 2017-259 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.

City of Jacksonville, Florida
Police and Fire Pension Fund
Notes to Combined Financial Statements

NOTE 1: DESCRIPTION OF THE FUND (CONTINUED)

Vesting

The Fund provides that participants become 100% vested after five years of service.

Pension Benefits

Members of the Plan may retire after twenty (20) years of credited service, regardless of age, with a minimum benefit of sixty percent (60%) of the average salary received for the 52 pay periods (two years) preceding retirement. Members may receive an additional two percent (2%) for each completed year over twenty (20) up to a maximum of eighty percent (80%) of the average salary.

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.

Disability benefits are available to members who are totally and permanently disabled during employment with the City of Jacksonville. It makes no difference whether the disabling illness, injury or condition occurred on-the-job or outside of the course of employment. A total and permanent disability would entitle an employee, with twenty (20) years or less of credited service, to a pension of sixty percent (60%) of the average salary for the 52 pay periods preceding disability retirement, which is payable until death. Disability pensions will not be granted in the case of injuries suffered while in the employment of another employer, except in the event that the injury was suffered while serving in the Armed Forces of the United States.

Members are not permitted to designate a beneficiary for the receipt of pension benefits or the refund of pension contributions. Benefits are payable solely to a spouse, married to and living with the member at the time of the member's death or to eligible children.

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.

City of Jacksonville, Florida
Police and Fire Pension Fund
Notes to Combined Financial Statements

NOTE 1: DESCRIPTION OF THE FUND (CONTINUED)

Terminal Leave Conversion Program

The Fund had a program for retirees to participate in the Terminal Leave Conversion Program (the “TLCP”) upon retirement, which was previously closed to new participants. There were two remaining retirees that elected to participate, whereby the member’s credited Terminal Leave and Retirement Leave account balance was transferred into the Fund and their account balance was then used to pay for their bi-weekly healthcare premiums. During the fiscal year ended September 30, 2021, the member’s remaining individual account balances were drawn to zero.

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.

Death and Disability Benefits

The Fund provides death benefits of varying percentages of the amount that a participant would have received under the various joint and survivor form, payable to the spouse or designated person for life. This is available for participants who are married at the time of death. The death benefit varies for employees not eligible for retirement but who are vested in a deferred retirement benefit and are married at the time of death. The benefit varies from the amount that the participant would have received if the participant had separated from service on the date of death and retired under the various joint and survivor forms. Benefits are payable to the spouse for life beginning on the participant’s earliest retirement date.

In the event that a participant becomes disabled, the participant continues to accrue benefits under the Fund during such disability based on the participant’s rate of pay at the time of disablement, payable at the normal retirement age. If the participant becomes totally and permanently disabled, then he or she may be eligible for a disability retirement benefit, based on applicable percentages of income and years of service as of the date of disability.

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, 2022. The City Council has the authority to amend its contribution to the Fund but not below the minimum state requirement.

City of Jacksonville, Florida
Police and Fire Pension Fund
Notes to Combined Financial Statements

NOTE 1: DESCRIPTION OF THE FUND (CONTINUED)

Senior Staff and Voluntary Retirement Plan

The Fund sponsors a single-employer contributory defined benefit plan called the Senior Staff Voluntary Retirement Plan (the "SSVRP") that provides retirement, death, and disability benefits. The SSVRP 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 assets and account balances of the SSVRP are included on the combined financial statements of the Fund.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying combined financial statements include the fiduciary net position and the changes in fiduciary net position of the Jacksonville Police and Fire Pension Fund and of the SSVRP. These financial statements have been combined as the pension funds were under common management and administered by the Fund's Board of Trustees. Material inter-fund transactions have been eliminated in the combination.

Basis of Accounting

These combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). They are 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.

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

Investments generally are reported at fair value, but may also be reported at contract value or net asset value (NAV). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for further discussion of fair value measurements, contract value, and NAV.

The Fund's Employee Benefit Committee determines the Fund's valuation policies utilizing information provided by the investment advisers, custodians and insurance company.

City of Jacksonville, Florida
Police and Fire Pension Fund
Notes to Combined Financial Statements

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Fund's gains and losses on investments bought and sold as well as held during the year.

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.

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%
Core Real Estate	10.0%	5-15%
Non-Core Real Estate	5.0%	0-10%
Private Credit	8.0%	0-13%
Total	<u>100.0%</u>	

City of Jacksonville, Florida
Police and Fire Pension Fund
Notes to Combined 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 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.

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.

Deferred outflows and inflows of resources are related to the deferred pension expense of the Senior Staff Voluntary Retirement Plan (the "SSVRP").

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Valuation of Other Financial Instruments

The carrying value of the Fund's receivables approximate fair value.

Payment of Benefits

Benefit payments to participants are recorded upon distribution.

Administrative Expenses

The Fund expenses are paid for by the fund and are included in the accompanying statement of changes in fiduciary net position available for benefits.

Other Expenses

Other expenses consist of reserve reduction disbursements made to unionized employees that left the Plan and received an agreed-upon allocated share of the reserves.

City of Jacksonville, Florida
Police and Fire Pension Fund
Notes to Combined Financial Statements

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Risks and Uncertainties

The Fund invests in various investment securities. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in value of investment securities will occur in the near term and that these changes could materially affect amounts reported in the Fund's combined financial statements.

Fund contributions are made and the actuarial present value of accumulated fund benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the combined financial statements.

Subsequent Events

Management has evaluated subsequent events through the date that the combined financial statements were available to be issued, April 21, 2023 and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these combined 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.

The SSVRP 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.

City of Jacksonville, Florida
Police and Fire Pension Fund
Notes to Combined Financial Statements

NOTE 3 - RESERVE ACCOUNTS (CONTINUED)

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, presented in the table below, 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.

The balances of the reserve values after the 2022 fiscal year activity are summarized as follows:

Reserve Values at:	City of Jacksonville Contribution Reserve	Balance allocated to Police Officers and Firefighters	Share Plan	SSVRP	EBA	Totals
September 30, 2021	\$ 6,308,079	\$ 2,801,824	\$ 9,652,154	\$ 4,605,550	\$ 3,696,757	\$ 27,064,364
Net increase for FY22	-	125,489	-	-	-	125,489
Net decrease for FY22	(1,058,496)	-	(4,456,597)	(1,115,996)	-	(6,631,089)
Allocated to Fund	-	-	-	-	-	-
September 30, 2022	\$ 5,249,583	\$ 2,927,313	\$ 5,195,557	\$ 3,489,554	\$ 3,696,757	\$ 20,558,764

NOTE 4: FAIR VALUE MEASUREMENTS

Fair Value Measurements establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

City of Jacksonville, Florida
Police and Fire Pension Fund
Notes to Combined Financial Statements

NOTE 4: FAIR VALUE MEASUREMENTS (CONTINUED)

The three levels of the fair value hierarchy under the codification are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Fund has the following recurring fair value measurement as of September 30, 2022:

	Fair Value	Level 1	Level 2	Level 3
Fixed:				
Commercial mortgage-backed	939,085	-	939,085	-
Corporate Bonds	121,990,815	-	121,990,815	-
Government bonds	41,399,693	41,399,693	-	-
Government mortgage-backed securities	6,628,039	-	6,628,039	-
Government commercial mortgage-backed securities	885,946	-	885,946	-
Non-Government mortgage backed securities	87,764	-	87,764	-
Funds - other fixed income	39,562,242	-	39,562,242	-
Total fixed	211,493,584	41,399,693	170,093,891	-
Equity:				
Common stock	347,036,346	347,036,346	-	-
Common stock funds	847,532,243	-	847,532,243	-
Hedge equity	88,864,013	-	-	88,864,013
Real estate	334,610,244	-	-	334,610,244
Partnership	123,092,173	-	-	123,092,173
Convertible equity	1,133,984	-	1,133,984	-
Total equity	1,742,269,003	347,036,346	848,666,227	423,474,257
Total investments	\$ 1,953,762,587	\$ 388,436,039	\$ 1,018,760,118	\$ 423,474,257

City of Jacksonville, Florida
Police and Fire Pension Fund
Notes to Combined Financial Statements

NOTE 5 – 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.

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, 2022 was \$400,612,610.

NOTE 6 – PENSION PLANS FOR FUND EMPLOYEES

Senior Staff Voluntary Retirement Plan

The Fund sponsors a single-employer contributory defined benefit plan called the Senior Staff Voluntary Retirement Plan (the "SSVRP") that provides retirement, death, and disability benefits. The SSVRP 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. As of September 30, 2015 this plan closed to new members. The SSVRP currently has two retirees and one surviving spouse. There are no separately issued financial statements for the SSVRP. The total pension liability of the SSVRP was determined as \$4,747,775 at September 30, 2021 (measurement date) based on an actuarial study completed for the fiscal year. The SSVRP's fiduciary net position was \$4,605,550 as of September 30, 2021 (valuation date). A net pension liability of \$142,225 exists for the SSVRP and is reported on the September 30, 2022 combined financial statements.

City of Jacksonville Retirement System

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 Annual Comprehensive Financial Report (the "ACFR").

City of Jacksonville, Florida
Police and Fire Pension Fund
Notes to Combined Financial Statements

NOTE 7 – DEPOSITS AND INVESTMENTS

For the year ended September 30, 2022, the annual money weighted rate of return on investments was (16.8%). 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, 2022, the carrying amount of cash on hand and on deposit with banks, including interest-bearing accounts, was \$25,366,384.

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, 2022, the carrying amount of these deposits and investments was \$1,965,305,277. 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.

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, 2022, the office building and parking garage generated \$598,765 in rental revenue.

City of Jacksonville, Florida
Police and Fire Pension Fund
Notes to Combined Financial Statements

NOTE 7 – DEPOSITS AND INVESTMENTS (CONTINUED)

The table below shows the Fund’s investments by type as of September 30, 2022:

Cash and cash equivalents:	
Short term investments	\$ 18,542,690
Fixed:	
Commercial mortgage backed	939,085
Corporate bonds	121,990,815
Government bonds	41,399,693
Government mortgage backed securities	6,628,039
Government commercial mortgage backed securities	885,946
Non-Government mortgage backed securities	87,764
Funds-other fixed income	39,562,242
	<u>211,493,584</u>
Equity:	
Common stock	347,036,346
Common stock funds	847,532,243
Hedge equity	88,864,013
Convertible Equity	1,133,984
	<u>1,284,566,586</u>
Partnership	<u>123,092,173</u>
Real estate	<u>334,610,244</u>
Total	<u>\$ 1,972,305,277</u>

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.

City of Jacksonville, Florida
Police and Fire Pension Fund
Notes to Combined Financial Statements

NOTE 7 – DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2022:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Commercial Mortgage Backed	\$ 939,085	12.54
Corporate Bonds	121,990,815	6.71
Government Bonds	41,399,693	12.21
Government Mortgage Backed Securities	6,628,039	19.12
Asset Backed Securities	18,719,396	9.40
Short Term Bills and Notes	695,025	0.23
Government Commercial Mortgage Backed Securities	885,946	36.68
Non-Government Backed C.M.O.	87,764	3.21
Convertible Equity	553,656	27.27
Bond Index Fund	19,594,165	*N/A
Total Fair Value	<u>\$ 211,493,584</u>	

**Bond Index Fund does not have a maturity date, therefore the weighted average is not applicable*

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.

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.

City of Jacksonville, Florida
Police and Fire Pension Fund
Notes to Combined Financial Statements

NOTE 7 – DEPOSITS AND INVESTMENTS (CONTINUED)

As of September 30, 2022, the following Organizations held 5% or more of the Fund’s fiduciary net position:

	Market Value	Market Value as a Percentage
Acadian	\$ 122,368,305	6.20%
Eagle	214,972,268	10.90%
JPM	240,824,366	12.21%
Loomis	143,994,320	7.30%
Neuberger	187,140,364	9.49%
NT S&P 500	193,187,966	9.80%
PdRcpts	112,803,171	5.72%
Silchester	159,071,457	8.07%

As of September 30, 2022, the Fund’s debt security investments credit risk are in the following table:

Fair Value Moody's	
Aaa	\$ 44,290,896
Aa	2,605,184
A	23,412,845
Baa	69,027,509
Ba	18,372,853
B	4,921,615
Caa	294,409
Ca	29,944
Not Rated	48,538,329
Total	<u>\$ 211,493,584</u>

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.

City of Jacksonville, Florida
Police and Fire Pension Fund
Notes to Combined Financial Statements

NOTE 7 – DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2022, the Fund maintained collateral on loaned securities of \$82,803,809 and incurred net gains of \$294,206.

NOTE 8: 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, 2022.

City of Jacksonville, Florida
Police and Fire Pension Fund
Notes to Combined 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	\$	4,933,462,035
Total Plan fiduciary net position		1,993,278,229
City's net pension liability	\$	2,940,183,806
Plan fiduciary net position as a percentage of the total pension liability		40.40%

Actuarial Methods and Assumptions Used to Measure Net Pension Liability

The valuation date and measurement date are September 30, 2022. The actuarial methods and assumptions used in the October 1, 2022 valuation were based on the following:

Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Salary Increases:	A range of 2.75% to 11.50%, depending on completed years of service, including inflation
Investment Rate of Return:	6.50%
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, 2022 actuarial report was based on the PUB-2010 Combined Healthy Participant Mortality Table (for preretirement mortality) and the PUB-2010 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 Combined 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, 2022 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	0.0%

These are combined to produce the 6.50% 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 6.50%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1% lower (5.50%) or 1% higher (7.50%) than the current rate:

	1% Decrease 5.50%	Current Discount 6.50%	1% Increase 7.50%
City's net pension liability	\$ 3,677,345,180	\$ 2,940,183,806	\$ 2,347,890,522

NOTE 10 – MINIMUM REQUIRED CONTRIBUTION

The employer (the City) contributions for the year ended September 30, 2022 were \$157,520,476. The contributed amount exceeded the actuarially determined required employer contributions for the year ended September 30, 2022 of \$157,352,434.

In accordance with Ordinance 2022-504-E for fiscal year 2023 the City will contribute \$156,993,838 as determined by the Fund’s actuary on the May 17, 2022 Actuarial Valuation Report as of October 1, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

City of Jacksonville, Florida
Police and Fire Pension Fund
Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Fiscal Years - Police and Fire Pension Fund

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total Pension Liability											
Service cost (BOY)	\$ 71,816,810	\$ 71,448,042	\$ 70,109,932	\$ 65,147,956	\$ 60,154,158	\$ 45,257,077	\$ 44,087,089	\$ 46,662,780	\$ 47,915,012	\$ 46,109,290	\$ 47,569,761
Interest on total pension liability	301,237,863	292,913,908	283,845,921	269,658,004	259,433,546	233,338,035	217,546,212	210,942,612	203,577,435	195,519,742	190,343,631
Benefit Changes	-	-	2,706,557	-	-	26,818,328	-	(28,684,960)	-	-	-
Difference between actual and expected experience	114,026,931	10,351,290	3,122,601	8,465,296	8,132,052	24,030,616	3,566,449	24,831,339	22,671,112	(4,675,994)	(12,512,641)
Changes of assumptions	80,999,642	162,092,668	56,025,218	-	-	232,927,458	97,813,304	24,514,349	-	5,332,605	-
Benefit payments, including refunds of member contributions	(227,616,730)	(208,127,640)	(192,399,945)	(188,392,606)	(183,474,634)	(170,465,766)	(159,726,007)	(148,628,476)	(138,179,183)	(128,655,957)	(116,955,126)
Refunds	(1,579,603)	(1,387,209)	(715,829)	(732,596)	(782,240)	(811,383)	-	-	-	-	-
Distributions from Reserve Accounts	(18,012,991)	(15,237,677)	(24,557,185)	(55,472,334)	-	-	-	-	-	-	-
Other (Adjustments to Report on Gross Basis and Net Changes in Reserves)	15,797,724	556,047	(3,075,278)	110,374,742	-	-	-	-	-	-	-
Net change in total pension liability	336,669,646	312,609,429	195,061,992	209,048,462	143,462,882	391,094,365	203,287,047	129,637,644	135,984,376	113,629,686	108,445,625
Total pension liability - beginning	4,596,792,389	4,284,182,960	4,089,120,968	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	2,427,197,626
Due from City											
Total pension liability - ending(a)	\$ 4,933,462,035	\$ 4,596,792,389	\$ 4,284,182,960	\$ 4,089,120,968	\$ 3,880,072,506	\$ 3,736,609,624	\$ 3,345,515,259	\$ 3,142,228,212	\$ 3,012,590,568	\$ 2,876,606,192	\$ 2,535,643,251
Plan fiduciary net position											
Contributions including buybacks--employer	\$ 157,520,476	\$ 134,725,329	\$ 123,328,488	\$ 110,527,718	\$ 115,690,989	\$ 184,526,198	\$ 157,494,371	\$ 154,664,523	\$ 150,520,270	\$ 121,822,333	\$ 72,642,853
Contributions including buybacks--member	18,277,234	19,118,319	19,035,433	17,745,867	16,636,624	13,570,483	12,830,861	12,061,321	11,583,565	10,753,501	11,610,870
Net investment income (loss), including securities lending	(432,320,326)	490,455,037	159,428,214	54,129,569	156,442,808	243,421,930	154,313,142	(62,884,634)	147,332,798	169,202,439	181,653,432
Benefit payments, including refunds of member contributions	(223,115,812)	(213,196,608)	(193,115,774)	(189,125,202)	(184,256,874)	(171,277,149)	(159,726,007)	(148,628,476)	(138,179,183)	(128,655,957)	(116,955,126)
Distributions from Reserve Accounts	(24,127,888)	(11,555,918)	(24,557,185)	(55,472,334)	-	-	-	-	-	-	-
Administrative expense	(2,096,912)	(2,204,771)	(2,184,754)	(2,116,593)	(2,137,969)	(2,173,617)	(3,519,224)	(2,228,452)	(2,224,248)	(2,505,985)	(2,351,598)
Chapter 175/185	15,797,724	14,306,665	13,888,871	12,756,091	11,791,197	10,874,768	10,680,624	10,577,853	10,110,493	9,667,185	9,275,828
Court fines	666,933	724,217	519,212	701,652	775,741	759,291	832,536	920,774	881,291	757,984	770,125
Other	382,453	(800,392)	672,843	(3,261,537)	82,243	51,404	122,886	327,418	141,855	1187289	-
Net change in plan fiduciary net position	(489,016,118)	431,571,878	97,015,348	(54,114,769)	115,024,759	279,753,308	173,029,189	(35,189,673)	180,166,841	182,228,789	156,646,384
Cumulative effect of change in accounting principle							2,238,000				
Plan fiduciary net position - beginning	2,482,294,347	2,050,722,469	1,953,707,121	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	954,035,541
Plan fiduciary net position - ending(b)	1,993,278,229	2,482,294,347	2,050,722,469	1,953,707,121	2,007,821,890	1,892,797,131	1,613,043,823	1,437,907,379	1,473,097,052	1,292,965,997	1,110,681,925
Reserve Accounts and Sr Staff Assets											
Reserve Accounts and Sr. Staff Assets before release of reserves	-	-	-	-	(146,819,144)	(127,638,125)	(99,645,357)	(83,502,014)	(83,349,437)	(64,834,813)	(31,830,621)
Release of reserves	-	-	-	-	20,000,000	-	-	-	-	-	-
Total fiduciary net position -- ending(b)	1,993,278,229	2,482,294,347	2,050,722,469	1,953,707,121	1,881,002,746	1,765,159,006	1,513,398,466	1,354,405,365	1,389,747,615	1,228,131,184	1,078,851,304
Plan net pension liability - ending(a)-(b)	\$ 2,940,183,806	\$ 2,114,498,042	\$ 2,233,460,491	\$ 2,135,413,847	\$ 1,999,069,760	\$ 1,971,450,618	\$ 1,832,116,793	\$ 1,787,822,847	\$ 1,622,842,953	\$ 1,648,475,008	\$ 1,456,791,947
Plan fiduciary net position as a percentage of total pension liability	40.40%	54.00%	47.87%	47.78%	48.48%	47.24%	45.24%	43.10%	46.13%	42.69%	42.55%
Covered payroll	\$ 162,885,451	\$ 161,835,740	\$ 174,185,559	\$ 174,124,945	\$ 162,003,561	\$ 149,489,571	\$ 135,599,741	\$ 132,735,243	\$ 134,521,216	\$ 130,972,174	\$ 130,972,174
Net pension liability as a percentage of covered payroll	1805.06%	1306.57%	1282.23%	1226.37%	1233.97%	1318.79%	1351.12%	1346.91%	1206.38%	1258.65%	1112.29%

City of Jacksonville, Florida
Police and Fire Pension Fund
Schedule of City Contributions
Last 10 Fiscal Years - Police and Fire Pension Fund

FYE	Actuarially Determined Contribution	Contribution in relation to the actuarially determined contribution	Contribution deficiency (excess)		Covered payroll	Contribution as a percentage of covered payroll
2022	157,352,434	157,520,476	(168,042)		162,885,451	96.71%
2021	148,475,947	134,725,329	13,750,618	***	161,835,740	83.25%
2020	140,292,637	123,328,488	16,964,149	***	174,185,559	70.80%
2019	135,264,010	110,527,718	24,736,292	***	174,124,935	63.48%
2018	135,648,057	115,690,989	19,957,068	***	162,003,561	71.41%
2017	167,788,151	167,788,151	-	**	149,489,571	112.24%
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%

Valuation Date: October 1, 2022

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll, Closed
Remaining Amortization Period	27 years
Asset Valuation Method	5- year smoothed market
Inflation	2.3%
Salary Increases	A range of 2.75% to 11.50%, depending on completed years of service, including inflation
Investment Rate of Return	6.9%
Retirement Age	- Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	PUB-2010 Headcount Weighted Safety Healthy Employee Mortality Table (for pre-retirement mortality) and the PUB-2010 Headcount Weighted Safety Healthy Retiree Mortality Table (for postretirement mortality), with separate rates for males and females and ages set forward one year, with mortality improvements projected to all future years after 2010 using Scale MP-2018. For males, the base mortality rates for both pre-retirement and post-retirement mortality are based on the Below Median Healthy tables. 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

*Plus \$5,000,000 supplemental payment

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

***Contributions of \$20,000,000, \$24,736,292, \$16,964,149 and \$13,750,618 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, 2019, 2020 and 2021 respectively.

City of Jacksonville, Florida
Police and Fire Pension Fund
Schedule of Investment Returns:
Annual Money- Weighted Ratio of Return, Net of Investment Expenses
Police and Fire Pension Fund & Senior Staff Voluntary Retirement Plan

For Year Ended	Percentage
2022	-16.78%
2021	23.15%
2020	7.98%
2019	2.96%
2018	7.99%
2017	14.27%
2016	10.00%
2015	-3.95%
2014	10.73%
2013	14.29%

City of Jacksonville, Florida
Police and Fire Pension Fund
Schedule of Changes in Net Pension Liability and Related Ratios
Last 8 Fiscal Years - Senior Staff Voluntary Retirement Plan

	2022	2021	2020	2019	2018	2017*	2016	2015**
Total Pension Liability								
Service cost (BOY)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	(57,000)
Interest on total pension liability	302,278	303,786	205,390	208,864	209,522	-	298,000	282,000
Partnership	-	-	-	-	-	-	-	-
Benefit Changes	-	-	1,517,602	-	-	-	90,000	-
Difference between actual and expected experience	116,648	119,664	142,822	-	38,910	-	27,000	-
Changes of assumptions	51,433	111,957	271,792	-	-	-	149,000	154,000
Benefit payments, including refunds of member contributions	(376,196)	(374,412)	(263,039)	(258,386)	(257,285)	-	(286,000)	(109,000)
Refunds	-	-	-	-	-	-	-	-
Other - Benefit payments and benefit changes	-	-	(351,229)	-	-	-	-	-
Net change in total pension liability	94,163	160,995	1,523,338	(49,522)	(8,853)	(1,562,183)	278,000	270,000
Total pension liability - beginning	4,747,775	4,586,780	3,063,442	3,112,964	3,121,817	4,684,000	4,406,000	4,136,000
Total pension liability - ending(a)	\$ 4,841,938	\$ 4,747,775	\$ 4,586,780	\$ 3,063,442	\$ 3,112,964	\$ 3,121,817	\$ 4,684,000	\$ 4,406,000
Plan fiduciary net position								
Contributions including buybacks--employer	\$ 49,031	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions including buybacks--member	-	-	-	-	-	-	-	22,000
Net investment income(loss), including securities lending	(739,799)	902,783	331,488	129,086	341,854	567,131	386,000	(167,000)
Benefit payments, including refunds of member contributions	(376,196)	(374,412)	(614,268)	(258,386)	(257,285)	(264,441)	(286,000)	(109,000)
Administrative expense	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	(1,066,964)	528,371	(282,780)	(129,300)	84,569	302,690	100,000	(254,000)
Plan fiduciary net position - beginning	4,605,550	4,077,179	4,359,959	4,489,259	4,404,690	4,102,000	4,002,000	4,256,000
Plan fiduciary net position -- ending(b)	3,538,586	4,605,550	4,077,179	4,359,959	4,489,259	4,404,690	4,102,000	4,002,000
Plan net pension liability - ending(a)-(b)	\$ 1,303,352	\$ 142,225	\$ 509,601	\$ (1,296,517)	\$ (1,376,295)	\$ (1,282,873)	\$ 582,000	\$ 404,000
Plan fiduciary net position as a percentage of total pension liability	73.08%	97.00%	88.89%	142.32%	144.21%	141.09%	87.57%	90.83%
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pension liability as a percentage of total pension liability	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* For measurement year ended September 30, 2017, information on the change in total pension liability as not available.

** Information for previous years is not available.

**City of Jacksonville, Florida
Police and Fire Pension Fund
Schedule of Contributions
Last 10 Fiscal Years - Senior Staff Voluntary Retirement Plan**

FYE	Actuarially Determined Contribution	Contribution in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contribution as a percentage of covered payroll
2022	49,031	49,031	-	-	0.00%
2021	-	-	-	-	0.00%
2020	-	-	-	-	0.00%
2019	-	-	-	-	0.00%
2018	-	-	-	-	0.00%
2017	-	-	-	-	0.00%
2016	-	-	-	-	0.00%
2015	-	-	-	307,000	0.00%
2014	28,000	7,000	21,000	298,000	2.35%
2013	28,000	248,000	(220,000)	290,000	85.52%

Valuation Date: October 1, 2022

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Remaining Amortization Period	17 years
Asset Valuation Method	Market Value
Inflation	2.25%
Salary Increases	Not applicable
Investment Rate of Return	6.90%
Retirement Age	Not applicable
Mortality	PUB-2010 Headcount Weighted General Below Median Healthy Retiree Mortality Table, with separate rates for males and females and ages set back 1 year for males, with gender-specific mortality improvements projected to all future years after 2010 using Scale MP-2018. These are the same rates currently in use for Regular Class (other than K-12 School Instructional Personnel) members of the Florida Retirement System (FRS), as mandated by Chapter 112.63, Florida Statutes.

SUPPLEMENTARY INFORMATION

City of Jacksonville, Florida
Police and Fire Pension Fund
Combining Schedules of Fiduciary Net Position

<i>September 30,</i>	Jacksonville Police and Fire	Senior Staff Voluntary Retirement Plan	2022 Combined Totals
Assets			
Investments			
Long-term investments			
Fixed incomes securities	\$ 211,112,784	\$ 380,800	\$ 211,493,584
Domestic and international equities	1,282,253,689	2,312,897	1,284,566,586
Real estate	334,020,373	589,871	334,610,244
Partnership	122,870,542	221,631	123,092,173
Short-term investments	18,509,303	33,387	18,542,690
Total investments	1,968,766,691	3,538,586	1,972,305,277
Receivables			
Other receivable	81,351	-	81,351
Interest and dividends receivable	1,985,159	-	1,985,159
Due from City	27,290	-	27,290
Total receivables	2,093,800	-	2,093,800
Cash			
Cash	25,366,384	-	25,366,384
Prepaid assets			
Prepaid assets	399,075	-	399,075
Securities lending collateral			
Securities lending collateral	82,803,809	-	82,803,809
Total assets	2,079,429,759	3,538,586	2,082,968,345
Deferred Outflows of Resources			
Deferred outflows related to pension, net	70,447	-	70,447
Liabilities			
Accounts payable	2,531,466	-	2,531,466
Compensated absences - current	40,096	-	40,096
Compensated absences - long-term	93,558	-	93,558
Net pension liability- SSVRP	142,225	-	142,225
Other liabilities	66,143	-	66,143
Securities lending obligations	82,803,809	-	82,803,809
Total liabilities	85,677,297	-	85,677,297
Deferred Inflows of Resources			
Deferred inflows related to pension, net	544,680	-	544,680
Fiduciary net position available for pension benefits	\$ 1,993,278,229	\$ 3,538,586	\$ 1,996,816,815

City of Jacksonville, Florida
Police and Fire Pension Fund
Combining Schedules of Changes in Fiduciary Net Position

<i>For the year ended September 30, 2022</i>	Jacksonville Police and Fire Pension Fund	Senior Staff Voluntary Retirement Plan	Combined Totals
Additions			
Contributions			
Employer	157,520,476	49,031	157,569,507
Plan member	17,362,646	-	17,362,646
Plan member buybacks and pension transfers	914,588	-	914,588
Total contributions	175,797,710	49,031	175,846,741
Other contributions			
Court fines and other penalties	666,933	-	666,933
State insurance contributions	15,797,724	-	15,797,724
Miscellaneous	210,784	-	210,784
Total other additions	16,675,441	-	16,675,441
Securities lending activities			
Lending revenue	294,206	-	294,206
Less lending expense	(73,506)	-	(73,506)
Total securities lending activities	220,700	-	220,700
Total additions	625,014,177	49,031	192,742,882
Deductions			
Benefit-related expenses			
Pension benefits remitted (including DROP)	221,536,209	376,196	221,912,405
Refunds of contributions	1,579,603	-	1,579,603
Total benefit-related expenses	223,115,812	376,196	223,492,008
Administrative expenses			
Personnel services	1,261,247	-	1,261,247
Professional services - non investment	275,688	-	275,688
Building rent - office space	258,000	-	258,000
Central services	88,226	-	88,226
Supplies	5,903	-	5,903
Other services and changes	207,848	-	207,848
Total administrative expenses	2,096,912	-	2,096,912
Investment (income) loss			
Net depreciation in value of investments	\$ 463,462,801	\$ 818,525	\$ 464,281,326
Interest and dividends	(43,051,954)	(78,726)	(43,130,680)
Rental and parking revenue	(598,765)	-	(598,765)
	419,812,082	739,799	420,551,881
Less investment expenses	12,313,970	-	12,313,970
Less rental expenses	194,274	-	194,274
Total investment (income) loss	432,320,326	739,799	433,060,125
Other expenses			
Pension expense - SSVRP	49,031	-	49,031
Reserve reduction disbursements	24,127,888	-	24,127,888
Total other expenses	24,176,919	-	24,176,919
Total deductions	249,389,643	1,115,995	682,825,964
Net increase (decrease)	(489,016,118)	(1,066,964)	(490,083,082)
Fiduciary net position available for benefits - beginning of year	2,482,294,347	4,605,550	2,486,899,897
Fiduciary net position available for benefits - end of year	\$ 1,993,278,229	\$ 3,538,586	\$ 1,996,816,815

OTHER REPORTING



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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, 2022, 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 April 21, 2023.

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.

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

Jacksonville, Florida

April 21, 2023