



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

Required Communications

September 30, 2021



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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 Combined Financial Statements

We have audited the accompanying combined 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, 2021, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Fund as of September 30, 2021, 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 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, 2021, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 17, 2022 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

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

Jacksonville, Florida
June 17, 2022

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 financial activities of the City of Jacksonville, Florida Police and Fire Pension Fund (Fund) during the fiscal year ended September 30, 2020. 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, 2021, was \$2,486,899,897. 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 an increase of \$432,100,249 or 21.03%. The increase 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, 2021, the funded ratio for the Fund was approximately 54.00%, which compares to the September 30, 2020 funded ratio of 47.87%. In general, the current funded ratio indicates that for every dollar of benefits due, the Fund has approximately \$0.54 of assets to cover it.
- Revenues (additions to the fiduciary net position) other than investment income for the 2021 fiscal year were \$168,802,706, which comprises member and employer contributions of \$153,843,648, other additions of \$14,997,165, and securities lending of (\$38,107). This compares to revenues other than investment income in the amount of \$157,738,385 in the prior fiscal year. For the 2020 fiscal year the minimum employer contribution was determined at \$140,292,637 and no supplemental contribution was required. For fiscal year 2021, the employer minimum required contribution was determined as \$148,475,947 and no supplemental contribution was required. Also, out of the City's minimum required contribution amount, a total of \$13,750,618 and \$16,964,149 for 2021 and 2020, respectively, represented a release of funds from the Unfunded Actuarial Liability Reserve Account (UALRA) and accordingly, these are not presented as additions to the fund's fiduciary net position.
- Net investment income (part of additions to fiduciary net position) for the 2021 fiscal year was \$491,357,820 compared to net investment income for \$159,466,164 that was recorded in the prior fiscal year.
- Expenses (deductions in fiduciary net position) not related to investment activities for the 2021 fiscal year increased from \$220,471,981 to \$228,060,277 or approximately 3.44%. 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 – 28 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 – 37 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)
	2021	2020	2021/2020
Current assets	\$ 30,056,875	\$ 28,069,138	\$ 1,987,737
Investments	2,468,370,741	2,035,767,575	432,603,166
Securities lending collateral	89,580,224	73,125,949	16,454,275
Total assets	<u>2,588,007,840</u>	<u>2,136,962,662</u>	<u>451,045,178</u>
Deferred outflows of resources	70,447	112,110	(41,663)
Current liabilities	10,947,311	9,117,783	1,829,528
Securities lending obligations	89,580,224	73,125,949	16,454,275
Long-term liabilities	106,175	31,392	74,783
Total liabilities	<u>100,633,710</u>	<u>82,275,124</u>	<u>18,358,586</u>
Deferred inflows of resources	544,680	-	544,680
 Total fiduciary net position	 <u>\$ 2,486,899,897</u>	 <u>\$ 2,054,799,648</u>	 <u>\$ 432,100,249</u>

	September 30,		Increase (Decrease)
	2021	2020	2021/2020
Plan member contributions	\$ 19,118,319	\$ 19,035,433	\$ 82,886
Employer contributions	134,725,329	123,328,488	11,396,841
Other additions	14,997,165	15,080,926	(83,761)
Net investment income	491,357,820	159,466,164	331,891,656
Net securities lending activities	(38,107)	293,538	(331,645)
Total additions to fiduciary net position	<u>660,160,526</u>	<u>317,204,549</u>	<u>342,955,977</u>
Benefit payments	213,571,020	207,796,552	5,774,468
Administrative expenses	2,204,771	2,184,754	20,017
Other expenses	12,284,486	10,490,675	1,793,811
Total deductions to fiduciary net position	<u>228,060,277</u>	<u>220,471,981</u>	<u>7,588,296</u>
Change in fiduciary net position	432,100,249	96,732,568	335,367,681
Fiduciary net position available for benefits - beginning of year	2,054,799,648	1,958,067,080	96,732,568
Fiduciary net position available for benefits - end of year	<u>\$ 2,486,899,897</u>	<u>\$ 2,054,799,648</u>	<u>\$ 432,100,249</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, 2021 was \$2,486,899,897, representing an increase of \$432,100,249 or 21.03% from \$2,054,799,648 at September 30, 2020. The increase was largely a result of favorable investment returns available in the financial markets.

For the 2021 fiscal year, employer and member contributions were \$153,843,648 representing an increase of 8.06% over the \$142,363,921 recorded during the 2020 fiscal year. The increase in the level of pension contributions during the fiscal year 2021 resulted from the amount of contributions by the City based on the actuarial study and on the release of \$13,750,618 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 \$491,357,820 for the 2021 fiscal year, compared with net investment income of \$159,466,164 for the 2020 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 \$724,217; and miscellaneous charges of \$(33,717), Miscellaneous revenues consisted of employee contributions \$66,208, commissions recapture \$(36,535), sales of surplus, lost, miscellaneous settlements \$8,274, and miscellaneous sales and charges of \$31,152. The Fund also received Florida Chapter 175 and 185 premium taxes of \$14,306,665 which are restricted for purposes determined by the Jacksonville Association of Fire Fighters. For the 2021 fiscal year, these other additions of revenue sources produced revenues in the amount of \$14,997,165 for the Fund, representing a \$83,761 or 0.56% decrease as compared to the \$15,080,926 recorded during the 2020 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 2021 fiscal year, retirement and survivor benefits (including DROP and refunds) were \$213,571,020. Administrative expenses during the 2021 fiscal year were \$2,933,339 versus \$2,184,754 in the prior fiscal year.

At September 30, 2021, the Fund held \$341,556,255 in fixed income securities, an increase of \$106,767,636 or 45.47% from \$234,788,619 held at September 30, 2020.

At September 30, 2021, the Fund held \$1,841,549,716 in U.S. and international equity securities, an increase of \$362,118,187 or 24.48% from \$1,479,431,529 held at September 30, 2020.

At September 30, 2021, the Fund held \$274,371,010 in real estate investments, a decrease of \$12,014,209 or 4.20% compared to the \$286,385,219 real estate investments held at September 30, 2020.

**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>2021</i>
Assets	
Investments	
Long-term investments	
Fixed incomes securities	\$ 341,556,255
Domestic and international equities	1,841,549,716
Real estate	274,371,010
Short-term investments	10,893,760
Total investments	<u>2,468,370,741</u>
Receivables	
Other receivable	81,351
Interest and dividends receivable	1,492,958
Due from City	964,402
Total receivables	<u>2,538,711</u>
Cash	27,436,489
Prepaid assets	81,675
Securities lending collateral	<u>89,580,224</u>
Total assets	<u>2,588,007,840</u>
Deferred Outflows of Resources	
Deferred outflows related to pension, net	<u>70,447</u>
Liabilities	
Accounts payable	3,166,914
Accrued benefit payments	7,524,686
Compensated absences - current	47,421
Compensated absences - long-term	106,175
Net pension liability- SSVRP	142,225
Other liabilities	66,065
Securities lending obligations	89,580,224
Total liabilities	<u>100,633,710</u>
Deferred Inflows of Resources	
Deferred inflows related to pension, net	<u>544,680</u>
Fiduciary net position available for pension benefits	<u>\$ 2,486,899,897</u>

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>	2021
Additions	
Investment income	
Net appreciation in value of investments	\$ 470,133,028
Interest and dividends	30,303,706
Rental and parking revenue	695,577
	501,132,311
Less investment expenses	(9,599,641)
Less rental expenses	(174,850)
Total investment income	491,357,820
Contributions	
Employer	134,725,329
Plan member	17,995,930
Plan member buybacks and pension transfers	1,122,389
Total contributions	153,843,648
Other contributions	
Court fines and other penalties	724,217
State insurance contributions	14,306,665
Miscellaneous	(33,717)
Total other additions	14,997,165
Securities lending activities	
Lending revenue	23,181
Less lending expense	(61,288)
Total securities lending activities	(38,107)
Total additions	660,160,526
Deductions	
Benefit-related expenses	
Pension benefits remitted (including DROP)	212,183,811
Refunds of contributions	1,387,209
Total benefit-related expenses	213,571,020
Administrative expenses	
Personnel services	1,216,615
Professional services - non investment	251,057
Building rent - office space	258,000
Central services	286,405
Supplies	4,187
Other services and changes	188,507
Total administrative expenses	2,204,771
Other expenses	
GASB 68 SSVRP Pension expense	728,568
Reserve reduction disbursements	11,555,918
Total other expenses	12,284,486
Total deductions	228,060,277
Net increase	432,100,249
Fiduciary net position available for benefits - beginning of year	2,054,799,648
Fiduciary net position available for benefits - end of year	\$ 2,486,899,897

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	3,185
Inactive, nonretired members	91
Active plan members	<u>2,057</u>
Total participants	<u><u>5,333</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.

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, 2021. 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 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, June 17, 2022 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.

For the 2021 fiscal year, the Board determined that a total of \$13,750,618 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 2021 fiscal year. Accordingly, the City's actual cash contribution to the Fund for the 2021 fiscal year was reduced from \$148,475,947 to \$134,725,329.

The balances of the reserve values after the 2021 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, 2020	\$ 16,288,020	\$ 2,532,385	\$ 8,140,384	\$ 4,077,179	\$ 3,696,757	\$ 34,734,725
Net increase for FY21	3,770,677	269,439	1,511,770	528,371	-	6,080,257
Allocated to Fund	(13,750,618)	-	-	-	-	(13,750,618)
September 30, 2021	<u>\$ 6,308,079</u>	<u>\$ 2,801,824</u>	<u>\$ 9,652,154</u>	<u>\$ 4,605,550</u>	<u>\$ 3,696,757</u>	<u>\$ 27,064,364</u>

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, 2021:

	Fair Value	Level 1	Level 2	Level 3
Fixed:				
Commercial mortgage-backed	1,129,902	-	1,129,902	-
Corporate Bonds	140,925,384	-	140,925,384	-
Government bonds	50,338,638	50,338,638	-	-
Government mortgage-backed securities	17,704,100	-	17,704,100	-
Government commercial mortgage-backed securities	2,919,537	-	2,919,537	-
Non-Government mortgage backed securities	102,184	-	102,184	-
Funds - other fixed income	128,436,510	-	128,436,510	-
Total fixed	<u>341,556,255</u>	<u>50,338,638</u>	<u>291,217,617</u>	<u>-</u>
Equity:				
Common stock	507,181,256	507,181,256	-	-
Common stock funds	1,166,145,796	-	1,166,145,796	-
Hedge equity	166,447,516	-	-	166,447,516
Real estate	274,371,010	-	-	274,371,010
Convertible equity	1,775,148	-	1,775,148	-
Total equity	<u>2,115,920,726</u>	<u>507,181,256</u>	<u>1,167,920,944</u>	<u>440,818,526</u>
Total investments	<u>\$ 2,457,476,981</u>	<u>\$ 557,519,894</u>	<u>\$ 1,459,138,561</u>	<u>\$ 440,818,526</u>

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, 2021 was \$380,688,717.

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 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 (measurement date). A net pension liability of \$142,225 exists for the SSVRP as of September 30, 2021.

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, 2021, the annual money weighted rate of return on investments was 23.15%. 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, 2021, the carrying amount of cash on hand and on deposit with banks, including interest-bearing accounts, was \$27,436,489.

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, 2021, the carrying amount of these deposits and investments was \$2,461,212,742. 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, 2021, the office building and parking garage generated \$695,577 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, 2021:

Cash and cash equivalents:	
Short term investments	\$ 10,893,760
Fixed:	
Commercial mortgage backed	1,129,902
Corporate bonds	140,925,384
Government bonds	50,338,638
Government mortgage backed securities	17,704,100
Government commercial mortgage backed securities	2,919,537
Non-Government mortgage backed securities	102,184
Funds-other fixed income	128,436,510
	<u>341,556,255</u>
Equity:	
Common stock	507,181,256
Common stock funds	1,166,145,796
Hedge equity	166,447,516
Convertible Equity	1,775,148
	<u>1,841,549,716</u>
Real estate	<u>274,371,010</u>
Total	<u>\$ 2,468,370,741</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, 2021:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Commercial Mortgage Backed	\$ 1,129,902	12.43
Corporate Bonds	140,925,384	7.42
Government Bonds	50,338,638	3.94
Government Mortgage Backed Securities	17,704,100	22.78
Asset Backed Securities	26,022,882	10.10
Bank Loans	915,940	4.10
Government Commercial Mortgage Backed Securities	2,919,536	37.56
Non-Government Backed C.M.O.	102,185	4.21
Bond Index Fund	101,497,688	*N/A
Total Fair Value	<u>\$ 341,556,255</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, 2021, the following Organizations held 5% or more of the Fund’s fiduciary net position:

	Market Value	Market Value as a Percentage
Arcadian	\$ 191,243,777	7.69%
Baille Gifford	166,447,516	6.69%
Eagle	292,482,453	11.76%
JPM	202,278,527	8.13%
Loomis	164,087,009	6.60%
Loomis SLC	137,954,117	5.55%
Neuberger	244,908,879	9.85%
NT S&P 500	284,025,394	11.42%
Silchester	180,583,429	7.26%

As of September 30, 2021, the Fund’s debt security investments credit risk are in the following table:

Fair Value Moody's	
Aaa	\$ 51,567,163
Aa	5,935,770
A	29,764,813
Baa	76,801,341
Ba	19,622,815
B	6,852,602
Caa	554,706
Not Rated	150,457,044
Total	<u>\$ 341,556,255</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, 2021, the Fund maintained collateral on loaned securities of \$89,580,224 and incurred net loss of \$38,107.

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, 2021.

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	\$	4,596,792,389
Total Plan fiduciary net position		2,482,294,347
City's net pension liability	\$	2,114,498,042
Plan fiduciary net position as a percentage of the total pension liability		54.00%

Actuarial Methods and Assumptions Used to Measure Net Pension Liability

The valuation date and measurement date are September 30, 2021. The actuarial methods and assumptions used in the October 1, 2021 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:	6.625%
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, 2021 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, 2021 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 6.625% 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 6.625%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1% lower (5.625%) or 1% higher (7.625%) than the current rate:

	1% Decrease (5.625%)	Current Discount (6.625%)	1% Increase (7.625%)
City's net pension liability	\$ 2,791,282,373	\$ 2,114,498,042	\$ 1,569,564,870

NOTE 10 – MINIMUM REQUIRED CONTRIBUTION

The employer (the City) contributions for the year ended September 30, 2021 were \$134,725,329. In addition to these contributions the City released \$13,750,618 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, 2021 of \$148,475,947. This funding approach was approved in Ordinance 2017-504-E.

In accordance with Ordinance 2021-504-E for fiscal year 2022 the City will contribute \$157,352,434 as determined by the Fund’s actuary on the January 11, 2021 Actuarial Valuation Report as of October 1, 2021.

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**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Total Pension Liability										
Service cost (BOY)	\$ 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	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	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	162,092,668	56,025,218	-	-	232,927,458	97,813,304	24,514,349	-	5,332,605	227,333,255
Benefit payments, including refunds of member contributions	(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	(1,387,209)	(715,829)	(732,596)	(782,240)	(811,383)	-	-	-	-	-
Distributions from Reserve Accounts	(15,237,677)	(24,557,185)	(55,472,334)	-	-	-	-	-	-	-
Other (Adjustments to Report on Gross Basis and Net Changes in Reserves)	556,047	(3,075,278)	110,374,742	-	-	-	-	-	-	-
Net change in total pension liability	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	335,778,880
Total pension liability - beginning	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)	\$ 4,596,792,389	\$ 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
Plan fiduciary net position										
Contributions including buybacks--employer	\$ 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	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, including securities lending	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	(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	(11,555,918)	(24,557,185)	(55,472,334)	-	-	-	-	-	-	-
Administrative expense	(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	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	724,217	519,212	701,652	775,741	759,291	832,536	920,774	881,291	757,984	770,125
Other	(800,392)	672,843	(3,261,537)	82,243	51,404	122,886	327,418	141,855	1,187,289	55,383
Net change in plan fiduciary net position	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	156,701,767
Cumulative effect of change in accounting principle						2,238,000				
Plan fiduciary net position - beginning	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)	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	1,110,737,308
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)	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	1,078,906,687
Plan net pension liability - ending(a)-(b)	\$ 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	\$ 1,684,069,819
Plan fiduciary net position as a percentage of total pension liability	54.00%	47.87%	47.78%	48.48%	47.24%	45.24%	43.10%	46.13%	42.69%	39.05%
Covered payroll	\$ 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	1306.57%	1282.23%	1226.37%	1233.97%	1318.79%	1351.12%	1346.91%	1206.38%	1258.65%	1285.82%

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

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

FYE	Actuarially Determined Contribution	Contribution in relation to the actuarially determined contribution	Contribution deficiency (excess)		Covered payroll	Contribution as a percentage of covered payroll
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%
2012	73,729,000	70,598,682	3,130,318		133,611,459	52.84%

Valuation Date: October 1, 2018

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll, Closed
Remaining Amortization Period	28 years
Asset Valuation Method	Market Value
Inflation	2.5%
Salary Increases	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, \$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 and
Senior Staff Voluntary Retirement Plan
Schedule of Investment Returns:**

Annual money- weighted ratio of return, net of investment expenses

For Year Ended	Percentage
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%
2012	18.25%

City of Jacksonville, Florida
Senior Staff Voluntary Retirement Plan

Schedule of Changes in Net Pension Liability and Related Ratios
Last 10 Fiscal Years

	2021	2020	2019	2018	2017*	2016	2015**
Total Pension Liability							
Service cost (BOY)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (57,000)
Interest on total pension liability	303,786	205,390	208,864	209,522	-	298,000	282,000
Benefit Changes	-	1,517,602	-	-	-	90,000	-
Difference between actual and expected experience	119,664	142,822	-	38,910	-	27,000	-
Changes of assumptions	111,957	271,792	-	-	-	149,000	154,000
Benefit payments, including refunds of member contributions	(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	160,995	1,523,338	(49,522)	(8,853)	(1,562,183)	278,000	270,000
Total pension liability - beginning	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)	\$ 4,747,775	\$ 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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions including buybacks--member	-	-	-	-	-	-	22,000
Net investment income, including securities lending	902,783	331,488	129,086	341,854	567,131	386,000	(167,000)
Benefit payments, including refunds of member contributions	(374,412)	(614,268)	(258,386)	(257,285)	(264,441)	(286,000)	(109,000)
Administrative expense	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Net change in plan fiduciary net position	528,371	(282,780)	(129,300)	84,569	302,690	100,000	(254,000)
Plan fiduciary net position - beginning	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)	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)	\$ 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	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

* 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
Senior Staff Voluntary Retirement Plan

Schedule of Contributions
For The Last Ten Fiscal Years

FYE	Actuarially Determined Contribution	Contribution in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contribution as a percentage of covered payroll
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%
2012	523,000	117,000	406,000	355,000	32.96%

Valuation Date: October 1, 2018

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Not applicable
Remaining Amortization Period	Not applicable
Asset Valuation Method	Market Value
Inflation	2.50%
Salary Increases	Not applicable
Investment Rate of Return	7.00%
Retirement Age	Not applicable
Mortality	RP-2000 Mortality Table for Annuitants with mortality improvements projected to all future years after 2000 using scale BB. For males, the base mortality rates include a 50% blue collar adjustment and a 50% white collar adjustment; and ages set forward 2.5 years. For females, the base mortality rates include a 100% white collar adjustment; and ages set forward 2.5 years. These are the same rates used for the Jacksonville General Employees Retirement Plan.

COMBINING STATEMENTS

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

<i>September 30,</i>	Jacksonville Police and Fire Pension Fund	SSVRP	2021 Combined Totals
Assets			
Investments			
Long-term investments			
Fixed incomes securities	\$ 340,917,117	\$ 639,138	\$ 341,556,255
Domestic and international equities	1,838,103,712	3,446,004	1,841,549,716
Real estate	273,870,987	500,023	274,371,010
Short-term investments	10,873,375	20,385	10,893,760
Total investments	2,463,765,191	4,605,550	2,468,370,741
Receivables			
Other receivable	81,351	-	81,351
Interest and dividends receivable	1,492,958	-	1,492,958
Due from City	964,402	-	964,402
Total receivables	2,538,711	-	2,538,711
Cash			
Cash	27,436,489	-	27,436,489
Prepaid assets			
Prepaid assets	81,675	-	81,675
Securities lending collateral			
Securities lending collateral	89,580,224	-	89,580,224
Total assets	2,583,402,290	4,605,550	2,588,007,840
Deferred Outflows of Resources			
Deferred outflows related to pension, net	70,447	-	70,447
Liabilities			
Accounts payable	3,166,914	-	3,166,914
Accrued benefit payments	7,524,686	-	7,524,686
Compensated absences - current	47,421	-	47,421
Compensated absences - long-term	106,175	-	106,175
Net pension liability- SSVRP	142,225	-	142,225
Other liabilities	66,065	-	66,065
Securities lending obligations	89,580,224	-	89,580,224
Total liabilities	100,633,710	-	100,633,710
Deferred Inflows of Resources			
Deferred inflows related to pension, net	544,680	-	544,680
Fiduciary net position available for pension benefits	\$ 2,482,294,347	\$ 4,605,550	\$ 2,486,899,897

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

<i>For the year ended September 30, 2021</i>	Jacksonville Police and Fire Pension Fund	SSVRP	Combined Totals
Additions			
Investment income			
Net appreciation in value of investments	\$ 469,285,800	\$ 847,228	\$ 470,133,028
Interest and dividends	30,248,151	55,555	30,303,706
Rental and parking revenue	695,577	-	695,577
	500,229,528	902,783	501,132,311
Less investment expenses	(9,599,641)	-	(9,599,641)
Less rental expenses	(174,850)	-	(174,850)
Total investment income	490,455,037	902,783	491,357,820
Contributions			
Employer	134,725,329	-	134,725,329
Plan member	17,995,930	-	17,995,930
Plan member buybacks and pension transfers	1,122,389	-	1,122,389
Total contributions	153,843,648	-	153,843,648
Other contributions			
Court fines and other penalties	724,217	-	724,217
State insurance contributions	14,306,665	-	14,306,665
Miscellaneous	(33,717)	-	(33,717)
Total other additions	14,997,165	-	14,997,165
Securities lending activities			
Lending revenue	23,181	-	23,181
Less lending expense	(61,288)	-	(61,288)
Total securities lending activities	(38,107)	-	(38,107)
Total additions	659,257,743	902,783	660,160,526
Deductions			
Benefit-related expenses			
Pension benefits remitted (including DROP)	211,809,399	374,412	212,183,811
Refunds of contributions	1,387,209	-	1,387,209
Total benefit-related expenses	213,196,608	374,412	213,571,020
Administrative expenses			
Personnel services	1,216,615	-	1,216,615
Professional services - non investment	251,057	-	251,057
Building rent - office space	258,000	-	258,000
Central services	286,405	-	286,405
Supplies	4,187	-	4,187
Other services and changes	188,507	-	188,507
Total administrative expenses	2,204,771	-	2,204,771
Other expenses			
Pension expense - SSVRP	728,568	-	728,568
Reserve reduction disbursements	11,555,918	-	11,555,918
Total other expenses	12,284,486	-	12,284,486
Total deductions	227,685,865	374,412	228,060,277
Net increase	431,571,878	528,371	432,100,249
Fiduciary net position available for benefits - beginning of year	2,050,722,469	4,077,179	2,054,799,648
Fiduciary net position available for benefits - end of year	\$ 2,482,294,347	\$ 4,605,550	\$ 2,486,899,897

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, 2021, 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 June 17, 2022.

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

June 17, 2022



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June 17, 2022

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

We are pleased to present the results of our audit of the 2021 financial statements of the City of Jacksonville Police and Fire Pension Fund (the "Fund").

This report to Board of Trustees and management summarizes our audit, the report issued and various analyses and observations related to the Fund's accounting and reporting. The document also contains the communications required by our professional standards.

The audit was designed, primarily, to express opinions on the Fund's 2021 financial statements. We considered the Fund's current and emerging business needs, along with 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 the Fund's 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 Board of Trustees 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 Frank Mason at 352-372-6300 or fmason@cricpa.com.

Very truly yours,

Frank Mason, CPA
Partner



As discussed with the Board of Trustees and management during our planning process, our audit plan represented an approach responsive to the assessment of risk for the Fund. Specifically, we planned and performed our audit to:

- Perform audit services, as requested by the Board of Trustees and management, 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, in order to express an opinion on the Fund's financial statements for the year ending September 30, 2021.
- Report on internal control over financial reporting and on compliance and other matters based on an audit of the Fund's financial statements performed in accordance with Government Auditing Standards.
- Communicate directly with the Board of Trustees and management regarding the results of our procedures;
- Address with the Board of Trustees and management any accounting and financial reporting issues;
- Anticipate and respond to concerns of the Board of Trustees and those of management; and
- Address other audit-related projects as they arise and upon request.



We have audited the financial statements of the Fund as of and for the year ended September 30, 2021, and have issued our report thereon dated June 17, 2022. Professional standards require that we provide you with the following information related to our audit:

MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p>Auditors' responsibility under Generally Accepted Auditing Standards and Government Auditing Standards</p>	<p>As stated in our engagement letter dated December 13, 2021, 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 Fund. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.</p>
<p>Client's responsibility</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. Management is responsible for overseeing nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.</p>
<p>Planned scope and timing of the audit</p>	<p>Our initial audit plan was not significantly altered during our fieldwork.</p>
<p>Management judgments and accounting estimates <i>The process used by management in forming particularly sensitive accounting estimates and the basis for the auditors' conclusion regarding the reasonableness of those estimates.</i></p>	<p>Please see the following section titled "Accounting Policies, Judgments and Sensitive Estimates and CRI Comments on Quality."</p>
<p>Potential effect on the financial statements of any significant risks and exposures <i>Major risks and exposures facing the Plan and how they are disclosed.</i></p>	<p>No such risks or exposures were noted.</p>



MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p>Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles and the auditors' judgment about the quality of accounting principles</p> <ul style="list-style-type: none"> • <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> • <i>The auditor should also discuss the auditors' 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> • <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> 	<p>Significant accounting policies are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2021. We noted no transactions entered into by the Fund during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.</p> <p>Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:</p> <ol style="list-style-type: none"> 1. The disclosure of fair value measurements in Note 4 to the financial statements. 2. The disclosure of net pension liability Note 9 to the financial statements. <p>The financial statement disclosures are neutral, consistent, and clear.</p>



MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p>Significant difficulties encountered in the audit <i>Any significant difficulties, for example, unreasonable logistical constraints or lack of cooperation by management.</i></p>	<p>We encountered no significant difficulties in dealing with management in performing and completing our audit.</p>
<p>Disagreements with management <i>Disagreements, whether or not subsequently resolved, about matters significant to the financial statements or auditors' report. This does not include those that came about based on incomplete facts or preliminary information.</i></p>	<p>We are pleased to report that no such disagreements arose during the course of our audit.</p>
<p>Other findings or issues <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>	<p>None noted.</p>
<p>Matters arising from the audit that were discussed with, or the subject of correspondence with, management <i>Business conditions that might affect risk or discussions regarding accounting practices or application of auditing standards.</i></p>	<p>None noted.</p>
<p>Corrected and uncorrected misstatements <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>	<p>See "Summary of Audit Adjustments" section.</p>



MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p>Major issues discussed with management prior to retention <i>Any major accounting, auditing or reporting issues discussed with management in connection with our initial or recurring retention.</i></p>	<p>Discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.</p>
<p>Consultations with other accountants <i>When management has consulted with other accountants about significant accounting or auditing matters.</i></p>	<p>To our knowledge, there were no such consultations with other accountants.</p>
<p>Written representations <i>A description of the written representations the auditor requested (or a copy of the representation letter).</i></p>	<p>See "Management Representation Letter" section.</p>
<p>Internal control deficiencies <i>Any significant deficiencies or material weaknesses in the design or operation of internal control that came to the auditors' attention during the audit.</i></p>	<p>None noted.</p>
<p>Fraud and illegal acts <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 auditors' attention involving senior management and any other illegal acts, unless clearly inconsequential.</i></p>	<p>We are unaware of any fraud or illegal acts involving management or causing material misstatement of the financial statements.</p>
<p>Parties in interest and prohibited transactions <i>Any parties in interest in the Plan, and other reportable transactions.</i></p>	<p>No prohibited transactions were noted.</p>
<p>Other information in documents containing audited financial statements <i>The external auditors' 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"> • Such information is materially inconsistent with the financial statements; and • We believe such information represents a material misstatement of fact. <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>



MATTER TO BE COMMUNICATED	AUDITORS' RESPONSE
<p>Significant unusual accounting transactions <i>Auditor communication with governance to include auditors' views on policies and practices management used, as well as the auditors' understanding of the business purpose.</i></p>	<p>No significant unusual accounting transactions were noted during the year.</p>
<p>Required Supplementary Information <i>The auditors' responsibility for required supplementary information accompanying the financial statements, as well as any procedures performed and the results.</i></p>	<p>We applied certain limited procedures to the required supplementary information (RSI) that supplements the financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.</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).

The corrected adjustments as a result of our audit procedures are as follows:

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 1			
TB V7 to V8 - Audit Adjustment - To record the payroll accrual for benefit payments - client entry			
3601	1937 Pension Payroll	7,476,884.00	
36907	Other Misc Sales & Charges	175,886.00	
207011	Due to City of Jacksonville		175,886.00
21600	Accrued Pension Pay and Wages Payable		7,476,884.00
Total		<u>7,652,770.00</u>	<u>7,652,770.00</u>
Adjusting Journal Entries JE # 2			
To record various changes in account balances from TB vr6 to vr7 - client entry			
10311	Adjust to Market-Real Estate	376,400.00	
10400	Pooled Cash	7,579,454.00	
1201	Admin-Permanent/Probationary	46.00	
1305	Admin-Compensated Absences	36,383.00	
133428	Due From Other Gov'tal Units	964,402.00	
2102	Admin-Medicare Tax	1.00	
2213	Admin-GEPP Defined contribution DC-ER	1.00	
31252	Contributions From State	319,718.00	
361101	Investment Pool Earnings	812,494.00	
36812	Employers Contribution - City	4,931,703.00	
4501-Building	Building OP-Insurance & Bonds	7,756.00	
21000	Compensated Absences - Current		10,915.00
21090	Compensated Absences - Long Term		25,468.00
21600	Accrued Pension Pay and Wages Payable		958,619.00
2201	Admin-Pension Contributions		262.00
2203	Admin-GEPP DB UNFUNDED LIABILITY		1,267.00
2301	Admin-Group Dental Plan		113.00
2303	Admin-Group Life Insurance		120.00
2304	Admin-Group Hospitalization		4,632.00
3119	Admin-Professional Services		4,228.00
34451	Parking Monthly Fees		1.00
35101	Court Fines & Penalties		35,244.00
36132	Unrealized Gain/(Loss)-Real Estate		376,400.00
36802	5-8-63 Fire Time Svc - P/R Ded		919.00
36825	Buy Backs-Employee Contrib (PR)		42.00
36851	Employees Contrib		2.00
3690	Advances From Other Funds - General Fund-GSD		13,286,880.00
4501-Park	Parking OP-Insurance & Bonds-non payroll		3,529.00
9999	Accounts Payable - Misc. Current Liability		319,717.00
4501-Admin	Insurance & Bonds		
Total		<u>15,028,358.00</u>	<u>15,028,358.00</u>

Summary of Audit Adjustments



Account	Description	Debit	Credit
Adjusting Journal Entries JE # 3			
To adjust unreconciled difference in beginning balance of net assets - For FS presentation purposes.			
207011	Due to City of Jacksonville	175,886.00	
60000	Net Position		175,886.00
Total		<u>175,886.00</u>	<u>175,886.00</u>

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 4			
To record the net pension liability and related adjustments for deferred outflows and inflows and pension expense under GASB 68 for the SSVRP - non-attest service			
2215	Admin-GASB 68 Pension	571,284.00	
19000	Deferred Outflow		6,439.00
23993	GASB 68 Net Position Liability		509,601.00
290003	Deferred Inflow		55,244.00
Total		<u>571,284.00</u>	<u>571,284.00</u>



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
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JACKSONVILLE, FLORIDA 32202-3616

"We Serve...and We Protect"

Phone: (904) 255-7373
Fax: (904) 353-8837

June 17, 2022

Carr, Riggs & Ingram, LLC
7411 Fullerton St.
Jacksonville, FL. 32256

This representation letter is provided in connection with your audit of the combined 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, 2021, 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 December 13, 2021, 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 \$13,750,618 from reserves as authorized by the City of Jacksonville.

Signature: 

Tim Johnson
Executive Director- Plan Administrator

Signature: 

Kevin Grant
Finance Director