City of Jacksonville

Police and Fire Pension Fund

FISCAL YEAR 2020 ANNUAL REPORT

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Letter from the Executive Director

Stewardship is at the heart of everything we do at the Police and Fire Pension Fund. It centered the Board, committees, staff and service providers as we worked through 2020 - a year of unprecedented uncertainty.

This year's annual report includes highlights of a fiscal year marked by a global pandemic, civil unrest, market volatility, funding policy changes, benefit corrections, and legal challenges.

- Notwithstanding COVID-19 and its dynamic effect on the workforce, staff administered every payroll (nearly $175 million to more than 3,000 retirees) record numbers of retirements and sadly record deaths. Whether working remotely or in-office, staff met the call for extraordinary service.
- Our real estate team took a proactive approach to safeguarding PFPF property ensuring continuity of operations during a time of great strife within our community.
- Despite headwinds, including the worst single-day Dow Jones point drop ever; the PFPF posted net investment income of $159,759,700 and 7.98% net return on assets, exceeding targets.
- The PFPF Board of Trustees approved assumption changes (lowering the discount rate to 6.9% and adopting new mortality tables) which caused a $3.1 million increase in the employer contribution, improving solvency and retirement security for our members.
- The PFPF Board of Trustees approved procedures that made former Bailiffs eligible to purchase additional time service. The Board also convened a subcommittee to re-examine Ordinance Code relating to benefits paid to minor children of deceased members who have no eligible surviving spouse. A dozen children were affected and received approximately $944,000 in retroactive benefits. Also, the Board endorsed Ordinance 2020-219, allowing re-employment of PFPF retirees to assist in the emergency response associated with COVID-19. These actions ensure members receive their entitled benefits.
- Two legal settlements resulted in 1) the clarification of the Board's fiduciary authority to operate the Fund and 2) the resolution of a dispute involving members of color. In Keane vs. City of Jacksonville and PFPF, Judge Eric C. Roberson ruled that the Board has authority to fix employee compensation as written in Jacksonville Charter Section 22.04. In addition, through the Department of Justice vs. City of Jacksonville (JFRD) Consent Decree, fifty-eight members (or their survivors) received bi-weekly pension adjustments averaging $107.41 per member.

The challenges faced by our nation in 2020 were unprecedented. Although we are still in the midst of uncertainty, we continue to uphold our mission to serve our members, beneficiaries, and all stakeholders at the highest level of integrity and professionalism.

I invite you to learn more about our work, our partners and our stewardship in the 2020 PFPF Annual Report.

Sincerely,

Timothy H. Johnson, Executive Director – Plan Administrator

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Jacksonville, Florida Police and Fire Pension Fund (the "Fund"), which comprise the statement of fiduciary net position as of September 30, 2020, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Fund as of September 30, 2020, and the changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed In Note 1 to the financial statements, the accompanying financial statements present only the City of Jacksonville, Florida Police and Fire Pension Fund and do not purport to, and do not, present fairly the net position restricted for pension benefits of the City of Jacksonville, Florida, as of September 30, 2020, or the City's changes in net position restricted for pension benefits for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Required Supplementary Information

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

Other Reporting Required by Governmental Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated March 5, 2021 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
March 25, 2021

City of Jacksonville, Florida
Police and Fire Pension Fund
Statement of Fiduciary Net Position
September 30, 2020

2020 FINANCIAL HIGHLIGHTS:

$2.14b

TOTAL ASSETS

$2.05b

FIDUCIARY NET POSITION AVAILABLE FOR PENSION BENEFITS

FY 2020 Fund Audit

ASSETS		
Investments		
Long-term investments		
Fixed incomes securities	$	234,788,619
Domestic and international equities		1,479,431,529
Real estate		286,385,219
Short-term investments		35,162,208
Total investments		2,035,767,575
Receivables		
Other receivable		81,351
Interest and dividends receivable		1,740,703
Total receivables		1,822,054
Cash		26,165,409
Prepaid assets		81,675
Securities lending collateral		73,125,949
Total assets		2,136,962,662
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension, net		112,110
LIABILITIES		
Accounts payable		2,192,794
Accrued pension pay and wages payable		6,841,392
Compensated absences – current		15,372
Compensated absences - long-term		31,392
Other liabilities		68,225
Securities lending obligations		73,125,949
Total liabilities		82,275,124
Fiduciary net position available for pension benefits	$	2,054,799,648

City of Jacksonville, Florida
Police and Fire Pension Fund
Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2020

ADDITIONS		
Investment income		
Net appreciation in value of investments	$	150,299,780
Interest and dividends		16,093,067
Rental and parking revenue		669,949
Less investment expenses		(7,423,944)
Less rental expenses		(172,688)
Total investment income		159,466,164
Contributions		
Employer		123,328,488
Plan member		17,804,102
Plan member buybacks and pension transfers		1,231,331
Total contributions		142,363,921
Other contributions		
Court fines and other penalties		519,212
State insurance contributions		13,888,871
Miscellaneous		672,843
Total other additions		15,080,926
Securities lending activities		
Lending revenue		391,329
Less lending expense		(97,791)
Total securities lending activities		293,538
Total additions		317,204,549
DEDUCTIONS		
Benefit-related expenses		
Pension benefits remitted (including DROP)		207,080,723
Refunds of contributions		715,829
Total benefit-related expenses		207,796,552
Administrative expenses		
Personnel services		1,165,412
Professional services - non investment		184,360
Building rent - office space		258,000
Central services		218,078
Supplies		5,449
Other services and changes		353,455
Total administrative expenses		2,184,754
Other expenses		
Reserve reduction disbursements		10,490,675
Total other expenses		10,490,675
Total deductions		220,471,981
Net increase		96,732,568
Fiduciary net position available for benefits - beginning of year		1,958,067,080
Fiduciary net position available for benefits - end of year	$	2,054,799,648

2020 FINANCIAL HIGHLIGHTS:

$317m

TOTAL ADDITIONS TO FIDUCIARY NET POSITION

$2.05b

FIDUCIARY NET POSITION AVAILABLE FOR BENEFITS

FY 2020 Fund Audit

Actuarial Certification

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

Jacksonville Police and Fire Pension Fund Actuarial Valuation as of October 1, 2020 and Actuarial Disclosures

The results of the October 1, 2020 Annual Actuarial Valuation of the Jacksonville Police and Fire Pension Fund are presented in this report.

The computed contribution rates shown on page 1 may be considered as a minimum contribution rate that complies with the Board's funding policy. Users of this report should be aware that contributions made at that rate do not guarantee benefit security. Given the importance of benefit security to any retirement system, we suggest that contributions to the Fund in excess of those presented in this report be considered.

The contribution rate in this report is determined using the actuarial assumptions and methods disclosed in Section B of this report. This report does not include a robust assessment of the risks of future experience not meeting the actuarial assumptions, as the assessment of these risks was outside the scope of this assignment. We encourage a review and assessment of investment and other significant risks that may have a material effect on the Fund's financial condition.

This report was prepared at the request of the Board and is intended for use by the Retirement System and those designated or approved by the Board. This report may be provided to parties other than the Fund only in its entirety and only with the permission of the Board. GRS is not responsible for unauthorized use of this report.

The purposes of the valuation are to measure the System's funding progress, to determine the employer contribution rate for the fiscal year ending September 30, 2022, and to determine the actuarial information for Governmental Accounting Standards Board (GASB) Statement No. 67. This report should not be relied on for any purpose other than the purposes described herein. Determinations of financial results associated with the benefits described in this report, for purposes other than those identified above may be significantly different.

The findings in this report are based on data through July 1, 2020 and financial information through September 30, 2020. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the Fund's funded status); and changes in plan provisions or applicable law. The scope of an actuarial valuation does not include an analysis of the potential range of such future measurements.

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

The actuarial information for GASB Statement No. 67 is intended to assist in preparation of the financial statements of the Plan. Financial statements are the responsibility of management, subject to the auditor's review. Please let us know if the auditor recommends any changes. Our calculation of the Net Pension Liability associated with the benefits described in this report was performed for the purpose of satisfying the requirements of GASB Statement No. 67. The Net Pension Liability is not an appropriate measure for measuring the sufficiency of plan assets to cover the estimated cost of settling the employer's benefit obligation. The Net Pension Liability is not an appropriate measure for assessing the need for or amount of future employer contributions. A calculation of the plan's liability for purposes other than satisfying the requirements of GASB Statement No. 67 may produce significantly different results.

The valuation was based upon information furnished by the Executive Director concerning Retirement Plan benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal and year-to-year consistency, but did not otherwise audit the data. We are not responsible for the accuracy or completeness of the information provided by the Executive Director.

In addition, this report was prepared using certain assumptions and methods approved by the Board and prescribed by the Florida Statutes as described in the section of this report entitled Actuarial Assumptions and Cost Methods. The prescribed assumptions are the assumed mortality rates detailed in the Actuarial Assumptions and Cost Methods section in accordance with Florida House Bill 1309 (codified in Chapter 2015-157). The prescribed methods include the use of an initial 30-year amortization period for amortizing the unfunded liability as required under Florida Statute 112.64(6)(a), the recognition of the present value of future Pension Liability Surtax proceeds as required by Florida Statute 112.64(6), and the use of a payroll growth assumption to amortize the unfunded liability as required under Florida Statute 112.64(6)(b). Additional information and disclosures regarding these prescribed methods can be found on pages 5 and 6 of this actuarial valuation report.

This report was prepared using ProVal's valuation model, a software product of Winklevoss Technologies. We are relying on the ProVal model. We performed tests of the ProVal model with this assignment and made a reasonable attempt to understand the developer's intended purpose of, general operation of, major sensitivities and dependencies within, and key strengths and limitations of the ProVal model. In our professional judgment, the ProVal valuation model has the capability to provide results that are consistent with the purposes of the valuation and has no material limitations or known weaknesses.

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

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

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

Gabriel, Roeder, Smith & Company will be pleased to review this valuation report with the Board of Trustees and to answer any questions pertaining to the valuation.

Respectfully submitted,

GABRIEL, ROEDER, SMITH AND COMPANY

Pete Strong

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

Jeff Amrose

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

FY 2020 Fund Actuarial Valuation

Jacksonville Police and Fire Pension Fund
Calculation of City Minimum Required Contribution as of October 1, 2020

ACTUARIALLY DETERMINED CONTRIBUTION (ADC)			
A. Valuation Date	October 1, 2020 *After Assumption Changes*	October 1, 2020 *Before Changes*	October 1, 2019
B. ADC to Be Paid During Fiscal Year Ending	9/30/2022	9/30/2022	9/30/2021
C. Assumed Date of Employer Contributions	12/1/2021	12/1/2021	12/1/2020
D. Expected Covered Payroll for the Year Beginning on the Valuation Date	$ 174,185,559	$ 173,997,301	$ 174,124,935
E. Annual Payment to Amortize Unfunded Actuarial Liability	90,939,160	89,231,150	82,496,560
F. Employer Normal Cost	63,271,186	61,924,248	63,203,681
G. ADC if Paid on the Valuation Date: E + F	154,210,346	151,155,398	145,700,241
H. Contributions from Court Fines	519,212	519,212	701,652
I. City Contribution: G - H	153,691,134	150,636,186	144,998,589
as % of Covered Payroll	88.23 %	86.57 %	83.27 %
J. Actuarially Determined Contribution (ADC) in Contribution Year*	157,352,434	154,248,745	148,475,947

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

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

ACTUARIAL VALUE OF BENEFITS AND ASSETS			
A. Valuation Date	October 1, 2020 *After Assumption Changes*	October 1, 2020 *Before Changes*	October 1, 2019
B. Actuarial Present Value of All Projected Benefits for			
1. Active Members			
a. Service Retirement Benefits	$ 1,590,209,562	1,593,082,758	$ 1,541,568,972
b. Vesting Benefits	54,786,043	31,357,557	32,124,302
c. Disability Benefits	19,644,291	26,090,324	26,549,450
d. Preretirement Death Benefits	9,919,581	16,182,639	16,586,522
e. Return of Member Contributions	670,505	775,054	877,311
f. Total	1,675,229,982	1,667,488,332	1,617,706,557
2. Inactive Members			
a. Service Retirees	2,512,290,468	2,413,457,485	2,299,596,668
b. DROP Retirees	370,825,433	363,825,454	409,446,434
c. Disability Retirees	30,134,014	27,806,630	28,434,818
d. Beneficiaries	208,871,260	222,209,044	207,605,486
e. Terminated Vested Members	21,753,741	21,042,162	19,131,781
f. Total	3,143,874,916	3,048,340,775	2,964,215,187
3. Total for All Members	4,819,104,898	4,715,829,107	4,581,921,744
C. Actuarial Accrued (Past Service) Liability			
1. Active Members	1,109,650,498	1,149,159,421	1,072,709,930
2. Inactive Members	3,143,874,916	3,048,340,775	2,964,215,187
3. Total for All Members	4,253,525,414	4,197,500,196	4,036,925,117
D. Actuarial Value of Accumulated Plan Benefits per FASB No. 35	4,082,580,032	4,006,046,619	3,805,435,833
E. Plan Assets			
1. Gross Market Value of Assets	2,054,799,648	2,054,799,648	1,958,615,310
2. Reserve Accounts, including Share Plan	(30,657,546)	(30,657,546)	(54,902,408)
3. Sr. Staff Plan Assets	(4,077,179)	(4,077,179)	(4,359,959)
4. Net Market Value of Assets	2,020,064,923	2,020,064,923	1,899,352,943
5. Actuarial Value of Assets	2,041,049,063	2,041,049,063	1,946,967,113
F. Total Unfunded Actuarial Accrued Liability: C3 - E5	2,212,476,351	2,156,451,133	2,089,958,004
G. Net Present Value of Total Pension Liability Surtax Proceeds According to Pro Rata Share	909,196,697	889,556,058	900,348,997
H. Net Unfunded Actuarial Accrued Liability: F - G	1,303,279,654	1,266,895,075	1,189,609,007
I. Actuarial Present Value of Projected Covered Payroll	1,371,738,900	1,302,231,230	1,366,185,181
J. Funded Ratio: E5 / C3	47.98%	48.63%	48.23%
K. Percent of Actuarial Accrued Liability Covered by Assets and Total Pension Liability Surtax Proceeds: (G + E5) / C3	69.36%	69.82%	70.53%
L. Liquidity Ratio			
1. DROP Balance as of Valuation Date	366,880,377	366,880,377	357,699,120
2. Net Market Value (Net of DROP): E4 - L1	1,653,184,546	1,653,184,546	1,541,653,823
3. Annual Benefit Payments in Pay Status	181,740,946	181,740,946	174,945,657
4. Ratio: L2 : L3	9.10 : 1	9.10 : 1	8.81 : 1

Jacksonville Police and Fire Pension Fund
Liquidation of the Unfunded Actuarial Accrued Liability

Before Changes

UAAL AMORTIZATION PERIOD AND PAYMENTS						
Original UAAL				Current UAAL*		
Date Established	Type of Amortization Base	Amortization Period (Years)	Amount	Years Remaining	Amount	Payment
10/1/2016	Fresh Start	30	$ 1,243,587,908	26	$ 1,184,787,848	$ 83,537,392
10/1/2017	Experience (Gain)/Loss	30	(102,449,877)	27	(101,833,989)	(7,061,718)
10/1/2017	Assumption Changes	30	67,640,845	27	67,234,216	4,662,383
10/1/2018	Experience (Gain)/Loss	30	(19,072,874)	27	(19,004,915)	(1,317,903)
10/1/2018	Method Change	29	15,507,222	27	15,451,967	1,071,523
10/1/2019	Experience (Gain)/Loss	28	33,690,255	27	33,522,920	2,324,660
10/1/2019	Benefit Change	28	2,158,327	27	2,147,607	148,927
10/1/2020	Experience (Gain)/Loss	27	84,589,421	27	84,589,421	5,865,886
			1,325,651,227		1,266,895,075	89,231,150

After Assumption Changes

UAAL AMORTIZATION PERIOD AND PAYMENTS						
Original UAAL				Current UAAL*		
Date Established	Type of Amortization Base	Amortization Period (Years)	Amount	Years Remaining	Amount	Payment
10/1/2016	Fresh Start	30	$ 1,243,587,908	26	$ 1,184,787,848	$ 82,797,192
10/1/2017	Experience (Gain)/Loss	30	(102,449,877)	27	(101,833,989)	(6,997,354)
10/1/2017	Assumption Changes	30	67,640,845	27	67,234,216	4,619,888
10/1/2018	Experience (Gain)/Loss	30	(19,072,874)	27	(19,004,915)	(1,305,891)
10/1/2018	Method Change	29	15,507,222	27	15,451,967	1,061,756
10/1/2019	Experience (Gain)/Loss	28	33,690,255	27	33,522,920	2,303,472
10/1/2019	Benefit Change	28	2,158,327	27	2,147,607	147,569
10/1/2020	Experience (Gain)/Loss	27	84,589,421	27	84,589,421	5,812,422
10/1/2020	Assumption Changes	27	36,384,579	27	36,384,579	2,500,106
			1,362,035,806		1,303,279,654	90,939,160

*Reflects an offset equal to the net present value of the total pension liability surtax proceeds based on a pro rata share of 58.3%.

Jacksonville Police and Fire Pension Fund
Pension Liability Surtax Estimates

PENSION LIABILITY SURTAX ESTIMATES 4.25% GROWTH			
Fiscal Year	Projected Total 1/2-Penny Sales Tax	Projected Pension Liability Surtax	58.3% of Revenue for Police and Fire Pension Fund
2020	$ 93,742,144		
2021	97,726,185		
2022	101,879,548		
2023	106,209,429		
2024	110,723,330		
2025	115,429,071		
2026	120,334,807		
2027	125,449,036		
2028	130,780,620		
2029	136,338,796		
2030	142,133,195		
2031	148,173,856	$ 111,130,392	$ 64,789,018
2032	154,471,245	154,471,245	90,056,736
2033	161,036,273	161,036,273	93,884,147
2034	167,880,314	167,880,314	97,874,223
2035	175,015,227	175,015,227	102,033,878
2036	182,453,375	182,453,375	106,370,317
2037	190,207,643	190,207,643	110,891,056
2038	198,291,468	198,291,468	115,603,926
2039	206,718,855	206,718,855	120,517,093
2040	215,504,407	215,504,407	125,639,069
2041	224,663,344	224,663,344	130,978,730
2042	234,211,536	234,211,536	136,545,326
2043	244,165,526	244,165,526	142,348,502
2044	254,542,561	254,542,561	148,398,313
2045	265,360,620	265,360,620	154,705,241
2046	276,638,446	276,638,446	161,280,214
2047	288,395,580	288,395,580	168,134,623
2048	300,652,393	300,652,393	175,280,345
2049	313,430,119	313,430,119	182,729,760
2050	326,750,899	326,750,899	190,495,774
2051	340,637,813	340,637,813	198,591,845
2052	355,114,920	355,114,920	207,031,998
2053	370,207,304	370,207,304	215,830,858
2054	385,941,114	385,941,114	225,003,669
2055	402,343,611	402,343,611	234,566,325
2056	419,443,215	419,443,215	244,535,394
2057	437,269,551	437,269,551	254,928,149
2058	455,853,507	455,853,507	265,762,595
2059	475,227,281	475,227,281	277,057,505
2060	495,424,441	495,424,441	288,832,449
2061	516,479,980	129,119,995	75,276,957
Total Proceeds from 2031-2061:		**$ 8,758,102,976**	**$ 5,105,974,035**
Net Present Value of Proceeds as of 10/1/20:			
Before Changes (at 7% interest):		**$ 1,525,825,142**	**$ 889,556,058**
After Changes (at 6.9% interest):		**$ 1,559,514,060**	**$ 909,196,697**

Market Commentary for Fiscal Year 2020

To the City of Jacksonville Police & Fire Pension Fund

The first quarter of Fiscal Year 2020, which began on October 1, 2019, was a strong quarter for global equity markets, with US, developed non-US, and emerging market indices all adding gains. Increases appeared directly tied to investor optimism around international trade. Bilateral negotiations between the US and China finally resulted in an announced “Phase One” trade agreement. The S&P 500 Index posted a return for the quarter of 9.1%, while the MSCI EAFE Index returned 8.2%, and the MSCI Emerging Markets Index led the way with a return of 11.8%. Credit markets also finished in positive territory, as supportive financial conditions and a general risk-on market sentiment drove spreads to tighten across the quality spectrum.

The second quarter of Fiscal Year 2020 was dramatic, as a local outbreak of a previously unknown coronavirus in China morphed into a global pandemic. Governments around the world closed down huge portions of their economies, imposing travel restrictions, cancelling social gatherings, shutting down non-essential businesses, and locking down entire cities to reduce the spread of the virus. In response, the Federal Reserve announced several expansionary monetary policy measures, including two emergency rate cuts, open-ended Quantitative Easing, as well as a host of other liquidity enhancing programs. Markets did not begin heavily discounting the economic risks associated with the COVID-19 outbreak until the last week of February 2020. In the next three weeks, after reaching all-time highs earlier that month, the S&P 500 closed in bear market territory, finishing the quarter with a return of -19.6%. This represented the fastest 20% drawdown from an all-time high in the history of the index. The credit markets were not spared, and also experienced significant selloffs and volatility during the quarter, with the Bloomberg US Corporate Index returning -3.6% for the quarter.

The disconnect between investor risk appetite and on-the-ground economic conditions reached staggering levels during the third quarter of Fiscal Year 2020, fueled in large part by a myriad of fiscal relief and liquidity reinforcing programs implemented by governments and global central banks. The S&P 500 returned 20.5%, as price/earnings ratios reached levels not seen since the dot-com era tech bubble. In general, the funding pressures global markets experienced in the first quarter abated, as various programs enacted by the Federal Reserve proved successful in restoring normal capital markets activity amid the unprecedented economic shutdowns. The NASDAQ (+30.6%) and Dow Jones Industrial Average (+17.8%) experienced their best quarters since 2001 and 1987, respectively, while US equity issuance hit a record of $184 billion. At the same time, developed international and emerging markets equities also experienced strong quarters, but lagged US markets. The MSCI EAFE returned 14.9% for the quarter while the MSCI EM returned 18.1%.

The end of Fiscal Year 2020 was positive for most major asset classes, but after strong results in the first two months of the quarter, returns reversed in September 2020 due to growing concerns over a staggering recovery and reduced confidence that the US Congress could agree to enact further fiscal stimulus. In addition, the upcoming US presidential and congressional elections offered another source of uncertainty when building expectations for the ongoing economic recovery. The Federal Open Market Committee (FOMC) maintained its accommodative stance and boosted sentiment further by announcing it will use an average inflation target indicating that it could accept levels above its stated 2% target in future periods. Market participants largely saw this as an indication that monetary policy could remain supportive for longer than expected with a fixed inflation target.

Fiscal Year 2020 will be remembered as an unprecedented time both for financial markets and economies worldwide. The COVID-19 pandemic, which led to extreme bouts of volatility in the markets and global economic shutdowns changed life as we know it, with few left unaffected. While governments and central banks around the world took steps to prop up economies, the effects will be long-lasting with some industries unlikely to ever fully recover to the heights previously experienced. Yet, amidst all of the turmoil, full fiscal year performance for nearly all major asset classes was positive. In equity markets, the S&P 500 finished Fiscal Year 2020 up 15.2%, while developed international equities, as measured by the MSCI EAFE, were up 0.49% and emerging markets equities (MSCI EM) were up 10.5%. Similarly, credit markets were a contributor with the Bloomberg US Agg Bond index up 6.7%, while real estate, as measured by the NCREIF ODCE Index, returned 1.4% for the fiscal year.

RVK, Inc.

Jacksonville Police and Fire Pension Fund

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[*Fiscal Year 2020 Audit Report*]

[*Fiscal Year 2020 Performance Plan*]

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