

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

**FINANCIAL STATEMENTS  
AND REQUIRED SUPPLEMENTARY SCHEDULES**

September 30, 2020



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

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September 30, 2020

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the City of Jacksonville, Florida Police and Fire Pension Fund (the "Fund"), which comprise the statement of fiduciary net position as of September 30, 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**

**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, 2020, was \$2,054,799,648. 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 \$96,732,568 or 5%. 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, 2020, the funded ratio for the Fund was approximately 47.49%, which compares to the September 30, 2019 funded ratio of 47.07%. In general, the current funded ratio indicates that for every dollar of benefits due, the Fund has approximately \$0.4749 of assets to cover it.
- Revenues (additions to the fiduciary net position) other than investment income for the 2020 fiscal year were \$157,738,385, which comprises member and employer contributions of \$142,363,921, other additions of \$15,080,926, and securities lending of \$293,538. This compares to revenues other than investment income in the amount of \$142,617,175 in the prior fiscal year. For the 2019 fiscal year the minimum employer contribution was determined at \$135,264,010 and no supplemental contribution was required. For fiscal year 2020, the employer minimum required contribution was determined as \$140,292,637 and no supplemental contribution was required. Also, out of the City's minimum required contribution amount, a total of \$24,736,292 and \$16,964,149 for 2019 and 2020, respectively, represented a release of funds from the Unfunded Actuarial Liability Reserve Account (UALPA) and accordingly, these are not presented as additions to the fund's fiduciary net position.
- Net investment income (part of additions to fiduciary net position) for the 2020 fiscal year was \$159,466,164 compared to net investment income for \$54,018,334 that was recorded in the prior fiscal year.
- Expenses (deductions in fiduciary net position) not related to investment activities for the 2020 fiscal year decreased from \$246,390,319 to \$220,471,981 or approximately 10.52%. The decrease was largely due to the reduction in the distribution from reserve accounts to the unionized employees that were former Plan participants.

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

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

**OVERVIEW OF FINANCIAL STATEMENTS**

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

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

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

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

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

- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements (see notes to financial statements on pages 10 – 27 of this report)

In addition to the financial statements and accompanying notes, this report presents certain required supplementary information concerning the Fund's progress in funding its obligations to provide pension benefits to members (see required supplementary information on pages 28 – 30 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)
	2020	2019	2020/2019
Current assets	\$ 28,069,138	\$ 32,760,671	\$ (4,691,533)
Investments	2,035,767,575	1,933,285,596	102,481,979
Securities lending collateral	73,125,949	83,045,776	(9,919,827)
Total assets	<u>2,136,962,662</u>	<u>2,049,092,043</u>	<u>87,870,619</u>
Deferred outflows of resources	112,110	112,110	-
Current liabilities	9,117,783	8,059,905	1,057,878
Securities lending obligations	73,125,949	83,045,776	(9,919,827)
Long-term liabilities	31,392	31,392	-
Total liabilities	<u>82,275,124</u>	<u>91,137,073</u>	<u>(8,861,949)</u>
Total fiduciary net position	<u>\$ 2,054,799,648</u>	<u>\$ 1,958,067,080</u>	<u>\$ 96,732,568</u>

	September 30,		Increase (Decrease)
	2020	2019	2020/2019
Plan member contributions	\$ 19,035,433	\$ 17,745,867	\$ 1,289,566
Employer contributions	123,328,488	110,527,718	12,800,770
Other additions	15,080,926	14,103,269	977,657
Net investment income	159,466,164	54,018,334	105,447,830
Net securities lending activities	293,538	240,321	53,217
Total additions to fiduciary net position	<u>317,204,549</u>	<u>196,635,509</u>	<u>120,569,040</u>
Benefit payments	207,796,552	191,146,035	16,650,517
Administrative expenses	2,184,754	2,116,593	68,161
Other expenses	10,490,675	53,127,691	(42,637,016)
Total deductions to fiduciary net position	<u>220,471,981</u>	<u>246,390,319</u>	<u>(25,918,338)</u>
Change in fiduciary net position	96,732,568	(49,754,810)	146,487,378
Fiduciary net position available for benefits - beginning of year	1,958,067,080	2,007,821,890	(49,754,810)
Fiduciary net position available for benefits - end of year	<u>\$ 2,054,799,648</u>	<u>\$ 1,958,067,080</u>	<u>\$ 96,732,568</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, 2020 was \$2,054,799,648, representing an increase of \$96,732,568 or 4.94% from \$1,958,067,080 at September 30, 2019. The increase was largely a result of favorable investment returns available in the financial markets.

For the 2020 fiscal year, employer and member contributions were \$142,363,921 representing an increase of 10.98% over the \$128,273,585 recorded during the 2019 fiscal year. The increase in the level of pension contributions during the fiscal year 2020 resulted from the amount of contributions by the City based on the actuarial study and on the release of \$16,964,149 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 \$159,466,164 for the 2020 fiscal year, compared with net investment income of \$54,018,334 for the 2019 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 \$519,212; and miscellaneous revenues of \$672,843. Miscellaneous revenues consisted of employee contributions \$251,722, commissions recapture \$75,959, sales of surplus, lost, miscellaneous settlements \$223,966, and miscellaneous sales and charges of \$121,196. The Fund also received Florida Chapter 175 and 185 premium taxes of \$13,888,871 which are restricted for purposes determined by the Jacksonville Association of Fire Fighters. For the 2020 fiscal year, these other additions of revenue sources produced revenues in the amount of \$15,080,926 for the Fund, representing a \$977,657 or 6.93% increase as compared to the \$14,103,269 recorded during the 2019 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 2020 fiscal year, retirement and survivor benefits (including DROP and refunds) were \$207,796,552. Administrative expenses during the 2020 fiscal year were \$2,184,754 versus \$2,116,593 in the prior fiscal year.

At September 30, 2020, the Fund held \$1,479,431,529 in U.S. and international equity securities, an increase of \$118,502,735 or 8.71% from \$1,360,928,794 held at September 30, 2019.

At September 30, 2020, the Fund held \$286,385,219 in a commingled U.S. real estate investment trust, a decrease of \$29,415,925 or 9.31% compared to the \$315,801,145 real estate investments held at September 30, 2019.

At September 30, 2020, the Fund held \$234,788,619 in fixed income, a decrease of \$1,287,184 or 0.54% from \$236,075,803 held at September 30, 2019.



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

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

**CONTACTING THE FUND'S FINANCIAL MANAGEMENT**

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

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

September 30,

2020

**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**

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

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

<i>For the year ended Septemeber 30,</i>	2020
<b>Additions</b>	
Investment income	
Net appreciation in value of investments	\$ 150,299,780
Interest and dividends	16,093,067
Rental and parking revenue	669,949
	<u>167,062,796</u>
Less investment expenses	(7,423,944)
Less rental expenses	(172,688)
Total investment income	<u>159,466,164</u>
Contributions	
Employer	123,328,488
Plan member	17,804,102
Plan member buybacks and pension transfers	1,231,331
Total contributions	<u>142,363,921</u>
Other contributions	
Court fines and other penalties	519,212
State insurance contributions	13,888,871
Miscellaneous	672,843
Total other additions	<u>15,080,926</u>
Securities lending activities	
Lending revenue	391,329
Less lending expense	(97,791)
Total securities lending activities	<u>293,538</u>
<b>Total additions</b>	<u>317,204,549</u>
<b>Deductions</b>	
Benefit-related expenses	
Pension benefits remitted (including DROP)	207,080,723
Refunds of contributions	715,829
Total benefit-related expenses	<u>207,796,552</u>
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	<u>2,184,754</u>
Other expenses	
Reserve reduction disbursements	10,490,675
Total other expenses	<u>10,490,675</u>
Total deductions	<u>220,471,981</u>
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	<u>\$ 2,054,799,648</u>

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

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

**NOTE 1: DESCRIPTION OF FUND**

The 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 City of Jacksonville, Florida (City) Police and Fire Pension Fund (Fund) is a single-employer contributory defined benefit pension plan covering all full-time civil service members of the City’s police and fire departments hired prior to October 1, 2020. 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	3,067
Inactive, nonretired members	83
Active plan members	2,236
 Total participants	 5,386

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 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***

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

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

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

Other benefits based on eligibility:

***Share Plan***

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

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

**NOTE 1: DESCRIPTION OF THE FUND (CONTINUED)**

***Terminal Leave Conversion Program***

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

***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, 2019. 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 Financial Statements**

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

***Basis of Accounting***

The accompanying 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.

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.

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

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

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

***Investment Policy***

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

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

***Deferred Outflows/Inflows of Resources***

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



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

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

***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.

***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 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 financial statements.

***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 25, 2021 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 consolidated financial statements.

**City of Jacksonville, Florida**  
**Police and Fire Pension Fund**  
**Notes to 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 SERP reserve account was established on September 20, 2000 by the Board of Trustees to account for employee and employer contributions and payments for the defined contribution plan for senior staff.

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

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

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

Ordinance 2017-259 also amended the Fund so that effective October 1, 2017, 100% of the accumulated balances existing on September 30, 2017, 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.

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

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

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

For the 2020 fiscal year, the Board determined that a total of \$16,964,149 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 2020 fiscal year. Accordingly, the City's actual cash contribution to the Fund for the 2020 fiscal year was reduced from \$140,292,637 to \$123,328,488.

The balances of the reserve values after the 2020 fiscal year activity are summarized as follows:

<u>Reserve Values at:</u>	<u>City of Jacksonville Contribution Reserve</u>	<u>Balance allocated to Police Officers and Firefighters</u>	<u>Share Plan</u>	<u>SERP</u>	<u>EBA</u>	<u>Totals</u>
September 30, 2019	\$ 30,794,748	\$ 12,756,091	\$ 7,654,812	\$ 4,359,959	\$ 3,696,757	\$ 59,262,367
Net increase for FY20	2,457,421	-	485,572	-	-	2,942,993
Net decrease for FY20	-	(10,223,706)	-	(282,780)	-	(10,506,486)
Allocated to Fund	<u>(16,964,149)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,964,149)</u>
September 30, 2020	<u>\$ 16,288,020</u>	<u>\$ 2,532,385</u>	<u>\$ 8,140,384</u>	<u>\$ 4,077,179</u>	<u>\$ 3,696,757</u>	<u>\$ 34,734,725</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).

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

Level 1 (L1): 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.

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

**NOTE 4: FAIR VALUE MEASUREMENTS (CONTINUED)**

Level 2 (L2): 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 (L3): 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, 2020:

	Fair Value	Level 1	Level 2	Level 3
Fixed:				
Commercial mortgage-backed	1,326,409	-	1,326,409	-
Corporate Bonds	136,194,079	-	136,194,079	-
Government bonds	32,942,124	32,942,124	-	-
Government mortgage-backed securities	24,161,080	-	24,161,080	-
Government commercial mortgage-backed securities	4,052,531	-	4,052,531	-
Non-Government mortgage backed securities	103,147	-	103,147	-
Funds - other fixed income	36,009,249	-	36,009,249	-
Total fixed	<u>234,788,619</u>	<u>32,942,124</u>	<u>201,846,495</u>	<u>-</u>
Equity:				
Common stock	393,302,001	393,302,001	-	-
Common stock funds	939,933,131	-	939,933,131	-
Hedge equity	144,966,703	-	-	144,966,703
Real estate	286,385,219	-	-	286,385,219
Convertible equity	1,229,694	-	1,229,694	-
Total equity	<u>1,765,816,748</u>	<u>393,302,001</u>	<u>941,162,825</u>	<u>431,351,922</u>
Total investments by fair value level	<u>\$ 2,000,605,367</u>	<u>\$ 426,244,125</u>	<u>\$ 1,143,009,320</u>	<u>\$ 431,351,922</u>

**City of Jacksonville, Florida**  
**Police and Fire Pension Fund**  
**Notes to 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, 2020 was \$366,880,377.

**NOTE 6 – PENSION PLANS FOR FUND EMPLOYEES**

The Fund sponsors a single-employer contributory defined benefit plan called the SERP that provides retirement, death, and disability benefits. The SERP is administered by the Fund's five member Board of Trustees and was adopted in September 20, 2000 and lastly amended on November 9, 2009. The Fund's Board of Trustees is responsible for establishing or amending the pension plan. As of September 30, 2015 this plan closed. The SERP currently has two retirees and one surviving spouse, and is closed to new members. There are no separately issued financial statements for the SERP. The total pension liability of the SERP was determined as \$3,112,964 at September 30, 2018 based on an actuarial study completed for that fiscal year. At that same date, the SERP's fiduciary net position was \$4,489,259. Accordingly, no actuarial study has been performed for the fiscal year ended September 30, 2020 and no adjustments have been made in the books of the Fund. A surplus of \$1,376,295 exist and thus there is no net pension liability for the SERP as of the 2018 fiscal year.

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

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

**NOTE 7 – DEPOSITS AND INVESTMENTS**

For the year ended September 30, 2020, the annual money weighted rate of return on investments was 7.98%. 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, 2020, the carrying amount of cash on hand and on deposit with banks, including interest-bearing accounts, was \$26,165,409.

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, 2020, the carrying amount of these deposits and investments was \$2,071,985,975. 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, 2020, the office building and parking garage generated \$669,949 in rental revenue.

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

**NOTE 7 – DEPOSITS AND INVESTMENTS (CONTINUED)**

The table below shows the Fund’s investments by type as of September 30, 2020:

Cash and cash equivalents:	
Short term investments	\$ 35,162,208
Fixed:	
Commercial mortgage backed	1,326,409
Corporate bonds	136,194,079
Government bonds	32,942,124
Government mortgage backed securities	24,161,080
Government commercial mortgage backed securities	4,052,531
Non-Government mortgage backed securities	103,147
Funds-other fixed income	36,009,249
	<u>234,788,619</u>
Equity:	
Common stock	393,302,001
Common stock funds	939,933,131
Hedge equity	144,966,703
Convertible Equity	1,229,694
	<u>1,479,431,529</u>
Real estate	<u>286,385,219</u>
Total	<u>\$ 2,035,767,575</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. 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.

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

**NOTE 7 – DEPOSITS AND INVESTMENTS (CONTINUED)**

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, 2020:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Commercial Mortgage Backed	\$ 1,326,409	12.47
Corporate Bonds	136,194,079	10.03
Government Bonds	32,942,124	5.72
Government Mortgage Backed Securities	24,161,080	24.60
Asset Backed Securities	22,666,970	9.70
Bank Loans	740,634	4.51
Government Commercial Mortgage Backed Securities	4,052,531	37.77
Non-Government Backed C.M.O.	103,147	5.21
Bond Index Fund	12,601,645	*N/A
 Total Fair Value	 <u><u>\$ 234,788,619</u></u>	

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

**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 Financial Statements**

**NOTE 7 – DEPOSITS AND INVESTMENTS (CONTINUED)**

As of September 30, 2020, the following Organizations held 5% or more of the Fund’s fiduciary net position:

	Market Value	Market Value as a Percentage
Arcadian	\$ 149,503,298	7.19%
Baile Gifford	144,970,321	6.97%
Eagle	232,050,815	11.16%
JPM	177,342,226	8.53%
Loomis	147,038,493	7.07%
Loomis SLC	140,226,368	6.75%
Neuberger	224,427,473	10.80%
NT S&P 500	230,890,072	11.11%
Silchester	138,387,500	6.66%

As of September 30, 2020 the Fund’s debt security investments credit risk are in the following table:

Fair Value Moody's	
Aaa	\$ 35,941,716
Aa	7,753,519
A	25,812,793
Baa	81,486,372
Ba	15,048,112
B	4,347,694
Not Rated	64,398,412
Total	<u>\$ 234,788,619</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 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, 2020, the Fund maintained collateral on loaned securities of \$73,125,949 and earned net income of \$293,538.

**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, 2020.

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

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

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

Total pension liability	\$ 4,253,525,414
Total Plan fiduciary net position (net of reserve accounts- See Note 3)	2,020,064,923
City’s net pension liability	<u>\$ 2,233,460,491</u>
Plan fiduciary net position as a percentage of the total pension liability	47.49%

Actuarial Methods and Assumptions Used to Measure Net Pension Liability

The valuation date and measurement date are September 30, 2020. The actuarial methods and assumptions used in the October 1, 2020 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:	6.90%
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, 2020 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 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, 2020 are summarized in the following table:

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

These are combined to produce the 6.9% 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 6.9%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1% lower (5.9%) or 1% higher (7.9%) than the current rate:

	1% Decrease (5.9%)	Current Discount (6.9%)	1% Increase (7.9%)
City's net pension liability	\$ 2,856,418,625	\$ 2,233,460,491	\$ 1,738,741,714

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

**NOTE 10 – MINIMUM REQUIRED CONTRIBUTION**

The employer (the City) contributions for the year ended September 30, 2020 were \$123,328,488. In addition to these contributions the City released \$16,964,149 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, 2020 of \$140,292,637. This funding approach was approved in Ordinance 2017-504-E.

In accordance with Ordinance 2020-504-E for fiscal year 2021 the City will contribute \$148,475,947 as determined by the Fund's actuary on the January 6, 2020 Actuarial Valuation Report as of October 1, 2020.

## **REQUIRED SUPPLEMENTARY INFORMATION**

City of Jacksonville, Florida  
Police and Fire Pension Fund

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

	2020	2019	2018	2017	2016	2015	2014	2013
<b>Total Pension Liability</b>								
Service cost (BOY)	\$ 70,109,932	\$ 65,147,956	\$ 60,154,158	\$ 45,257,077	\$ 44,087,089	\$ 46,662,780	\$ 47,915,012	\$ 46,109,290
Interest on total pension liability	280,688,959	269,658,004	259,433,546	233,338,035	217,546,212	210,942,612	203,577,435	195,519,742
Benefit Changes	2,706,557	-	-	26,818,328	-	(28,684,960)	-	-
Difference between actual and expected experience	7,505,963	8,465,297	8,132,052	24,030,616	3,566,449	24,831,339	22,671,112	(4,675,994)
Changes of assumptions	56,025,218	-	-	232,927,458	97,813,304	24,514,349	-	5,332,605
Benefit payments, including refunds of member contributions	(197,729,775)	(189,125,203)	(184,256,874)	(171,277,149)	(159,726,007)	(148,628,476)	(138,179,183)	(128,655,957)
Net change in total pension liability	219,306,854	154,146,054	143,462,882	391,094,365	203,287,047	129,637,644	135,984,376	113,629,686
Total pension liability - beginning	4,034,218,560	3,880,072,506	3,736,609,624	3,345,515,259	3,142,228,212	3,012,590,568	2,876,606,192	2,762,976,506
<b>Total pension liability - ending(a)</b>	<b>\$ 4,253,525,414</b>	<b>\$ 4,034,218,560</b>	<b>\$ 3,880,072,506</b>	<b>\$ 3,736,609,624</b>	<b>\$ 3,345,515,259</b>	<b>\$ 3,142,228,212</b>	<b>\$ 3,012,590,568</b>	<b>\$ 2,876,606,192</b>
<b>Plan fiduciary net position</b>								
Contributions including buybacks--employer	\$ 123,328,488	\$ 110,527,718	\$ 115,690,989	\$ 184,526,198	\$ 157,494,371	\$ 154,664,523	\$ 150,520,270	\$ 121,822,333
Contributions including buybacks--member	19,035,433	17,745,867	16,636,624	13,570,483	12,830,861	12,061,321	11,583,565	10,753,501
Net investment income, including securities lending	159,466,164	54,258,655	156,442,808	243,421,930	154,313,142	(62,884,634)	147,332,798	169,202,439
Benefit payments, including refunds of member contributions	(207,796,552)	(189,125,202)	(184,256,874)	(171,277,149)	(159,726,007)	(148,628,476)	(138,179,183)	(128,655,957)
Distributions from Reserve Accounts	(10,490,675)	(55,730,720)	-	-	-	-	-	-
Administrative expense	(2,184,754)	(2,116,593)	(2,137,969)	(2,173,617)	(3,519,224)	(2,228,452)	(2,224,248)	(2,505,985)
Chapter 175/185	13,888,871	12,756,091	11,791,197	10,874,768	10,680,624	10,577,853	10,110,493	9,667,185
Court fines	519,212	701,652	775,741	759,291	832,536	920,774	881,291	757,984
Other	966,381	1,227,722	82,243	51,404	122,886	327,418	141,855	1,187,289
Net change in plan fiduciary net position	96,732,568	(49,754,810)	115,024,759	279,753,308	173,029,189	(35,189,673)	180,166,841	182,228,789
Cumulative effect of change in accounting principle		-	-	-	2,238,000			
<b>Plan fiduciary net position - beginning</b>	<b>1,958,067,080</b>	<b>2,007,821,890</b>	<b>1,892,797,131</b>	<b>1,613,043,823</b>	<b>1,437,776,634</b>	<b>1,473,097,052</b>	<b>1,292,930,211</b>	<b>1,110,737,208</b>
<b>Plan fiduciary net position - ending(b)</b>	<b>2,054,799,648</b>	<b>1,958,067,080</b>	<b>2,007,821,890</b>	<b>1,892,797,131</b>	<b>1,613,043,823</b>	<b>1,437,907,379</b>	<b>1,473,097,052</b>	<b>1,292,965,997</b>
Reserve Accounts and Sr Staff Assets								
Reserve Accounts and Sr. Staff Assets before release of reserves	(51,698,874)	(83,998,659)	(146,819,144)	(127,638,125)	(99,645,357)	(83,502,014)	(83,349,437)	(64,834,813)
Release of reserves	16,964,149	24,736,292	20,000,000	-	-	-	-	-
<b>Total fiduciary net position -- ending(b)</b>	<b>2,020,064,923</b>	<b>1,898,804,713</b>	<b>1,881,002,746</b>	<b>1,765,159,006</b>	<b>1,613,043,823</b>	<b>1,437,907,379</b>	<b>1,473,097,052</b>	<b>1,292,965,997</b>
<b>Plan net pension liability - ending(a)-(b)</b>	<b>\$ 2,233,460,491</b>	<b>\$ 2,135,413,847</b>	<b>\$ 1,999,069,760</b>	<b>\$ 1,971,450,618</b>	<b>\$ 1,732,471,436</b>	<b>\$ 1,704,320,833</b>	<b>\$ 1,539,493,516</b>	<b>\$ 1,583,640,195</b>
Plan fiduciary net position as a percentage of total pension liability	47.49%	47.07%	48.48%	47.24%	48.22%	45.76%	48.90%	44.95%
Covered payroll	\$ 174,185,559	\$ 174,124,945	\$ 162,003,561	\$ 149,489,571	\$ 135,599,741	\$ 132,735,243	\$ 134,521,216	\$ 130,972,174
Pension liability as a percentage of total pension liability	1282.23%	1226.37%	1233.97%	1318.79%	1277.64%	1284.00%	1144.42%	1209.14%

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

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

**Schedule of City Contributions  
For The Last Ten Fiscal Years**

FYE	Actuarially determined City contribution	Contribution in relation to the actuarially determined contribution	Contribution deficiency (excess)		Covered payroll	Contribution as a percentage of covered payroll
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%
2011	77,065,314	75,902,934	1,162,380		148,967,906	50.95%

Valuation Date: October 1, 2019

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll, Closed
Remaining Amortization Period	29 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, and \$16,964,149 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, and 2020 respectively.



City of Jacksonville, Florida  
Police and Fire Pension Fund

Schedule of Investment Returns  
Annual Money-Weighted Rate of Return, Net of Investment Expenses  
For The Last Ten Fiscal Years

<b>For Year Ended</b>	<b>Percentage</b>
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%
2011	0.64%

## **Other Reporting**



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Jacksonville, Florida Police and Fire Pension Fund (the "Fund"), as of and for the year ended September 30, 2020, 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 March 25, 2021.

**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

March 25, 2021