

JACKSONVILLE POLICE AND FIRE PENSION FUND

Actuarial Valuation Report as of October 1, 2011

(Determining costs for the three Plan
Years beginning October 1, 2012)

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June 4, 2012

Board of Trustees
Jacksonville Police and Fire Pension Fund
One West Adams Street, Suite 100
Jacksonville, Florida 32202-3616

Actuarial Valuation as of October 1, 2011

Ladies and Gentlemen:

We are pleased to forward our report on the 2011 Actuarial Valuation of the Jacksonville Police and Fire Pension Fund. The recommended contribution level covers the three Plan Years beginning October 1, 2012.

This report should be considered as a single document, and figures extracted from it should not be used out of context.

It should be understood that the costs and actuarial present values presented in this report depend upon forecasts of future events, and that they, therefore, depend upon elements of subjective judgment. Due regard should thus be given to the reasonableness of alternative values and conclusions.

Statement by Actuary:

This actuarial valuation and/or cost determination was prepared and completed by me or under my direct supervision, and I acknowledge responsibility for the results. To the best of my knowledge, the results are complete and accurate, and in my opinion, the techniques and assumptions used are reasonable and meet the requirements and intent of Part VII, Chapter 112, Florida Statutes. There is no benefit or expense to be provided by the Plan and/or paid from the Plan'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 that may require material increases in Plan costs or required contribution rates have been taken into account in the valuation.

I am a member of the American Academy of Actuaries and meet its Qualification Standards to render the actuarial opinion contained herein.



Jarmon Welch, A.S.A.

PENSION BOARD CONSULTANTS, INC.

Date

11 - 1108

Enrollment Number

JACKSONVILLE POLICE AND FIRE PENSION FUND

Actuarial Report for the Plan Year Beginning October 1, 2011

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JACKSONVILLE POLICE AND FIRE PENSION FUND

Section I: Summary and Cost Analysis

Background

The Governmental Accounting Standards Board requires that actuarial valuations be performed every several years (with annual updating of disclosure information). The prior actuarial valuation of the Jacksonville Police and Fire Pension Fund (hereafter called the "Plan") was performed as of October 1, 2008. The current review has been performed as of October 1, 2011. The valuation results were based on participant data as of July 1, 2011, provided by the City. Fund assets and the Plan as of September 30, 2011, were reported by the Plan Administrator. Valuation Pay is the annualized sum of reported rate of pay, upgrade pay and shift pay as of July 1st. All of this data has been reviewed for consistency with prior data and for general reasonableness.

Minimum Required Contribution

This valuation calls for a 93.94% (90.49% plus half-year interest adjustment) of payroll contribution from all sources to this Plan. The following table illustrates the expected contributions of non-City sources:

<u>Expected Source</u>	<u>As a Percentage of Covered Payroll</u>
Active Members	7.00%
DROP Members	0.45%
Expected Court Fines and Penalties	0.58%
State Chapter Funds Allocation	<u>4.00%</u>
TOTAL (non City)	12.03%

It should be noted that State laws make the City responsible for funding any contribution shortfall. The current contribution rate of 49.6% (reduced from 51.02% because of deposits earlier than mid-year) of covered payroll by the City meets the State's requirements for the current year. However, the City should increase its contribution percentage by 32.31% (93.94%-12.03%-49.6%) for the fiscal year beginning October 1, 2012.

Accumulation of Funds in the Reserve Accounts

Pursuant to the Agreement between the City and the Police and Firefighters Pension Board, reserve accounts were set up to accumulate excess contributions as of January 1, 1992 and thereafter. Two account balances have been derived in Table II-H of this report. The amount accumulated in the Enhanced Benefit Account as of September 30, 2011, was \$16,236,904, and the balance in the City Budget Stabilization Account was \$8,134,910.

Senior Staff Voluntary Retirement Plan

As of September 30, 2011, the assets in the Plan were \$2,345,679, which are being recognized for the first time in this report.

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section I: Summary and Cost Analysis

Reconciliation with 2008 Minimum Required Contribution

The following table compares the key employment and payroll statistics and the minimum required City contributions from the October 1, 2008, and October 1, 2011, actuarial valuations.

Comparison of Key Statistics and Minimum Required City Contributions			
Valuation Date	<u>October 1, 2008</u>	<u>October 1, 2011</u>	<u>Percent Change</u>
Key Statistics			
Number of Active Participants (excluding DROP)	2,534	2,451	(3.28%)
Total Covered Valuation Payroll (no DROP)	\$148,276,743	\$148,967,906	0.47%
DROP Payroll	\$18,722,023	\$32,179,374	71.88%
Average Annual Pay	\$58,541	\$60,862	3.96%
Average Age	38.9	39.3	0.4 years
Minimum City Contribution (Middle of Year)			
Dollar Amount	\$75,650,794	\$122,019,612	61.29%
Percent of Covered Valuation Payroll	51.02%	81.91%	30.89%
Net Market Value of Assets*	\$925,290,493	\$927,318,048	0.22%
Unfunded Actuarial Accrued Liability	\$798,071,347	\$1,387,303,384	73.83%

* Market Value less two reserve accounts and less Senior Staff Plan assets as of 9/30/2011. Reserve accounts balances are derived in TABLE II-H.

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section I: Summary and Cost Analysis

Our 2008 actuarial report required a minimum contribution of 63.09% of payroll. This minimum required contribution has increased 30.85% (i.e., 93.94% - 63.09%) from October 1, 2008, to October 1, 2011, primarily due to the interaction of the following factors:

1. Based on actuarial value, the fund yielded -1.63% for the plan year ending September 30, 2009, 0.44% for the plan year ending September 30, 2010, and -2.41% for the plan year ending September 30, 2011. This is much less than the assumed investment return of 8.5% per year. Over the three-year period, this increased costs approximately 11.62% of covered payroll.
2. An increase in costs of approximately 4.61% of covered payroll was attributable to deviations of other experience factors from expected. In particular, losses were generated by the one year contribution lag, manager expenses and DROP. Also the Staff Retirement Plan assets were first recognized.
3. Assumption changes effective October 1, 2011, increased costs approximately 14.62% of covered payroll.

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section II: Statement of Actuarial Position as of October 1, 2011Derivation of Minimum Required Contribution Levels

	<u>10/1/2008</u>	<u>10/1/2011</u>
1. Present Value of Future Benefits		
a. Active Participants		
(i) Retirement	\$943,617,820	\$1,117,767,581
(ii) Death	\$15,916,135	\$10,866,101
(iii) Disability	\$25,031,217	\$20,865,915
(iv) Withdrawal	\$4,284,636	\$5,334,143
(v) Return of Contributions	<u>\$786,166</u>	<u>\$528,052</u>
(vi) Total	\$989,635,974	\$1,155,361,792
b. Inactive Participants		
(i) Retirees and Beneficiaries	\$886,292,046	\$1,112,688,503
(ii) Disableds	\$20,916,131	\$21,397,148
(iii) Terminated Vested	\$5,255,417	\$7,172,557
(iv) DROP Participants*	<u>\$194,178,120</u>	<u>\$568,892,677</u>
(v) Total	\$1,106,641,714	\$1,710,150,885
c. Total (a. + b.)	\$2,096,277,688	\$2,865,512,677
2. Actuarial Value of Assets		
a. Gross Actuarial Value*	\$907,626,818	\$1,066,611,735
b. Reserve Accounts	<u>\$12,723,482</u>	\$24,371,814
c. Sr. Staff Plan Assets		<u>\$2,345,679</u>
d. Net Actuarial Value (a. - b. - c.)	\$894,903,336	\$1,039,894,242
3. Unfunded Actuarial Accrued Liability	\$798,071,347	\$1,387,303,384
4. Present Value of Future Normal Costs	\$403,303,005	\$438,315,051
5. Ratio of Present Value of Future Salaries to Current Salaries		
a. 1% of PV of Future Salaries	\$15,550,179	\$13,738,373
b. Covered Payroll (no DROP)	\$148,276,743	\$148,967,906
c. Ratio (a. / b.)	10.487268	9.222371
d. DROP Payroll	\$18,722,023	\$32,179,374
6. Normal Actuarial Cost		
a. Dollar Amount (Individual EA)	\$38,461,797	\$47,569,761
b. As % of Covered Payroll	25.94%	31.93%
c. Normal Cost with Expense Load	\$40,661,797	\$49,769,761
d. As % of Covered Payroll	27.42%	33.41%
7. Total Cost for the Year		
a. UAAL Amortization Payment	\$49,146,128	\$85,038,060
b. Total Cost BOY (6.c. + 7.a.)	\$89,807,925	\$134,807,821
c. As % of Covered Payroll (7.b. / 5.b.)	60.57%	90.49%
d. As % of Covered Payroll Mid Year**	63.09%	93.94%

* As of 10/1/2011, includes individual DROP account and RLA balances as of September 30

** Includes 1/2 year's interest to recognize payments throughout the year

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section II: Statement of Actuarial Position as of October 1, 2011Development of Unfunded Actuarial Accrued Liability

1. UAAL on October 1, 2008	\$798,071,347
2. Normal Cost at Beginning of Year	
a. As of October 1, 2008	\$40,675,622
b. As of October 1, 2009	\$42,654,166
c. As of October 1, 2010	\$43,336,284
3. 8.5% Annual Interest on (1) plus (2) to September 30, 2011	\$243,818,382
4. Contributions Throughout the Year	
a. PYE2009	\$67,993,368
b. PYE2010	\$95,019,914
c. PYE2011	\$94,631,375
5. Interest on Contributions to September 30, 2011	\$31,691,370
6. Impact of One Year Deferral and Manager Fees	\$42,588,729
7. UAAL on September 30, 2011 (1) + (2) + (3) - (4) - (5) - (6)	\$836,631,045
8. Increase Due to:	
a. Actuarial Assumption Changes	\$245,088,109
b. Actuarial Loss (primarily investment)	\$305,584,230
9. UAAL on September 30, 2011 (7) + (8)	\$1,387,303,384

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section II: Statement of Actuarial Position as of October 1, 2011Schedule of Minimum Required Amortization of Unfunded Actuarial Accrued Liability

Date Established	Initial Amount	UAAL as of 10/1/2011	Remaining Period 10/1/2011	Required Amortization 10/1/2011	UAAL as of 10/1/2012
1-Oct-76	\$52,267,000	\$21,894,160	5.00	\$4,651,071	\$18,579,428
1-Oct-82	(\$3,089,846)	(\$260,595)	1.00	(\$260,595)	\$0
1-Oct-84	\$5,630,273	\$1,352,924	3.00	\$464,855	\$956,894
1-Oct-86	(\$36,179,120)	(\$13,827,509)	5.00	(\$2,937,438)	(\$11,734,052)
1-Oct-87	\$3,868,562	\$2,294,690	6.00	\$412,317	\$2,028,257
1-Oct-88	\$17,910,698	\$15,521,970	7.00	\$2,426,260	\$14,110,628
1-Oct-89	\$19,019,326	\$19,004,375	8.00	\$2,637,839	\$17,634,943
1-Oct-90	\$508,620	\$547,686	9.00	\$68,571	\$516,247
1-Jan-92	(\$15,877,911)	(\$17,423,362)	10.75	(\$1,873,368)	(\$16,755,119)
1-Oct-92	\$11,433,880	\$13,330,097	11.00	\$1,405,758	\$12,848,476
1-Oct-96	\$126,129,419	\$162,448,250	15.00	\$13,302,563	\$160,704,478
1-Oct-97	\$44,127,813	\$57,081,155	16.00	\$4,444,374	\$56,716,132
1-Oct-98	(\$5,280,099)	(\$6,845,275)	17.00	(\$508,713)	(\$6,827,646)
1-Oct-01	\$6,296,677	\$7,998,228	20.00	\$526,710	\$8,050,561
1-Oct-03	\$158,527,905	\$194,592,195	22.00	\$11,972,801	\$196,772,397
1-Oct-06	\$111,179,581	\$127,768,607	25.00	\$7,203,704	\$129,908,683
1-Oct-08	\$230,168,269	\$251,153,449	27.00	\$13,464,842	\$256,109,474
1-Oct-11	\$550,672,339	\$550,672,339	30.00	\$27,636,509	\$563,571,107
	\$1,277,313,386	\$1,387,303,384		\$85,038,060	\$1,403,190,888

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section II: Statement of Actuarial Position as of October 1, 2011Expected Unfunded Actuarial Accrued Liability

	Expected UAAL on <u>10/1</u>	Expected Amortization <u>Payment</u>	Expected UAAL on <u>9/30 *</u>	<u>Change</u>
2011	1,387,303,384	85,038,060	1,403,190,887	
2012	1,403,190,887	89,137,095 **	1,415,892,961	272,322
2013	1,415,892,961	93,148,264	1,425,257,411	
2014	1,425,257,411	96,809,459	1,431,402,668	(530,477)
2015	1,431,402,668	101,165,885	1,433,330,134	
2016	1,433,330,134	103,582,852	1,432,802,696	(2,135,498)
2017	1,432,802,696	107,707,136	1,427,790,466	(536,944)
2018	1,427,790,466	109,252,152	1,420,725,033	(3,301,805)
2019	1,420,725,033	110,417,227	1,411,856,661	(3,751,272)
2020	1,411,856,661	115,284,099	1,397,056,936	(101,903)
2021	1,397,056,936	120,471,883	1,375,520,395	
2022	1,375,520,395	126,651,980	1,345,655,717	758,862
2023	1,345,655,717	132,351,319	1,307,335,489	
2024	1,307,335,489	138,307,128	1,259,628,059	
2025	1,259,628,059	144,530,949	1,201,517,136	
2026	1,201,517,136	125,290,625	1,159,634,066	(25,744,217)
2027	1,159,634,066	121,940,534	1,118,114,781	(8,988,169)
2028	1,118,114,781	128,502,960	1,066,306,737	1,075,102
2029	1,066,306,737	134,285,593	1,004,252,783	
2030	1,004,252,783	140,328,445	930,878,474	
2031	930,878,474	145,372,951	846,382,201	(1,270,274)
2032	846,382,201	151,914,734	748,288,696	
2033	748,288,696	127,218,706	669,202,914	(31,532,191)
2034	669,202,914	132,943,548	577,819,467	
2035	577,819,467	117,275,748	496,235,857	(21,650,260)
2036	496,235,857	122,553,157	402,643,109	
2037	402,643,109	83,876,309	343,471,227	(44,191,740)
2038	343,471,227	87,650,743	275,646,572	
2039	275,646,572	91,595,026	198,315,541	
2040	198,315,541	198,315,541	0	(103,507,518)

*9/30 Expected UAAL = (10/1 Expected UAAL - Expected Amortization Payment)*1.0775

** (85,038,060 * 1.045 + 272,322) (and so on)

Net Investment Yield: 7.75% per annum

Amortization: 4.5% increase per annum

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section II: Statement of Actuarial Position as of October 1, 2011Calculation of Investment Performance

The average dollar weighted investment performance of the Fund was calculated for the period 10/01/10 to 09/30/11 based on Market Value and Actuarial Value.

	<u>Market Value</u>	<u>Actuarial Value</u>
(1) Asset Value, BOY	\$783,356,038	\$876,888,749
(2) Asset Value, EOY	\$751,447,830	\$840,118,674
(3) Contributions from all Sources	\$99,871,004	\$99,871,004
(4) Benefit Payments and Expenses ¹	\$115,707,234	\$115,707,234
(5) Income, Including Realized and Unrealized Gains (2) - (1) - (3) + (4)	(\$16,071,978)	(\$20,933,845)
(6) Yield for Period ² 2 x (5) / ((1) + (2) - (5))	-2.07%	-2.41%

¹ Net of money manager fees of \$4,781,035, parking and rental expenses of \$227,996. Interest earned on RLA and DROP Liability Accounts (\$16,487,455 for PYE 09/30/11) is also deducted prior to computing the yield.

² The total market value of assets, including DROP account balances and RLA balances, was \$967,056,520 on 10/1/2010 and \$954,035,541 on 9/30/11. This yielded an investment return of 0.29% for FYE11.

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section II: Statement of Actuarial Position as of October 1, 2011Determination of Actuarial Value of Assets as of September 30, 2011

<u>Plan Year Ending</u>	<u>Index as of 9/30</u>	<u>Yield During Next Year</u>	<u>Growth Factor</u>	<u>Relative Weights</u>	<u>Weighted Value</u>
2007	100.00	-16.12%	1.3479	1	8.99
2008	83.88	-4.22%	1.2510	2	13.99
2009	80.34	7.70%	1.1610	3	18.65
2010	86.53	-2.07%	1.0775	4	24.86
2011	84.74		1.0000	<u>5</u>	<u>28.25</u>
				15	94.74

$$\text{Adjustment Factor} = \frac{94.74}{84.74} = 1.1180$$

Market Value x Adjustment Factor = Actuarial Value

$$\$954,035,541 \times 1.1180 = \$1,066,611,735$$

- \$24,371,814	less reserve account balance @9/30/11
- <u>\$2,345,679</u>	less Sr. Staff Plan assets @9/30/11
\$1,039,894,242	Net Actuarial Value of Assets for funding purposes

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section II: Statement of Actuarial Position as of October 1, 2011Asset Distribution as of September 30, 2011

<u>Type of Security</u>	<u>Market Value</u>	<u>% of Net Assets</u>	<u>Actuarial Value</u>
Fixed Income	\$248,880,657	26.1%	\$278,248,575
Equities	\$580,282,414	60.8%	\$648,755,739
Cash and Equivalents	\$24,173,829	2.5%	\$27,026,341
Real Estate	\$98,086,906	10.3%	\$109,661,161
Accruals			
From other governmental units	\$1,399,571	0.2%	\$1,564,720
Interest	\$1,378,500	0.1%	\$1,541,163
Dividends	\$742,152	0.1%	\$829,726
Other	<u>\$385,676</u>	<0.1%	<u>\$431,186</u>
Total Cash and Investments	\$955,329,705	100.1%	\$1,068,058,610
Property, Plant and Equipment			
Furniture and equipment	\$567,394	0.1%	\$634,346
Accumulated depreciation	<u>(\$533,775)</u>	(0.1%)	<u>(\$596,760)</u>
Total Assets	\$955,363,324		\$1,068,096,196
Total Liabilities	<u>\$1,327,783</u>	<u>(0.1%)</u>	<u>\$1,484,461</u>
Net assets held in trust for pension benefits	\$954,035,541	100.0%	\$1,066,611,735
Amount Accumulated in Reserve Accounts	\$24,371,814		\$24,371,814
Senior Staff Plan Assets	<u>\$2,345,679</u>		<u>\$2,345,679</u>
Net assets used for costing	\$927,318,048		\$1,039,894,242

NOTE:

The "Market Value" of the assets was reported by the City.

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section II: Statement of Actuarial Position as of October 1, 2011Reconciliation of Accounts October 1, 2008 through September 30, 2009A. Enhanced Benefit Account (EBA)

Account Value, 10/01/08	\$12,723,482
Additions	
Repayment of loan from CBSA (10/1/08) ¹	\$290,231
Chapter Funds Allocation (received 8/20/09) (0.41% * \$155,557,729)	\$637,787
Uncommitted Chapter Funds (received 8/20/09) (residual > 4.41% * \$155,557,729)	\$2,040,650
Interest (-4.22% per annum) ²	<u>(\$562,120)</u>
Total Additions	\$2,406,548
Subtractions	
Annual Retiree Bonus (paid 12/12/08)	\$1,639,451
Interest (-4.22% per annum) ³	(\$55,585)
Loan to CBSA (on 9/30/09) ⁴	<u>\$497,763</u>
Total Subtractions	\$2,081,629
Account Value, 09/30/09	\$13,048,401

Notes

- \$290,231 loan to CBSA to undo "fresh start" on 9/30/08.
- Market rate of return from 10/01/08 to 09/30/09.

$$[-0.0422 * (\$12,723,482 + \$290,231)] + [(1 - 0.0422)^{(41/365)} - 1] * (\$637,787 + \$2,040,650)$$
- Market rate of return from 10/01/08 to 09/30/09.

$$[(1 - 0.0422)^{(292/365)} - 1] * (\$1,639,451)$$
- As of 9/30/09, CBSA deficit of \$497,763 was covered with loan from EBA.

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section II: Statement of Actuarial Position as of October 1, 2011

Reconciliation of Accounts October 1, 2008 through September 30, 2009

B. City Budget Stabilization Account (CBSA)

Account Value, 10/01/08	\$0
Additions	
Contributions ¹	\$61,441,611
Chapter Funds deposit (8/20/09)	\$8,900,746
Interest (-4.22% per annum) ²	(\$1,353,396)
Loan from EBA (on 9/30/09) ³	<u>\$497,763</u>
Total Additions	\$69,486,724
Subtractions	
Repayment of loan to EBA (10/1/08) ⁴	\$290,231
Required Payment for FYE 9/30/09 ⁵	\$67,993,368
Transfer of Chapter Funds to EBA on 8/20/09 ⁶	\$2,678,437
Interest (-4.22% per annum) ⁷	<u>(\$1,475,312)</u>
Total Subtractions	\$69,486,724
Account Value, 09/30/09	\$0

Notes

- From City, Members and Court Fines. (No employee or employer buybacks included, nor any one time transfers from GEEP.) (\$49,246,033+\$10,722,090+\$484,762+\$988,726)
- Market rate of return from 10/01/08 to 09/30/09.

$$[(1-0.0422)^{(0.5)}-1]*\$61,441,611+[(1-0.0422)^{(41/365)}-1]*\$8,900,746$$
- Loan from EBA on 9/30/09 needed to meet required payment for 9/30/09.
- Loan from EBA on 9/30/08 was needed to make total payment of \$6,070,096 to undo "fresh start".
- $(\$10,722,090/0.07)*0.4439$
- $(0.41%*\$155,557,729)+(residual > 4.41%*\$155,557,729)$
- $[(1-0.0422)^{(0.5)}-1]*\$67,993,38+[(1-0.0422)^{(41/365)}-1]*(\$637,787+\$2,040,650)+[(-0.0422)*\$290,231]$

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section II: Statement of Actuarial Position as of October 1, 2011

Reconciliation of Accounts October 1, 2008 through September 30, 2009

C. Base Benefits Fund (BBF)

Actuarial Value of Assets, 09/30/09	\$869,044,915
Enhanced Benefit Account	\$13,048,401
City Budget Stabilization Account	<u>\$0</u>
Total Accounts	\$13,048,401
Account Value, 09/30/09	\$855,996,514

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section II: Statement of Actuarial Position as of October 1, 2011

Reconciliation of Accounts October 1, 2009 through September 30, 2010

A. Enhanced Benefit Account (EBA)

Account Value, 10/01/09	\$13,048,401
Additions	
Repayment of loan from CBSA (10/1/09) ¹	\$497,763
Chapter Funds Allocation (received 8/19/10) (0.41% * \$158,046,680)	\$647,991
Uncommitted Chapter Funds (received 8/19/10) (residual > 4.41% * \$158,046,680)	\$1,858,894
Interest (7.70% per annum) ²	\$1,064,544
Total Additions	\$4,069,192
Subtractions	
Annual Retiree Bonus (paid 12/11/09)	\$1,706,817
Interest (7.70% per annum) ³	\$104,722
Total Subtractions	\$1,811,539
Account Value, 09/30/10	\$15,306,054

Notes

- \$497,763 loan to CBSA to meet required payment for FYE 09.
- Market rate of return from 10/01/09 to 09/30/10.
 $[0.077 * (\$13,048,401 + \$497,763)] + [(1.077)^{(42/365)} - 1] * (\$647,991 + \$1,858,894)$
- Market rate of return from 10/01/09 to 09/30/10.
 $[(1.077)^{(293/365)} - 1] * (\$1,706,817)$

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section II: Statement of Actuarial Position as of October 1, 2011

Reconciliation of Accounts October 1, 2009 through September 30, 2010

B. City Budget Stabilization Account (CBSA)

Account Value, 10/01/09	\$0
Additions	
Contributions ¹	\$93,712,866
Chapter Funds deposit (8/19/10)	\$8,828,753
Interest (8.50% per annum) ²	<u>\$6,315,597</u>
Total Additions	\$108,857,216
Subtractions	
Repayment of loan to EBA (10/1/09) ³	\$497,763
Required Payment for FYE 9/30/10 ⁴	\$95,019,914
Transfer of Chapter Funds to EBA on 8/19/10 ⁵	\$2,506,885
Interest (8.50% per annum) ⁶	<u>\$4,021,949</u>
Total Subtractions	\$102,046,511
Account Value, 09/30/10	\$6,810,705

Notes

1. From City, Members and Court Fines. (No employee or employer buybacks included, nor any one time transfers from GEPP.) (\$81,170,863+\$10,981,334 +\$534,654+\$1,026,015)
2. Assumed rate of return from 10/01/09 to 09/30/10.
 $[(1.085)^{(10/12)}-1]*\$81,170,863+[(1.085)^{(0.5)}-1]*\$12,542,003$
 $+[(1.085)^{(42/365)}-1]*\$8,828,753$
3. Loan from EBA on 9/30/09 was needed to meet required payment for FYE 09.
4. $(\$10,981,334/0.07)*0.6057$
5. $(0.41%*\$158,046,680)+(residual > 4.41%*\$158,046,680)$
6. $[(1.085)^{(0.5)}-1]*\$95,019,914+[(1.085)^{(42/365)}-1]*(\$647,991+\$1,858,894)$
 $+[(0.085)*\$497,763]$

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section II: Statement of Actuarial Position as of October 1, 2011

Reconciliation of Accounts October 1, 2009 through September 30, 2010

C. Base Benefits Fund (BBF)

Actuarial Value of Assets, 09/30/10	\$1,082,523,068
Enhanced Benefit Account	\$15,306,054
City Budget Stabilization Account	<u>\$6,810,705</u>
Total Accounts	\$22,116,759
Account Value, 09/30/10	\$1,060,406,309

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section II: Statement of Actuarial Position as of October 1, 2011

Reconciliation of Accounts October 1, 2010 through September 30, 2011

A. Enhanced Benefit Account (EBA)

Account Value, 10/01/10	\$15,306,054
Additions	
Chapter Funds Allocation (received 8/24/11) (0.41% * \$148,967,906)	\$610,768
Uncommitted Chapter Funds (received 8/24/11) (residual > 4.41% * \$148,967,906)	\$2,385,126
Interest (-2.07% per annum) ¹	<u>(\$323,181)</u>
Total Additions	\$2,672,713
Subtractions	
Annual Retiree Bonus (paid 12/10/10)	\$1,771,459
Interest (-2.07% per annum) ²	<u>(\$29,596)</u>
Total Subtractions	\$1,741,863
Account Value, 09/30/11	\$16,236,904

Notes

- Market rate of return from 10/01/10 to 09/30/11.
 $(-0.0207 * \$15,306,054) + [(1 - 0.0207)^{(37/365)} - 1] * (\$610,768 + \$2,385,126)$
- Market rate of return from 10/01/10 to 09/30/11.
 $[(1 - 0.0207)^{(294/365)} - 1] * (\$1,771,459)$

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section II: Statement of Actuarial Position as of October 1, 2011

Reconciliation of Accounts October 1, 2010 through September 30, 2011

B. City Budget Stabilization Account (CBSA)

Account Value, 10/01/10	\$6,810,705
Additions	
Contributions ¹	\$87,510,279
Chapter Funds deposit (8/24/11)	\$8,954,610
Interest (8.50% per annum) ²	<u>\$6,451,282</u>
Total Additions	\$102,916,171
Subtractions	
Required Payment for FYE 9/30/11 ³	\$94,631,375
Transfer of Chapter Funds to EBA on 8/24/11 ⁴	\$2,995,894
Interest (8.50% per annum) ⁵	<u>\$3,964,698</u>
Total Subtractions	\$101,591,967
Account Value, 09/30/11	\$8,134,910

Notes

1. From City, Members and Court Fines. (No employee or employer buybacks included, nor any one time transfers from GEPP.) (\$75,038,616+\$10,936,431 +\$670,914+\$864,318)
2. Assumed rate of return from 10/01/10 to 09/30/11.
 $(0.085 * \$6,810,705) + [(1.085)^{(10/12)} - 1] * \$75,038,616 + [(1.085)^{(0.5)} - 1] * \$12,471,663 + [(1.085)^{(37/365)} - 1] * \$8,954,610$
3. $(\$10,936,431 / 0.07) * 0.6057$
4. $(0.41\% * \$148,967,906) + (\text{residual} > 4.41\% * \$148,967,906)$
5. $[(1.085)^{(0.5)} - 1] * \$94,631,375 + [(1.085)^{(37/365)} - 1] * (\$610,78 + \$2,385,126)$

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section II: Statement of Actuarial Position as of October 1, 2011

Reconciliation of Accounts October 1, 2010 through September 30, 2011

C. Base Benefits Fund (BBF)

Actuarial Value of Assets, 09/30/10	\$1,066,611,735
Enhanced Benefit Account	\$16,236,904
City Budget Stabilization Account	<u>\$8,134,910</u>
Total Accounts	\$24,371,814
Account Value, 09/30/11	\$1,042,239,921

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section II: Statement of Actuarial Position as of October 1, 2011Actuarial MethodsIndividual Entry Age Actuarial Cost Method

Under this method, the normal cost is the sum of the individual normal costs for all active participants. For an active participant, the normal cost is the participant's normal cost accrual rate multiplied by the participant's current compensation. The normal cost accrual rate equals (i) the present value of the future benefits for the participant, determined as of the participant's entry age, divided by (ii) the present value of the compensation expected to be paid to the participant for each year of the participant's anticipated future service, determined as of the participant's entry age. In calculating the present value of future compensation, the salary scale is applied both retrospectively and prospectively to estimate compensation in years prior to and subsequent to the valuation year based on the compensation used for the valuation. The accrued liability is the sum of the individual accrued liabilities for all participants and beneficiaries. A participant's accrued liability equals the present value, at the participant's attained age, of future benefits less the present value, at the participant's attained age, of the individual normal costs payable in the future. A beneficiary's accrued liability equals the present value, at the beneficiary's attained age, of future benefits. The unfunded accrued liability equals the total accrued liability less the actuarial value of assets. Under this method, the entry age used for each active participant is the participant's age at the time he or she would have commenced participation if the plan had always been in existence under current terms, or the age as of which he or she first earns service credits for purposes of benefit accrual under the current terms of the plan.

Asset Valuation Method

An actuarial value has been placed on all Fund assets. The purpose of setting an actuarial value on assets is to recognize market values, which are the only true measure of the value of these securities, without giving total credence to the current market value and without causing costs to fluctuate substantially in response to short-term market swings.

The actuarial adjustment factor applied to the market value of assets has been determined as the amount by which current market prices were deflated in relation to a longer range trend. The actuarial factor was developed as follows:

- (1) develop performance indices as of September 30, 2007, 2008, 2009, 2010 and 2011 using actual Fund performance during those periods;
- (2) multiply these indices by a growth factor of 7.75% (the assumed rate of return on investments) for each period up to September 30, 2011;
- (3) weight the indices by 1/15, 2/15, 3/15, 4/15 and 5/15 respectively; and
- (4) divide the total of the weighted indices by the non-weighted index for September 30, 2011.

The details of the calculations are shown in Table III-D.

Changes Since the October 1, 2008 Valuation: None.

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section II: Statement of Actuarial Position as of October 1, 2011Actuarial Assumptions

The actuarial assumptions have been updated after an experience study for five plus years ending September 30, 2011.

Mortality: Pre and Post-Retirement for healthy lives, the RP-2000 Combined Healthy Mortality Table, separate by sex, Projection Scale AA to valuation date. Post-Disablement uses the RP-2000 Disabled Retiree Table, separate by sex, Projection Scale AA to valuation date.

Net Investment Yield: 7.75% compounded annually, net of investment expenses.

Withdrawal: No refunds are assumed. Annual rates consistent with the following representative figures.

<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
20	.024	28	.024	36	.006
24	.024	32	.012	40	.000

Disability: No recoveries are assumed. Rates consistent with the following representative figures:

<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
25	.00036	35	.00048	45	.00120
30	.00036	40	.00060	50	.00264

Salary Scale: 5.0% compounded annually applied to pay to allow for future salary increases reflecting inflation, productivity, and seniority.

COLA: 3.0% compounded annually.

Percent Married: Assume 75% of active employees married. Use tax reported status for inactives.

Retirement: Rates per year as follows:

<u>Years of Service</u>	<u>Rate</u>
20	0.40
21-29	0.30
30	1.00

Assumed 100% retirement at age 61.

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section II: Statement of Actuarial Position as of October 1, 2011

Actuarial Assumptions

Expense Load: Expenses, net of manager fees, are currently estimated to be \$2,200,000 annually.

Amortization of Unfunded Actuarial Accrued Liability: Assumes payroll increases at 4.5% per annum throughout the entire amortization period.

Age Differences for Spouses: Females are assumed to be 3 years younger than males.

Withdrawal of Employee Contributions: Assumes no refunds elected by vested terminations.

Sources of Data: Asset data is from unaudited financial statements.

Changes Since the October 1, 2008 Valuation:

1. Mortality for healthy lives was changed from 1994 GAM, separate by sex, to RP-2000 Combined Healthy Mortality Table, separate by sex, Projection Scale AA to valuation date. Mortality for disabled lives was changed from 1994 GAM, separate by sex, with 10 year set forward to RP-2000 Disabled Retiree Table, separate by sex, Projection Scale AA to valuation date.
2. The salary scale was decreased from 5.5% to 5.0%.
3. The retirement decrements were increased and revised to use service based rates rather than age based.
4. The net investment yield assumption was decreased from 8.5% to 7.75% compounded annually, net of investment expenses.
5. The amortization of the unfunded actuarial accrued liability assumes a payroll increase of 4.5% per annum, decreased from the prior 5.25% per annum.

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section II: Statement of Actuarial Position as of October 1, 2011Plan Outline

<u>Covered Group:</u>	All members of the Fire and Police Departments of the City not covered under another retirement system, and in the following categories: Plan 05, Plan 06, Plan 19 and Plan 41. Inactive members of the 1915 Fire Pension Fund and the 1917 Police Pension Fund.
<u>Credited Service:</u>	All employment in the Fire/Police Department. Military Service may be included. Service as a General Employee may be included.
<u>Earnings Base:</u>	Average salary of last fifty-two pay periods, as defined by Ordinance 91-1017-0605.
<u>Retirement Date:</u>	Completion of a minimum of 20 years of Credited Service.
<u>Retirement Benefits:</u>	3% of Earnings Base for each of the first 20 years of Credited Service, plus 2% for each of the next 10 years. All categories have a minimum monthly benefit of \$400 (Children's minimum is \$200).
<u>Health Subsidy:</u>	\$5 per month for each year of Credited Service with a minimum of \$25 per month and a maximum of \$150 per month.
<u>Form of Benefit:</u>	Payment is 75% continuation to spouse, plus \$200 per month to child until earlier of attainment of age 18 (22 if in college) or marriage. Overall maximum of 100%. Orphaned children receive 75% continuation until earlier of attainment of age 18 (22 if in college) or marriage.
<u>Disability Benefits:</u>	60% of Earnings Base or Retirement Benefit, if greater; minimum of \$400 per month. Form of benefit same as for active or retired employees.
<u>Pre-Retirement Death Benefits:</u>	Spouse's benefit of 75% of projected retirement benefit, assuming participant completed at least 20 years of Credited Service, plus \$200 monthly to each child until earlier attainment of age 18 (22 if in college) or marriage. Overall maximum of 100% of projected normal retirement benefit. Minimum monthly benefit of \$400 per month.

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section II: Statement of Actuarial Position as of October 1, 2011

Plan Outline

Orphans receive benefit applicable to spouse without children until earlier of marriage or attainment of age 18 (22 if in college). Dependent father or mother may be eligible if no spouse or children.

Otherwise, refund of 100% employee's contributions.

For future deaths among active members and retirees, including DROPS, if there is no surviving spouse, a disabled child 18 years or older receives half of the spouse's benefit for life. The Board will establish earnings and means criteria to qualify.

Termination
of Service:

If terminated before 5 years of Credited Service, refund of employee contributions.

If terminated after 5 years of Credited Service, refund of employee contributions and no further benefit; or a benefit payable at normal retirement date, equal to Credited Service multiplied by 3.0% of earnings base. (2.5% until April 1, 2001)

No death or disability benefits during deferred period. Form of benefit same as for active employees. No minimum benefits.

Employee
Contribution:

7% of Earnings Base.

Non-Employee
Contributions:

The City is currently contributing 49.6% of budgeted earnings. The Fund also receives proceeds from court fines and a major portion of Chapter monies. The City covers any shortfall.

Cost of Living
Increases:

Annual increases in the Retirement Benefit of 3% per year.

Note:

Members of the 1915 Fire Pension Fund and the 1917 Police Pension Fund receive benefit payments from the Fund. These benefits are partially subsidized by the City. The Fund provides 36.603% of the total benefit for 1915 Fire members and 100% for 1917 Police members.

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section II: Statement of Actuarial Position as of October 1, 2011

Plan Outline

Deferred Retirement Effective 1/9/99 with the current following main provisions:
Option Plan (DROP):

Minimum service at entry: 20 years. 5 year maximum DROP

Maximum service at entry: 31 years. 2 year maximum DROP

DROP investment yield: 8.4% annually.

Withdrawal from DROP and immediate retirement at member's sole option.

Members will contribute 2% of Earnings Base during the DROP period to cover the cost of administering the DROP provision.

Percentage cost of living increases granted during DROP period. Biannual lump sum COLA not provided to DROP participants. DROP participants are not paid Health Insurance Subsidy until termination of employment.

Retirement Leave Account frozen upon DROP. It is deposited into the Fund by the City in equal annual installments during the DROP period, and credited with 8.4% annual interest.

Changes Since the October 1, 2008 Valuation: None.

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section III: Funded Position and Key StatisticsKey Statistics

Class of Participant	Valuation Date				
	10/01/07	10/01/08	10/01/09	10/01/10	10/01/11
Continuing Actives (excluding DROP)	2,394	2,430	2,378	2,471	2,428
Pay Increase %	5.7%	6.0%	7.0%	3.0%	2.5%
Active					
Number	2,541	2,534	2,583	2,620	2,451
Average Age	38.6	38.9	38.7	39.0	39.3
Average Annual Pay	\$56,305	\$58,541	\$60,224	\$60,323	\$60,862
Average Service	10.3	10.7	10.4	10.5	10.8
Retired					
Number	1,409	1,445	1,470	1,483	1,529
Average Age	64.3	64.5	64.8	65.2	65.5
Average Annual Benefit	\$44,356	\$45,952	\$47,622	\$49,463	\$51,395
Disabled					
Number	64	61	60	60	57
Average Age	58.7	59.4	60.0	60.3	61.3
Average Annual Benefit	\$27,101	\$28,536	\$29,061	\$29,926	\$31,003
Surviving Spouses					
Number	357	360	376	390	390
Average Age	72.9	73.1	73.0	73.0	72.6
Average Annual Benefit	\$20,342	\$21,850	\$23,277	\$24,734	\$26,347
Children					
Number	19	16	20	20	28
Average Age	11.2	10.1	11.6	12.4	12.8
Average Annual Benefit	\$3,444	\$3,054	\$3,149	\$3,182	\$3,284
Terminated Vested					
Number	38	34	38	39	38
Average Age	42.0	42.1	42.2	43.3	43.3
Average Annual Benefit	\$14,997	\$14,291	\$15,173	\$15,730	\$14,512
DROP					
Number	230	248	314	361	439
Average Age	51.8	51.4	50.9	50.7	50.4
Average Annual Benefit	\$50,589	\$49,792	\$49,966	\$49,619	\$48,572

TABLE III-B

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section III: Funded Position and Key StatisticsReconciliation of Number of Participants by Status

	<u>Actives</u>	<u>Retirees</u>	<u>Vested Terminations</u>	<u>Disabilities</u>	<u>Surviving Spouses</u>	<u>Children</u>	<u>DROP</u>
Number on 07/01/08 Used for 10/01/08 Reporting	2,534	1,445	34	61	360	16	248
New Entrants	353						
Transfers from General Plan	21						
Transfers to General Plan	(6)						
Non-Vested/Refunded Terminations	(56)						
Vested Terminations	(13)		13				
Retirees	(16)	182	(9)				(157)
Disabilities	(4)			4			
Deaths with no Survivors	(2)	(27)		(1)	(58)		
Payments Stopped (Age 18 or Remarried)							
Deaths with Survivors	(9)	(71)		(7)			(4)
New Beneficiaries					85	16	
Former Beneficiaries/ Children Reinstated					3		
New DROP Retirees	(352)						352
Data Corrections	1						
Number on 07/01/11 Used for 10/01/11 Valuation	2,451	1,529	38	57	390	28	439

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section III: Key Statistics

Active Age And Service Distribution As Of October 1, 2011

Cell Format: Number In Each Group, Average Age, Average Service, And Average Salary (Both Sexes Included)

Service		>=1	>=2	>=3	>=4	>=5	>=10	>=15	>=20	>=25	>=30	>=35		
Age	<1	<2	<3	<4	<5	<10	<15	<20	<25	<30	<35	<40	>=40	ALL
<25	1	16	13	2	0	0	0	0	0	0	0	0	0	32
	22.25	23.93	23.64	24.85	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	23.82
	0.78	1.46	2.29	3.57	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.91
	37602	38926	41266	46977	0	0	0	0	0	0	0	0	0	40339
>=25	0	32	77	46	37	78	0	0	0	0	0	0	0	270
	0.00	27.40	27.52	27.45	28.37	28.34	0.00	0.00	0.00	0.00	0.00	0.00	0.00	27.85
	0.00	1.51	2.42	3.32	4.64	6.42	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.92
	0	39862.4	43695	45852	48865.5	56100.3	0	0	0	0	0	0	0	47900
>=30	1	21	54	39	43	231	28	0	0	0	0	0	0	417
	31.15	32.18	32.32	32.34	31.69	32.53	33.51	0.00	0.00	0.00	0.00	0.00	0.00	32.44
	0.78	1.72	2.41	3.27	4.58	7.41	11.26	0.00	0.00	0.00	0.00	0.00	0.00	6.04
	37494	41553	43576	45474	48298	57551	64129	0	0	0	0	0	0	53245
>=35	0	8	19	21	23	223	158	62	1	0	0	0	0	515
	0.00	37.10	37.55	37.13	37.06	37.36	37.73	38.66	39.89	0.00	0.00	0.00	0.00	37.62
	0.00	1.64	2.50	3.28	4.61	7.79	12.53	16.26	20.79	0.00	0.00	0.00	0.00	9.67
	0	42154.3	42332.2	46340	48560.8	57832.9	64671	70130.6	160220	0	0	0	0	59912
>=40	1	7	14	11	12	115	171	250	90	0	0	0	0	671
	40.61	42.20	42.16	42.43	41.92	42.11	42.33	42.48	42.99	0.00	0.00	0.00	0.00	42.42
	0.78	1.69	2.40	3.25	4.53	7.64	13.09	17.03	21.29	0.00	0.00	0.00	0.00	14.05
	37464	41406	43601	45775	49154	58175	66276	72859	76739	0	0	0	0	67326
>=45	0	2	10	7	5	66	87	108	90	7	0	0	0	382
	0.00	46.58	47.62	46.46	48.17	47.32	47.17	47.18	47.12	48.02	0.00	0.00	0.00	47.21
	0.00	1.74	2.45	3.16	4.65	7.49	13.23	17.08	21.98	26.12	0.00	0.00	0.00	14.99
	0	42087	44291	45589	48473	56200	65011	71196	77389	78606	0	0	0	67168
>=50	0	1	2	0	2	12	24	45	41	3	0	0	0	130
	0.00	50.54	51.00	0.00	51.00	52.90	51.66	52.05	52.23	51.48	0.00	0.00	0.00	52.06
	0.00	1.53	2.49	0.00	4.96	8.17	13.00	17.31	22.04	26.64	0.00	0.00	0.00	16.84
	0	36959	45193	0	48670	58939	64085	68250	73244	89513	0	0	0	67790
>=55	0	1	0	0	0	2	4	14	6	3	0	0	0	30
	0.00	57.41	0.00	0.00	0.00	57.18	56.65	57.09	56.96	56.6361	0.00	0.00	0.00	56.98
	0.00	1.74	0.00	0.00	0.00	7.31	14.35	17.57	21.13	27.03	0.00	0.00	0.00	17.59
	0	41806	0	0	0	55020	62239	67642	69728	69117	0	0	0	65783
>=60	0	0	0	0	0	0	0	2	1	0	0	0	0	3
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	61.41	60.88	0.00	0.00	0.00	0.00	61.23
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	17.75	20.00	0.00	0.00	0.00	0.00	18.50
	0	0	0	0	0	0	0	65002	77580	0	0	0	0	69194
>=65	0	0	0	0	0	0	1	0	0	0	0	0	0	1
	0.00	0.00	0.00	0.00	0.00	0.00	65.58	0.00	0.00	0.00	0.00	0.00	0.00	65.58
	0.00	0.00	0.00	0.00	0.00	0.00	14.71	0.00	0.00	0.00	0.00	0.00	0.00	14.71
	0	0	0	0	0	0	63540	0	0	0	0	0	0	63540
ALL	3	88	189	126	122	727	473	481	229	13	0	0	0	2451
	31.34	31.01	32.03	32.90	33.69	36.82	41.81	44.44	46.70	50.81	0.00	0.00	0.00	39.33
	0.78	1.58	2.42	3.29	4.61	7.48	12.83	16.99	21.68	26.45	0.00	0.00	0.00	10.84
	37520	40467	43397	45813	48617	57474	65229	71518	76554	78933	0	0	0	60862

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section IV: Accounting for Pension Costs and Liabilities

Commencing after June 15, 1996, the reporting of pension plan information in the Plan's financial statements is governed by Governmental Accounting Standards Board Statement No. 25. Historical information required by this standard through September 30, 2011, is provided in this report.

The primary disclosures of actuarial information under GASB No. 25 are the Schedule of Funding Progress and the Schedule of Contributions. Asset information is displayed in the Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets.

Commencing after June 15, 1997, the City's pension reporting in its financial statements is governed by GASB Statement No. 27.

Annual required contributions are determined in accordance with the parameters specified in GASB Statements No. 25 and No. 27.

GASB Statement No. 27 also requires measurement recognition, and displays standards for pension expenditures/expenses and related liabilities, assets, note disclosures, and if applicable, required supplementary information.

Disclosures also comply with GASB Statement No. 50.

Information collected for this review and update consists of participant data as of July 1, 2011, (used for this September 30, 2011, reporting) and asset information as of September 30, 2011. The Plan Administrator provided the information.

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section IV: Accounting for Pension Costs and LiabilitiesStatement of Changes in Plan Net Assets
as of September 30, 2009, 2010 and 2011

	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>Additions</u>			
Contributions			
Employer	\$52,162,385	\$84,542,087	\$77,715,894 ¹
Employee	<u>12,027,344</u>	<u>12,185,884</u>	<u>12,236,535</u> ²
	64,189,729	96,727,971	89,952,429
Other Additions			
Chapter 175/185	8,900,746	8,828,753	8,954,611
Court fines and penalties	988,726	1,026,015	864,318
Miscellaneous	<u>186,192</u>	<u>81,178</u>	<u>99,646</u>
	10,075,664	9,935,946	9,918,575
Investment income			
Parking and rental revenue	1,873,920	2,026,869	1,936,950
Investment income & realized gains	25,261,380	20,874,910	22,347,845
Unrealized Gains (Losses)	<u>(41,479,185)</u>	<u>52,701,912</u>	<u>(18,860,287)</u>
	(14,343,885)	75,603,691	5,424,508
Less investment expense	4,255,232	4,504,522	4,781,035
Less parking and rental expense	<u>204,535</u>	<u>351,014</u>	<u>227,996</u>
Net investment income	(18,803,652)	70,748,155	415,477
Total additions	55,461,741	177,412,072	100,286,481
<u>Deductions</u>			
Pension benefit payments	109,834,682	88,457,259	90,900,918
DROP payments and RLA interest	263,602	31,760,661	38,340,906 ³
Refund of contributions		190,968	313,593
Administrative expense	<u>1,779,313</u>	<u>2,137,690</u>	<u>2,639,272</u>
Total deductions	111,877,597	122,546,578	132,194,689
Net increase	(56,415,856)	54,865,494	(31,908,208)
Prior period audit adjustment		4,286,448	
Net assets			
Beginning of year	780,619,952	728,490,544	783,356,038
End of year	724,204,096	783,356,038	751,447,830
Individual DROP account and RLA balances @ September 30	<u>170,357,901</u>	<u>183,700,482</u>	<u>202,587,711</u>
Net assets held in trust for pension benefits	<u>\$894,561,997</u>	<u>\$967,056,520</u>	<u>\$954,035,541</u>

¹ Includes \$2,682,739 in employer matching buybacks and (\$5,461) in transfers from GEPP.² Includes \$633,133 in buybacks, \$670,914 in 2% DROP contributions, and (\$3,943) in transfers from GEPP.³ Includes payments to DROP accounts, 8.4% interest on DROP account balances and on RLA balances.

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section IV: Accounting for Pension Costs and LiabilitiesStatement of Plan Net Assets
as of September 30, 2009, 2010 and 2011

	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>Assets</u>			
Cash and short-term investments	\$19,975,383	\$14,146,052	\$24,173,829
Due from City of Jacksonville	\$56,255	\$0	\$0
Due from other governmental units	\$0	\$4,187,316	\$1,399,571
Investments, at fair value			
Fixed Income Securities	\$216,703,630	\$242,831,297	\$248,880,657
Equities	\$572,183,804	\$621,300,648	\$580,282,414
Accrued Interest	\$1,909,057	\$1,777,428	\$1,378,500
Dividends receivable	\$642,432	\$903,056	\$742,152
Real Estate	\$84,087,326	\$85,985,329	\$98,086,906
Property, Plant and Equipment			
Furniture and equipment	\$569,063	\$573,271	\$567,394
Accumulated depreciation	(\$524,959)	(\$551,372)	(\$533,775)
Other receivables	<u>\$133,188</u>	<u>\$258,078</u>	<u>\$385,676</u>
Total assets	\$895,735,179	\$971,411,103	\$955,363,324
<u>Liabilities</u>			
Vouchers payable	\$126	\$90	\$68
Accounts payable	\$1,137,710	\$1,204,125	\$1,284,000
State sales tax payable	\$132	(\$742)	\$0
Accrued wages payable	\$17,014	\$3,116,777	\$6,961
Payroll clearing	\$0	\$2,343	\$0
Current portion long term debt	\$5,460	\$9,597	\$9,886
Other long term liabilities	\$12,740	\$22,393	\$23,067
OPEB GASB #45	<u>\$0</u>	<u>\$0</u>	<u>\$3,801</u>
Total liabilities	\$1,173,182	\$4,354,583	\$1,327,783
Net assets held in trust for pension benefits	<u>\$894,561,997</u>	<u>\$967,056,520</u>	<u>\$954,035,541</u>

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section IV: Accounting for Pension Costs and Liabilities

Notes to Financial Statements, Plan Year Ended September 30, 2011

1. Plan Description: The Jacksonville Police and Fire Pension Fund is a single-employer defined benefit pension plan that covers all employees of the Fire and Police Department of the City in the following categories: Plan 05, Plan 06, Plan 19 and Plan 41.

At September 30, 2011, membership consisted of:

	<u>Number</u>
Retirees currently receiving benefits	1,586
DROP participants	439
Beneficiaries currently receiving benefits	418
Terminated members entitled to but not yet receiving benefits	38
Active plan members	
Vested	1,923
Nonvested	<u>528</u>
Total	4,932

The Plan provides retirement, disability and death benefits to employees and their beneficiaries. A 3.0% annual cost of living increase is granted to pensioners and their beneficiaries.

2. Summary of Significant Accounting Policies: The Plan's financial statements are prepared using the accrual basis of accounting. Benefits payable under all circumstances - retirement, death, disability, and termination of employment - are included to the extent that they are deemed to have accrued as of September 30, 2011. Investments are reported at market value.

3. Contributions: As of October 1, 2009, the City's contribution rate was increased to 49.6% of active members' salaries. The active members are contributing 7.0% of salaries and DROP members 2.0%. The remaining contribution is comprised of most State contributions and court fines. These amounts are sufficient to fund the benefits and meet the State's requirements. Investment costs of the Plan are financed through investment earnings. Other administrative costs are included in the annual required contribution amount.

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section IV: Accounting for Pension Costs and LiabilitiesSchedule of Funding Progress

Plan Year Ending Sept. 30	Actuarial Value of Assets (a)	Accumulated Reserve Accounts (b)	Actuarial Accrued Liability (AAL) (c)	Unfunded AAL (UAAL) (c - a)	Funded Ratio (a / c)	Covered Valuation Payroll (d)	UAAL as a Percentage of Covered Payroll [(c - a) / d]
2002	\$725,416,325	\$12,264,500	\$977,779,454	\$252,363,129	74.19%	\$101,698,016	248.15%
2003	\$732,525,878	\$4,422,747	\$1,146,459,228	\$413,933,350	63.89%	\$109,636,548	377.55%
2004	\$727,955,101	\$18,959,684	\$1,222,354,766	\$494,399,665	59.55%	\$118,510,432	417.18%
2005	\$765,179,843	\$12,609,987	\$1,314,423,639	\$549,243,796	58.21%	\$130,392,284	421.22%
2006	\$827,337,661 ¹	\$12,177,690	\$1,376,658,788	\$549,321,127	60.10%	\$134,694,392	407.83%
2007	\$930,454,052	\$19,895,785	\$1,464,507,647	\$534,053,595	63.53%	\$143,006,154	373.45%
2008	\$894,903,336	\$12,723,482	\$1,692,974,683	\$798,071,347	52.86%	\$148,276,743	538.23%
2009	\$855,996,514	\$13,048,401	\$1,753,945,664	\$897,949,150	48.80%	\$155,557,729	577.24%
2010	\$1,060,406,309 ³	\$22,116,759	\$2,024,453,414	\$964,047,106	52.38%	\$158,046,680	609.98%
2011	\$1,039,894,242 ³	\$24,371,814 ²	\$2,427,197,626	\$1,387,303,384	42.84%	\$148,967,906	931.28%

¹ For Plan Years ending 09/30/06 and 09/30/07, the Actuarial Value of Assets was changed to equal Market Value.

² These accounts were redefined by the Restated Agreement effective 4/1/00. As of 9/30/11, the value of the City Budget Stabilization Account was \$8,134,910 and the Enhanced Benefit Account was \$16,235,904. These amounts are not included in the Actuarial Value of Assets. As of 9/30/11, the Senior Staff Voluntary Retirement Plan had assets of \$2,345,679, which are not included in the Actuarial Value of Assets.

³ Beginning with Plan Year ending 2010, the actuarial value of assets and AAL reflect accumulated DROP payments along with DROP and RLA interest, since these are assets of the Trust. Beginning with Plan Year ending 2011, the Senior Staff Voluntary Retirement Plan is recognized as part of the assets of the Trust.

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section IV: Accounting for Pension Costs and LiabilitiesSchedule of Contributions From All Sources

<u>Plan Year Ending Sept. 30</u>	<u>Annual Required Contribution</u>	<u>City Cash Contributions</u>	<u>Alloted from CBSA</u>	<u>Court Fines</u>	<u>Premium-Tax Refunds</u>	<u>Total Employer Contributions</u>	<u>Total Member Contributions</u>
2002	\$35,584,692	\$9,895,774	\$10,389,200	\$3,116,889	\$4,067,920	\$27,469,783	\$8,114,909
2003	\$36,310,748	\$9,734,277	\$10,881,681	\$3,040,897	\$4,385,461	\$28,042,316	\$8,268,432
2004	\$39,295,089	\$22,097,656	\$768,514	\$2,913,999	\$4,740,417	\$30,520,586	\$8,774,503
2005	\$50,727,035	\$25,850,929	\$8,753,301	\$1,324,890	\$5,215,691	\$41,144,811	\$9,582,224
2006	\$53,263,387	\$34,711,990	\$2,105,596	\$1,412,475	\$5,387,776	\$43,617,837	\$9,645,550
2007	\$55,926,556	\$42,866,015	(\$4,358,257)	\$1,341,955	\$5,720,247	\$45,569,960	\$10,356,596
2008	\$65,389,407	\$47,145,307	\$442,776	\$1,218,796	\$5,931,069	\$54,737,948	\$10,651,459
2009	\$67,993,368	\$49,246,033	\$329,448	\$988,726	\$6,222,309	\$56,786,516	\$11,206,852
2010 ¹	\$95,019,914	\$81,170,863	(\$5,014,820)	\$1,026,015	\$6,321,868	\$83,503,926	\$11,515,988
2011	\$94,631,375	\$75,038,616	\$1,162,380	\$864,318	\$5,958,716	\$83,024,030	\$11,607,345

Notes: In all years shown, 100% of the ARC has been contributed thus producing a Net Pension Obligation of \$0 for all years.

City Cash Contributions shown above do not include employer buyback contributions.

Total Member Contributions shown above include DROP contributions, but do not include employee buyback contributions.

¹ The values for 2010 have been revised.

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section IV: Accounting for Pension Costs and Liabilities

Additional Actuarial Information, Plan Year Ended September 30, 2011

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	10/01/11
Actuarial cost method	Individual Entry Age
Amortization method	Level percent; closed
Remaining amortization period	5-30 years
Asset valuation method	5 year smoothing
Actuarial assumptions:	
Net investment rate of return*	7.75%
Projected salary increases*	5.00%
*Includes inflation at	3.00%
Cost-of-living adjustments	3.00%

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section V: State of Florida Information

A. Participant Data See Tables III-A, and III-B.

B. Assets See Table II-G.

C. Liabilities

	<u>As of</u> <u>10/01/2008</u>	<u>Before</u> <u>Changes</u> <u>10/01/2011</u>	<u>After</u> <u>Changes</u> <u>10/01/2011</u>
Present Value of Future Benefits for:			
Retirement Benefits	\$943,617,820	\$945,607,732	\$1,117,767,581
Death Benefits	\$15,916,135	\$16,303,788	\$10,866,101
Disability Benefits	\$25,031,217	\$25,976,507	\$20,865,915
Withdrawal Benefits	\$4,284,636	\$4,372,990	\$5,334,143
Return of Contributions	<u>\$786,166</u>	<u>\$787,399</u>	<u>\$528,052</u>
Total Active	\$989,635,974	\$993,048,416	\$1,155,361,792
Terminated Vested Retirees and Beneficiaries	\$5,255,417	\$6,329,626	\$7,172,557
Disableds	\$886,292,046	\$1,032,099,012	\$1,112,688,503
DROPs	\$20,916,131	\$20,162,499	\$21,397,148
	<u>\$194,178,120</u>	<u>\$534,659,148</u>	<u>\$568,892,677</u>
Total Inactive	\$1,106,641,714	\$1,593,250,285	\$1,710,150,885
Total Present Value of Future Benefits	\$2,096,277,688	\$2,586,298,701	\$2,865,512,677

D. Actuarial Present Value of Accumulated Plan Benefits

	<u>As of</u> <u>10/01/2008</u>	<u>Before</u> <u>Changes</u> <u>10/01/2011</u>	<u>After</u> <u>Changes</u> <u>10/01/2011</u>
Active	\$399,821,634	\$394,718,265	\$530,749,834
Inactive	<u>\$1,106,641,714</u>	<u>\$1,593,250,285</u>	<u>\$1,710,150,885</u>
Total	\$1,506,463,348	\$1,987,968,550	\$2,240,900,719

Accumulated Employee Contributions	\$86,437,285	\$91,552,794	\$91,552,794
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JACKSONVILLE POLICE AND FIRE PENSION FUND

Section V: State of Florida Information

D. Actuarial Present Value of Accumulated Plan Benefits (continued)

1. Actuarial Present Value of Accumulated Plan Benefits as of October 1, 2008.	\$1,506,463,348
2. Less benefit payments to pensioners for the period 10/1/2008-9/30/2011	\$360,062,589
3. Increase due to 8.50% net yield assumption.	\$370,855,777
4. Plus additional benefit accruals for the period 10/1/2008-9/30/2011	\$268,124,303
5. Increase for inclusion of accumulated DROP account balances and RLA interest	\$202,587,711
6. Increase due to changes in assumptions.	\$252,932,169
7. Actuarial Present Value of Accumulated Plan Benefits as of October 1, 2011.	\$2,240,900,719

E. Entry Age Normal Actuarial Accrued Liability

	<u>As of</u> <u>10/01/2008</u>	<u>Before</u> <u>Changes</u> <u>10/01/2011</u>	<u>After</u> <u>Changes</u> <u>10/01/2011</u>
Actives			
Retirement Benefits	\$573,115,736	\$574,593,322	\$706,997,053
Death Benefits	\$4,977,401	\$5,237,047	\$3,202,382
Disability Benefits	\$9,982,684	\$10,616,144	\$7,987,701
Withdrawal Benefits	-\$1,239,713	-\$1,093,769	-\$608,077
Return of Contributions	<u>-\$503,139</u>	<u>-\$493,512</u>	<u>-\$532,318</u>
Total Actives	\$586,332,969	\$588,859,232	\$717,046,741
Total Inactives	\$1,106,641,714	\$1,593,250,285	\$1,710,150,885
Total Entry Age Normal Actuarial Accrued Liability	\$1,692,974,683	\$2,182,109,517	\$2,427,197,626

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section V: State of Florida Information

F. Entry Age Normal Cost

	As of <u>10/01/2008</u>	Before Changes <u>10/01/2011</u>	After Changes <u>10/01/2011</u>
Actives Only			
Retirement Benefits	\$35,335,641	\$35,569,596	\$44,596,346
Death Benefits	\$1,038,960	\$1,062,720	\$812,738
Disability Benefits	\$1,415,891	\$1,468,439	\$1,348,151
Withdrawal Benefits	\$546,984	\$534,139	\$694,092
Return of Contributions	<u>\$124,321</u>	<u>\$123,181</u>	<u>\$118,434</u>
Total	\$38,461,797	\$38,758,075	\$47,569,761

G. Pension Cost

	As of <u>10/01/2008</u>	Before Changes <u>10/01/2011</u>	After Changes <u>10/01/2011</u>
Normal Actuarial Cost	\$40,661,797	\$40,598,075	\$49,769,761
Minimum Payment to Amortize UAAL	\$49,146,128	\$72,596,131	\$85,038,060
Expected Contributions From Employees			
Dollar Amount	\$10,379,372	\$10,437,695	\$10,427,753
% of Covered Payroll	7.00%	7.00%	7.00%
Expected Contributions From City			
Dollar Amount	\$71,910,922	\$95,609,287	\$116,880,219
% of Covered Payroll	48.50%	64.12%	78.46%
Expected DROP Contributions			
Dollar Amount	\$370,692	\$670,914	\$670,914
% of Covered Payroll	0.25%	0.45%	0.45%
Expected Contributions From Other Sources*			
Dollar Amount	\$7,146,939	\$6,829,539	\$6,823,034
% of Covered Payroll	4.82%	4.58%	4.58%

*The sources include most Chapter 175/185 monies, court fines and penalties, and transfers, as needed, from the CBSA.

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section V: State of Florida Information

H. Past Contributions

Expected contributions for Plan Year ending September 30, 2012. See G. above.
Actual contributions for Plan Years ending September 30, 2009, September 30, 2010, and September 30, 2011 - See Table IV-A.

I. Net Actuarial Gain (Loss)

For period ended 09/30/2009 - NA
For period ended 09/30/2010 - NA
For period ended 09/30/2011 – (\$550,672,339)

J. Present Value of

	<u>As of</u> <u>10/01/2008</u>	<u>Before</u> <u>Changes</u> <u>10/01/2011</u>	<u>After</u> <u>Changes</u> <u>10/01/2011</u>
Future Salaries	\$1,555,017,900	\$1,555,718,000	\$1,373,837,300
Future City Contributions	\$754,183,682	\$1,327,955,518	\$1,632,708,600
Future Employee Contributions	\$108,851,253	\$108,900,260	\$96,168,611
Future DROP Contributions	\$3,887,545	\$7,006,563	\$6,187,418
Future Contributions from Other Sources	\$74,951,863	\$102,542,118	\$90,553,806

K. (i) Three-Year Comparison of Actual and Assumed Salary Increases

<u>Year Ended</u>	<u>Actual</u>	<u>Assumed</u>
09/30/11	2.5%	5.5%
09/30/10	3.0%	5.5%
09/30/09	7.0%	5.5%

(ii) Three-Year Comparison of Net Investment Returns

<u>Year Ended</u>	<u>Market</u> <u>Value</u>	<u>Actuarial</u> <u>Value</u>	<u>Assumed</u>
09/30/11	-2.07%	-2.41%	8.5%
09/30/10	7.70%	0.44%	8.5%
09/30/09	-4.22%	-1.63%	8.5%

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section V: State of Florida Information

(ii) Average Annual Growth in Payroll, last 10 Years

<u>Valuation Date</u>	<u>Covered Valuation Payroll</u>
10/01/2001	\$96,198,772
10/01/2002	\$101,698,016
10/01/2003	\$109,636,548
10/01/2004	\$118,510,432
10/01/2005	\$130,392,283
10/01/2006	\$134,694,392
10/01/2007	\$143,006,154
10/01/2008	\$148,276,743
10/01/2009	\$155,557,729
10/01/2010	\$158,046,680
10/01/2011	\$148,967,906
Total % Increase	54.85%
Annual % Increase (10 year average)	4.47%

L. Benefits and Expenses of Plans not Explicitly or Implicitly Provided for in Valuation

None.

M. Trends Not Taken Into Account But Which Are Likely to Result in Future Cost Increases

None.

N. Statement by Enrolled Actuary

See Cover Letter.

O. Age/Service Distribution of Active Employees

See Table III-C.

P. Derivation of Costs on Current Plan Basis

See Table II-A.