

JACKSONVILLE POLICE AND FIRE PENSION FUND

Actuarial Valuation Report as of October 1, 2014

(Determining costs for the Plan Year
beginning October 1, 2015)

Prepared by:

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December 30, 2014

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, 2014

Gentlemen:

We are pleased to forward our report on the 2014 Actuarial Valuation of the Jacksonville Police and Fire Pension Fund. The minimum required contribution is for the Plan Year beginning October 1, 2015.

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.

 12-30-14
Jarmon Welch, A.S.A. Date
PENSION BOARD CONSULTANTS, INC.

14 - 1108
Enrollment Number

JACKSONVILLE POLICE AND FIRE PENSION FUND
Actuarial Report for the Plan Year Beginning October 1, 2014

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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, 2013. The current review has been performed as of October 1, 2014. The valuation results were based on participant data as of July 1, 2014, provided by the City. Fund assets and the Plan as of September 30, 2014, 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 127.37% (125.67% plus 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	0.58%
Expected Court Fines and Penalties	0.66%
State Chapter Funds Allocation	<u>4.00%</u>
TOTAL (non City)	12.24%

It should be noted that State laws make the City responsible for funding any contribution shortfall. The City should budget its contribution percentage at 115.13% (127.37%-12.24%) for the fiscal year beginning October 1, 2015.

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-C of this report. The amount accumulated in the Enhanced Benefit Account as of September 30, 2014, was \$33,183,866, and the balance in the City Budget Stabilization Account was \$45,908,495.

Senior Staff Voluntary Retirement Plan

As of September 30, 2014, the assets in the Plan were \$4,257,077, and are being recognized in this report.

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section I: Summary and Cost Analysis

Reconciliation with 2013 Minimum Required Contribution

The following table compares the key employment and payroll statistics and the minimum required City contributions from the October 1, 2013, and October 1, 2014, actuarial valuations.

Comparison of Key Statistics and Minimum Required City Contributions		
Valuation Date	<u>October 1, 2013</u>	<u>October 1, 2014</u>
Key Statistics		
Number of Active Participants (excluding DROP)	2,150	2,237
Total Covered Valuation Payroll (no DROP)	\$130,972,174	\$134,521,216
DROP Payroll	\$39,566,543	\$37,438,559
Average Annual Pay	\$61,082	\$60,276
Average Age	40.2	40.0
Minimum City Contribution (payable on December 1)		
Dollar Amount	\$153,014,791	\$155,116,414
Percent of Covered Valuation Payroll	116.83%	115.13%
Net Market Value of Assets*	\$1,228,131,184	\$1,389,747,614
Unfunded Actuarial Accrued Liability	\$1,648,475,008	\$1,622,842,954

* Market Value less two reserve accounts and less Senior Staff Plan assets as of 9/30/2014. Reserve accounts balances are derived in TABLE II-C.

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section I: Summary and Cost Analysis

Our 2013 actuarial report showed a minimum FY2015 contribution of 129.02% of payroll. This has decreased 1.65% to 127.37% for FY2016. This is primarily due to the interaction of the following factors:

1. Based on market value, the fund yielded 10.73% for the plan year ending September 30, 2014. This is more than the assumed investment return of 7.0% per year and reduced costs by about 3.2% of covered payroll.
2. An increase in costs of about 1.55% of covered payroll was primarily attributable to the one year contribution lag and buybacks as well as other experience deviations.

JACKSONVILLE POLICE AND FIRE PENSION FUND

Statement of Actuarial Position as of October 1, 2014Derivation of Minimum Required Contribution

	<u>10/1/2013</u>	<u>10/1/2014</u>
1. Present Value of Future Benefits		
a. Active Participants		
(i) Retirement	\$1,110,033,423	\$1,124,661,272
(ii) Death	\$10,248,273	\$10,217,144
(iii) Disability	\$20,434,149	\$20,765,600
(iv) Withdrawal	\$5,527,772	\$15,053,979
(v) Return of Contributions	\$417,627	\$444,967
(vi) Total	\$1,146,661,244	\$1,171,142,962
b. Inactive Participants		
(i) Retirees and Beneficiaries	\$1,326,004,277	\$1,448,819,684
(ii) Disableds	\$24,923,576	\$25,657,666
(iii) Terminated Vested	\$17,063,961	\$15,998,385
(iv) DROP Participants ¹	\$771,008,567	\$766,443,503
(v) Total	\$2,139,000,381	\$2,256,919,238
c. Total (a. + b.)	\$3,285,661,625	\$3,428,062,200
2. Market Value of Assets		
a. Gross Market Value ¹	\$1,292,965,997	\$1,473,097,052
b. Reserve Accounts	\$60,915,907	\$79,092,361
c. Sr. Staff Plan Assets	\$3,918,906	\$4,257,077
d. Net Market Value (a. - b. - c.)	\$1,228,131,184	\$1,389,747,614
3. Unfunded Actuarial Accrued Liability	\$1,648,475,008	\$1,622,842,954
a. UAAL Amortization Payment ²	\$109,785,718	\$111,578,279
4. Present Value of Future Normal Costs	\$409,055,433	\$415,471,632
5. Ratio of Present Value of Future Salaries to Current Salaries		
a. 1% of PV of Future Salaries	\$11,570,895	\$11,766,604
b. Covered Payroll (no DROP)	\$130,972,174	\$134,521,216
c. Ratio (a. / b.)	8.834621	8.747025
d. DROP Payroll	\$39,566,543	\$37,438,559
6. Normal Actuarial Cost		
a. Dollar Amount (Individual EA)	\$47,915,012	\$47,615,082
b. As % of Covered Payroll	36.58%	35.40%
7. Expense Funding		
a. Annual Expense	\$9,025,105	\$9,864,686
b. As % of Covered Payroll	6.89%	7.33%
8. Total Cost for the Year		
a. Total Cost BOY (3.a. + 6.a. + 7.a.)	\$166,725,835	\$169,058,047
b. As % of Covered Payroll (8.a. / 5.b.)	127.30%	125.67%
c. Total Cost as of December 1 ³	\$168,980,299	\$171,339,673
d. As % of Covered Payroll on December 1 ³	129.02%	127.37%

¹ Includes individual DROP accounts and RLA balances as of September 30² Minimum amount produced by prior bases³ Assumes City contribution paid on December 1

JACKSONVILLE POLICE AND FIRE PENSION FUND
 Section II: Statement of Actuarial Position as of October 1, 2014
Unfunded Actuarial Accrued Liability Amortization

1. UAAL on October 1, 2013	\$1,648,475,008
2. Normal Cost at Beginning of Year as of October 1, 2013	\$56,940,117
3. 7.0% Annual Interest on (1) plus (2) to September 30, 2014	\$119,379,059
4. Contributions for PYE2014 (one year lag)	\$157,881,190
5. Interest on Contributions to September 30, 2014	\$9,157,422
6. Decrease due to Actuarial Gain (primarily investment)	\$34,912,618
7. UAAL on September 30, 2014 (1) + (2) + (3) - (4) - (5) - (6)	\$1,622,842,954
8. Expected Amortization Payment on October 1, 2014	\$111,578,279
9. Expected UAAL on September 30, 2015	\$1,617,053,202
10. Expected Amortization Payment on October 1, 2015	\$115,204,573
11. Expected UAAL on September 30, 2016	\$1,606,978,033

Expected UAAL = [10/1 Expected UAAL - Expected Amortization Payment (3.25%
annual increase)] * 1.07 (annual interest)

Note: The final expected payment is \$200,908,100 on October 1, 2033.

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section II: Statement of Actuarial Position as of October 1, 2014Reconciliation of Accounts October 1, 2013 through September 30, 2014A. Enhanced Benefit Account (EBA)

Account Value, 10/01/13	\$27,647,091
Additions	
Chapter Funds Allocation (received 8/21/14) (0.41% * \$134,521,216)	\$551,537
Uncommitted Chapter Funds (received 8/21/14) (residual > 4.41% * \$134,521,216)	\$4,178,107
Interest (10.73% per annum) ¹	<u>\$3,019,658</u>
Total Additions	\$7,749,302
Subtractions	
Annual Retiree Bonus (paid 12/06/13)	\$2,035,864
Interest (10.73% per annum) ²	<u>\$176,663</u>
Total Subtractions	\$2,212,527
Account Value, 09/30/14	\$33,183,866

Notes

- Market rate of return from 10/01/13 to 09/30/14.
 $(0.1073 * \$27,647,091) + [(1.1073^{(40/365)} - 1)] * (\$551,537 + \$4,178,107)$
- Market rate of return from 10/01/13 to 09/30/14.
 $[(1.1073)^{(298/365)} - 1] * (\$2,035,864)$

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section II: Statement of Actuarial Position as of October 1, 2014

Reconciliation of Accounts October 1, 2013 through September 30, 2014

B. City Budget Stabilization Account (CBSA)

Account Value, 10/01/13	\$33,268,816
Additions	
Contributions ¹	\$159,226,424
Chapter Funds deposit (8/21/14)	\$10,110,492
Interest (7.00% per annum) ²	\$11,381,178
Total Additions	\$180,718,094
Subtractions	
Required Payment for FYE 9/30/14 ³	\$157,881,190
Transfer of Chapter Funds to EBA on 8/21/14 ⁴	\$4,729,644
Interest (7.00% per annum) ⁵	\$5,467,582
Total Subtractions	\$168,078,416
Account Value, 09/30/14	\$45,908,495

Notes

1. From City, Members and Court Fines. (No employee or employer buybacks included, nor any one time transfers from GEPP.) (\$148,277,368+\$9,294,158 +\$773,607+\$881,291)
2. Assumed rate of return from 10/01/13 to 09/30/14.
 $(0.07 * \$33,268,816) + [(1.07)^{(10/12)} - 1] * \$148,277,368 + [(1.07)^{(0.5)} - 1] * \$10,949,056$
 $+ [(1.07)^{(40/365)} - 1] * \$10,110,492$
3. $(\$9,294,158 / 0.07) * 1.1891$
4. $(0.41\% * \$134,521,216) + (\text{residual} > 4.41\% * \$134,521,216)$
5. $[(1.07)^{(0.5)} - 1] * \$157,881,190 + [(1.07)^{(40/365)} - 1] * (\$551,537 + \$4,178,107)$

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section II: Statement of Actuarial Position as of October 1, 2014Actuarial Assumptions

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

Mortality: No future mortality improvement projected. 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.

Investment Yield: 7.0% compounded annually.

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: 4.0% 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, 2014

Actuarial Assumptions

Expense Funding: Expenses, including manager fees, are currently funded at \$9,864,686 annually. (Actual administrative and manager expenses in FY2014.)

Load: Active retirement and DROP liabilities are loaded 2% for the DROP 8.4% interest.

Amortization of Unfunded Actuarial Accrued Liability: Assumes payroll increases at 3.25% 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, 2013 Valuation:

1. Expense funding increased from \$9,025,105 to \$9,864,686 annually.

Actuarial Bases

Cost Method: Individual Entry Age

Asset Valuation Method: Market Value

Changes Since the October 1, 2013 Valuation: None.

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section II: Statement of Actuarial Position as of October 1, 2014Plan 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, 2014

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 116.83% of covered payroll. 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, 2014

Plan Outline

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

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, 2013 Valuation:

1. City contribution increased from 108.38% to 116.83% of covered payroll.

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section III: Key StatisticsHistorical Key Statistics

Class of Participant	Valuation Date				
	10/01/10	10/01/11	10/01/12	10/01/13	10/01/14
Continuing Actives (excluding DROP)	2,471	2,428	2,203	2,082	2,034
Pay Increase %	3.0%	2.5%	0.4%	2.9%	3.0%
<hr/>					
Active					
Number	2,620	2,451	2,213	2,150	2,237
Average Age	39.0	39.3	39.9	40.2	40.0
Average Annual Pay	\$60,323	\$60,862	\$60,523	\$61,082	\$60,276
Average Service	10.5	10.8	11.2	11.5	11.2
<hr/>					
Retired					
Number	1,483	1,529	1,556	1,618	1,710
Average Age	65.2	65.5	65.7	65.5	65.3
Average Annual Benefit	\$49,463	\$51,395	\$53,042	\$54,461	\$55,940
<hr/>					
Disabled					
Number	60	57	57	56	55
Average Age	60.3	61.3	61.4	61.4	61.5
Average Annual Benefit	\$29,926	\$31,003	\$32,403	\$33,958	\$35,600
<hr/>					
Surviving Spouses					
Number	390	390	401	418	431
Average Age	73.0	72.6	72.6	72.8	73.3
Average Annual Benefit	\$24,734	\$26,347	\$28,075	\$29,677	\$31,227
<hr/>					
Children					
Number	20	28	31	31	32
Average Age	12.4	12.8	13.1	13.5	13.5
Average Annual Benefit	\$3,182	\$3,284	\$3,254	\$3,267	\$3,261
<hr/>					
Terminated Vested					
Number	39	38	52	60	62
Average Age	43.3	43.3	44.0	43.8	43.2
Average Annual Benefit	\$15,730	\$14,512	\$18,072	\$19,128	\$18,015
<hr/>					
DROP					
Number	361	439	550	542	511
Average Age	50.7	50.4	50.1	50.3	50.5
Average Annual Benefit	\$49,619	\$48,572	\$49,221	\$50,581	\$51,240

TABLE III-B

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section III: 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 07/01/13 Used for 10/01/13 Reporting	2,150	1,618	60	56	418	31	542
New Entrants	181						
Transfers from General Plan	25						
Transfers to General Plan							
Non-Vested/Refunded Terminations	(18)		(1)				
Vested Terminations	(11)		11				
Retirees	(4)	123	(8)				(111)
Disabilities	(3)			3			
Deaths with no Survivors		(9)		(1)	(13)		
Payments Stopped (Age 18 or Remarried)						(2)	
Deaths with Survivors		(22)		(3)			(3)
New Beneficiaries					28	2	
New DROP Retirees	(83)						83
Data Corrections					(2)	1	
Number on 07/01/14 Used for 10/01/14 Valuation	<u>2,237</u>	<u>1,710</u>	<u>62</u>	<u>55</u>	<u>431</u>	<u>32</u>	<u>511</u>

* Accumulated employee contributions of \$90,397,571

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section III: Key Statistics

Active Age And Service Distribution As Of October 1, 2014

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	32	6	0	1	2	1	0	0	0	0	0	0	0	42
	23.63	24.03	0.00	23.82	24.53	24.88	0.00	0.00	0.00	0.00	0.00	0.00	0.00	23.76
	0.58	1.40	0.00	3.44	4.67	5.37	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.08
	36648	40822.8	0	34584	49075.3	46958.8	0	0	0	0	0	0	0	38033
>=25 <30	65	30	4	4	23	77	0	0	0	0	0	0	0	203
	27.37	27.62	26.41	26.46	27.89	28.67	0.00	0.00	0.00	0.00	0.00	0.00	0.00	27.92
	0.58	1.40	2.40	3.38	4.61	6.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.42
	37959	40792.5	41572	39216	47445.9	53923	0	0	0	0	0	0	0	45604
>=30 <35	39	22	4	1	12	239	77	0	0	0	0	0	0	394
	32.41	32.20	31.90	31.69	32.78	32.34	33.47	0.00	0.00	0.00	0.00	0.00	0.00	32.57
	0.67	1.44	2.24	3.48	4.65	7.20	10.85	0.00	0.00	0.00	0.00	0.00	0.00	6.81
	38428	39685	37082	36344	50336	55161	62803	0	0	0	0	0	0	53756
>=35 <40	12	7	2	0	13	160	211	28	0	0	0	0	0	433
	36.62	37.34	35.30	0.00	36.94	37.29	37.49	38.75	0.00	0.00	0.00	0.00	0.00	37.44
	0.65	1.45	2.41	0.00	4.74	7.48	11.94	16.53	0.00	0.00	0.00	0.00	0.00	9.84
	37983	40302	41939	0	50939	54989	63818	68952	0	0	0	0	0	59303
>=40 <45	8	4	1	0	6	81	217	204	41	0	0	0	0	562
	43.01	43.29	40.49	0.00	42.11	42.27	42.36	42.81	43.44	0.00	0.00	0.00	0.00	42.60
	0.72	1.48	2.50	0.00	4.61	7.61	12.28	17.82	21.11	0.00	0.00	0.00	0.00	13.93
	36812	39493	40078	0	52590	54746	63337	70529	76611	0	0	0	0	64975
>=45 <50	0	1	0	0	5	48	87	180	59	10	0	0	0	390
	0.00	46.03	0.00	0.00	46.62	47.17	47.38	47.19	47.13	47.21	0.00	0.00	0.00	47.21
	0.00	1.19	0.00	0.00	4.74	7.05	12.15	18.07	21.68	26.14	0.00	0.00	0.00	15.93
	0	38894	0	0	44680	54687	61508	70800	80394	83756	0	0	0	68111
>=50 <55	0	0	0	0	2	25	47	72	15	9	0	0	0	170
	0.00	0.00	0.00	0.00	52.02	52.08	51.54	52.06	51.88	52.29	0.00	0.00	0.00	51.91
	0.00	0.00	0.00	0.00	4.53	7.40	12.22	17.80	20.96	26.42	0.00	0.00	0.00	15.31
	0	0	0	0	52677	54370	61024	69302	70454	87304	0	0	0	65676
>=55 <60	0	0	0	0	0	0	10	17	6	2	0	0	0	35
	0.00	0.00	0.00	0.00	0.00	0.00	56.56	57.29	56.40	57.33	0.00	0.00	0.00	56.93
	0.00	0.00	0.00	0.00	0.00	0.00	12.10	17.97	20.90	25.93	0.00	0.00	0.00	17.25
	0	0	0	0	0	0	63431	69660	64183	80610	0	0	0	67567
>=60 <65	0	0	0	0	1	1	0	6	0	0	0	0	0	8
	0.00	0.00	0.00	0.00	60.41	60.59	0.00	61.82	0.00	0.00	0.00	0.00	0.00	61.49
	0.00	0.00	0.00	0.00	4.74	8.36	0.00	19.00	0.00	0.00	0.00	0.00	0.00	15.89
	0	0	0	0	46909	57659	0	68521	0	0	0	0	0	64462
>=65	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0	0	0	0	0	0	0	0	0	0	0	0	0	
ALL	156	70	11	6	64	632	649	507	121	21	0	0	0	2237
	29.37	30.88	31.31	26.89	34.60	36.36	41.28	46.17	46.93	50.35	0.00	0.00	0.00	39.95
	0.62	1.42	2.35	3.40	4.66	7.21	11.98	17.85	21.36	26.24	0.00	0.00	0.00	11.20
	37750	40297	39870	37965	49170	54837	63019	70311	77076	84977	0	0	0	60276

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section IV: Accounting for Pension Costs and Liabilities

GASB Statements 67 and 68

In June 2012, the Governmental Accounting Standards Board (GASB) approved two new statements, Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68, *Accounting and Financial Reporting for Pensions*. These statements replace Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans*, and Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. These new statements require the addition of plan unfunded liabilities to the employer's balance sheet and also change how the System has to calculate its expense for financial disclosures, but does not change how the System has to calculate its liabilities for its contribution requirements.

GASB No. 67 is effective for Jacksonville Police and Fire Pension Fund ("JPFPF") fiscal years beginning October 1, 2013, and GASB No. 68 is effective for Jacksonville fiscal years beginning October 1, 2014.

**Notes to the Financial Statements
for the Year Ended September 30, 2014**

Plan Description

Plan administration. The Board of Trustees administers the JPFPF – a single-employer defined benefit pension plan that provides pensions for all permanent full-time public safety employees of the City. Applicable State laws and statues as well as local ordinances and Charter provisions grant the authority to establish and amend the benefit terms to the City Council and the State Legislature.

Management of the JPFPF is vested in the Board of Trustees, which consists of five members – two appointed by the City Council, and one an active Police Officer elected by active Police members, and one an active Firefighter elected by active Fire members, and, lastly, a fifth selected by the aforementioned four Board members.

Plan membership. At September 30, 2014, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	2,228
Inactive plan members entitled to but not yet receiving benefits	62
DROP members	511
Active plan members	<u>2,237</u>
Total	5,038

Benefits provided. JPFPF provides retirement, disability, and death benefits. Retirement benefits are calculated as 3 percent of the employee's final 2-year average salary times the employee's years of service up to 20 years and 2 percent thereafter (80 percent maximum). Employees with 5 or more years of continuous service are eligible to retire at 20 years from date of employment.

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section IV: Accounting for Pension Costs and Liabilities

Employees are eligible for non-duty related death and disability benefits after 10 years of service and for duty-related death and disability benefits upon hire. Terminated vested employees may withdraw their contributions. Terminated non-vested employees must withdraw their contributions.

Benefits are increased 3 percent annually after retirement.

Contributions. The JPFPF Board establishes contributions based on an actuarially determined rate recommended by an independent actuary. This rate is the estimated costs of benefits earned by employees during the year, with an additional amount to finance the unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate, the contribution rate of employees, Chapter 175/185 funds applied, court fines and miscellaneous revenue. For the year ended September 30, 2014, the contributions paid were City 110.85 percent, employees 7 percent, and Chapter 175/185 4 percent of covered payroll.

Investments

Investment policy. The pension plan'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 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Guidelines</u>
Domestic equity	35.0%	30.0-40.0%
International equity	20.0	15.0-25.0
Fixed income	22.5	17.5-27.5
Real estate	15.0	10.0-20.0
Cash	0.0	0.0-20.0
MLPs/Energy	<u>7.5</u>	<u>2.5- 9.5</u>
Total	100.0%	100.0%

Method used to value investments. Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The real estate portfolio is valued at fair value independent appraisal of every property in the portfolio at least annually. In addition, each month, the money managers calculate an internal appraisal using a combination of discounted cash flow and comparison to similar properties. Investments in local real estate are valued each year on September 30 by an independent appraiser to determine the investment fair value.

Rate of return. For the year ended September 30, 2014, the annual money-weighted rate of return on pension plan investments was 10.73%. This reflects the changing amounts actually invested.

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section IV: Accounting for Pension Costs and Liabilities

Reserve Accounts

An agreement between the Fund and the City established certain reserve accounts consisting of a City Budget Stabilization Account and an Enhanced Benefit Account. The City Budget Stabilization Reserve Account total was \$45,908,495 at September 30, 2014. A portion of Chapter funds has been deposited in the Enhanced Benefit Account. This totaled \$33,183,866 at September 30, 2014, and is used by the Board to pay a retiree holiday bonus and for other future enhancements.

Deferred Retirement Option Program (DROP)

DROP after 20 Years of Service. Maximum period 5 years. 8.4% annual interest credited. The DROP balance as of September 30, 2014 is \$269,054,863.

Actuarial assumptions. The actuarial assumptions used in the October 1, 2014 valuation were based on the results of an actuarial experience study for the period October 1, 2006 – September 30, 2011.

Inflation	2.5 percent
Salary increases	4.0 percent, including inflation
Investment (discount rate)	7.0 percent, including inflation
COLA	3.0 percent, compounded annually

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The expected arithmetic real rate of return was determined for each major asset class. These are combined to produce the 7.0 percent expected rate of 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).

<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
Cash	1.4
MLPs/Energy	5.5

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section IV: Accounting for Pension Costs and Liabilities

Net Pension Liability of the City of Jacksonville as of September 30, 2014

Total pension liability	\$3,012,590,568
Plan fiduciary net position	\$1,389,747,615
City's net pension liability	\$1,622,842,953
 Plan fiduciary net position as a percentage of the total pension liability	 46.13%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City of Jacksonville, calculated using the discount rate of 7.0%, as well as what the City of Jacksonville's net pension liability would be if it were calculated using a discount rate that is 1% lower (6%) or 1% higher (8%) than the current rate:

	1% Decrease <u>(6%)</u>	Current Discount <u>(7%)</u>	1% Increase <u>(8%)</u>
City of Jacksonville's net pension liability	\$2,089,794,491	\$1,622,842,953	\$1,241,335,851

JACKSONVILLE POLICE AND FIRE PENSION FUND

Statement of Changes in Plan Net Assets
as of September 30, 2013 and 2014

	<u>2013</u>	<u>2014</u>
<u>Additions</u>		
Contributions		
Employer	\$121,822,333	\$150,520,270 ¹
Plan Members	<u>10,753,501</u>	<u>11,583,565</u> ²
	132,575,834	162,103,835
Other Additions		
Chapter 175/185	9,667,185	10,110,492
Court fines and penalties	757,984	881,291
Settlement - Jake Godbold Bldg	554,512	0
Grant - Dept of Energy	60,125	12,960
Miscellaneous	<u>632,777</u>	<u>141,856</u>
	11,672,583	11,146,599
Investment income		
Parking and rental revenue	1,705,948	529,056
Investment income & realized gains	76,225,101	172,478,679
Unrealized Gains (Losses)	<u>98,111,802</u>	<u>(18,158,544)</u>
	176,042,851	154,849,191
Less investment expense	6,519,120	7,640,438
Less parking and rental expense	<u>321,292</u>	<u>257,977</u>
Net investment income	169,202,439	146,950,776
Securities Lending		
Revenues		483,340
Expenses		<u>(101,318)</u>
		382,022
Total additions	313,450,856	320,583,232
<u>Deductions</u>		
Pension benefit payments	103,305,804	111,424,048
DROP payments and RLA interest ³	46,949,151	26,386,788
Refund of contributions	336,311	368,347
Lighting change out - DOE Grant	60,125	12,960
Administrative expense	<u>2,505,985</u>	<u>2,224,248</u>
Total deductions	153,157,376	140,416,391
Net increase	160,293,480	180,166,841
Net assets held in trust for pension benefits	<u>\$1,292,930,211</u> ⁴	<u>\$1,473,097,052</u> ⁵

¹ Includes \$2,242,902 for employer pension transfers in FY14.² Includes \$1,218,881 in buybacks, \$296,919 in GEEP transfers and \$773,607 in 2% DROP contributions.³ Includes payments to DROP accounts, 8.4% interest on DROP account balances and on RLA balances.⁴ Includes individual DROP account and RLA balances of \$247,434,509 as of September 30. \$1,292,965,997 shown in 10/1/2013 report was adjusted by (\$35,786).⁵ Includes individual DROP account and RLA balances of \$269,054,863 as of September 30.

JACKSONVILLE POLICE AND FIRE PENSION FUND

Statement of Plan Net Assets
as of September 30, 2013 and 2014

	<u>2013</u>	<u>2014</u>
<u>Assets</u>		
Cash and short-term investments	\$38,863,762	\$17,287,791
Due from City of Jacksonville	3,912,817	4,426,500
Due from other governmental units		
Recoverable taxes	159,372	102,062
Prepaid items	65,579	64,025
Investments, at fair value		
Fixed Income Securities	232,208,882	310,860,878
Equities	881,577,597	987,833,492
Accrued Interest	1,038,798	1,049,040
Dividends receivable	760,534	541,974
Real Estate	139,358,862	154,659,253
Property, Plant and Equipment		
Furniture and equipment	327,817	311,510
Accumulated depreciation	(286,863)	(282,328)
Securities Lending Collateral		125,067,205
Other receivables	<u>97,374</u>	<u>107,876</u>
Total assets	1,298,084,531	1,602,029,278
<u>Liabilities</u>		
Vouchers payable	13	0
Accounts payable	1,597,932	1,967,458
Accrued wages payable	1,193,222	1,514,432
Due to City of Jacksonville	2,182,425	0
Current portion long term liabilities	12,165	135,259
Other long term liabilities	98,667	31,869
OPEB GASB #45	34,110	42,189
Securities Lending Obligations	0	125,067,205
Other liabilities	<u>0</u>	<u>173,814</u>
Total liabilities	5,118,534	128,932,226
Net assets held in trust for pension benefits	<u>\$1,292,930,211</u> *	<u>\$1,473,097,052</u>

*adjusted (\$35,786) since last report

JACKSONVILLE POLICE AND FIRE PENSION FUND

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years

	2014	2013	2012	2011	2010
Total pension liability					
Service Cost (BOY)	\$47,915,012	\$46,109,290	\$47,569,761		
Interest on total pension liability	\$203,577,435	\$195,519,742	\$190,343,631		
Changes of benefit terms	\$0	\$0	\$0		\$0 NOT AVAILABLE
Experience deviations including buybacks	\$22,671,112	(\$4,675,994)	(\$12,512,641)		
Changes of assumptions	\$0	\$5,332,605	\$227,333,255		
Benefit payments, including refunds of member contributions	(\$138,179,183)	(\$128,655,957)	(\$116,955,126)		
Net change in total pension liability	\$135,984,376	\$113,629,686	\$335,778,880		
Total pension liability -- beginning	\$2,876,606,192	\$2,762,976,506	\$2,427,197,626		
Total pension liability -- ending(a)	\$3,012,590,568	\$2,876,606,192	\$2,762,976,506		
Plan fiduciary net position					
Contributions--employer	\$148,277,368	\$121,822,333	\$69,828,557		
Contributions--member	\$10,067,765	\$9,682,998	\$11,204,317		
Buybacks and transfers--employer	\$2,242,902	\$0	\$2,814,296		
Buybacks and transfers--member	\$1,515,800	\$1,070,503	\$406,553		
Net investment income	\$146,950,776	\$169,202,439	\$181,653,432		
Securities Lending	\$382,022				
Benefit payments, including refunds of member contributions	(\$138,179,183)	(\$128,655,957)	(\$116,955,126)		
Administrative expense	(\$2,224,248)	(\$2,505,985)	(\$2,351,598)		
Chapter 175/185	\$10,110,493	\$9,667,185	\$9,275,728		
Court Fines	\$881,291	\$757,984	\$770,125		
Other	\$141,855	\$1,187,289	\$55,383		
Net change in plan fiduciary net position	\$180,166,841	\$182,228,789	\$156,701,667		
Plan fiduciary net position -- beginning	\$1,292,930,211	\$1,110,737,208	\$954,035,541		
Plan fiduciary net position -- ending	\$1,473,097,052	\$1,292,965,997	\$1,110,737,208		
less Reserve Accounts and Sr. Staff Assets	(\$83,349,437)	(\$64,834,813)	(\$31,830,621)		
Total Plan fiduciary net position -- ending(b)	\$1,389,747,615	\$1,228,131,184	\$1,078,906,587		
City's net pension liability--ending(a)-(b)	\$1,622,842,953	\$1,648,475,008	\$1,684,069,919		
Plan fiduciary net position as a percentage of the total pension liability	46.13%	42.69%	39.05%		
Covered-employee payroll	\$134,521,216	\$130,972,174	\$133,611,459		
City's net pension liability as a percentage of covered-employee payroll	1206.38%	1258.65%	1260.42%		

JACKSONVILLE POLICE AND FIRE PENSION FUND
SCHEDULE OF CITY CONTRIBUTIONS
 Last 10 Fiscal Years

FYE	Actuarially required City contribution	Contribution in relation to the actuarially determined contribution	Contribution deficiency (excess) *	Covered employee payroll	Contribution as a percentage of covered employee payroll
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%
2010	\$ 77,182,058	\$ 82,196,878	\$ (5,014,820)	\$ 158,046,680	52.01%
2009	\$ 50,564,207	\$ 50,234,759	\$ 329,448	\$ 155,557,729	32.29%
2008	\$ 48,806,879	\$ 48,364,103	\$ 442,776	\$ 148,276,743	32.62%
2007	\$ 39,849,713	\$ 44,207,970	\$ (4,358,257)	\$ 143,006,154	30.91%
2006	\$ 38,230,061	\$ 36,124,465	\$ 2,105,596	\$ 134,694,392	26.82%
2005	\$ 35,929,120	\$ 27,175,819	\$ 8,753,301	\$ 130,392,284	20.84%

* Contribution deficiency (excess) is assigned to the City Budget Stabilization Account

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods used to determine contributions rates:

- Actuarial cost method: Individual entry age
- Amortization method: Constant percentage of payroll increasing 3.25% annually; Closed
- Remaining amortization period: 21 years
- Asset valuation method: Market Value
- Inflation: 2.5%
- Salary increases: 4.0%, including inflation
- Investment rate of return: 7.0%, including inflation
- Cost of living adjustments: 3.0%, compounded annually
- Mortality Table in use: RP-2000, Combined Healthy Mortality Table, separate by sex, Projection Scale AA to valuation
- Age differences for spouses: Females are assumed to be 3 years younger than males
- Percent married: Assume 75% of active employees are married, use tax reported status for inactive

JACKSONVILLE POLICE AND FIRE PENSION FUND
SCHEDULE OF INVESTMENT RETURNS
Annual money-weighted rate of return, net of investment expense

<u>FYE</u>	<u>%</u>
2014	10.73%
2013	14.29%
2012	18.25%
2011	0.64%
2010	8.45%
2009	1.70%
2008	-13.07%
2007	15.05%
2006	8.18%
2005	10.77%

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 IV-B.

C. Liabilities

	<u>As of</u> <u>10/01/2013</u>	<u>As of</u> <u>10/01/2014</u>
Present Value of Future Benefits for:		
Retirement Benefits	\$1,110,033,423	\$1,124,661,272
Death Benefits	\$10,248,273	\$10,217,144
Disability Benefits	\$20,434,149	\$20,765,600
Withdrawal Benefits	\$5,527,772	\$15,053,979
Return of Contributions	<u>\$417,627</u>	<u>\$444,967</u>
 Total Active	 \$1,146,661,244	 \$1,171,142,962
Terminated Vested Retirees and Beneficiaries	\$17,063,961	\$15,998,385
Disabled	\$1,326,004,277	\$1,448,819,684
DROPs	\$24,923,576	\$25,657,666
	<u>\$771,008,567</u>	<u>\$766,443,503</u>
 Total Inactive	 \$2,139,000,381	 \$2,256,919,238
 Total Present Value of Future Benefits	 \$3,285,661,625	 \$3,428,062,200

D. Actuarial Present Value of Accumulated Plan Benefits

	<u>As of</u> <u>10/01/2013</u>	<u>As of</u> <u>10/01/2014</u>
Active		
Vested	\$548,164,158	\$572,265,943
Nonvested	\$14,451,944	\$14,111,489
Inactive	<u>\$2,139,000,381</u>	<u>\$2,256,919,238</u>
Total	\$2,701,616,483	\$2,843,296,670

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, 2013.	\$2,701,616,483
2. Less benefit payments and refunds for the period 10/1/2013-9/30/2014	\$138,179,183
3. Increase due to 7.0% yield assumption.	\$184,358,679
4. Plus additional benefit accruals for the period 10/1/2013-9/30/2014, including experience deviations	\$95,500,691
5. Actuarial Present Value of Accumulated Plan Benefits as of October 1, 2014.	\$2,843,296,670

E. Entry Age Normal Actuarial Accrued Liability

	<u>As of</u> <u>10/01/2013</u>	<u>As of</u> <u>10/01/2014</u>
Actives		
Retirement Benefits	\$726,902,187	\$741,353,482
Death Benefits	\$3,213,341	\$3,174,099
Disability Benefits	\$8,488,053	\$8,655,379
Withdrawal Benefits	-\$490,289	\$3,011,239
Return of Contributions	<u>-\$507,481</u>	<u>-\$522,869</u>
Total Actives	\$737,605,811	\$755,671,330
Total Inactives	\$2,139,000,381	\$2,256,919,238
Total Entry Age Normal Actuarial Accrued Liability	\$2,876,606,192	\$3,012,590,568

JACKSONVILLE POLICE AND FIRE PENSION FUND

Section V: State of Florida Information

F. Entry Age Normal Cost

	<u>As of</u> <u>10/01/2013</u>	<u>As of</u> <u>10/01/2014</u>
Actives Only		
Retirement Benefits	\$44,971,412	\$43,926,766
Death Benefits	\$790,760	\$803,023
Disability Benefits	\$1,339,575	\$1,378,427
Withdrawal Benefits	\$707,160	\$1,395,456
Return of Contributions	<u>\$106,105</u>	<u>\$111,410</u>
Total	\$47,915,012	\$47,615,082

G. Pension Cost

	<u>As of</u> <u>10/01/2013</u>	<u>As of</u> <u>10/01/2014</u>
Normal Actuarial Cost	\$56,940,117	\$57,479,768
Minimum Payment to Amortize UAAL	\$109,785,718	\$111,578,279
Expected Contributions From Active Employees		
Dollar Amount	\$9,168,052	\$9,416,485
% of Covered Payroll	7.00%	7.00%
Expected Contributions From City		
Dollar Amount	\$153,014,791	\$155,116,414
% of Covered Payroll	116.83%	115.31%
Expected DROP Contributions		
Dollar Amount	\$798,930	\$780,223
% of Covered Payroll	0.61%	0.61%
Expected Contributions From Other Sources*		
Dollar Amount	\$5,998,526	\$6,026,551
% of Covered Payroll	4.58%	4.48%

*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

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H. Past Contributions

Expected contributions for Plan Year ending September 30, 2014. See G. above.
Actual contributions for Plan Year ending September 30, 2013 - See Table IV-A.

I. Net Actuarial Gain (Loss)

For period ended 09/30/2014 – \$23,554,586

J. Present Value of

	<u>As of</u> <u>10/01/2013</u>	<u>As of</u> <u>10/01/2014</u>
Future Salaries	\$1,157,089,500	\$1,176,660,400
Future City Contributions	\$1,916,545,819	\$1,894,406,513
Future Active Employee Contributions	\$80,996,265	\$82,366,228
Future DROP Contributions	\$7,008,284	\$6,766,760
Future Contributions from Other Sources	\$52,980,073	\$54,775,085

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

<u>Year Ended</u>	<u>Actual</u>	<u>Assumed</u>
09/30/14	3.0%	4.0%
09/30/13	2.9%	4.0%
09/30/12	0.4%	5.5%

(ii) Three-Year Comparison of Net Investment Returns

<u>Year Ended</u>	<u>Market Value</u>	<u>Actuarial Value</u>	<u>Assumed</u>
09/30/14	10.73%	NA	7.00%
09/30/13	14.29%	NA	7.00%
09/30/12	18.25%	4.34%	7.75%

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

<u>Valuation Date</u>	<u>Covered Valuation Payroll</u>
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
10/01/2012	\$133,611,459
10/01/2013	\$130,972,174
10/01/2014	\$134,521,216
Total % Increase	13.51%
Annual % Increase (10 year average)	1.28%

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.